

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the H Share Offer, the Delisting and the Merger, this Composite Document or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

中國航空技術國際控股有限公司

AVIC International Holding Corporation

*(a limited liability company incorporated
in the People's Republic of China)*



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 company incorporated in
the People's Republic of China with limited liability)*
(Stock Code: 00161)

COMPOSITE DOCUMENT

**(1) VOLUNTARY CONDITIONAL OFFER BY
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG
SECURITIES LIMITED ON BEHALF OF AVIC INTERNATIONAL
TO ACQUIRE ALL OF THE ISSUED H SHARES IN THE COMPANY;**

**(2) PROPOSED VOLUNTARY WITHDRAWAL OF
LISTING OF THE H SHARES OF THE COMPANY;**

**(3) PROPOSED MERGER BY ABSORPTION OF
THE COMPANY BY AVIC INTERNATIONAL;**

**(4) NOTICE OF THE EXTRAORDINARY GENERAL MEETING;
AND**

(5) NOTICE OF THE H SHARE CLASS MEETING

EXCLUSIVE FINANCIAL ADVISER TO AVIC INTERNATIONAL



INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE



SOMERLEY CAPITAL LIMITED

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

This Composite Document is jointly issued by the Company and AVIC International to the H Shareholders. A letter from the Exclusive Financial Adviser containing, among other things, the terms of the H Share Offer and the Merger Agreement is set out on pages 12 to 26 of this Composite Document. A letter from the Board is set out on pages 27 to 41 of this Composite Document. Further terms of the H Share Offer are set out on pages I-1 to I-11 of this Composite Document. A letter from the Independent Board Committee containing its recommendations to

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the Independent H Shareholders in relation to the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder is set out on pages 42 to 43 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in relation to the H Share Offer, the Delisting and the Merger Agreement and the Merger contemplated thereunder is set out on pages 44 to 98 of this Composite Document.

The procedures for acceptance and settlement of the H Share Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the H Share Offer should be received by the Registrar, Hong Kong Registrars Limited at Shops 1712 - 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Friday, 6 March 2020, being the First Closing Date, or such later date and time as AVIC International may decide and announce and the Executive may approve.

The Extraordinary General Meeting convened to approve the Merger Agreement and the Merger contemplated thereunder will be held at 9:00 a.m. on Friday, 14 February 2020 and the H Share Class Meeting convened to approve the voluntary withdrawal of the listing of the H Shares from the Stock Exchange, the Merger Agreement and the Merger contemplated thereunder will be held at 9:30 a.m. (or immediately after the conclusion or adjournment of the Extraordinary General Meeting) on Friday, 14 February 2020.

The notice, proxy form and attendance confirmation slip of each of the Extraordinary General Meeting and the H Share Class Meeting have been despatched to Shareholders on Monday, 30 December 2019. For Shareholders' ease of reference, the notice of the Extraordinary General Meeting is set out in Appendix VII to this Composite Document and the notice of the H Share Class Meeting is set out in Appendix VIII to this Composite Document, the content of which is the same as the notices that have been despatched to Shareholders on Monday, 30 December 2019.

Whether or not you are able to attend the Extraordinary General Meeting and/or the H Share Class Meeting or any adjournment respectively thereof in person, you are requested to complete and return the proxy forms which have been despatched to you on Monday, 30 December 2019 in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude you from attending and voting in person at the Extraordinary General Meeting and/or the H Share Class Meeting or any adjournment respectively thereof, should you so wish. In the event that you attend and vote at any of the Extraordinary General Meeting and/or the H Share Class Meeting or any adjournment respectively thereof after having deposited the relevant proxy form, that proxy form will be deemed to have been revoked. You are reminded to complete and sign the attendance confirmation slips (if you are entitled to attend the Extraordinary General Meeting and/or the H Share Class Meeting) and return the signed attendance confirmation slips in accordance with the instructions printed thereon. Failure to return the attendance confirmation slip(s) will not affect a Shareholder's right to attend the Extraordinary General Meeting and/or the H Share Class Meeting (as applicable).

This Composite Document, the accompanying Form(s) of Acceptance and any related documents are only being distributed in the United Kingdom to persons who (i) have professional experience in matters relating to investments or (ii) to whom this Composite Document may otherwise be lawfully distributed under the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (all such persons together being referred to as "relevant persons"). This Composite Document, the accompanying Form(s) of Acceptance and any related documents are directed only in the United Kingdom at relevant persons and must not be acted on or relied on by persons in the United Kingdom who are not relevant persons. Any investment or investment activity to which this Composite Document relates is available only in the United Kingdom to relevant persons and will be engaged in only with persons in the United Kingdom who are relevant persons. Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside of Hong Kong should read the section headed "8. Overseas H Shareholders" in Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas H Shareholder wishing to accept the H Share Offer to satisfy himself, herself or itself as to full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas H Shareholders are advised to seek professional advice on deciding whether or not to accept the H Share Offer. Based on the Registers as at the Latest Practicable Date, there was one Overseas H Shareholder with his registered address in the United Kingdom. This Composite Document, the accompanying Form(s) of Acceptance and any related documents will be despatched to all registered H Shareholders of the Company, including the aforementioned Overseas H Shareholder.

This Composite Document will remain on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.avic161.com) as long as the H Share Offer remains open.

8 January 2020

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to changes. Any changes to the timetable will be jointly announced by the Company and AVIC International by way of announcement(s) as soon as possible. Unless otherwise expressly stated, all references to dates and times contained in this Composite Document refer to Hong Kong dates and times.

Despatch date of the notices, proxy forms and attendance confirmation slips for the Extraordinary General Meeting and the H Share Class Meeting Monday, 30 December 2019

Despatch date of this Composite Document and commencement of the H Share Offer (*Note 1*) Wednesday, 8 January 2020

Latest time for lodging transfers of the H Shares in order to be entitled to attend and vote at the Extraordinary General Meeting and/or the H Share Class Meeting 4:30 p.m. on Tuesday, 14 January 2020

Closure of the Registers for the determination of entitlements of the Shareholders to attend and vote at the Extraordinary General Meeting and/or the H Share Class Meeting Wednesday, 15 January 2020 to Friday, 14 February 2020 (both dates inclusive)

Last day for return of attendance confirmation slip for the Extraordinary General Meeting and/or the H Share Class Meeting (*Note 2*) Friday, 24 January 2020

Latest time for lodging proxy form(s) in respect of the Extraordinary General Meeting (*Note 2*) 9:00 a.m. on Thursday, 13 February 2020

Latest time for lodging proxy form(s) in respect of the H Share Class Meeting (*Note 2*) 9:30 a.m. on Thursday, 13 February 2020

Extraordinary General Meeting 9:00 a.m. on Friday, 14 February 2020

H Share Class Meeting 9:30 a.m. on Friday, 14 February 2020
or immediately after the conclusion or adjournment of the Extraordinary General Meeting

Announcement of the results of the Extraordinary General Meeting and the H Share Class Meeting Friday, 14 February 2020

Re-opening of the Registers Monday, 17 February 2020

EXPECTED TIMETABLE

Latest time for acceptance of the H Share Offer on the First Closing Date (<i>Note 3</i>)	4:00 p.m. on Friday, 6 March 2020
First Closing Date (<i>Note 4</i>)	Friday, 6 March 2020
Announcement of the results of the H Share Offer on the First Closing Date (<i>Note 5</i>)	by 7:00 p.m. on Friday, 6 March 2020
Latest time for the H Share Offer to become or be declared unconditional as to acceptances (if not already unconditional) (<i>Note 6</i>)	7:00 p.m. on Friday, 6 March 2020
Each of the Company and AVIC International notifies their respective creditors by way of notifications and announcements of the Merger, assuming the Merger is approved	Monday, 9 March 2020
Last day of trading in the H Shares on the Stock Exchange, assuming the Delisting is approved	Wednesday, 11 March 2020
Latest date for posting of remittances for the amounts due under the H Share Offer in respect of valid acceptances received at or before the latest time for acceptance of the H Share Offer on Friday, 6 March 2020, being the First Closing Date (assuming the H Share Offer becomes or is declared unconditional in all respects on the First Closing Date) (<i>Note 7</i>)	Tuesday, 17 March 2020
Latest time and date for the H Share Offer remaining open for acceptance (assuming the H Share Offer becomes or is declared unconditional in all respects on Friday, 6 March 2020, being the First Closing Date) and closing of the H Share Offer (<i>Note 8</i>)	4:00 p.m. on Friday, 3 April 2020
Final Closing Date	Friday, 3 April 2020
Announcement of the results of the H Share Offer as at the Final Closing Date	by 7:00 p.m. on Friday, 3 April 2020
Latest date for posting of remittances for the amounts due under the H Share Offer in respect of valid acceptances received at or before the latest time for acceptance of the H Share Offer on Friday, 3 April 2020 (being the latest date which the H Share Offer remains open for acceptance assuming the H Share Offer becomes or is declared unconditional in all respects on the First Closing Date) (<i>Note 7</i>)	Thursday, 16 April 2020

EXPECTED TIMETABLE

Latest time for lodging transfers of the H Shares
in order to qualify for the Merger Price (*Note 10*) 4:30 p.m. on
Thursday, 16 April 2020

Closure of Registers for the determination of entitlements
of the H Shareholders to receive the Merger Price from Friday, 17 April 2020
onwards

Voluntary withdrawal of the listing of the
H Shares from the Stock Exchange (*Note 9*) 9:00 a.m. on Friday, 17 April 2020

End of the period during which creditors may
request the Company and AVIC International to
pay off their respective indebtedness Thursday, 23 April 2020

Expected date for all Merger Conditions
to be fulfilled (or waived, as applicable) and
the Merger Effective Date (*Note 10*) on or before Tuesday, 1 September 2020

Latest date for posting of remittances for the
amounts due under the Merger Agreement
to the existing H Shareholders as at the
Merger Effective Date within seven Business Days of the Merger Effective Date

Notes:

1. The H Share Offer is made on Wednesday, 8 January 2020, being the date of posting of this Composite Document, and is capable of acceptance from and on that date.
2. Attendance confirmation slip(s) should be duly completed and returned to the legal address of the Company at 39/F, AVIC Center Building, No.1018 Huafu Road, Futian District, Shenzhen, PRC (for holders of Domestic Shares) or the Registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) on or before Friday, 24 January 2020 in accordance with the instructions printed thereon. Failure to return the attendance confirmation slip(s) will not affect a Shareholder's right to attend the Extraordinary General Meeting and/or the H Share Class Meeting (as applicable). Proxy form(s) should be duly completed and returned to the legal address of the Company at 39/F, AVIC Center Building, No.1018 Huafu Road, Futian District, Shenzhen, PRC (for holders of Domestic Shares) or the Registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) as soon as possible and in any event not less than twenty-four (24) hours before the time appointed for the Extraordinary General Meeting and/or the H Share Class Meeting, or any adjournment respectively thereof, and return of the proxy form(s) will not preclude a Shareholder from attending and voting in person at the Extraordinary General Meeting, or the H Share Class Meeting, or any adjournment respectively thereof, should they so wish. In the event that a Shareholder attends and votes at the Extraordinary General Meeting and/or the H Share Class Meeting (as applicable) after having deposited the relevant proxy form, that proxy form will be deemed to have been revoked.

EXPECTED TIMETABLE

3. In order to accept the H Share Offer, the H Shareholders are required to submit the duly completed Form of Acceptance to the Registrar on or before 4:00 p.m. on Friday, 6 March 2020, being the First Closing Date, unless AVIC International extends the H Share Offer in accordance with the Takeovers Code with the consent of the Executive. In compliance with the note to Rule 2.2 and Rule 15.3 of the Takeovers Code, where a conditional offer becomes or is declared unconditional in all respects, it should remain open for acceptance for not less than 28 days thereafter. Beneficial owners of H Shares who hold their H Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Please refer to Appendix I to this Composite Document for additional information on how to accept the H Share Offer.
4. AVIC International reserves the right to extend the H Share Offer. If AVIC International decides to extend the H Share Offer, an announcement will be made specifying the next closing date or stating that the H Share Offer will remain open until further notice, in which case at least 14 days' notice in writing will be given to those H Shareholders who have not yet accepted the H Share Offer before the First Closing Date. Pursuant to Rule 17 of the Takeovers Code, an acceptor of the H Share Offer shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date if the H Share Offer has not by then become unconditional as to acceptances.
5. The announcement of the results of the H Share Offer will be jointly issued by AVIC International and the Company and posted on the Stock Exchange's website by 7:00 p.m. on the First Closing Date and the Final Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 of the Takeovers Code and will include, among other things, the results of the H Share Offer.
6. AVIC International may further apply to extend the First Closing Date beyond Friday, 6 March 2020 pursuant to Rule 15.5 of the Takeovers Code. The Executive may or may not grant such consent.
7. Remittances in respect of the H Shares tendered for acceptance and taken up by AVIC International under the H Share Offer (after, if applicable, deducting the seller's ad valorem stamp duty arising therefrom and, if applicable, the fees payable to the Registrar in respect of lost or unavailable H Share certificates) will be posted to the H Shareholders by ordinary post at their own risk as soon as possible, but in any event within seven Business Days (as defined in the Takeovers Code) following the later of (i) the Unconditional Date and (ii) the date of receipt of a duly completed Form of Acceptance by the Registrar in respect of the H Share Offer.
8. In compliance with the note to Rule 2.2 and Rule 15.3 of the Takeovers Code, where the H Share Offer becomes or is declared unconditional in all respects, it should remain open for acceptance for not less than 28 days thereafter. At least 14 days' notice in writing must be given before the H Share Offer is closed to the Independent H Shareholders who have not accepted the H Share Offer if the announcement to extend the H Share Offer does not state the next closing date. AVIC International reserves the right to extend the H Share Offer beyond this 28-day period.
9. It is expected that the voluntary withdrawal of listing of the H Shares from the Stock Exchange would happen at 9:00 a.m. on Friday, 17 April 2020, subject to the satisfaction of any conditions for the Delisting from the Stock Exchange, and receipt of any regulatory approvals required for such Delisting.
10. H Shareholders whose names appear on the Registers on the Merger Effective Date shall be entitled to receive the Merger Price under the Merger Agreement. In order to be qualified for receiving the Merger Price under the Merger Agreement, all registration of transfer of the H Shares shall be recorded on the Registers not later than 4:30 p.m. on Thursday, 16 April 2020.

IMPORTANT NOTICES

NOTICE TO H SHAREHOLDERS IN THE UNITED STATES (IF ANY)

The H Share Offer is subject to Hong Kong disclosure and procedural requirements, including with respect to offer timetable, settlement procedures, timing of payments and withdrawal rights, which are different from those applicable to tender offers carried out in the United States. Persons in the United States are urged, before accepting the H Share Offer, to consult their own professional advisers regarding the tax consequences of acceptance of the H Share Offer, whether in relation to United States federal income tax or taxes under applicable state and local tax laws, or foreign tax laws.

The financial information of the Company contained in this Composite Document has been prepared in accordance with the IFRS, which may not be wholly comparable to financial information of United States companies or companies whose financial statements are solely prepared in accordance with generally accepted accounting principles in the United States.

The Company is incorporated under the laws of the PRC. It may be difficult for the H Shareholders in the United States (if any) to enforce their rights and claims arising out of United States federal securities laws, since the Company is located in a country other than the United States, some or all of its officers and directors may be residents of a country other than the United States and the assets of the Company may be located outside the United States. The H Shareholders in the United States (if any) may not be able to sue a non-United States company or its officers or directors in a non-United States court for violations of United States securities laws. It may be difficult for such H Shareholders to effect service of process within the United States upon the Company or its officers or directors or to enforce against them any judgment of a United States court predicated upon the federal or state securities laws of the United States. In particular, the H Shareholders in the United States (if any) should note that AVIC International reserves the right or through affiliates or nominees or its brokers acting as agents from time to time making purchases of, or arrangements to purchase H Shares outside of the United States whether in open market or by private transaction during the odder period of the H Share Offer other than pursuant to the H Share Offer to the extent permitted by and in accordance with the requirements of the Takeovers Code. Information about such purchases will be reported to the SFC in accordance with the requirements of the Takeovers Code and will be available on the website of the SFC at www.sfc.hk.

NOTICE TO OVERSEAS H SHAREHOLDERS

As the making of the H Share Offer to Overseas H Shareholders may be affected by the laws of the relevant jurisdictions, Overseas H Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas H Shareholder who wishes to accept the H Share Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with any other necessary formalities or legal requirements.

IMPORTANT NOTICES

Any such Overseas H Shareholder will be responsible for any such issue, transfer or other taxes by whomsoever payable and AVIC International, the Company, CICC and any person acting on their behalf shall be entitled to be fully indemnified and held harmless by such Overseas H Shareholder for any such issue, transfer or other taxes as such person may be required to pay.

Pursuant to Rule 8.1 of the Takeovers Code, information about the H Share Offer must be made equally available to all Shareholders as nearly as possible at the same time and in the same manner. The H Share Offer will be made to all the H Shareholders, including the Overseas H Shareholder(s).

This Composite Document, the accompanying Form(s) of Acceptance and any related documents are only being distributed in the United Kingdom to persons who (i) have professional experience in matters relating to investments or (ii) to whom this Composite Document may otherwise be lawfully distributed under the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (all such persons together being referred to as “relevant persons”). This Composite Document, the accompanying Form(s) of Acceptance and any related documents are directed only in the United Kingdom at relevant persons and must not be acted on or relied on by persons in the United Kingdom who are not relevant persons. Any investment or investment activity to which this Composite Document relates is available only in the United Kingdom to relevant persons and will be engaged in only with persons in the United Kingdom who are relevant persons.

The Shareholders, including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the Form(s) of Acceptance to any jurisdiction outside of Hong Kong, should read the details in this regard which are contained in Appendix I to this Composite Document before taking any action.

Overseas H Shareholders are advised to seek professional advice on deciding whether or not to accept the H Share Offer.

DEFINITIONS

In this Composite Document, the following expressions have the meanings set out below, unless the context requires otherwise:

“A-Share Listed Subsidiaries”	Fiyta Holdings Limited (飛亞達(集團)股份有限公司), Tianma Microelectronics Co., Ltd. (天馬微電子股份有限公司), Shennan Circuits Co., Ltd. (深南電路股份有限公司) and Rainbow Department Store Co., Ltd. (天虹商場股份有限公司), each being a listed subsidiary of the Company and/or AVIC Shenzhen in the PRC
“acting in concert”	has the meaning given to it in the Takeovers Code, and “parties acting in concert” shall be construed accordingly
“Announcement”	the announcement dated 2 October 2019 jointly issued by the Company and AVIC International in relation to, among others, the H Share Offer, the Delisting, the Merge Agreement and the Merger contemplated thereunder
“Articles”	the articles of association of the Company for the time being
“associates”	has the meaning given to it in the Takeovers Code
“Aviation Industry Corporation”	Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司), a wholly state-owned company and the controlling Shareholder of AVIC International
“AVIC International”	AVIC International Holding Corporation (中國航空技術國際控股有限公司), a limited liability company incorporated in the PRC and the controlling Shareholder of the Company
“AVIC International Board”	the board of directors of AVIC International
“AVIC Shenzhen”	AVIC International Shenzhen Company Limited (中國航空技術深圳有限公司), a wholly-owned subsidiary of AVIC International and the controlling Shareholder of the Company
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“Company”	AVIC International Holdings Limited (中航國際控股股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“Company’s Board”	the board of directors of the Company
“Composite Document”	this composite document jointly issued by AVIC International and the Company to the H Shareholders in accordance with the Takeovers Code and the Listing Rules
“concert parties”	in respect of a person, persons acting in concert with such a person
“Conditions”	the conditions of the H Share Offer, as set out under the sub-section headed “THE H SHARE OFFER — 6. Conditions of the H Share Offer” in the “Letter from CICC” of this Composite Document and “Condition” means any of them
“CSRC”	China Securities Regulatory Commission
“Delisting”	the voluntary withdrawal of the listing of the H Shares on the Stock Exchange
“Disclosure Period”	the period beginning six months prior to the date of the Announcement and ending with the Latest Practicable Date, both dates inclusive
“Dissenting H Shareholder(s)”	any H Shareholder, who has opposed the Merger Agreement and the Merger as contemplated thereunder and requested the Company and/or other H Shareholders who have voted for the Merger Agreement and the Merger as contemplated thereunder to purchase his/her/its H Shares pursuant to Article 188 of the Articles
“Domestic Share(s)”	ordinary unlisted domestic share(s) with a nominal value of RMB1.00 each in the issued share capital of the Company

DEFINITIONS

“Exclusive Financial Adviser” or “CICC”	China International Capital Corporation Hong Kong Securities Limited, the exclusive financial adviser to AVIC International. CICC is a licensed corporation under the Securities and Futures Ordinance, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Extraordinary General Meeting”	the extraordinary general meeting of the Shareholders proposed to be convened and held in respect of the approval of the Merger Agreement and the Merger as contemplated thereunder
“Final Closing Date”	Friday, 3 April 2020, which has assumed that the H Share Offer becomes unconditional in all respects on the First Closing Date and the H Share Offer will be open for acceptance for 28 days after the First Closing Date
“First Closing Date”	Friday, 6 March 2020, the first closing date of the H Share Offer as set out in the section headed “Expected Timetable” in this Composite Document, or any subsequent closing date as may be announced by AVIC International and in compliance with the Takeovers Code
“Form(s) of Acceptance”	the form(s) of acceptance and transfer in respect of the H Share Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“H Share(s)”	ordinary Share(s) with a nominal value of RMB1.00 each in the issued share capital of the Company which are listed on the Main Board of the Stock Exchange
“H Share Class Meeting”	the class meeting of the H Shareholders to be convened, and any adjournment thereof for the purpose of approving the Delisting, the Merger Agreement and the Merger contemplated thereunder
“H Share Offer”	the voluntary conditional offer to be made by the Exclusive Financial Adviser on behalf of AVIC International to acquire all of the issued H Shares
“H Share Offer Price”	the cash offer price of the H Share Offer, being HK\$9.00 per H Share
“H Shareholder(s)”	registered holder(s) of H Shares, and, after Delisting, the registered holder(s) of the then H Shares after the Delisting (as the case may be)
“IFRS”	International Financial Reporting Standards
“Independent Board Committee”	the independent committee of the board of the Company comprising all of the independent non-executive directors of the Company, being Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Wei Wei, which is formed to advise Independent H Shareholders in relation to the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, the independent financial adviser to the Independent Board Committee retained by the Company to advise the Independent Board Committee in connection with the H Share Offer pursuant to Rule 2.1 of the Takeovers Code, the Delisting, the Merger Agreement and the Merger contemplated thereunder, which is a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent H Shareholders”	all H Shareholders other than AVIC International and parties acting in concert with it

DEFINITIONS

“Independent Property Valuer” or “JLL”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the Independent Property Valuer retained by the Company
“Last Trading Date”	27 September 2019, being the last full trading day in the H Shares immediately before the trading in the H Shares was halted pending publication of the Announcement
“Latest Practicable Date”	3 January 2020, being the latest practicable date prior to the issue of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Merger”	the proposed merger by absorption of the Company and AVIC Shenzhen by AVIC International pursuant to the PRC Company Law and other applicable PRC Laws as contemplated under the Merger Agreement
“Merger Agreement”	the agreement entered into among AVIC International, the Company and AVIC Shenzhen on 2 October 2019 in relation to the Merger
“Merger Conditions”	the conditions in the Merger Agreement as set out in the sub-section headed “MERGER BY ABSORPTION OF THE COMPANY BY AVIC INTERNATIONAL — 5. Merger Conditions” in the “Letter from CICC” of this Composite Document, subject to which the Merger will become effective
“Merger Effective Date”	the date on which all the Merger Conditions are fulfilled or waived (if applicable)
“Merger Price”	the Merger Price of HK\$9.00 per H Share (which is equivalent to the H Share Offer Price) payable in cash by AVIC International to the then existing H Shareholders as at the Merger Effective Date
“NDRC”	National Development and Reform Commission of the PRC

DEFINITIONS

“Offer Period”	has the meaning ascribed thereto in the Takeovers Code and beginning on 2 October 2019, being the date of the Announcement, until 4:00 p.m. on the First Closing Date, or such other time and/or date to which AVIC International may decide to extend the H Share Offer in accordance with the Takeovers Code with the consent of the Executive
“Overseas H Shareholder(s)”	Shareholder(s) whose registered addresses as shown on the Registers as at the Latest Practicable Date are outside Hong Kong
“PRC”	the People’s Republic of China, excluding for the purposes of this Composite Document, Hong Kong, Macau and Taiwan
“PRC Company Law”	the Company Law of the PRC as amended, supplemented or otherwise modified from time to time
“PRC Laws”	any and all laws, regulations, statutes, rules, decrees, notices, and supreme court’s judicial interpretations as may be in force and publicly available in the PRC from time to time
“PSCS”	perpetual subordinated convertible securities of the Company
“Registers”	the register of members of the Company
“Registrar”	Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the H Share registrar and transfer office of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Share(s)”	Domestic Share(s), H Share(s) and such H Share(s) after the Delisting becomes effective (as the case may be) in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Merger published by the SFC
“Tian Ma”	Tian Ma Microelectronics Company Limited (天馬微電子股份有限公司), a non-wholly owned subsidiary of the Company, the A Shares of which are listed on the Shenzhen Stock Exchange (A Shares stock code: 000050)
“Unconditional Date”	the date on which the H Share Offer becomes or is declared unconditional in all respects
“%”	per cent

QUESTIONS AND ANSWERS

The following are some of the questions you, as an H Shareholder, may have and the answers to those questions. This Composite Document contains important information and you are encouraged to read this Composite Document in full, including the Appendices, carefully.

1. What is the purpose of this Composite Document?

The purpose of this Composite Document is to provide you with, among others:

- (a) information regarding the H Share Offer, the Delisting and the Merger;
- (b) recommendations of the Independent Board Committee to Independent H Shareholders, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee, in respect of the H Share Offer, the Delisting and the Merger;
- (c) notices of the Extraordinary General Meeting and the H Share Class Meeting, respectively; and
- (d) the accompanying Form of Acceptance in respect of the H Share Offer.

2. How do I accept the H Share Offer?

To accept the H Share Offer, you should complete, sign and submit the accompanying Form of Acceptance to the Registrar on or before 4:00 p.m. on Friday, 6 March 2020, being the First Closing Date, in accordance with the instructions printed thereon.

Details of the procedures for acceptance and settlement of the H Share Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance.

3. What is the latest time to accept the H Share Offer?

The latest time for acceptance of the H Share Offer, before it becomes or be declared unconditional in all respects or lapse without being or becoming unconditional in all respects, is 4:00 p.m. on Friday, 6 March 2020, unless AVIC International may decide to extend the H Share Offer in accordance with the Takeovers Code with the consent of the Executive.

4. What is the purpose of holding the Extraordinary General Meeting and the H Share Class Meeting?

At the Extraordinary General Meeting, the Merger Agreement and the Merger contemplated thereunder will be voted on by the Shareholders.

At the H Share Class Meeting, the Delisting, the Merger Agreement and the Merger contemplated thereunder will be voted on by the Independent H Shareholders.

QUESTIONS AND ANSWERS

5. What are the location, date and time of the Extraordinary General Meeting and the H Share Class Meeting?

The Extraordinary General Meeting will be held at 39/F, AVIC Center Building, No. 1018 Huafu Road, Futian District, Shenzhen, the People's Republic of China on Friday, 14 February 2020 at 9:00 a.m. and the H Share Class Meeting will be held at 39/F, AVIC Center Building, No. 1018 Huafu Road, Futian District, Shenzhen, the People's Republic of China on Friday, 14 February 2020 at 9:30 a.m. (or immediately after the conclusion or adjournment of the Extraordinary General Meeting), respectively.

6. What vote is required from the Shareholders in order for the Delisting and the Merger to be approved?

The following approvals are required:

- (a) at the Extraordinary General Meeting, the Merger Agreement and the Merger contemplated thereunder must be approved by more than two-thirds of the votes attaching to the Shares held by the Shareholders that are cast either in person or by proxy; and
- (b) at the H Share Class Meeting, the Delisting, the Merger Agreement and the Merger contemplated thereunder must be approved by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy, provided that the number of votes cast against the resolutions is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders.

7. I am a Shareholder. How do I vote on the Delisting and/or the Merger?

If you are a Shareholder, you may vote in person or by proxy at the Extraordinary General Meeting (during which the Merger Agreement and the Merger contemplated thereunder will be voted on). If you are also an Independent H Shareholder, you may also vote in person or by proxy at the H Share Class Meeting (during which the Delisting, the Merger Agreement and the Merger contemplated thereunder will be voted on).

If an H Shareholder accepts the H Share Offer before the closure of the Registers for the purpose of determining the entitlements of the Shareholders to attend and vote at the Extraordinary General Meeting and the Independent H Shareholders to attend and vote at the H Share Class Meeting, such Shareholders will still be entitled to attend and vote at the relevant meeting(s).

Whether or not you are able to attend the Extraordinary General Meeting and/or the H Share Class Meeting or any adjournment respectively thereof, you are strongly urged to complete the proxy form(s) which have been despatched to you on Monday, 30 December 2019 in accordance with the instructions printed thereon and return the same to the office address of the Company at 39/F, AVIC Center Building, No. 1018 Huafu Road, Futian District, Shenzhen, People's Republic of China (for holders of Domestic Shares) or the Registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) as soon as possible and in any event not less than twenty-four (24) hours before the time appointed for the Extraordinary General Meeting and/or the H Share Class Meeting or any adjournment respectively thereof.

QUESTIONS AND ANSWERS

Completion and return of the proxy form will not preclude you from attending and voting in person at the Extraordinary General Meeting and/or the H Share Class Meeting or any adjournment respectively thereof, should you so wish. In the event that you attend and vote at any of the Extraordinary General Meeting and/or the H Share Class Meeting or any adjournment respectively thereof after having deposited the relevant proxy form, that proxy form will be deemed to have been revoked.

You are requested to complete the attendance confirmation slip(s) which have been despatched to you on Monday, 30 December 2019 in accordance with the instructions printed thereon and return the same to the office address of the Company at 39/F, AVIC Center Building, No. 1018 Huafu Road, Futian District, Shenzhen, People's Republic of China (for holders of Domestic Shares) or the Registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) on or before Friday, 24 January 2020. Failure to return the attendance confirmation slip(s) will not affect a Shareholder's right to attend the Extraordinary General Meeting and/or the H Share Class Meeting (as applicable). Voting at the Extraordinary General Meeting and the H Share Class Meeting respectively will be taken by way of poll as required under the Listing Rules and the Takeovers Code.

8. How do I vote if my H Shares have been lodged with my securities dealer/custodian bank through CCASS, or lodged with my investor participant's account maintained with CCASS?

If your H Share(s) has/have been lodged with your licensed securities dealer (or other registered dealer in securities or custodian bank) through CCASS and you intend to vote at the Extraordinary General Meeting and/or the H Share Class Meeting (as applicable) or attend in person, you should instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to give instructions to HKSCC Nominees Limited on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them.

If your H Share(s) has/have been lodged with your investor participant's account maintained with CCASS, you should authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

For the avoidance of doubt, your vote will be invalid if you give voting instructions to the Registrar by yourself directly. Therefore, if your H Share(s) has/have been lodged with your licensed securities dealer (or other registered dealer in securities or custodian bank) through CCASS, or lodged with your investor participant's account maintained with CCASS, you must take actions as mentioned above.

9. What is the position of the Independent Board Committee with regard to the H Share Offer, the Delisting and the Merger?

The Independent Board Committee, having taken into account the terms of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder, together with the advice and recommendations from the Independent

QUESTIONS AND ANSWERS

Financial Adviser, is of the opinion that the terms of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder are fair and reasonable so far as the Independent H Shareholders are concerned. Therefore, the Independent Board Committee recommends the Independent H Shareholders to (i) accept the H Share Offer and (ii) vote in favour of the resolutions approving the Delisting (if applicable), the Merger Agreement and the Merger contemplated thereunder at the Extraordinary General Meeting and/or the H Share Class Meeting (as the case may be).

10. I am an Overseas H Shareholder. What should I do?

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside of Hong Kong should read the section headed "Notice to Overseas H Shareholders" in "Important Notices" and "8. Overseas H Shareholders" in Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas H Shareholder wishing to accept the H Share Offer to satisfy himself, herself or itself as to full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas H Shareholders are advised to seek professional advice on deciding whether or not to accept the H Share Offer.

11. Who should I contact if I have additional questions?

If you have any questions concerning administrative or procedural matters, such as dates, documentation and procedures relating to the H Share Offer, the Delisting and/or the Merger, please call the hotline of the Registrar, Hong Kong Registrars Limited, at +852 2862 8647 (between 9:00 a.m. and 6:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong).

You may also visit the Company's website at www.avic161.com and/or direct your questions to the Company in the following ways:

by phone: +86 0755 2124 6912 (between 9:00 a.m. and 6:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong and in the PRC)

by fax: +86 0755 8379 0228

by email: avic161-ir@avic-intl.cn

For the avoidance of doubt, the hotline or the Company's designated phone line cannot and will not provide any advice on the merits or risks of the H Share Offer, the Delisting and/or the Merger or give any financial or legal advice. If you are in doubt as to any aspect of this Composite Document or action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.



8 January 2020

To the Independent H Shareholders

Dear Sir or Madam,

**(1) VOLUNTARY CONDITIONAL OFFER BY
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG
SECURITIES LIMITED ON BEHALF OF AVIC INTERNATIONAL
TO ACQUIRE ALL OF THE ISSUED H SHARES IN THE COMPANY;
(2) PROPOSED VOLUNTARY WITHDRAWAL OF
LISTING OF THE H SHARES OF THE COMPANY;
AND
(3) PROPOSED MERGER BY ABSORPTION OF
THE COMPANY BY AVIC INTERNATIONAL**

INTRODUCTION

AVIC International Board and the Company's Board jointly announced that on 2 October 2019, the Exclusive Financial Adviser, on behalf of AVIC International, firmly intended to make a voluntary conditional cash offer to acquire all of the issued H Shares.

The H Share Offer is subject to the fulfilment of a number of the Conditions as set out in this Composite Document, including the approval of the Delisting by the Independent H Shareholders at the H Share Class Meeting and the approval of the Merger Agreement and the Merger contemplated thereunder by the requisite votes of the Shareholders at the H Share Class Meeting and the Extraordinary General Meeting.

AVIC International Board and the Company's Board further jointly announced that on 2 October 2019, AVIC International, the Company and AVIC Shenzhen entered into the Merger Agreement. If the Merger is implemented and completed, each of the Company and AVIC Shenzhen will be merged and absorbed by AVIC International in accordance with Article 172 of the PRC Company Law and other applicable PRC Laws.

The effectiveness of the Merger is subject to the fulfilment or waiver, as applicable, of a number of the Merger Conditions as set out in the Merger Agreement, including the completion of the H Share Offer and the Delisting.

This letter forms part of this Composite Document and sets out certain background information on AVIC International, explains why AVIC International is making the H Share Offer and entering into the Merger Agreement and the intention in relation to the Group.

The details of (a) the terms of the H Share Offer and the major terms of Merger Agreement are set out in this letter, (b) the procedures for acceptance of the H Share Offer

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are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance; and (c) the meetings to be convened for approving the Delisting (if applicable) and the Merger Agreement and the Merger contemplated thereunder are set out in the section headed “The Extraordinary General Meeting and the H Share Class Meeting” in the “Letter from the Company’s Board” in this Composite Document.

Terms defined in this Composite Document have the same meanings when used in this letter.

THE H SHARE OFFER

1. Consideration for the H Share Offer

The H Share Offer is being made by the Exclusive Financial Adviser on behalf of AVIC International on the following basis:

For each H Share HK\$9.00 in cash

The H Share Offer Price was determined after taking into account the most recently published financial information of the Company and the closing price of the H Shares for the last three years immediately prior to and including 27 September 2019 (being the Last Trading Date).

AVIC International will not increase the H Share Offer Price for the H Share Offer as set out above. Shareholders and potential investors of the Company should be aware that, following the making of this statement, AVIC International does not reserve the right to increase the H Share Offer Price.

2. Comparisons of value

The H Share Offer Price offered under the H Share Offer represents:

- (a) a premium of approximately 9.76% over the closing price of HK\$8.20 per H Share as quoted on the Stock Exchange on 3 January 2020 (being the Latest Practicable Date);
- (b) a premium of approximately 29.12% over the closing price of HK\$6.97 per H Share as quoted on the Stock Exchange on the Last Trading Date;
- (c) a premium of approximately 43.82% over HK\$6.26 which is the average closing price per H Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Date;
- (d) a premium of approximately 58.09% over HK\$5.69 which is the average closing price per H Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Date;

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- (e) a premium of approximately 81.31% over HK\$4.96 which is the average closing price per H Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Date;
- (f) a premium of approximately 88.63% over HK\$4.77 which is the average closing price per H Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Date;
- (g) a premium of approximately 92.08% over HK\$4.69 which is the average closing price per H Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Date; and
- (h) a premium of approximately 18.35% over the unaudited diluted net asset value of the Company of approximately RMB6.86 (equivalent to approximately HK\$7.60) per Share as of 30 June 2019 on the assumption that all the PSCS are fully converted into Domestic Shares at the initial conversion price of RMB3.47.

For the purpose of this letter, amounts denominated in RMB have been translated into HK\$ at an exchange rate of HK\$1:RMB0.90212 which is the central parity rate of RMB to Hong Kong dollar as at the Last Trading Date announced by the People's Bank of China.

3. Highest and lowest closing prices of H Shares

During the Disclosure Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$8.34 on 3 October 2019, and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$3.77 on 6 June 2019.

4. Consideration

Based on the H Share Offer Price of HK\$9.00 per H Share and 333,187,999 H Shares in issue as at the date of this Composite Document, the maximum value of the H Share Offer (assuming the H Share Offer is accepted in full and there is no change in the share capital of the Company) is approximately HK\$2,998.69 million. The consideration will be paid in cash.

5. Settlement of consideration

Settlement of the consideration payable in respect of acceptances received under the H Share Offer will be made as soon as possible but in any event within seven Business Days of the date of receipt of a complete and valid acceptance in respect of the H Share Offer or on the Unconditional Date, whichever is later.

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6. Conditions of the H Share Offer

The H Share Offer is subject to the fulfilment of the following Conditions:

- (a) the passing of resolutions by way of poll approving the Delisting at the H Share Class Meeting to be convened for this purpose by the Independent H Shareholders, provided that:
 - (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy at the H Share Class Meeting; and
 - (ii) the number of votes cast (by way of poll) against the resolutions is not more than 10% of the votes attaching to all of the H Shares held by the Independent H Shareholders;
- (b) minimum valid acceptances of the H Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as AVIC International may, subject to the Takeovers Code, decide) amounting to at least 90% of the H Shares in issue held by the Independent H Shareholders;
- (c) the filing procedures with the PRC government and/or regulatory bodies such as NDRC in relation to the H Share Offer having been obtained or completed and remaining in full force and effect pursuant to the provisions of relevant laws and regulations in the PRC;
- (d) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the H Share Offer void, unenforceable or illegal, or restrict or prohibit the implementation of the H Share Offer (other than such orders or decisions that would not have a material adverse effect on the legal ability of AVIC International to proceed with or consummate the H Share Offer); and
- (e) the obtaining of approval of the Merger Agreement and the Merger contemplated thereunder by the requisite votes of the Shareholders at the H Share Class Meeting and the Extraordinary General Meeting as described under the sub-section headed “MERGER BY ABSORPTION OF THE COMPANY BY AVIC INTERNATIONAL — 5. Merger Conditions” in this letter.

None of the Conditions to the H Share Offer can be waived.

As at the Latest Practicable Date, AVIC International has completed the filing procedures with NDRC in relation to the H Share Offer under Condition (c) above.

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Save as disclosed above, none of the other Conditions have been fulfilled as at the Latest Practicable Date.

In addition, the Company's Board confirms that as at the Latest Practicable Date, no third party consent in relation to the H Share Offer is required pursuant to any agreement to which any member of the Group is a party.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, AVIC International may only invoke any or all of the Conditions set out in the sub-section headed "THE H SHARE OFFER — 6. Conditions of the H Share Offer" in this letter as a basis for not proceeding with the H Share Offer only if the circumstances which give rise to the right to invoke such Condition are of material significance to AVIC International in the context of the H Share Offer.

In addition to the Conditions set out above, the H Share Offer is made on the basis that acceptance of the H Share Offer by any person will constitute a warranty by such person or persons to AVIC International that the H Shares acquired under the H Share Offer are sold by such person or persons free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at the date of the Announcement or subsequently becoming attached to them, and including the right to receive all dividends (whether final or interim) and other distributions, if any, declared, made or paid on or after the date of the Announcement.

According to the information provided by the Company, there are no dividends attaching to the H Shares which are outstanding or in contemplation to be declared as at the Latest Practicable Date. AVIC International also understands from the Company that, the Company expects that no dividends attaching to the H Shares will be outstanding or in contemplation to be declared before close of the H Share Offer and, subject to the Merger becoming effective, the completion of the Merger.

Pursuant to Rule 35.3 of the Takeovers Code, securities owned by an exempt principal trader connected with AVIC International shall not be assented to the H Share Offer until the H Share Offer becomes or is declared unconditional as to acceptances. In addition, pursuant to Rule 35.4 of the Takeovers Code, securities owned by an exempt principal trader connected with AVIC International or the Company shall not be voted at the Extraordinary General Meeting and the H Share Class Meeting.

The H Share Offer will be made in compliance with the Takeovers Code, which is administered by the Executive.

COMPLETION OF THE H SHARE OFFER

Except with the consent of the Executive, if any of the Conditions is not satisfied within 21 days of the First Closing Date or the date when the H Share Offer becomes or is declared unconditional as to acceptances, whichever is the later, the H Share Offer will lapse. For the avoidance of doubt, the latest time for acceptance of the H Share Offer, before it becomes or be declared unconditional in all respects or lapse without being or becoming unconditional in all respects, is 4:00 p.m. on Friday, 6 March 2020, unless AVIC International may decide to extend the H Share Offer in accordance with the Takeovers Code with the consent of the Executive.

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AVIC International and the Company will issue a joint announcement in relation to the extension or lapse of the H Share Offer or the fulfilment of the Conditions in accordance with the Takeovers Code and the Listing Rules. The latest time at which AVIC International can declare the H Share Offer unconditional as to acceptance is 7:00 p.m. on 6 March 2020 (or such later date to which the Executive may consent).

MERGER BY ABSORPTION OF THE COMPANY BY AVIC INTERNATIONAL

1. Merger Agreement

On 2 October 2019, AVIC International, the Company and AVIC Shenzhen entered into the Merger Agreement, pursuant to which, each of the Company and AVIC Shenzhen will be merged and absorbed by AVIC International in accordance with the PRC Company Law and other applicable PRC Laws. The Merger will be implemented and completed by going through the following major processes after the completion of the H Share Offer and the Delisting and the fulfilment or waiver (if applicable) of other Merger Conditions, namely (i) AVIC International will pay a Merger Price of HK\$9.00 per delisted H Share (other than those that may be acquired by AVIC International under the H Share Offer and those held by the Dissenting H Shareholders) in cash to the then existing H Shareholders within seven Business Days after the Merger Effective Date; and (ii) the Company and AVIC Shenzhen will be de-registered in accordance with the PRC Company Law, the Administrative Regulations of the PRC Governing the Company Registration and relevant legal provisions.

Consequently, each of the Company and AVIC Shenzhen will cease to exist as a separate legal entity, which will be merged and absorbed into AVIC International. As a result of the Merger, the assets and liabilities, business, qualifications, contracts of the Company and AVIC Shenzhen will be assumed by AVIC International as the surviving corporation.

2. Deregistration of the Company

Pursuant to the Merger Agreement, the payment to the then existing H Shareholders will be made as soon as possible but in any event within seven Business Days after the Merger Effective Date. After payment had been made to such H Shareholders, the relevant rights attaching to such delisted H Shares shall be deemed as cancelled. No consideration will be paid by AVIC International to AVIC Shenzhen for the Domestic Shares held by AVIC Shenzhen as AVIC Shenzhen will be merged into AVIC International when the Company is merged into AVIC International.

The effectiveness of the Merger is conditional upon the fulfilment or waiver (if applicable) of a number of Merger Conditions, which shall be fulfilled or waived (if applicable) on or before 1 September 2020, otherwise the Merger Agreement will lapse unless agreed to be remained in force by AVIC International, the Company and AVIC Shenzhen. Pursuant to the PRC Laws, the Merger Agreement will become effective upon its execution by the parties and be legally binding on AVIC International, the Company and AVIC Shenzhen. The transactions under the Merger Agreement will be completed

upon the completion of deregistration of the Company and AVIC Shenzhen. Each of the Company and AVIC Shenzhen will be de-registered in accordance with the PRC Company Law, the Administrative Regulations of the PRC Governing the Company Registration and relevant legal provisions.

3. Right of the Dissenting H Shareholders

According to Article 188 of the Articles, any Dissenting H Shareholder, who has opposed the Merger Agreement and the Merger contemplated thereunder, will have the right to request the Company or other H Shareholders who have voted for the Merger Agreement and the Merger contemplated thereunder to acquire their H Shares at a “fair price”. Under such circumstance, the Merger Agreement provides that AVIC International shall, at the request of the Company or such H Shareholders, assume the relevant obligations which the Company or such H Shareholders who have received such a request may have towards the Dissenting H Shareholder(s) according to applicable PRC Laws.

The request to acquire his/her/its H Shares at a “fair price” shall be made by a Dissenting H Shareholder to the Company or other H Shareholders who have voted for the Merger Agreement and the Merger contemplated thereunder within the earlier of (a) the expiration of two months from the date of approval of the Merger at the H Share Class Meeting and the Extraordinary General Meeting and (b) the date of completion of the Merger. If any Dissenting H Shareholder fails to make such request by the aforesaid deadline or any Dissenting H Shareholder who has made such request subsequently revokes or loses his/her/its right, the consideration of the H Shares held by such Dissenting H Shareholders on the date of completion of the Merger will be the Merger Price.

It is a pre-requisite that a Dissenting H Shareholder has to be an H Shareholder who has registered as a shareholder on the Registers. Therefore, if you decide to exercise your right to request the Company or other H Shareholders who have voted for the Merger Agreement and the Merger contemplated thereunder to acquire your H Shares at a “fair price” as a Dissenting H Shareholder and your H Share(s) has/have been lodged with your licensed securities dealer (or other registered dealer in securities or custodian bank) through CCASS, you shall instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to register the H Share(s) in the Registers in your own name (instead of in the name of HKSCC Nominees Limited). The latest time for lodging transfers of H Share(s) from the name of HKSCC Nominees Limited to your own name in order to be entitled to attend and vote at both the Extraordinary General Meeting and the H Share Class Meeting will be 4:30 p.m. on Tuesday, 14 January 2020. If you are in doubt as to the action you should take, you should consult your licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them.

The provisions regarding the right of Dissenting H Shareholder to demand the Company or other H Shareholders who have voted for the Merger Agreement and the

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Merger contemplated thereunder to acquire his/her/its H Shares at a “fair price” are contained only in the Articles which are required under the Mandatory Clauses of the Articles of Association of Companies Seeking Overseas Listing and are not otherwise stipulated in any other PRC Laws.

There is no administrative guidance on the substantive as well as procedural rules as to how the “fair price” will be determined under the PRC Laws. Thus, no assurance can be given as to (i) the time required for the process to take; (ii) any favourable results to be granted to the Dissenting H Shareholders; and (iii) the cost may be incurred by the Dissenting H Shareholders in such process for determining the “fair price”.

If a Dissenting H Shareholder decides to exercise his/her/its right to request the Company or other H Shareholders who have voted for the Merger Agreement and the Merger contemplated thereunder to acquire his/her/its H Shares at a “fair price”, the Company/AVIC International will explain to such Dissenting H Shareholder that the Merger Price, which was determined after taking into account the most recently published financial information of the Company and the closing price of the H Shares for the last three years immediately prior to and including 27 September 2019 (being the Last Trading Day), is fair. If the matter cannot be resolved, the Dissenting H Shareholder may bring such dispute or claim arising from the determination of the “fair price” to the relevant arbitration body.

Pursuant to Article 208 of the Articles, disputes or claims (including the determination of the “fair price”) arising from the rights and obligations set forth in the Articles, PRC Company Law and other PRC Laws among Shareholders, directors, supervisors, general manager, or senior officers of the Company should be resolved through arbitration at either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. Except otherwise required by the applicable laws or regulations, the applicable laws to such disputes or claims should be the laws of the PRC.

For the avoidance of doubt, if the Merger does not proceed as a result of the Merger Conditions not being fulfilled in full or waived (if applicable) or the Merger Agreement being terminated, the Dissenting H Shareholders (if any) shall not be entitled to exercise their right as described above.

Upon the implementation of the Merger, the H Shares, among other Shares, will be cancelled. Therefore, the cancellation of the H Shares does not involve the sale and purchase of Hong Kong stock, and in this respect only, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

For the Dissenting H Shareholders who exercise their rights to require acquisition of their H Shares, Hong Kong stamp duty is payable at the rate of 0.1% of the consideration.

The stamp duty payable will be deducted from the cash to be received by the Dissenting H Shareholders who exercise such right.

4. Notification to creditors

Under the Merger Agreement, each of AVIC International, the Company and AVIC Shenzhen agreed that once the H Share Offer is becoming or being declared unconditional in all respects, it will notify its creditors of the Merger by way of notifications and announcements pursuant to its articles of association and the PRC Company Law. If any creditor requests repayment of the indebtedness or requests for any guarantee in relation to such indebtedness, such request will have to be made within a statutory period. AVIC International, the Company or AVIC Shenzhen (as the case may be) shall, upon request of its creditors, pay off its indebtedness or provide a satisfactory guarantee to its creditors for such indebtedness. Upon the expiry of the relevant period specified in the aforesaid announcements, such creditor's right to claim against AVIC International, the Company or AVIC Shenzhen (as the case may be) with respect to such transactions contemplated under the Merger Agreement shall lapse under the PRC Laws.

5. Merger Conditions

The Merger will become effective upon the fulfilment (or waiver, as applicable) of the following Merger Conditions:

- (a) the approval of the Merger Agreement and the Merger contemplated thereunder by more than two-thirds of the votes attaching to the Shares held by the Shareholders that are cast either in person or by proxy at the Extraordinary General Meeting having been obtained pursuant to the Articles;
- (b) the passing of resolutions by way of poll approving the Merger Agreement and the Merger contemplated thereunder at the H Share Class Meeting to be convened for this purpose by the Independent H Shareholders, provided that:
 - (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy at the H Share Class Meeting; and
 - (ii) the number of votes cast against the resolutions is no more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders;
- (c) a waiver application having been submitted to CSRC for the exemption of making any mandatory offer in relation to change of controlling shareholder of the A-Share Listed Subsidiaries as a result of the Merger within three days after the execution of the Merger Agreement, and such waiver having been granted by CSRC;
- (d) valid acceptances of the H Share Offer being received (and not, where permitted, withdrawn) amounting to at least 90% of the H Shares in issue held by the Independent H Shareholders under the H Share Offer;

LETTER FROM CICC

- (e) the H Share Offer becoming or being declared unconditional in all respects pursuant to the fulfilment of the Conditions and subsequently being closed;
- (f) the Company having submitted the Delisting application to the Stock Exchange and such Delisting having become effective pursuant to the Listing Rules;
- (g) the approval from Aviation Industry Corporation in relation to the Merger having been obtained and remaining in full force and effect; and
- (h) the approvals from or filings with the PRC authorities or other government and regulatory agencies, as applicable, in relation to the Merger having been obtained and remaining in full force and effect, including but not limited to the filings with NDRC.

AVIC International reserves the right to waive the Merger Condition (c) above. In the event that Merger Condition (c) is waived by AVIC International, AVIC International is required to make a general offer to acquire all the shares held by other holders in each of the A-Share Listed Subsidiaries before completion of the Merger pursuant to the relevant PRC laws and regulations. No such mandatory obligation will, however, be imposed on the Company under the relevant PRC laws and regulations. The waiver of Merger Condition (c) will not affect the implementation of the H Share Offer nor the Delisting, and such waiver will not affect the timetable as set out in the section headed “Expected Timetable” in this Composite Document. Nevertheless, AVIC International submitted a waiver application to CSRC for the exemption of making any general offer as the Merger will not result in a change of actual controller of each of the A-Share Listed Subsidiaries, and it received CSRC’s acceptance notice in November 2019 notifying AVIC International that CSRC has accepted the application for further review and processing. As at the Latest Practicable Date, the waiver application is subject to CSRC’s review. Apart from Merger Condition (c) above, the other Merger Conditions to the Merger cannot be waived. Each of the Company and AVIC Shenzhen does not have the right to waive any of the Merger Conditions to the Merger.

As at the Latest Practicable Date, AVIC International has completed the filing procedures with NDRC under the Merger Condition (h) above and obtained the approval from Aviation Industry Corporation under the Merger Condition (g).

Save for the Merger Conditions (h) and (g) as disclosed above, none of the other Merger Conditions have been fulfilled or waived (as applicable) as at the Latest Practicable Date. The other Merger Conditions shall be fulfilled or waived (as applicable) on or before 1 September 2020.

The Merger Agreement will become effective upon its execution by the parties, and the parties thereof will be bound by the Merger Agreement and are obligated to perform their obligations under the Merger Agreement.

LETTER FROM CICC

WARNING

The Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects and the H Shares are delisted from the Stock Exchange, this will result in the then Independent H Shareholders holding securities that are not listed on the Stock Exchange.

If the Merger is implemented under the Merger Agreement, AVIC International will pay a Merger Price of HK\$9.00 per H Share in cash to the then existing H Shareholders recorded on the Registers as at the Merger Effective Date, within seven Business Days after the Merger Effective Date. After payment of the Merger Price had been made, the relevant rights attaching to such H Shares shall be deemed as cancelled.

If the Merger is not implemented under the Merger Agreement, AVIC International will not be obliged to pay the Merger Price to then existing H Shareholders. Under the circumstance that the H Share Offer has become unconditional in all respects and the H Shares have been delisted from the Stock Exchange, the then Independent H Shareholders will be holding securities that are not listed on the Stock Exchange.

REASONS FOR AND BENEFITS OF THE H SHARE OFFER, THE DELISTING AND THE MERGER

The H Share Offer, the Delisting and the Merger will be beneficial for the Company to dispend of costs associated with compliance and maintenance of the listing status of the Company and achieve synergies in the following aspects: (i) with reduced management chain and flat organization, management efficiency will be improved; (ii) through centralized cash management, financial resources could be allocated to the businesses to be focused, and fund utilization efficiency will be increased; and (iii) transactions conducted by the Company (including the transactions between AVIC International and the Company) will not be subject to the compliance obligations under the Listing Rules upon Delisting, providing more commercial flexibilities for AVIC International and the Company.

AVIC International believes that the H Share Offer, the Delisting and the Merger provide a compelling opportunity for the Independent H Shareholders to dispose of their H Shares for the following reasons:

- **The H Share Offer Price represents a high premium over the closing prices of the past trading days:** the H Share Offer Price of HK\$9.00 per H Share represents a premium of approximately 29.12% over the closing price on 27 September 2019, being the Last Trading Date and a premium of approximately 9.76% over the closing price on HK\$8.20, being the Latest Practicable Date. The H Share Offer Price also represents a premium of approximately 81.31% and 88.63% over the average closing price of approximately HK\$4.96 and HK\$4.77 per H Share as quoted on the Stock Exchange for the 30 and 60 consecutive trading days up to and including the Last Trading Date. For more details, please refer to the sub-section headed “THE H SHARE OFFER – 2. Comparisons of value” in this letter.

- **Provide an opportunity for disposal of the H Shares with limited liquidity at a premium:** the H Share Offer provides an opportunity for the H Shareholders to receive cash at a price significantly above the prevailing market price, particularly in light of the low liquidity and underperformance of the share price for a relatively long period. The monthly total trading volume of the H Shares (as a percentage to the total issued H Shares) has not been consistently active during the period from 1 January 2019 to 31 August 2019 (the “**Period**”). The percentages of monthly average trading volumes of the H Shares to the total issued H Shares were within the range of approximately 0.12% to 0.61% during the Period. The monthly total trading amounts of the H Shares were within the range of approximately HK\$28.59 million to HK\$179.04 million during the Period. The historical price-to-book ratios of the Company ranged from approximately 0.29 times to approximately 0.47 times during the Period, which is calculated based on the closing price per H Share, the total issued share capital of the Company and the unaudited consolidated net asset value attributable to owners of the Company as at 30 June 2019. Given the limited liquidity of the H Shares, it is challenging for the H Shareholders to monetize their H Shares in the stock market at a satisfactory price. The H Share Offer in turn offers the H Shareholders an opportunity to realize their investments in the Company and invest the monies received in alternative investments with higher liquidity.
- **Avoid holding unlisted shares:** assuming the H Share Offer becomes unconditional, the Company will make an application for the listing of the H Shares to be withdrawn from the Stock Exchange pursuant to Rule 6.12 and Rule 6.15 of the Listing Rules. In the event that the H Shares are delisted from the Stock Exchange, the H Shares will become securities that are not listed or quoted on any stock exchange and the liquidity of the H Shares may be severely reduced.

INTENTION IN RELATION TO AVIC INTERNATIONAL AND THE COMPANY

It is the intention of AVIC International that it will continue to carry on its current business. AVIC International’s core businesses consist of international aviation, electronics information, infrastructure construction, engineering procurement construction (EPC) and government projects, and cement and building materials engineering etc.

While AVIC International does not intend to introduce any major changes to the existing business of the Company (including any redeployment of the fixed assets of the Company) after the completion of the H Share Offer and the Merger, AVIC International does not rule out the possibility of any changes in the future if and when it thinks needed in order to benefit the Company.

AVIC International does not intend to make any significant changes to the continued employment of the employees of the Company and of its subsidiaries. Following completion of the Merger, the employment contracts of all employees of the Company will continue with AVIC International as the surviving corporation. AVIC International and all of its rights, privileges, exemptions and permits will not be affected by the Merger.

LETTER FROM CICC

1. Voluntary withdrawal of listing of the H Shares

AVIC International has no right under the PRC Laws to compulsorily acquire the H Shares that are not tendered for acceptance pursuant to the H Share Offer. AVIC International has applied to the Executive for, and the Executive has granted, a waiver from the requirements under Rule 2.2(c) of the Takeovers Code, which requires a resolution of the independent shareholders to approve a delisting to be made subject to the offeror(s) being entitled to exercise, and exercising, its/their rights of compulsory requirements.

Upon the H Share Offer becoming unconditional, the Company will make an application for the voluntary withdrawal of the listing of the H Shares on the Stock Exchange in accordance with Rule 6.12 and Rule 6.15 of the Listing Rules.

Accordingly, the Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects and the H Shares are delisted from the Stock Exchange, this will result in the then Independent H Shareholders holding securities that are not listed on the Stock Exchange. In addition, the Company may not continue to be subject to the Takeovers Code after the completion of the H Share Offer depending on whether it remains as a public company in Hong Kong pursuant to the Takeovers Code.

The H Shareholders will be notified by way of an announcement of the dates of the last day for dealing in the H Shares and on which the voluntary withdrawal of the listing of the H Shares on the Stock Exchange will become effective.

Once all of the Conditions have been satisfied, the H Share Offer will be declared unconditional and the H Share Offer will be extended for a subsequent period of not less than 28 calendar days in order to allow sufficient time for those H Shareholders who have not initially accepted the H Share Offer to accept the H Share Offer to process the transfer of their H Shares.

2. Merger by absorption of the Company

Subject to the completion of the H Share Offer and the Delisting and the fulfilment or waiver (if applicable) of other Merger Conditions, the Merger will be implemented and completed, pursuant to which, each of the Company and AVIC Shenzhen will be merged and absorbed into AVIC International in accordance with the PRC Company Law and other applicable PRC Laws. The Company and AVIC Shenzhen will be de-registered in accordance with the PRC Company Law, the Administrative Regulations of the PRC Governing the Company Registration and relevant legal provisions; and each of the Company and AVIC Shenzhen will cease to exist as a separate legal entity, which will be merged and absorbed into AVIC International. As a result of the Merger, the assets and liabilities, business, qualifications, contracts of the Company and AVIC Shenzhen will be assumed by AVIC International as the surviving corporation.

LETTER FROM CICC

CONFIRMATION OF FINANCIAL RESOURCES IN RESPECT OF THE H SHARE OFFER

AVIC International intends to satisfy the consideration payable in respect of acceptances received under the H Share Offer and the consideration required for the Merger by a loan facility in the amount of HK\$3,100,000,000 obtained by Lucky Splendid Limited, a wholly-owned subsidiary of AVIC International, from Industrial and Commercial Bank of China (Asia) Limited, or onshore funds made available from its internal resources provided that the filing with SAFE with respect to the payment of consideration of the H Share Offer and the Merger Price using onshore funds has been duly completed by AVIC International before the Unconditional Date. The H Share Offer is not conditional upon completion of the filing with SAFE and the aforesaid loan facility granted by Industrial and Commercial Bank of China (Asia) Limited alone is sufficient to satisfy full acceptance of the H Share Offer and payment of the Merger Price. As at the Latest Practicable Date, CICC, as the Exclusive Financial Adviser to AVIC International in respect of the H Share Offer and the Merger, is satisfied that sufficient financial resources are available to AVIC International to satisfy full acceptance of the H Share Offer and payment of the Merger Price to implement the Merger.

INFORMATION AND PRINCIPAL BUSINESS OF AVIC INTERNATIONAL

AVIC International is a limited liability company established on 12 April 1983 in accordance with the PRC Company Law. As at the Latest Practicable Date, AVIC International was owned as to 91.14% by Aviation Industry Corporation, a wholly state-owned company, and 8.86% by AVIC CCB Aviation Industry Equity Investment (Tianjin) Co., Ltd. (中航建銀航空產業股權投資(天津)有限公司) (which was owned as to 30% by AVIC Investment Holding Ltd. (中航投資控股有限公司) and 70% by Gongqingchengxinhang Investment Ltd. (共青城信航投資有限公司)). AVIC Investment Holding Ltd. is ultimately controlled by Aviation Industry Corporation through AVIC Capital Co., Ltd. (中航資本控股股份有限公司), an A-share listed company. Based on the information available to AVIC International, Gongqingchengxinhang Investment Ltd. is ultimately controlled by each of Prudential plc (a listed company on the stock exchanges of London, Hong Kong, Singapore and New York) and CITIC Group Corporation, a wholly state-owned company, through CITIC Limited (a listed company on the Stock Exchange). AVIC International (and through AVIC Shenzhen, a wholly-owned subsidiary of AVIC International) is the controlling Shareholder of the Company. AVIC International's core businesses consist of international aviation, electronics information, infrastructure construction, engineering procurement construction (EPC) and government projects, and cement and building materials engineering etc.

LETTER FROM CICC

ADDITIONAL INFORMATION

In considering what action to take in connection with the H Share Offer, the Delisting and the Merger Agreement and the Merger contemplated thereunder, you should consider your own tax position and, if you are in any doubt, you should consult your professional advisers.

In making your decision, the Independent H Shareholders must rely on their own examination of the terms of the H Share Offer, the Delisting and the Merger Agreement and the Merger contemplated thereunder, including the merits and risks involved. Independent H Shareholders should consult their own professional advisers for professional advice.

You are also urged to read carefully (a) the letter from the Company's Board from pages 27 to 41 of this Composite Document; (b) the letter from the Independent Board Committee from pages 42 to 43 of this Composite Document; (c) the letter from the Independent Financial Adviser from pages 44 to 98 of this Composite Document; (d) the procedures for acceptance of the H Share Offer as set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance; (e) the details for meetings to be convened for approving the Delisting (if applicable) and the Merger Agreement as set out in the section headed "THE EXTRAORDINARY GENERAL MEETING AND THE H SHARE CLASS MEETING" in the "Letter from the Company's Board" in this Composite Document; and (f) other information as set out in the appendices to this Composite Document which form part of this Composite Document.

Yours faithfully
For and on behalf of
China International Capital Corporation
Hong Kong Securities Limited

Yongren Chen
Managing Director

LETTER FROM THE COMPANY'S BOARD



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 company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00161)

Executive Directors:

Mr. Liu Hong De
Mr. Lai Wei Xuan
Mr. You Lei
Mr. Liu Jun
Mr. Fu Fang Xing
Mr. Chen Hong Liang

Principal Place of Business in the PRC:

39/F, AVIC Center Building,
No. 1018 Huafu Road,
Futian District, Shenzhen,
People's Republic of China

Independent Non-executive Directors:

Ms. Wong Wai Ling
Mr. Wu Wei
Mr. Wei Wei

Principal Place of Business in Hong Kong:

Room 1603, 16/F, China Building,
29 Queen's Road Central,
Hong Kong

8 January 2020

To the Independent H Shareholders

Dear Sir or Madam,

**(1) VOLUNTARY CONDITIONAL OFFER BY
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG
SECURITIES LIMITED ON BEHALF OF AVIC INTERNATIONAL
TO ACQUIRE ALL OF THE ISSUED H SHARES IN THE COMPANY;
(2) PROPOSED VOLUNTARY WITHDRAWAL OF
LISTING OF THE H SHARES OF THE COMPANY;
AND
(3) PROPOSED MERGER BY ABSORPTION OF
THE COMPANY BY AVIC INTERNATIONAL**

INTRODUCTION

Reference is made to the Announcement jointly issued by AVIC International and the Company in relation to the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder.

As mentioned in the Announcement, the Exclusive Financial Adviser, on behalf of AVIC International, firmly intended to make a voluntary conditional cash offer to acquire all of the issued H Shares. The H Share Offer is subject to the fulfilment of a number of the Conditions, including the approval of the Delisting by the Independent H Shareholders at the H Share Class Meeting and the approval of the Merger Agreement and the Merger contemplated thereunder by the requisite votes of the Shareholders at the H Share Class Meeting and the Extraordinary General Meeting.

LETTER FROM THE COMPANY'S BOARD

On 2 October 2019, AVIC International, the Company and AVIC Shenzhen also entered into the Merger Agreement. If the Merger is implemented and completed, each of the Company and AVIC Shenzhen will be merged and absorbed by AVIC International in accordance with Article 172 of the PRC Company Law and other applicable PRC Laws.

The effectiveness of the Merger is subject to the fulfilment or waiver, as applicable, of a number of the Merger Conditions as set out in the Merger Agreement, including the completion of the H Share Offer and the Delisting.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things: (i) further information relating to AVIC International, the Company, the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder; (ii) the “Letter from CICC” containing details of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder; (iii) the “Letter from the Independent Board Committee” containing its recommendations to the Independent H Shareholders in respect of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder; and (iv) the “Letter from the Independent Financial Adviser” containing its advice to the Independent Board Committee in respect of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder.

THE H SHARE OFFER

1. Consideration for the H Share Offer

The H Share Offer is being made by the Exclusive Financial Adviser on behalf of AVIC International on the following basis:

For each H Share HK\$9.00 in cash

The H Share Offer Price was determined after taking into account the most recently published financial information of the Company and the closing price of the H Shares for the last three years immediately prior to and including 27 September 2019 (being the Last Trading Date).

AVIC International will not increase the H Share Offer Price for the H Share Offer as set out above. Shareholders and potential investors of the Company should be aware that, following the making of this statement, AVIC International does not reserve the right to increase the H Share Offer Price.

Further details of the H Share Offer are set out in the “Letter from CICC” of this Composite Document, the additional information contained in appendices to this Composite Document and the accompanying Form of Acceptance.

LETTER FROM THE COMPANY'S BOARD

2. Comparisons of value

The H Share Offer Price offered under the H Share Offer represents:

- (a) a premium of approximately 9.76% over the closing price of HK\$8.20 per H Share as quoted on the Stock Exchange on 3 January 2020 (being the Latest Practicable Date);
- (b) a premium of approximately 29.12% over the closing price of HK\$6.97 per H Share as quoted on the Stock Exchange on 27 September 2019 (being the Last Trading Date);
- (c) a premium of approximately 43.82% over HK\$6.26 which is the average closing price per H Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Date;
- (d) a premium of approximately 58.09% over HK\$5.69 which is the average closing price per H Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Date;
- (e) a premium of approximately 81.31% over HK\$4.96 which is the average closing price per H Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Date;
- (f) a premium of approximately 88.63% over HK\$4.77 which is the average closing price per H Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Date;
- (g) a premium of approximately 92.08% over HK\$4.69 which is the average closing price per H Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Date; and
- (h) a premium of approximately 18.35% over the unaudited diluted net asset value of the Company of approximately RMB6.86 (equivalent to approximately HK\$7.60) per Share as of 30 June 2019 on the assumption that all the PSCS are fully converted into Domestic Shares at the initial conversion price of RMB3.47.

For the purpose of the Composite Document, amounts denominated in RMB have been translated into HK\$ at an exchange rate of HK\$1:RMB0.90212 which is the central parity rate of RMB to Hong Kong dollar as at the Last Trading Date announced by the People's Bank of China.

3. Highest and lowest closing prices of H Shares

During the Disclosure Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$8.34 on 3 October 2019, and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$3.77 on 6 June 2019.

LETTER FROM THE COMPANY'S BOARD

4. Consideration

Based on the H Share Offer Price of HK\$9.00 per H Share and 333,187,999 H Shares in issue as at the Latest Practicable Date, the maximum value of the H Share Offer (assuming the H Share Offer is accepted in full and there is no change in the share capital of the Company) is approximately HK\$2,998.69 million. The consideration will be paid in cash.

5. Settlement of consideration

Settlement of the consideration payable in respect of acceptances received under the H Share Offer will be made as soon as possible but in any event within seven Business Days of the date of receipt of a complete and valid acceptance in respect of the H Share Offer or on the Unconditional Date, whichever is later.

6. Confirmation of financial resources in respect of the H Share Offer

AVIC International intends to satisfy the consideration payable in respect of acceptances received under the H Share Offer and the consideration for the Merger by a loan facility in the amount of HK\$3,100,000,000 obtained by Lucky Splendid Limited, a wholly-owned subsidiary of AVIC International, from Industrial and Commercial Bank of China (Asia) Limited, or onshore funds made available from its internal resources provided that the filing with SAFE with respect to the payment of consideration of the H Share Offer and the Merger Price using onshore funds has been duly completed by AVIC International before the Unconditional Date. The H Share Offer is not conditional upon completion of the filing with SAFE and the aforesaid loan facility granted by Industrial and Commercial Bank of China (Asia) Limited alone is sufficient to satisfy full acceptance of the H Share Offer and payment of the Merger Price. As at the Latest Practicable Date, CICC, as the Exclusive Financial Adviser to AVIC International in respect of the H Share Offer and the Merger, is satisfied that sufficient financial resources are available to AVIC International to satisfy full acceptance of the H Share Offer and payment of the Merger Price to implement the Merger.

7. Conditions of the H Share Offer

The H Share Offer is subject to the fulfilment of the following Conditions:

- (a) the passing of resolutions by way of poll approving the Delisting at the H Share Class Meeting to be convened for this purpose by the Independent H Shareholders, provided that:
 - (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy at the H Share Class Meeting; and

LETTER FROM THE COMPANY'S BOARD

- (ii) the number of votes cast (by way of poll) against the resolutions is not more than 10% of the votes attaching to all of the H Shares held by the Independent H Shareholders;
- (b) minimum valid acceptances of the H Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as AVIC International may, subject to the Takeovers Code, decide) amounting to at least 90% of the H Shares in issue held by the Independent H Shareholders;
- (c) the approvals from or filing procedures with the PRC government and/or regulatory bodies such as NDRC in relation to the H Share Offer having been obtained or completed and remaining in full force and effect pursuant to the provisions of relevant laws and regulations in the PRC;
- (d) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the H Share Offer void, unenforceable or illegal, or restrict or prohibit the implementation of the H Share Offer (other than such orders or decisions that would not have a material adverse effect on the legal ability of AVIC International to proceed with or consummate the H Share Offer); and
- (e) the obtaining of approval of the Merger Agreement and the Merger contemplated thereunder by the requisite votes of the Shareholders at the H Share Class Meeting and the Extraordinary General Meeting as described under the sub-section headed “MERGER BY ABSORPTION OF THE COMPANY BY AVIC INTERNATIONAL — 5. Merger Conditions” in the “Letter from CICC” of this Composite Document.

None of the Conditions to the H Share Offer can be waived.

As at the Latest Practicable Date, AVIC International has completed the filing procedures with NDRC in relation to the H Share Offer under Condition (c) above. Save as disclosed above, none of the other Conditions have been fulfilled as at the Latest Practicable Date.

In addition, the Company's Board confirms that as at the Latest Practicable Date, no third party consent in relation to the H Share Offer is required pursuant to any agreement to which any member of the Group is a party.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, AVIC International may only invoke any or all of the Conditions set out in the sub-section headed “THE H SHARE OFFER — 7. Conditions of the H Share Offer” herein as a basis for not proceeding with the H Share Offer only if the circumstances which give rise to the right to invoke such Condition are of material significance to AVIC International in the context of the H Share Offer.

LETTER FROM THE COMPANY'S BOARD

In addition to the Conditions set out above, the H Share Offer is made on the basis that acceptance of the H Share Offer by any person will constitute a warranty by such person or persons to AVIC International that the H Shares acquired under the H Share Offer are sold by such person or persons free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at the date of the Announcement or subsequently becoming attached to them, and including the right to receive all dividends (whether final or interim) and other distributions, if any, declared, made or paid on or after the date of the Announcement.

There are no dividends attaching to the H Shares which are outstanding or in contemplation to be declared as at the Latest Practicable Date. The Company expects that no dividends attaching to the H Shares will be outstanding or in contemplation to be declared before close of the H Share Offer and, subject to the Merger becoming effective, the completion of the Merger.

Pursuant to Rule 35.3 of the Takeovers Code, securities owned by an exempt principal trader connected with AVIC International shall not be assented to the H Share Offer until the H Share Offer becomes or is declared unconditional as to acceptances. In addition, pursuant to Rule 35.4 of the Takeovers Code, securities owned by an exempt principal trader connected with AVIC International or the Company shall not be voted at the Extraordinary General Meeting and the H Share Class Meeting.

The H Share Offer will be made in compliance with the Takeovers Code, which is administered by the Executive.

8. Further terms and general matters relating to the H Share Offer

(a) H Shares

Under the terms of the H Share Offer, the H Shares will be acquired with all rights attached thereto as at the date of the Announcement or which subsequently become attached thereto, including the right to receive in full all dividends and other distributions, if any, declared, made or paid, on or after the date of the Announcement, and free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances and third party rights.

There are no dividends attaching to the H Shares which are outstanding or in contemplation to be declared as at the Latest Practicable Date. The Company expects that no dividends attaching to the H Shares will be outstanding or in contemplation to be declared before close of the H Share Offer and, subject to the Merger becoming effective, the completion of the Merger.

(b) Hong Kong stamp duty

Seller's ad valorem stamp duty for the H Shares which are registered with the H Shares registrar arising in connection with acceptance of the H Share Offer will be payable by each H Shareholder at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable by AVIC International for such person's H

LETTER FROM THE COMPANY'S BOARD

Shares and will be deducted from the cash amount due to such H Shareholder under the H Share Offer. AVIC International will pay the buyer's ad valorem stamp duty on its own behalf.

(c) Closing Date of the H Share Offer

The H Share Offer will initially be open for acceptances from 8 January 2020 to 4:00 p.m. on 6 March 2020. Once all of the Conditions have been satisfied, the H Share Offer will be declared unconditional and the H Share Offer will be extended for a subsequent period of not less than 28 days before the H Share Offer is closed in order to allow sufficient time for those H Shareholders who have not initially accepted the H Share Offer to accept the H Share Offer to process the transfer of their H Shares.

(d) Completion of the H Share Offer

Except with the consent of the Executive, if any of the Conditions is not satisfied within 21 days of the First Closing Date or the date when the H Share Offer becomes or is declared unconditional as to acceptances, whichever is the later, the H Share Offer will lapse. For the avoidance of doubt, the latest time for acceptance of the H Share Offer, before it becomes or be declared unconditional in all respects or lapse without being or becoming unconditional in all respects, is 4:00 p.m. on Friday, 6 March 2020, unless AVIC International may decide to extend the H Share Offer in accordance with the Takeovers Code with the consent of the Executive.

AVIC International and the Company will issue a joint announcement in relation to the extension or lapse of the H Share Offer or the fulfilment of the Conditions in accordance with the Takeovers Code and the Listing Rules. The latest time at which AVIC International can declare the H Share Offer unconditional as to acceptance is 7:00 p.m. on 6 March 2020 (or such later date to which the Executive may consent).

INTENTION IN RELATION TO THE COMPANY

1. Voluntary withdrawal of listing of the H Shares

Upon the H Share Offer becoming unconditional, the Company will make an application for the voluntary withdrawal of the listing of the H Shares on the Stock Exchange in accordance with Rule 6.12 and Rule 6.15 of the Listing Rules.

Accordingly, the Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects and the H Shares are delisted from the Stock Exchange, this will result in the then Independent H Shareholders holding securities that are not listed on the Stock Exchange. In addition, the Company may not continue to be subject to the Takeovers Code after the completion of the H Share Offer depending on whether it remains as a public company in Hong Kong pursuant to the Takeovers Code.

LETTER FROM THE COMPANY'S BOARD

Once all of the Conditions have been satisfied, the H Share Offer will be declared unconditional and the H Share Offer will remain open for acceptance for not less than 28 days thereafter in order to allow sufficient time for those H Shareholders who have not initially accepted the H Share Offer to accept the H Share Offer to process the transfer of their H Shares.

2. Merger by absorption of the Company by AVIC International

Subject to the completion of the H Share Offer and the Delisting and the fulfilment or waiver (if applicable) of other Merger Conditions, the Merger will be implemented and completed, pursuant to which, each of the Company and AVIC Shenzhen will be merged and absorbed into AVIC International in accordance with the PRC Company Law and other applicable PRC Laws. Pursuant to the Merger Agreement, the Merger Price of each delisted H Share is same as the H Share Offer Price of HK\$9.00 per H Share. The Company's Board is of the view that the Merger Price is fair since:

- (i) the Merger Price has been determined after taking into account (a) the most recently published financial information of the Company including the consolidated net loss attributable to the owners of the Company of approximately RMB568.3 million for the year ended 31 December 2018, (2) the decrease in consolidated net profit attributable to owners of the Company for the six months ended 30 June 2019 as compared to the same period ended 30 June 2018, and (3) the unaudited diluted net asset value of the Company of approximately RMB6.86 (equivalent to approximately HK\$7.60) per Share as of 30 June 2019 on the assumption that all the PSCS are fully converted into Domestic Shares at the initial conversion price of RMB3.47 per Share; and (b) the closing price of the H Shares for the last three years immediately prior to and including 27 September 2019 (being the Last Trading Date); and
- (ii) the Merger Price represents a premium over the average closing prices of per H Share as quoted on the Stock Exchange for various periods of time as set out in the section headed "The H Share Offer — 2. Comparisons of value" in the "Letter from CICC" in this Composite Document.

Upon completion of the Merger, the Company and AVIC Shenzhen will be de-registered in accordance with the PRC Company Law, the Administrative Regulations of the PRC Governing the Company Registration and relevant legal provisions; and each of the Company and AVIC Shenzhen will cease to exist as a separate legal entity, which will be merged and absorbed into AVIC International. As a result of the Merger, the assets and liabilities, business, qualifications, contracts of the Company and AVIC Shenzhen will be assumed by AVIC International as the surviving corporation. Further details of the Merger Agreement can be referred to in the section headed "MERGER BY ABSORPTION OF THE COMPANY BY AVIC INTERNATIONAL" in the "Letter from CICC" of this Composite Document.

WARNING: The H Share Offer is conditional upon the satisfaction of the Conditions and the Merger is conditional upon the satisfaction or (where applicable) waiver of the Merger Conditions as described in the Composite Document in all

LETTER FROM THE COMPANY'S BOARD

aspects. Accordingly, the H Share Offer may or may not become unconditional and the issue of the Composite Document does not imply that the H Share Offer or the Delisting will be completed. As the Merger Conditions (in respect of the Merger) are different from the Conditions (in respect of the H Share Offer), Shareholders and potential investors of the Company should be aware that even following the successful completion of the H Share Offer and the Delisting, there is no certainty that the Merger will proceed. Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company (including the H Shares and any options or rights in respect of them). Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

INFORMATION OF AVIC INTERNATIONAL AND AVIC SHENZHEN

Principal activities

AVIC International is a limited liability company established on 12 April 1983 in accordance with the PRC Company Law. As at the Latest Practicable Date, AVIC International was owned as to 91.14% by Aviation Industry Corporation, a wholly state-owned company, and 8.86% by AVIC CCB Aviation Industry Equity Investment (Tianjin) Co., Ltd. (中航建銀航空產業股權投資(天津)有限公司) (which was owned as to 30% by AVIC Investment Holding Ltd. (中航投資控股有限公司) and 70% by Gongqingchengxinhang Investment Ltd. (共青城信航投資有限公司)). AVIC Investment Holding Ltd. is ultimately controlled by Aviation Industry Corporation through AVIC Capital Co., Ltd. (中航資本控股股份有限公司), an A-share listed company. Based on the information available to AVIC International, Gongqingchengxinhang Investment Ltd. is ultimately controlled by each of Prudential plc (a listed company on the stock exchanges of London, Hong Kong, Singapore and New York) and CITIC Group Corporation, a wholly state-owned company, through CITIC Limited (a listed company on the stock exchange of Hong Kong).

AVIC International (and through AVIC Shenzhen, a wholly-owned subsidiary of AVIC International) is the controlling Shareholder of the Company. AVIC International's core businesses consist of international aviation, electronics information, infrastructure construction, engineering procurement construction (EPC) and government projects, and cement and building materials engineering etc.

AVIC Shenzhen's core businesses consist of commercial retail, hotel management and property business.

AVIC International's shareholding in the Company

As at the Latest Practicable Date, the Company had 1,166,161,996 Shares in issue, comprising 832,973,997 Domestic Shares and 333,187,999 H Shares. As at the Latest Practicable Date, there were PSCS in the outstanding amount of RMB2,781,672,739 issued by the Company which may be converted into 801,634,795 Domestic Shares at the initial conversion price of RMB3.47 (subject to adjustment pursuant to the terms of the PSCS). All

LETTER FROM THE COMPANY'S BOARD

the issued Domestic Shares and the outstanding PSCS were owned by AVIC International, directly and indirectly (through AVIC Shenzhen). Save for the 6,876,000 H Shares held by Best Pine Investment Ltd., a wholly-owned subsidiary of AVIC International, none of AVIC International or the parties acting in concert with it legally or beneficially owns any H Shares. The rights of the holders of Domestic Shares and H Shares rank pari passu to each other, including voting rights and the right to receive dividend payment, except that payment of dividend will be made in RMB to the holders of the Domestic Shares and in Hong Kong dollars to H Shareholders. As at the Latest Practicable Date, save as disclosed above, there were no outstanding options, warrants, derivatives or convertible securities issued by the Company to AVIC International.

INFORMATION AND PRINCIPAL BUSINESS OF THE GROUP

Your attention is drawn to Appendices II and VI to this Composite Document which contain further financial and general information of the Group.

The Company is a joint stock company with limited liability whose H Shares are listed on the Main Board of the Stock Exchange established in accordance with the PRC Company Law. The Group is principally engaged in the manufacturing and sales of flat panel displays and modules, printed circuit boards and watches, international engineering and trading and logistic business and engineering, procurement and construction projects.

Shareholding Structure of the Company

As at the Latest Practicable Date, the Company had 1,166,161,996 Shares in issue, comprising 832,973,997 Domestic Shares and 333,187,999 H Shares.

As at the Latest Practicable Date, there were PSCS in the outstanding amount of RMB2,781,672,739 issued by the Company which may be converted into 801,634,795 Domestic Shares at the initial conversion price of RMB3.47 (subject to adjustment pursuant to the terms of the PSCS). As at the Latest Practicable Date, save for the PSCS, there were no other outstanding options, warrants, derivatives or convertible securities issued by the Company.

All the issued Domestic Shares and the outstanding PSCS were owned by AVIC International, directly and indirectly (through AVIC Shenzhen). Save for the 6,876,000 H Shares held by Best Pine Investment Ltd., a wholly-owned subsidiary of AVIC International, none of AVIC International or the parties acting in concert with it legally or beneficially owns any H Shares.

LETTER FROM THE COMPANY'S BOARD

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the completion of the H Share Offer (assuming that the H Share Offer is fully accepted by all H Shareholders (including all parties acting in concert with AVIC International and all Independent H Shareholders) and there is no change in the issued share capital of the Company); and (iii) immediately after the completion of the H Share Offer (assuming that the H Share Offer is fully accepted by all H Shareholders (including all parties acting in concert with AVIC International and all Independent H Shareholders) and the PSCS are exercised in full at the initial conversion price of RMB3.47):

Shareholder	As at the Latest Practicable Date		Immediately after completion of the H Share Offer (assuming that the H Share Offer is fully accepted by all H Shareholders (including all parties acting in concert with AVIC International and all Independent H Shareholders) and there is no change in the issued share capital of the Company)		Immediately after completion of the H Share Offer (assuming that the H Share Offer is fully accepted by all H Shareholders (including all parties acting in concert with AVIC International and all Independent H Shareholders) and the PSCS are exercised in full)	
	<i>Approximate % of the total issued</i>		<i>Approximate % of the total issued</i>		<i>Approximate % of the total issued</i>	
	<i>Number of Shares</i>	<i>Shares</i>	<i>Number of Shares</i>	<i>Shares</i>	<i>Number of Shares</i>	<i>Shares</i>
AVIC International	437,264,906	37.50%	437,264,906	37.50%	1,204,834,218	61.23%
	Domestic Shares		Domestic Shares		Domestic Shares	
			333,187,999	28.57%	333,187,999	16.93%
			H Shares		H Shares	
Parties acting in concert with AVIC International						
- AVIC Shenzhen	395,709,091	33.93%	395,709,091	33.93%	429,774,574	21.84%
	Domestic Shares		Domestic Shares		Domestic Shares	
- Best Pine Investment Ltd.	6,876,000	0.59%	-	-	-	-
	H Shares					
Independent H Shareholders	326,311,999	27.98%	-	-	-	-
	H Shares					
Total	1,166,161,996	100%	1,166,161,996	100%	1,967,796,791	100%
	Shares		Shares		Shares	

LETTER FROM THE COMPANY'S BOARD

Notes:

- 1) AVIC International directly held 437,264,906 Domestic Shares and the PSCS in the outstanding amount of RMB2,663,465,514 which may be converted into 767,569,312 Domestic Shares at the initial conversion price of RMB3.47 (subject to adjustment pursuant to the terms of the PSCS).
- 2) AVIC Shenzhen is a wholly-owned subsidiary of AVIC International. It directly held 395,709,091 Domestic Shares and the PSCS in the outstanding amount of RMB118,207,225 which may be converted into 34,065,483 Domestic Shares at the initial conversion price of RMB3.47 (subject to adjustment pursuant to the terms of the PSCS).
- 3) Best Pine Investment Ltd. is a wholly-owned subsidiary of AVIC International and directly held 6,876,000 H Shares of the Company.
- 4) The figures included in the above table have been subject to rounding adjustments.

As at the Latest Practicable Date, AVIC International and parties acting in concert with it held all of the issued Domestic Shares (being 832,973,997 Domestic Shares), 6,876,000 H Shares, and all of the PSCS in the outstanding amount of RMB2,781,672,739.

Financial Information

A summary of the financial information of the Group as set forth in the annual reports of the Company for the years ended 31 December 2016, 31 December 2017 and 31 December 2018, respectively and in the interim report of the Company for the six months ended 30 June 2019 is set out in Appendix II to this Composite Document.

The circular of the Company dated 25 October 2019 (the “**VSD Circular**”), in relation to the proposed non-public issuance of A shares by Tian Ma and deemed disposal of interest in Tian Ma by the Company, contained estimate of the unaudited consolidated profit before income tax, unaudited consolidated profit for the period and unaudited consolidated profit of Tian Ma and its subsidiaries attributable to owners of the Tian Ma for the years ended 31 December 2016, 2017 and 2018 and the period ended 30 June 2019. Further, the announcement of the Company dated 31 October 2019 (the “**2019 Third Quarterly Results Announcement**”) in relation to the unaudited results of the Company and the unaudited combined results of the Company and its subsidiaries prepared in accordance with the general accepted accounting principles in the PRC (the “**PRC GAAP**”) for the nine months ended 30 September 2019 contained estimate of the unaudited consolidated profit before income tax, unaudited consolidated profit for the period, unaudited consolidated profit of the Group attributable to the owners of the Company, the unaudited profit before income tax, unaudited profit of the Company for the period ended 30 September 2019 (the VSD Circular and 2019 Third Quarterly Results Announcement together, the “**Profit Forecast Documents**”, the abovementioned estimates contained in the Profit Forecast Documents collectively, the “**Required Financial Information**”).

The Required Financial Information constitute profit forecasts under Rule 10 of the Takeovers Code, further details are set out in the section headed “3. Unaudited Financial Information of the Group” in Appendix II to this Composite Document. The Required Financial Information must be reported on in accordance with Rule 10 of the Takeovers Code by the Company’s financial adviser and its auditors or consultant accountants (the

LETTER FROM THE COMPANY'S BOARD

“**Profit Forecast Reports**”) and such reports must be lodged with the Executive in accordance with Rule 10.4 of the Takeovers Code. The letters from the reporting consultant accountant and the Independent Financial Adviser in respect of the Required Financial Information pursuant to Rule 10 of the Takeovers Code are included in Appendix III to this Composite Document.

The Group prepares its annual and interim financial statements in accordance with the IFRS, whilst the Unaudited 2019 Third Quarterly Profit Figures were prepared in accordance with the PRC GAAP. Hence, in order to comply with the requirements of the Takeovers Code, a reconciliation of the Unaudited 2019 Third Quarterly Profit Figures has been prepared by the Company’s Board in line with the IFRS (the “**Reconciled Unaudited Profit Figures**”) and the Profit Forecast Reports have been made on the Reconciled Unaudited Profit Figures. The respective letters from Deloitte Touche Tohmatsu and Somerley Capital Limited in this regard are set out in Appendix III respectively to the Composite Document.

AVIC INTERNATIONAL’S INTENTION IN RELATION TO THE COMPANY

Please refer to the section headed “INTENTION IN RELATION TO AVIC INTERNATIONAL AND THE COMPANY” in the “Letter from CICC” as set out in this Composite Document for detailed information on AVIC International’s intention on the business and management of the Company. The Company’s Board noted such intention.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 of the Takeovers Code, a board which receives an offer, or is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation (i) as to whether the offer is, or is not, fair and reasonable and (ii) as to acceptance or voting.

The Independent Board Committee comprising all independent non-executive directors of the Company, namely, Ms. WONG Wai Ling, Mr. WU Wei and Mr. WEI Wei, has been formed for the purpose of making recommendations to the Independent H Shareholders in respect of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee in respect of the H Share Offer and, in particular, as to whether the H Share Offer is fair and reasonable and as to its acceptance, and whether the Delisting and the Merger Agreement and the Merger contemplated thereunder are fair and reasonable and as to voting. Such appointment has been approved by the Independent Board Committee.

The full texts of the letter from the Independent Board Committee addressed to the Independent H Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee and the Independent H Shareholders are set out in this Composite Document. **You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder.**

LETTER FROM THE COMPANY'S BOARD

THE EXTRAORDINARY GENERAL MEETING AND THE H SHARE CLASS MEETING

The Extraordinary General Meeting will be convened to approve the Merger Agreement and the Merger contemplated thereunder at 39/F, AVIC Center Building, No. 1018 Huafu Road, Futian District, Shenzhen, the People's Republic of China on Friday, 14 February 2020 at 9:00 a.m. and the H Share Class Meeting will be convened to approve the Delisting, the Merger Agreement and the Merger contemplated thereunder at 39/F, AVIC Center Building, No. 1018 Huafu Road, Futian District, Shenzhen, the People's Republic of China on Friday, 14 February 2020 at 9:30 a.m. (or immediately after the conclusion or adjournment of the Extraordinary General Meeting), respectively.

The notice, proxy form and attendance confirmation slip of each of the Extraordinary General Meeting and the H Share Class Meeting have been despatched to Shareholders on Monday, 30 December 2019. For Shareholders' ease of reference, the notice of the Extraordinary General Meeting is set out in Appendix VII to this Composite Document and the notice of the H Share Class Meeting is set out in Appendix VIII to this Composite Document, the content of which is the same as the notices that have been despatched to Shareholders on Monday, 30 December 2019. AVIC International and the parties acting in concert with AVIC International will abstain from voting in respect of all such Shares in the H Share Class Meeting in accordance with Rule 2.2 of the Takeovers Code.

Whether or not you are able to attend the Extraordinary General Meeting and/or the H Share Class Meeting or any adjournment respectively thereof, you are strongly urged to complete the proxy form(s) which have been despatched to you on Monday, 30 December 2019 in accordance with the instructions printed thereon and return the same to the office address of the Company at 39/F, AVIC Center Building, No. 1018 Huafu Road, Futian District, Shenzhen, People's Republic of China (for holders of Domestic Shares) or the Registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) as soon as possible and in any event not less than twenty-four (24) hours before the time appointed for the Extraordinary General Meeting and/or the H Share Class Meeting or any adjournment respectively thereof.

Completion and return of the proxy form will not preclude you from attending and voting in person at the Extraordinary General Meeting and/or the H Share Class Meeting or any adjournment respectively thereof, should you so wish. In the event that you attend and vote at any of the Extraordinary General Meeting and/or the H Share Class Meeting or any adjournment respectively thereof after having deposited the relevant proxy form, that proxy form will be deemed to have been revoked.

You are requested to complete the attendance confirmation slip(s) which have been despatched to you on Monday, 30 December 2019 in accordance with the instructions printed thereon and return the same to the office address of the Company at 39/F, AVIC Center Building, No. 1018 Huafu Road, Futian District, Shenzhen, People's Republic of China (for holders of Domestic Shares) or the Registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) on or before Friday, 24 January 2020. Failure to return the attendance

LETTER FROM THE COMPANY'S BOARD

confirmation slip(s) will not affect a Shareholder's right to attend the Extraordinary General Meeting and/or the H Share Class Meeting (as applicable). Voting at the Extraordinary General Meeting and the H Share Class Meeting respectively will be taken by way of poll as required under the Listing Rules and the Takeovers Code.

RECOMMENDATION

Your attention is drawn to (i) the "Letter from the Independent Board Committee" as set out from pages 42 to 43 of this Composite Document, which contains the recommendations of the Independent Board Committee to the Independent H Shareholders in respect of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder, and (ii) the "Letter from the Independent Financial Adviser" as set out from pages 44 to 98 of this Composite Document, which contains the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent H Shareholders in respect of the H Share Offer, the Delisting and the Merger Agreement and the Merger contemplated thereunder and the principal factors considered by it before arriving at its advice and recommendation.

ADDITIONAL INFORMATION

The Independent H Shareholders are urged to read the aforesaid letters, this Composite Document together with the accompanying Form of Acceptance carefully before taking any action in respect of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder. Your attention is also drawn to the additional information contained in the appendices to this Composite Document. Finally, in considering what action to take in response to the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder, you should also consider your own tax positions, if any, and in case of doubt, consult your professional advisers.

Yours faithfully,
By order of the Company's Board
AVIC International Holdings Limited
Liu Hong De
Chairman



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 company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00161)

8 January 2020

To the Independent H Shareholders

Dear Sir or Madam,

**(1) VOLUNTARY CONDITIONAL OFFER BY
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG
SECURITIES LIMITED ON BEHALF OF AVIC INTERNATIONAL
TO ACQUIRE ALL OF THE ISSUED H SHARES IN THE COMPANY;
(2) PROPOSED VOLUNTARY WITHDRAWAL OF
LISTING OF THE H SHARES OF THE COMPANY;
AND
(3) PROPOSED MERGER BY ABSORPTION OF
THE COMPANY BY AVIC INTERNATIONAL**

INTRODUCTION

We refer to the Composite Document dated 8 January 2020 jointly issued by AVIC International and the Company of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed to form the Independent Board Committee to consider the terms of the H Share Offer, the Delisting and the Merger Agreement and the Merger contemplated thereunder and to make a recommendation to the Independent Shareholders as to whether, in our opinion, the terms of the H Share Offer, the Delisting and the Merger Agreement and the Merger contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and as to the acceptance of the H Share Offer and the voting of the Delisting, the Merger Agreement and the Merger contemplated thereunder. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise us in this respect. Details of Somerley Capital Limited's advice and the principal factors and reasons taken into consideration in arriving at its advice and recommendations are set out in the "Letter from the Independent Financial Adviser" as set out from pages 44 to 98 of this Composite Document.

We also wish to draw your attention to the "Letter from the Company's Board", the "Letter from CICC" and the additional information set out in the appendices to the Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, being the members of the Independent Board Committee, have declared that we are independent and do not have any conflict of interest in respect of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder or any direct or indirect interest therein and are therefore able to consider the terms of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder and to make recommendations to the Independent H Shareholders.

RECOMMENDATIONS

Having taken into account the terms of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder, together with the advice and recommendations from Somerley Capital Limited, we are of the opinion that the terms of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder are fair and reasonable so far as the Independent H Shareholders are concerned and therefore we recommend the Independent H Shareholders to (i) accept the H Share Offer and (ii) vote in favour of the resolutions approving the Delisting (if applicable), the Merger Agreement and the Merger contemplated thereunder at the Extraordinary General Meeting and/or the H Share Class Meeting (as the case may be).

Notwithstanding our recommendation, the Independent H Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent H Shareholders should consult their own professional advisers for professional advice.

Furthermore, the Independent H Shareholders who wish to accept the H Share Offer are recommended to read carefully the procedures for accepting the H Share Offer as detailed in the Composite Document and the accompanying Form of Acceptance.

Yours faithfully,
For and on behalf of
Independent Board Committee

Ms. Wong Wai Ling
Independent
non-executive Director

Mr. Wu Wei
Independent
non-executive Director

Mr. Wei Wei
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Independent Board Committee, which has been prepared for the purpose of inclusion in this Composite Document.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

8 January 2020

To: *the Independent Board Committee*

Dear Sirs,

**(1) VOLUNTARY CONDITIONAL OFFER BY
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG
SECURITIES LIMITED ON BEHALF OF AVIC INTERNATIONAL
TO ACQUIRE ALL OF THE ISSUED H SHARES IN THE COMPANY;
(2) PROPOSED VOLUNTARY WITHDRAWAL OF
LISTING OF THE H SHARES OF THE COMPANY;
AND
(3) PROPOSED MERGER BY ABSORPTION OF
THE COMPANY BY AVIC INTERNATIONAL**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the H Share Offer, the Delisting, the Merger Agreement and the Merger. Details of the H Share Offer, the Delisting, the Merger Agreement and the Merger are set out in the Composite Document dated 8 January 2020, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

As set out in the "Letter from CICC" contained in the Composite Document, the Exclusive Financial Adviser, on behalf of AVIC International, is making a voluntary conditional cash offer (i.e. the H Share Offer) to acquire all the issued H Shares. The H Share Offer is subject to the fulfilment of a number of Conditions, including, among other things, the approval of the voluntary withdrawal of the listing of the H Shares on the Stock Exchange (i.e. the Delisting) by the Independent H Shareholders at the H Share Class Meeting and the approval of the Merger Agreement and the Merger by the Shareholders in the H Share Class Meeting and the Extraordinary General Meeting. The Merger Agreement was entered into among AVIC International, the Company and AVIC Shenzhen on 2 October 2019. If the Merger is implemented and completed, each of the Company and AVIC Shenzhen will be merged and absorbed by AVIC International in accordance with Article 172 of the PRC Company Law and other applicable PRC Laws.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive directors of the Company, namely Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Wei Wei, has been established to advise the Independent H Shareholders in respect of the H Share Offer, the Delisting, the Merger Agreement and the Merger, including (i) whether the terms of the H Share Offer are fair and reasonable and as to its acceptance; and (ii) whether the Delisting and the Merger are fair and reasonable and as to voting. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee in these regards.

During the past two years, Somerley has acted and is acting as the independent financial adviser to AVIC International Holding (HK) Limited, a fellow subsidiary of the Company, and AviChina Industry & Technology Company Limited, ultimately controlled by Aviation Industry Corporation. The aforesaid engagements are limited to providing independent advisory services to the companies pursuant to the Listing Rules and/or the Takeovers Code, for which Somerley Capital Limited receives normal professional fees. Accordingly, we do not consider these engagements give rise to any conflict of interest for Somerley Capital Limited in acting as the Independent Financial Adviser in this case.

We are not associated with the Company, AVIC International or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the H Share Offer, the Delisting, the Merger Agreement and the Merger. Apart from normal professional fees paid or payable to us in connection with this appointment, and except as disclosed above, no arrangement exists whereby we will receive any fees or benefits from the Company, AVIC International, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, (i) the Composite Document; (ii) the Merger Agreement; (iii) the interim report of the Company for the six months ended 30 June 2019; (iv) the annual reports of the Company for the three years ended 31 December 2016, 2017 and 2018; (v) the announcement of the Company in relation to the unaudited financial information prepared in accordance with the generally accepted accounting principles in the PRC for the nine months ended 30 September 2019; (vi) the summary of the valuation report (the “**Valuation Report**”) of the property interests of the Group as set out in Appendix IV to the Composite Document; (vii) the unaudited management accounts of the Group prepared in accordance with the generally accepted accounting principles in the PRC for the eleven months ended 30 November 2019; and (viii) the material change statement set out in Appendix II to the Composite Document, together with the future prospects of the Group, which we have discussed with the management of the Group (the “**Management**”).

We have relied on the information and facts supplied by the Company and the opinions expressed by the directors of the Company, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Composite Document were true at the time they were made and at the date of the Composite Document and will continue to be true until the end of the Offer Period. Shareholders will be informed as soon as

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

reasonably practicable if we become aware of any material change to such representations during the Offer Period. We have sought and received confirmation from the directors of the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, AVIC International or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied.

We have not considered the tax and regulatory implications on the Independent H Shareholders of acceptances of the H Share Offer and the Merger since these are particular to their individual circumstances. In particular, the Independent H Shareholders who are overseas residents or subject to overseas taxation or to Hong Kong taxation on security dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE H SHARE OFFER AND THE MERGER

(I) THE H SHARE OFFER

Set out below is a summary of the terms of the H Share Offer which are set out in more detail in the “Letter from CICC” and Appendix I contained in the Composite Document. Independent H Shareholders are encouraged to read the Composite Document and the appendices in full.

1. H Share Offer Price

The H Share Offer is made by the Exclusive Financial Adviser on behalf of AVIC International on the following basis:

For each H Share HK\$9.00 in cash

The H Share Offer Price was determined after taking into account the most recently published financial information of the Company and the closing price of the H Shares for the last three years immediately prior to and including 27 September 2019 (being the Last Trading Date).

As set out in the “Letter from CICC” contained in the Composite Document, AVIC International will not increase the H Share Offer Price for the H Share Offer and AVIC International does not reserve the right to increase the H Share Offer Price.

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2. Conditions of the H Share Offer

The H Share Offer is subject to the fulfilment of a number of Conditions as set out in the sub-section headed “6. Conditions of the H Share Offer” in the “Letter from CICC” contained in the Composite Document and as follows:

- (a) the passing of resolutions by way of poll approving the Delisting at the H Share Class Meeting to be convened for this purpose by the Independent H Shareholders, provided that:
 - (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy at the H Share Class Meeting; and
 - (ii) the number of votes cast (by way of poll) against the resolutions is not more than 10% of the votes attaching to all of the H Shares held by the Independent H Shareholders;
- (b) minimum valid acceptances of the H Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as AVIC International may, subject to the Takeovers Code, decide) amounting to at least 90% of the H Shares in issue held by the Independent H Shareholders;
- (c) the approvals from or filing procedures with the PRC government and/or regulatory bodies such as NDRC in relation to the H Share Offer having been obtained or completed and remaining in full force and effect pursuant to the provisions of relevant laws and regulations in the PRC;
- (d) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the H Share Offer void, unenforceable or illegal, or restrict or prohibit the implementation of the H Share Offer (other than such orders or decisions that would not have a material adverse effect on the legal ability of AVIC International to proceed with or consummate the H Share Offer); and
- (e) the obtaining of approval of the Merger Agreement and the Merger by the requisite votes of the Shareholders at the H Share Class Meeting and the Extraordinary General Meeting as described under the sub-section headed “5. Merger Conditions” in the “Letter from CICC” contained in the Composite Document.

None of the Conditions to the H Share Offer can be waived.

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As at the Latest Practicable Date, AVIC International has completed the filing procedures with NDRC in relation to the H Share Offer under Condition (c) above.

3. Closing date and completion

As set out in the Composite Document, the First Closing Date is 6 March 2020. If all the Conditions have been satisfied, the H Share Offer will be declared unconditional. The H Share Offer will be extended for a subsequent period of not less than 28 calendar days before the H Share Offer is closed in order to allow sufficient time for those H Shareholders who have not initially accepted the H Share Offer to accept the H Share Offer or to process the transfer of their H Shares. Except with the consent of the Executive, if any of the Conditions is not satisfied within 21 days of the First Closing Date or the date when the H Share Offer becomes or is declared unconditional as to acceptances, whichever is the later, the H Share Offer will lapse. The latest time at which AVIC International can declare the H Share Offer unconditional as to acceptance is 7:00 p.m. on 6 March 2020 (or such later date to which the Executive may consent).

4. Other terms

Under the terms of the H Share Offer, the H Shares will be acquired with all rights attached thereto as at the date of the Announcement or which subsequently become attached thereto, including the right to receive in full all dividends and other distributions, if any, declared, made or paid, on or after the date of the Announcement, and free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances and third party rights.

Pursuant to Rule 35.3 of the Takeovers Code, securities owned by an exempt principal trader connected with AVIC International shall not be assented to the H Share Offer until the H Share Offer becomes or is declared unconditional as to acceptances. In addition, pursuant to Rule 35.4 of the Takeovers Code, securities owned by an exempt principal trader connected with AVIC International or the Company shall not be voted at the Extraordinary General Meeting and the H Share Class Meeting.

(II) THE MERGER

Set out below is a summary of the terms of the Merger, further details of which are set out in the section headed "Merger by absorption of the Company by AVIC International" in the "Letter from CICC" contained in the Composite Document.

On 2 October 2019, AVIC International, the Company and AVIC Shenzhen entered into the Merger Agreement, pursuant to which each of the Company and AVIC Shenzhen will be merged and absorbed by AVIC International in accordance with the PRC Company Law and other applicable PRC Laws. The Merger will be implemented and completed by going through the following major processes after the completion of the H Share Offer and the Delisting and the fulfilment or waiver (if applicable) of other Merger Conditions, namely (i) AVIC International will pay a Merger Price of HK\$9.00 per delisted H Share

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(other than those that may be acquired by AVIC International under the H Share Offer and those held by the Dissenting H Shareholders) in cash to the then existing H Shareholders within seven Business Days after the Merger Effective Date; and (ii) the Company and AVIC Shenzhen will be de-registered in accordance with the PRC Company Law, the Administrative Regulations of the PRC Governing the Company Registration and relevant legal provisions.

Consequently, each of the Company and AVIC Shenzhen will cease to exist as a separate legal entity and will be merged and absorbed into AVIC International. As a result of the Merger, the assets and liabilities, business, qualifications, contracts of the Company and AVIC Shenzhen will be assumed by AVIC International as the surviving corporation.

Pursuant to the Merger Agreement, the payment to the then H Shareholders will be made as soon as possible but in any event within seven Business Days after the Merger Effective Date. After payment had been made to H Shareholders, the relevant rights attaching to such delisted H Shares shall be deemed as cancelled. No consideration will be paid by AVIC International to AVIC Shenzhen for the Domestic Shares held by AVIC Shenzhen as AVIC Shenzhen will be merged into AVIC International when the Company is merged into AVIC International.

Rights of the Dissenting H Shareholders

According to Article 188 of the Articles, any Dissenting H Shareholder, who has opposed the Merger Agreement and the Merger, will have the right to request the Company or other H Shareholders who have voted for the Merger Agreement and the Merger to acquire their H Shares at a “fair price”. Under such circumstance, the Merger Agreement provides that AVIC International shall, at the request of the Company or such H Shareholders, assume the relevant obligations which the Company or such H Shareholders who have received such a request may have towards the Dissenting H Shareholder(s) according to applicable PRC Laws.

The Independent H Shareholders should note that there is no administrative guidance on the substantive as well as procedural rules as to how the “fair price” will be determined under the PRC Laws. Thus, no assurance can be given as to (i) the time required for the process to take; (ii) any favourable results to be granted to the Dissenting H Shareholders; and (iii) the cost may be incurred by the Dissenting H Shareholders in such process for determining the “fair price”.

For the avoidance of doubt, if the Merger does not proceed as a result of the Merger Conditions not being fulfilled in full or waived (if applicable) or the Merger Agreement being terminated, the Dissenting H Shareholders (if any) shall not be entitled to exercise their right as described above.

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Merger Conditions

The Merger is subject to the fulfilment or waiver, as applicable, of a number of Merger Conditions as set out in the sub-section headed “Merger by absorption of the Company by AVIC International – 5. Merger Conditions” in the “Letter from CICC” contained in the Composite Document. The principal conditions are as follows:

- (a) the approval of the Merger Agreement and the Merger by more than two-thirds of the votes attaching to the Shares held by the Shareholders that are cast either in person or by proxy at the Extraordinary General Meeting having been obtained pursuant to the Articles;
- (b) the passing of resolutions by way of poll approving the Merger Agreement and the Merger at the H Share Class Meeting to be convened for this purpose by the Independent H Shareholders, provided that:
 - (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy at the H Share Class Meeting; and
 - (ii) the number of votes cast against the resolutions is no more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders;
- (c) the H Share Offer becoming or being declared unconditional in all respects pursuant to the fulfilment of the Conditions and subsequently being closed;
- (d) the Company having submitted the Delisting application to the Stock Exchange and such Delisting having become effective pursuant to the Listing Rules;
- (e) the approval from Aviation Industry Corporation in relation to the Merger having been obtained and remaining in full force and effect; and
- (f) the approvals from or filings with the PRC authorities or other government and regulatory agencies, as applicable, in relation to the Merger having been obtained and remaining in full force and effect, including but not limited to the filings with NDRC.

As at the Latest Practicable Date, AVIC International has completed the filing procedures with NDRC under the Merger Condition (f) above and obtained the approval from Aviation Industry Corporation under the Merger Condition (e). Save as disclosed above, none of the other Merger Conditions have been fulfilled or waived (as applicable) as at the Latest Practicable Date. The other Merger Conditions shall be fulfilled or waived (as applicable) on or before 1 September 2020, otherwise the Merger will lapse.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background to and reasons for the H Share Offer, the Delisting and the Merger

As set out in the section headed “Reasons for and benefits of the H Share Offer, the Delisting and the Merger” in the “Letter from CICC” contained in the Composite Document, the H Share Offer, the Delisting and the Merger will be beneficial for the Company to dispense of costs associated with compliance and maintenance of the listing status of the Company and achieve synergies in the following aspects: (i) with reduced management chain and flat organisation, management efficiency will be improved; (ii) through centralised cash management, financial resources could be allocated to the businesses to be focused, and fund utilisation efficiency will be increased; and (iii) transactions conducted by the Company (including the transactions between AVIC International and the Company) will not be subject to the compliance obligations under the Listing Rules upon Delisting, providing more commercial flexibilities for AVIC International and the Company.

The H Share Offer, the Delisting and the Merger provide the Independent H Shareholders with the opportunity to realise their investment in the Company for cash at a premium over the prevailing H Share price. The H Share Offer Price of HK\$9.00 per H Share represents premia in a range of approximately 29.1% to 92.1% over the closing H Share prices for different periods before the suspension of trading in the H Shares pending publication of the Announcement. In addition, the trading liquidity of the H Shares has been limited over a period of time. It would be challenging for the H Shareholders as a body to monetize their H Shares in the stock market without adversely affecting the market price of the H Shares. Further details of our analysis on the H Share Offer Price compared to historical H Share price performance, the liquidity of the H Shares and the premia represented by the H Share Offer Price are set out in the section headed “4. Analysis of price performance and trading liquidity of the H Shares” of this letter below.

Assuming the H Share Offer becomes unconditional, the Company will make an application for the listing of the H Shares to be withdrawn from the Stock Exchange pursuant to Rule 6.12 and Rule 6.15 of the Listing Rules. As the H Shares would then not be listed or quoted on any stock exchange, the liquidity of the H Shares would be severely reduced. The Merger Agreement and the Merger are designed to, among other things, avoid the H Shareholders holding unlisted shares as, pursuant to the Merger Agreement, AVIC International will pay a Merger Price of HK\$9.00 per delisted H Share (other than those that may be acquired by AVIC International under the H Share Offer and those held by the Dissenting H Shareholders) in cash to the H Shareholders as at the Merger Effective Date. Further discussion and analysis of the Merger Agreement and the Merger are set out in the section headed “9. Analysis on the Delisting and the Merger” of this letter below.

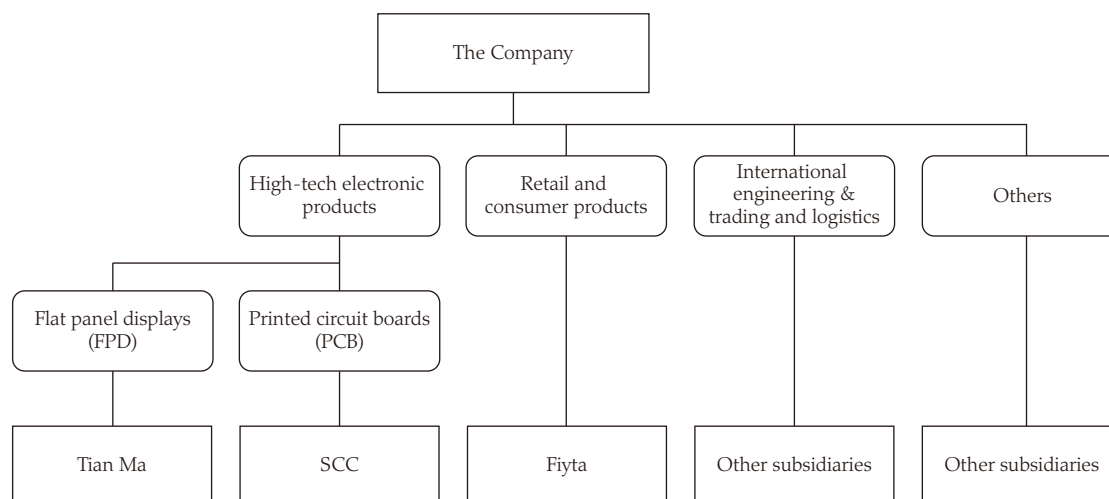
2. Information and prospects of the Group

(i) Information on the background of the Group

The Company, incorporated as a joint stock limited company in the PRC, was listed on the Main Board of the Stock Exchange in 1997. The Group is principally

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engaged in a number of different businesses, including (a) high-tech electronic products (which is further divided into flat panel displays (“FPD”) and printed circuit boards (“PCB”)); (b) retail and consumer products; (c) international engineering and trading and logistics; and (d) others. Part of the Group’s businesses is carried out through the Company’s subsidiaries listed on other stock exchanges. The diagram below illustrates the organisation structure of the Group:



Notes to the above diagram:

1. Tian Ma represents Tian Ma Microelectronics Co. Ltd (listed on the Shenzhen Stock Exchange with stock code 000050), with approximately 16.02% equity interest held by the Group (including approximately 1.78% held by a subsidiary of the Company, AVIC International Xiamen Company Limited (“**AVIC Xiamen**”)).
2. SCC represents Shennan Circuits Co., Ltd (listed on the Shenzhen Stock Exchange with stock code 002916), with approximately 69.05% equity interest held by the Group.
3. Fiyta represents Fiyta Holdings Limited (listed on the Shenzhen Stock Exchange with stock code 000026 and 200026), with approximately 36.79% equity interest held by the Group.
4. All of Tian Ma, SCC and Fiyta are subsidiaries of the Company.

As illustrated in the diagram above, each of the FPD, PCB and retail and consumer products businesses of the Group is carried out through a separate subsidiary listed on the Shenzhen Stock Exchange, while businesses of other segments are carried out through a number of other subsidiaries. Further details of each of the business segments are discussed below.

(a) Flat panel displays (FPD)

This business involves manufacture and sale of FPD and modules through Tian Ma, which focuses 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, point-of-sale

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terminals and human/machine interface. Tian Ma also develops the Internet of Things/new applications such as augmented reality, virtual reality, unmanned flying vehicles and robotics.

(b) Printer circuits board (PCB)

This business involves manufacture and sales of PCB and packaging substrate through SCC. SCC's PCB products cover middle to high-end multilayer PCBs, packaging substrate and printed circuit board assembly, which are mainly used in high-tech fields such as telecommunications, medical service, industrial control, aviation and servers.

*(c) Retail and consumer products ("**Retail**")*

This business involves the production and brand operation of middle to high-end watches as well as the chain sale and service of luxury watches through Fiyta.

*(d) International engineering and trading and logistics ("**Engineering**")*

This business mainly involves engineering contracting, mechatronics engineering, tendering agency businesses, in particular, engineering, procurement and construction for infrastructure projects.

(e) Others

This segment represents smaller businesses conducted by the Group such as hotel operations.

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(ii) Financial information of the Group

Details of the financial information of the Group are set out in Appendix II to the Composite Document. We have reviewed such financial information and other financial reports of the Company and discussed with the Management the financial information of the Group. Details of the Group's historical financial information are set out below.

(a) Financial performance

The following is a summary of the financial results of the Group for (a) the three years ended 31 December 2016, 2017 and 2018 (extracted from the Company's 2017 and 2018 annual reports); and (b) the six months ended 30 June 2018 and 2019 (extracted from the Company's 2019 interim report).

	For the six months ended 30 June		For the year ended 31 December		
	2019 (RMB'000) (Unaudited)	2018 (RMB'000) (Unaudited)	2018 (RMB'000) (Audited)	2017 (RMB'000) (Audited) and restated)	2016 (RMB'000) (Audited)
Revenue	26,871,678	24,983,070	54,290,366	46,276,689	33,007,917
Gross profit	4,641,247	4,080,709	8,331,056	8,461,416	5,687,220
Profit for the period/year	840,271	996,656	351,505	1,834,948	1,287,972
Profit/(loss) attributable to owners of the Company	91,576	137,778	(568,314)	510,942	806,066
Non-controlling interests	748,695	858,878	919,819	1,324,006	481,906

Overall, it is noted from the table above that there was an increasing trend in the revenue of the Group over the periods stated, mainly attributable to the increased revenue of the FPD and PCB business segments. Profit of the Group increased in 2017 as compared to 2016 and dropped significantly in 2018. The increment in 2017 was mainly due to the restatements of figures as a result of the acquisitions of equity interests in Xiamen Tianma Microelectronics Co., Ltd. ("**Xiamen Tianma Company**") and Shanghai Tian Ma Organic Light-Emitting Company Limited ("**Tianma Organic Company**") in 2018. The decrease in profit for 2018 was primarily attributable to the impairment of goodwill of approximately RMB418.6 million (2017: Nil) and impairment losses recognised on trade receivables and other receivables and contract assets of approximately RMB1,107.4 million (2017: approximately RMB403.1 million) recorded during the year. The significant amounts of

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non-controlling interests over the review period above are mainly attributable to the fact that significant proportions of equity interests in certain subsidiaries such as Tian Ma and Fiyta are held by parties other than the Company. There is also a continuing deterioration in the profit attributable to owners of the Company, which was mainly due to deteriorating results from the Engineering segment. Detailed analysis on the Group's performance is set out below.

Financial information by business segments

The following tables set out the breakdown by business segments of the Group extracted from the Company's 2017 and 2018 annual reports, and the Company's 2019 interim report.

	For the six months ended 30 June		For the year ended 31 December		
	2019	2018	2018	2017	2016
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)	(Audited)	(Audited and restated)	(Audited)
Revenue by segments:					
(Note 1)	26,871,678	24,983,070	54,290,366	46,276,689	33,007,917
– FPD	14,472,593	13,792,758	28,537,031	23,483,026	10,656,337
– PCB	4,674,480	3,117,785	7,388,972	5,502,534	4,438,580
– Retails	1,770,959	1,680,654	3,376,464	3,322,928	2,965,074
– Engineering	5,557,722	5,995,053	14,191,301	13,239,645	10,745,852
– Real estate	–	–	–	–	3,544,146
– Others	395,924	396,820	796,598	728,556	657,928
Profit/(loss) for the period/year					
(Note 2)	1,168,271	1,184,220	351,505	1,834,948	1,287,972
– FPD	661,030	880,677	914,585	1,495,778	578,813
– PCB	541,466	313,676	703,685	454,096	292,396
– Retails	169,745	145,832	183,080	224,432	191,321
– Engineering	(440,614)	(60,604)	(1,466,825)	(299,228)	29,685
– Real estate	–	–	–	–	21,011
– Others	414,628	150,924	16,980	(40,130)	174,746

Notes:

- As set out in the 2018 annual report, the Group has focused on its core business segments in 2018 and has continued to strip out its real estate business. Therefore the Management has changed the presentation of the information reported by reclassifying the real estate segment to others segment, to provide a more

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meaningful picture of its business operations. As set out in the 2017 annual report, the real estate segment for 2016 mainly involves real estate development and construction engineering work.

2. Information on net profits/losses for each segment was not disclosed in the 2018 and 2019 interim reports of the Company. Figures for the six months ended 30 June 2019 and 2018 represented the segmental profit before taxation. As information on inter-segment elimination was not disclosed in the 2019 and 2018 interim reports of the Company, there are differences between (a) the aggregate of the figures; and (b) the respective figure of profit before taxation of the Group for each of the six months ended 30 June 2019 and 2018. Such differences represented inter-segment elimination of approximately RMB178.0 million and RMB246.3 million for the six months ended 30 June 2019 and 2018 respectively.

– *FPD segment*

As demonstrated in the table above, the manufacture and sales of FPD products has been the main source of revenue for the Group, contributing over 50% of the revenue of the Group since 2017. As set out in the 2017 annual report, in 2017, Tian Ma managed to satisfy its customer demands during the year, leading to a significant increase in orders throughout the year. Tian Ma took advantage of early market opportunities for full-screen FPD lamps, which led to a growing proportion of the application of mid to high-end smartphones and a rapid increase of in-vehicle products. In 2018, Tian Ma completed the acquisition of Xiamen Tianma Company and Tianma Organic Company, which improved its research and development (“R&D”) and production capabilities in emerging display technologies, further expanding the business scale of Tian Ma and increasing the revenue level of the FPD segment in 2018. Xiamen Tianma Company and Tianma Organic Company became wholly owned subsidiaries of Tian Ma. As mentioned above, the figures for the year ended 31 December 2017 have been restated as if businesses of Xiamen Tianma Company and Tianma Organic Company had been combined when they first came under common control. Revenue before restatement in 2017 amounted to approximately RMB13.8 billion, representing an increase of approximately 29.4% as compared to 2016, mainly due to the reasons stated above.

Revenue for the manufacture and sales of FPD products increased by approximately 4.9% for the six months ended 30 June 2019 as compared to the corresponding period in 2018, mainly due to the continuing optimisation of product structure and enhancement of the transformation of high-value added products and increased market share of high-profitability professional display products during the period.

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Profit of the FPD segment amounted to approximately RMB779.6 million in 2017 before restatement, representing an increase of approximately 34.7% as compared to 2016, mainly attributable to the revenue increment and increase in income from government grants during the year. The FPD segment recorded a decrease in profit of approximately 38.9% in 2018 as compared to 2017, primarily attributable to the provision made for bad debts in accounts receivable of approximately RMB491.2 million due to the operational risks among certain customers and increase in expenses due to the ramp-up of its production capacity during the year.

Profit before taxation for the six months ended 30 June 2019 has dropped by approximately 24.9% as compared to the corresponding period in 2018, resulting from an increase in R&D expenses and recruitment during the period.

– *PCB segment*

Revenue from the manufacture and sales of PCB products in 2017 recorded an increase of approximately 24.0% over 2016. As stated in the 2017 annual report, such increase was mainly due to the business opportunities brought by telecommunications customers and improved performance in the PCB assembly business and packaging substrate business with growing contribution from major customers. In 2018, revenue from the PCB business segment increased further by approximately 34.3% as compared to 2017. During 2018, SCC has continued to optimise its products structure and established its presence in smart manufacturing at a faster pace, while maintaining its leading advantage in high-tech fields such as communications and aviation.

Revenue for the six months ended 30 June 2019 increased by approximately 49.9% as compared to the corresponding period in 2018, mainly due to the increased demand from downstream markets such as communications and servers driven by the expansion of 4G networks and 5G base station developments.

Profit for the PCB segment increased from approximately RMB292.4 million in 2016 to approximately RMB454.1 million in 2017, and further to approximately RMB703.7 million in 2018. For the six months ended 30 June 2019, profit before taxation for the PCB segment also increased by approximately 72.6% over the corresponding period in 2018. Overall, the improved profitability of the PCB segment was mainly attributable to the efforts made in promoting construction, automation and information transformation of factories, with a view to raising labour and equipment efficiency.

– *Retail segment*

The Retail segment generated revenue of approximately RMB3.3 billion in 2017, representing an annual growth of approximately 12.1% over 2016, resulting from continuing efforts in developing new brands and business and improving channel efficiency during the year. Revenue was maintained at similar level in 2018 at approximately RMB3.4 billion with a slight increment of approximately 1.6% over 2017.

Revenue for the six months ended 30 June 2019 has increased by approximately 5.4% as compared to the same period in 2018. As set out in the 2019 interim report of the Company, sales of high-end watches improved as growth in the watches and clocks industry diverged. While mid-end watches and domestic watches faced greater growth pressure, completion of the restructuring of brand portfolios and improved brand channel synergies have led to the revenue increment.

Profit for the Retail segment increased by approximately 17.3% to approximately RMB224.4 million in 2017, mainly due to the substantially higher output per shop and further improvement in operational efficiency with the continuous optimisation of product and channel structures and strengthening of internal management. Profit went down to approximately RMB183.1 million in 2018, but this was mainly attributable to the decrease in fair value gain on investment properties during 2018.

For the six months ended 30 June 2019, profit before taxation for the Retail segment increased by approximately 16.4% as compared to the corresponding period in 2018. As stated in the 2019 interim report of the Company, with the implementation of comprehensive cost and expenses control, purchase costs have significantly decreased, leading to higher profit for the period.

– *Engineering segment*

Revenue for this segment recorded an annual increment of approximately 23.2% and 7.2% in 2017 and 2018 respectively. During 2017, the operating subsidiary of the Company in this segment was strongly committed to key markets under the “Belt and Road” initiative and therefore projects in respect of the mechatronics engineering business were expanded. Also, the product structure of ship engineering business was optimised and upgraded to allow high value-added ship models to become its mainstream products. These have contributed to the increment in the segmental revenue in 2017. In 2018, the segment revenue was affected by the sluggish global economy with a severe shortfall in newly signed orders for cement engineering. Also, the revenue level was also affected by the stagnant shipping market with low utilisation of capacity.

Revenue for the six months ended 30 June 2019 recorded a decrease of approximately 7.3% as compared to the same period in 2018, mainly attributable to the delay in schedule of certain projects for international engineering business. Such effect was partially offset by the commencement of construction of certain vessels during the period.

The segment profit has declined over the review period as demonstrated in the table above, from a profit of approximately RMB29.7 million in 2016 to losses of approximately RMB299.2 million and RMB1,466.8 million in 2017 and 2018 respectively. Such decline in performance was primarily attributable to (i) the rising prices of raw materials and equipment; (ii) the impairment of goodwill of KHD Humboldt Wedag International AG amounting to approximately RMB191.5 million due to its deteriorating business performance, with suspension of a number of overseas engineering projects; and (iii) impairment losses on trade and other receivables of approximately RMB591.7 million due to the incurrence of losses for certain enterprises.

The segment has incurred losses before taxation of approximately RMB60.6 million and RMB440.6 million for the six months ended 30 June 2018 and 2019 respectively. The continuation of losses during the first half of 2019 was mainly due to bad debt provisions and the surge of prices of raw materials and equipment, leading to an increase in project expenditure and affecting the profitability of the segment.

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(b) Financial position

Set out below is a summary of the financial position of the Group (a) as at 1 January 2017, 31 December 2017 and 2018 (as extracted from the Company's 2018 annual report); and (b) as at 30 June 2019 (as extracted from the Company's 2019 interim report).

	As at 30 June 2019 (RMB'000) (Unaudited)	As at 31 December 2018 (RMB'000) (Audited)	2017 (RMB'000) (Audited and restated)	As at 1 January 2017 (RMB'000) (Audited and restated)
Non-current assets	61,996,931	63,030,339	55,462,107	48,526,303
Current assets	46,299,170	38,256,956	42,547,935	35,687,032
Total assets	108,296,101	101,287,295	98,010,042	84,213,335
Non-current liabilities	23,031,018	22,462,119	20,455,081	17,287,201
Current liabilities	45,912,631	40,140,398	40,140,226	32,579,503
Total liabilities	68,943,649	62,602,517	60,595,307	49,866,704
Net current assets	386,539	(1,883,442)	2,407,709	3,107,529
Net assets	39,352,452	38,684,778	37,414,735	34,346,631
Equity attributable to owners of the Company	13,499,512	13,394,660	13,401,019	12,440,649

Note:

Figures as at 1 January 2017 were presented instead of 31 December 2016 for comparison as the figures have been restated.

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The equity attributable to the owners of the Company has increased as at 31 December 2017 and has been relatively stable as at 31 December 2018 and 30 June 2019. A major portion of the net assets of the Group were attributable to non-controlling interests. As at 31 December 2017, the total equity attributable to the owners of the Company amounted to approximately RMB13,401.0 million, representing an increase of approximately RMB960.4 million as compared to the beginning of the year, mainly attributable to (i) the acquisition of Xiamen Tianma Company and Tianma Organic Company; (ii) the revaluation gain on transfer of owner-occupied property to investment property of AVIC Xiamen; and (iii) the initial public offering of SCC, during the year. As at 31 December 2018, the total equity attributable to the owners of the Company decreased by approximately RMB6.4 million to approximately RMB13,394.7 million.

As at 30 June 2019, the total equity attributable to the owners of the Company reached approximately RMB13,499.5 million and net current assets of the Group amounted to approximately RMB386.5 million. Major assets included property, plant and equipment of approximately RMB34,600.2 million, trade and other receivables of approximately RMB21,688.5 million, construction-in-progress of approximately RMB15,855.4 million and cash and cash equivalents of approximately RMB10,116.1 million. Major liabilities included borrowings of approximately RMB35,097.4 million, trade and other payables of approximately RMB24,410.6 million and contract liabilities of approximately RMB3,727.9 million.

Financial position of the Group is generally healthy with substantial net asset values over the past few years. Although the Group recorded net current liabilities as at 31 December 2018, the Group was able to generate sufficient cash flows from operations and re-finance its borrowings, leading to a positive net current asset value as at 30 June 2019.

Details of the material changes in the financial or trading position or outlook of the Group since 31 December 2018 are set out in the section headed “5. Material changes” in Appendix II to the Composite Document. Independent H Shareholders are recommended to read the relevant section in detail.

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(c) Events after the reporting period for the six months ended 30 June 2019

As advised by the Management and according to the announcements made by the Company, a number of significant transactions were completed after the reporting period ended 30 June 2019. It is also noted that there are ongoing transactions which have been announced but have not yet been completed as at the Latest Practicable Date. The effect of completed transactions on net assets value (“NAV”) of the Group is considered and included in the calculation of the adjusted NAV in the section headed “7. Adjusted net assets value” in this letter below. Shareholders should note the potential impact on the NAV of the Group for ongoing transactions, details of which are set out below.

Set out below is a summary of the relevant transactions.

	Date of relevant announcement	Details of transactions	Status
1.	5 December 2019	Disposal of 73.87% equity interest in AVIC International Maritime Holdings Limited (“ AVIC Maritime ”)	Completed
2.	10 September 2019	Disposal of 69.77% equity interest and shareholder’s loan in AVIC Weihai Shipyard Company Limited (“ Weihai Shipyard ”)	Completed
3.	4 September 2019	Disposal of 22.35% equity interest in AVIC Sunda Holding Company Limited (“ AVIC Sunda ”)	Completed
4.	29 December 2019	Issuance of A share convertible bonds by SCC which constitutes deemed disposal of interest in SCC by the Company	Completed
5.	20 December 2019	Formation of a joint venture company in the PRC	On-going
6.	28 August 2019	Proposed non-public issuance of A shares by Tian Ma and deemed disposal of interest in Tian Ma	On-going

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(1) Completion of disposal of equity interest in AVIC Maritime

On 27 August 2019, the Company announced the disposal of its 73.87% equity interest in AVIC Maritime, such disposal was completed on 4 December 2019 and AVIC Maritime ceased to be a subsidiary of the Company. The effect of such disposal is set out in the calculation of the adjusted NAV in the section headed “7. Adjusted net assets value” in this letter below.

(2) Completion of disposal of equity interest in Weihai Shipyard; and
(3) completion of disposal of equity interest in AVIC Sunda

As set out in the relevant announcements mentioned above, the disposal of Weihai Shipyard and AVIC Sunda have been completed in September 2019. The effect of such disposals is set out in the calculation of the adjusted NAV in the section headed “7. Adjusted net assets value” in this letter below.

(4) Issuance of A share convertible bonds by SCC

The issuance of A share convertible bonds has been completed as at the Latest Practicable Date and SCC remains as a subsidiary of the Company after such issuance. The effect of such issuance is set out in the calculation of the adjusted NAV in the section headed “7. Adjusted net assets value” in this letter below.

(5) Formation of a joint venture company in the PRC

On 20 December 2019, a wholly-owned subsidiary of Tian Ma entered into a joint venture agreement with certain parties in relation to the injection of capital into a joint venture company, which shall construct a production line for soft display. Based on the announcement of the Company dated 20 December 2019, the capital contribution of the wholly-owned subsidiary of Tian Ma in the joint venture company would be RMB4.05 billion (representing approximately 15% equity interest holding in the joint venture company) and will be financed by its internal resources and other means including self-raised funding. The joint venture company will not be a subsidiary of the Company and its financial results will not be consolidated into the financial statement of the Group. As advised by the Management, the formation of joint venture company has no material impact on the financial statements of the Group.

(6) Proposed non-public issuance of A shares by Tian Ma

The proposed issuance of A shares by Tian Ma constitutes a deemed and very substantial disposal to the Company and it was approved by the Shareholders on 11 November 2019. As set out in the pro forma financial information included in the circular of the Company dated 25 October 2019, the net assets of the Group is expected to increase by approximately RMB7.2 billion, while the net assets attributable to the owners of the Company is expected to increase by approximately RMB312 million. There will be no material gain or loss expected to accrue to the Company and total earnings of the Group will not be changed upon the proposed issuance. Tian Ma will remain as a subsidiary of the Company after completion of the proposed non-public issuance of A shares.

Apart from the transactions mentioned above, the Company has published its unaudited results of the Company for the nine months ended 30 September 2019 and the listed subsidiaries of the Company have released their respective unaudited third quarterly results, a summary of which is stated below.

– The Company

As set out in the Company's announcement dated 31 October 2019, the Company has published its unaudited consolidated results for the nine months ended 30 September 2019 in accordance with the relevant rules and regulations in the PRC. Figures presented in the aforesaid announcement and as advised by the Management were prepared in accordance with the generally accepted accounting principles in the PRC. As set out in the aforesaid announcement, for the nine months ended 30 September 2019 in the combined financial statements of the Company and its subsidiaries, the unaudited net profits increased and net profit attributable to owners of the Company increased significantly compared to the same period in 2018, mainly due to the improvement of operating results of the FPD and PCB businesses and gain on disposal of Weihai Shipyard. The profits of the Group for the nine months ended 30 September 2019 prepared in accordance with IFRS are set out in the section headed "3. Unaudited financial information of the Group" of Appendix II to the Composite Document and as summarised below.

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Nine months ended 30 September 2019	For the Group <i>RMB'000</i> (Unaudited)	For the Company <i>RMB'000</i> (Unaudited)
Profit before income tax	1,912,213	184,547
Profit for the period	1,433,049	183,171
– Attributable to owners of the Company	371,311	N/A

The unaudited financial information of the Group for the nine months ended 30 September 2019 as stated in the table above constitutes profit forecast under Rule 10 of the Takeovers Code and has been reported on in accordance with Rule 10 of the Takeovers Code. The letters from Deloitte Touche Tohmatsu and Somerley Capital Limited pursuant to Rule 10 of the Takeovers Code are set out in Appendix III to the Composite Document.

– AVIC Maritime

AVIC Maritime released its results for the third quarter ended 30 September 2019 on 8 November 2019, showing a decrease of approximately 7.7% in revenue for the nine months ended 30 September 2019 as compared to the same period in 2018. Profit attributable to equity holders remained at similar level of the same period in previous year. As mentioned in the paragraphs above, AVIC Maritime ceased to be a subsidiary of the Company upon completion of disposal of its equity interest on 4 December 2019.

– Tian Ma

The third quarterly results of Tian Ma were released on 30 October 2019, indicating an increase of approximately 7.7% in revenue for the nine months ended 30 September 2019 as compared to the corresponding period in 2018. Net profit attributable to its shareholders dropped by approximately 15.0% during the period and it showed an increment of approximately 7.3% after deduction of non-recurring profit or loss.

– SCC

As stated in the announcement of the Company dated 29 October 2019, revenue of SCC for the nine months ended 30 September 2019 increased significantly by approximately 43.5% and net profit attributable to SCC's shareholders has increased by approximately 83.4%.

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– FIYTA

Based on the third quarterly report included in the announcement of the Company dated 17 October 2019, FIYTA recorded an increase in revenue of approximately 6.8% for the nine months ended 30 September 2019, with net profit attributable to its shareholders going up for approximately 9.9% during the period.

(d) *Annual dividends*

	For the year ended 31 December		
	2018	2017	2016
Total dividend per Share (RMB)	Nil	0.05	0.1
(Equivalent to HKD approximate)	N/A	0.055	0.111
Earnings per share (RMB)	N/A	0.33	0.67
		(Note)	
Dividend payout ratio	–	15%	15%

Note: Earnings per share was extracted from the 2017 annual report before restatement of figures.

The total dividends per Share for the financial years ended 31 December 2016 to 2017 were RMB0.1 and RMB0.05 respectively, with dividend payout ratio of approximately 15% over the two years. No dividend was declared for the year ended 31 December 2018 and for the six months ended 30 June 2019. The Company's implied dividend yield based on the H Share Offer Price of HK\$9.00 per H Share and the total dividend of approximately HK\$0.055 per H Share for the year ended 31 December 2017 is approximately 0.6%.

(iii) **Prospects of the Group**

The high-tech electronic products business (including the FPD and PCB segments) has been the key revenue and profit driver of the Group in recent years. According to the Company's 2019 interim report and as discussed with the Management, for manufacture and sales of FPD and PCB products, the Group continued to optimise its product structure and integrate market expansion with customer classification management (involving focusing at and building strategic cooperation relationship with more important customers) to increase customer coverage and penetration of high-value added products. It is also stated in the 2019 interim report that the Management is of the view that the competition in the small and medium-sized display market is increasingly fierce and according to the 2019 interim report of the Company, the Group has been focusing on the market of small and medium-sized FPDs. We note that, with reference to a news release in 2019 by China Center for Information Industry Development, a research institution directly under the Ministry of Industry and Information Technology of the PRC, despite an increase in the total volume of display products (in terms of size) manufactured in 2018, there was a general decrease in the price of the display products. In accordance

with the news release, there is excess capacity for low-end display products, possibly triggering intense competition, while large-sized and foldable display products are likely to be the market trend. In terms of the Retail business, Fiyta continued to facilitate the cultivation of new brands and expansion of new business and new markets, while accelerating the optimisation of its existing channel structures and increase yield per unit. As for the Engineering business, the Group will speed up the construction progress of its key projects and focus on key markets for cement engineering business.

Performance of the Group will be affected by the overall economic environment. Based on the statistics released by the National Bureau of Statistics of China, the growth momentum in the PRC economy has slowed down in recent years and there is a decreasing trend in the growth in gross domestic product (“GDP”) of the PRC. GDP growth for the third quarter of 2019 was approximately 6.0%, reaching the lowest point since 2014. At the same time, the annual growth in sales of consumable goods in the PRC also fell in recent years, falling from approximately 18.8% in 2010 to approximately 9.0% in 2018. The international economic environment also experienced a slowdown and therefore affecting the international business of the Group. On the other hand, the development of 4G and 5G networks provide substantial business opportunities to the PCB business segment of the Group and the market demand for professional display products also facilitate the development of the Group’s FPD business segment.

Overall, the Management is of the view, and we concur, that the global economic fluctuation and further increase in downward pressure on domestic economy will continue to affect the Group’s operations across various business segments. As advised by the Management, the Group will further focus on principal business and strip away the real estate business, as well as speed up the operational improvement of or withdrawal from loss-making businesses, i.e. the shipping building business included in the Engineering segment. The business outlook of the Group is dependent on overall market conditions and its ability to adapt to market changes in the respective sectors, and the overall operating environment of the Group is considered to be mixed and challenging and there remains uncertainty on the growth prospects of certain businesses of the Group in the short to medium term as reflected by the latest performance of the Group.

3. Information on AVIC International and its intention regarding the Company

AVIC International is a limited liability company established on 12 April 1983 in accordance with the PRC Company Law. AVIC International (and through AVIC Shenzhen, a wholly-owned subsidiary of AVIC International) is the controlling Shareholder of the Company, holding 100% of the Domestic Shares (representing approximately 71.43% of all the issued Shares as at the Latest Practicable Date) and all the outstanding PSCS. Save for the 6,876,000 H Shares held by Best Pine Investment Ltd., a wholly-owned subsidiary of AVIC International, none of AVIC International or the parties acting in concert with it legally or beneficially owns any H Shares. AVIC International’s core businesses consist of international aviation, electronics information, infrastructure construction, engineering procurement construction (EPC) and government projects, and cement and building materials engineering etc.

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The intentions of AVIC International in relation to the Company are set out in the “Letter from CICC” contained in the Composite Document, which are summarised below.

(a) Voluntary withdrawal of listing of the H Shares

Upon the H Share Offer becoming unconditional, the Company will make an application for the voluntary withdrawal of the listing of the H Shares on the Stock Exchange in accordance with Rule 6.12 and Rule 6.15 of the Listing Rules.

Accordingly, the Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects and the H Shares are delisted from the Stock Exchange, this will result in the Independent H Shareholders holding securities that are not listed on the Stock Exchange. In addition, the Company may or may not continue to be subject to the Takeovers Code after the completion of the H Share Offer depending on whether the Company remains as a public company thereafter.

(b) Merger by absorption of the Company

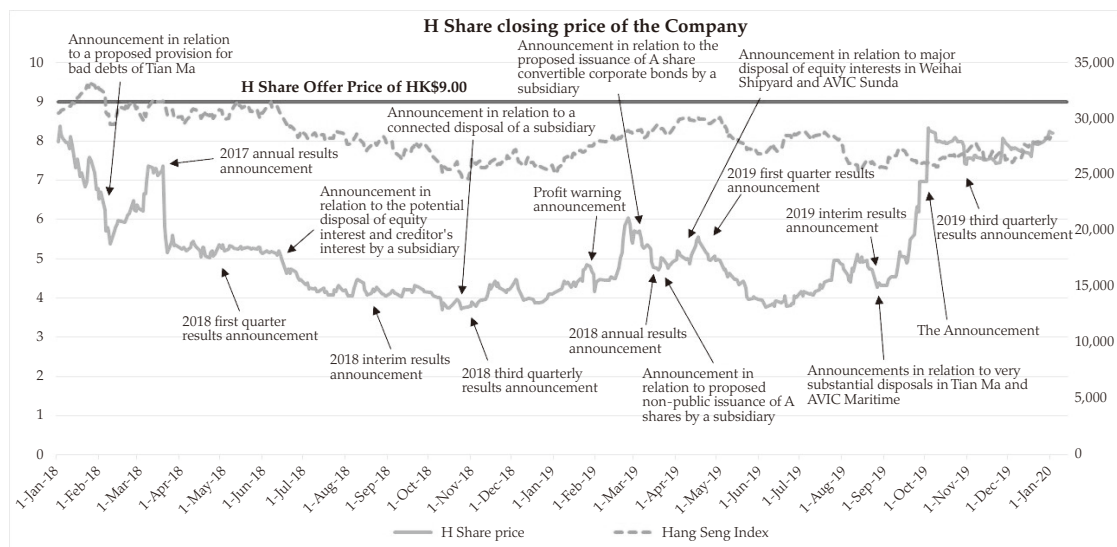
As stated in the section headed “Intention in relation to AVIC International and the Company” in the “Letter from CICC” contained in the Composite Document, AVIC International intends to implement the Merger and as a result of the Merger, the assets and liabilities, business, qualifications, contracts of the Company and AVIC Shenzhen will be assumed by AVIC International as the surviving corporation. It is the intention of AVIC International that it will continue to carry on its current business. While AVIC International does not intend to introduce any major changes to the existing business of the Company (including any redeployment of the fixed assets of the Company) after the completion of the H Share Offer and the Merger, AVIC International does not rule out the possibility of any changes in the future if and when it thinks needed in order to benefit the Company. In addition, AVIC International does not intend to make any significant changes to the continued employment of the employees of the Company and of its subsidiaries. Following completion of the Merger, the employment contracts of all employees of the Company will continue with AVIC International as the surviving corporation. AVIC International and all of its rights, privileges, exemptions and permits will not be affected by the Merger.

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4. Analysis of price performance and trading liquidity of the H Shares

(i) Historical price performance of the H Shares

As discussed in the paragraph headed “(ii) Financial information of the Group” under the section headed “2. Information and prospects of the Group” of this letter above, the Group’s performance in 2017 experienced downward pressure. In view of the recent fluctuation in the Group’s performance over the past two years, we consider a review period commencing from 1 January 2018 to the Latest Practicable Date would be useful for the Independent H Shareholders in considering the H Share Offer. The H Share price chart below illustrates the daily closing price per H Share from 1 January 2018 up to and including the Latest Practicable Date (the “Review Period”), and the comparison of the H Share price performance with Hang Seng Index and the H Share Offer Price.



Source: Bloomberg

The H Share price closed below the H Share Offer Price of HK\$9.00 per H Share during the Review Period in the range of HK\$3.71 to HK\$8.39 per H Share.

In general, the closing H Share price showed a downward trend in 2018. The closing H Share price dropped from HK\$7.98 per H Share on 2 January 2018 to HK\$5.37 per H Share on 9 February 2018. During such period, the Company released an inside information announcement on 5 February 2018, stating that a provision for bad debts was expected for Tian Ma, a subsidiary of the Company, which may adversely affect the profitability of the Group for 2017.

From 9 February 2018 onwards, the H Share price demonstrated an increasing trend for a short period of time with the H Share price closing at HK\$7.36 per H Share on 20 March 2018. The closing H Share price then dropped to HK\$5.82 per H Share on 21 March 2018 following the publication of the annual results announcement for the year ended 31 December 2017, showing a decrease in profit attributable to owners of the Company of approximately 36.6% as compared to 2017.

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The H Share closing price fluctuated largely in line with the Hang Seng Index for the remaining period in 2018, with the lowest closing price of HK\$3.71 per H Share recorded on 11 October 2018. The H Share price closed at HK\$4.11 per H Share on the last trading day in 2018.

The Company released a profit warning announcement on 30 January 2019, stating that a substantial loss attributable to owners of the Company was expected for 2018 mainly due to certain impairment provisions and decrease in revenue, the H Share price then went down by approximately 9.8% to HK\$4.16 per H Share on 31 January 2019. The closing H Share price fluctuated between HK\$4.4 per H Share and HK\$6.05 per H Share from February 2019 up to 17 April 2019. A number of announcements were published by the Company during the abovementioned period, including but not limited to, (i) the annual results announcement dated 17 March 2019 for the year ended 31 December 2018, showing a loss attributable to owners of the Company; (ii) the voluntary announcement dated 20 March 2019 in relation to the proposed non-public issuance of A shares by Tian Ma; and (iii) an inside information announcement dated 15 April 2019 regarding the possible disposal of equity interest in an associated company, AVIC Sunda.

The Company released its first quarterly results for the three months ended 31 March 2019 on 26 April 2019. Despite an increase in net profits attributable to owners of the Company being recorded during the period, the H Share price showed a decreasing trend in May 2019 and June 2019 with the lowest closing price on 6 June 2019 at HK\$3.77 per H Share. The decrease was generally in line with that of the Hang Seng Index during the period. In July 2019 and August 2019, the H Share has outperformed the Hang Seng Index for certain period of time, with closing prices fluctuating between HK\$4.05 per H Share and HK\$5.11 per H Share.

In September 2019, closing price of the H Shares surged from HK\$4.31 per H Share on 2 September 2019 to HK\$6.97 per H Share on 27 September 2019 (i.e. the Last Trading Date), representing an increase of approximately 61.7%, significantly outperforming the Hang Seng Index during such period.

The trading in the H Shares was suspended from 9:00 a.m. on 30 September 2019 to 2 October 2019. The Announcement was published on 2 October 2019 and trading in H Shares resumed on 3 October 2019. The H Shares closed at HK\$8.34 per H Share on 3 October 2019 (the first trading day after the release of the Announcement), representing an increase of approximately 19.7% compared to the closing H Share price of HK\$6.97 per H Share on the Last Trading Date.

Following the Announcement, we consider the price of the H Shares has been largely influenced by the H Share Offer Price of HK\$9.00 per H Share. The H Share price closed between HK\$7.4 per H Share and HK\$8.34 per H Share subsequent to the publication of the Announcement, while the Hang Seng Index fluctuated between 25,682.81 points and 28,543.52 points during the same period. The H Shares closed at HK\$8.20 per H Share as at the Latest Practicable Date. The H Share Offer Price of HK\$9.00 per H Share represents a premium of approximately 9.8% over the closing H Share price on the Latest Practicable Date.

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In addition to the above analysis of the most recent two years, we have looked into the H Share price performance for a longer period of around 10 years before the Latest Practicable Date. Set out below is the daily closing price per H Share from 1 January 2010 up to and including the Latest Practicable Date (the “**Long-term Period**”), and the comparison of the H Share price performance with the H Share Offer Price.



As shown in the chart above, over 99% of the trading days during the Long-term Period saw a closing H Share price below the H Share Offer Price of HK\$9.00 per H Share, mostly substantially so. It is noted that the H Share price only closed above the H Share Offer Price on one trading day in April 2015 and 22 trading days in November and December 2017. The closing H Share price has remained around HK\$6 per H Share or below for over 90% of the trading days during the Long-term Period (prior to the publication of the Announcement). The H Share Offer Price is more than double the average closing H Share price of approximately HK\$4.16 per H Share during the Long-term Period (prior to the publication of the Announcement).

(ii) *H Share Offer Price comparisons*

The H Share Offer Price of HK\$9.00 per H Share in cash represents:

- (a) a premium of approximately 29.12% over the closing price of HK\$6.97 per H Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 43.82% over approximately HK\$6.26 which is the average closing price per H Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Date;
- (c) a premium of approximately 58.09% over approximately HK\$5.69 which is the average closing price per H Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Date;

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- (d) a premium of approximately 81.31% over approximately HK\$4.96 which is the average closing price per H Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Date;
- (e) a premium of approximately 88.63% over approximately HK\$4.77 which is the average closing price per H Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Date;
- (f) a premium of approximately 92.08% over approximately HK\$4.69 which is the average closing price per H Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Date; and
- (g) a premium of approximately 18.35% over the unaudited diluted NAV of the Company of approximately RMB6.86 (equivalent to approximately HK\$7.60) per Share as of 30 June 2019 on the assumption that all the PSCS are fully converted into Domestic Shares at the initial conversion price of RMB3.47.

In summary, the H Share Offer Price of HK\$9.00 per H Share represents premia in a range of approximately 29.1% to 92.1% over the closing H Share prices for different periods before the Last Trading Date. As at the Latest Practicable Date, the H Share price closed at HK\$8.20 per H Share, which in our view is mostly influenced by the H Share Offer Price which represents a premium of approximately 9.8% over such closing price on the Latest Practicable Date.

The H Share Offer Price also represents a premium of approximately 18.35% over the unaudited diluted NAV of the Company attributable the owners of the Company of approximately RMB6.86 (equivalent to approximately HK\$7.60) per Share as of 30 June 2019 on the assumption that all the PSCS are fully converted into Domestic Shares at the initial conversion price of RMB3.47. Since (i) the PSCS are fully paid; (ii) the PSCS have no maturity date and are not redeemable; (iii) conditions of the PSCS for converting into ordinary shares of the Company have been fulfilled; (iv) the PSCS have been classified as equity in the consolidated financial statements of the Group; and (v) information of the PSCS is publicly disclosed, allowing the market and Shareholders to consider its value and impact for decision-making, we consider it more appropriate to treat the PSCS as equity when considering the NAV per Share and it is more appropriate to perform our analysis on the NAV per Share on the basis of full conversion of the PSCS. Further analysis on the NAV of the Group is set out in the section headed “7. Adjusted net assets value” of this letter below.

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(iii) Trading liquidity

Set out in the table below are the monthly total trading volumes of the H Shares and the percentages of such monthly total trading volumes to the total H Shares in issue and total issued H Shares in public float during the Review Period:

	Monthly total trading volume of the H Shares (Note 1)	Approximate percentage of the monthly total trading volume of the H Shares to the total H Shares in issue (Note 2)	Approximate percentage of the monthly total trading volume of the H Shares to the total issued H Shares in public float (Note 3)
2018			
January	52,916,400	15.9%	16.2%
February	25,938,000	7.8%	7.9%
March	57,085,000	17.1%	17.5%
April	13,760,000	4.1%	4.2%
May	7,222,000	2.2%	2.2%
June	11,349,416	3.4%	3.5%
July	8,630,200	2.6%	2.6%
August	7,946,000	2.4%	2.4%
September	6,729,516	2.0%	2.1%
October	7,662,000	2.3%	2.3%
November	9,402,000	2.8%	2.9%
December	6,225,730	1.9%	1.9%
2019			
January	13,447,194	4.0%	4.1%
February	34,272,730	10.3%	10.5%
March	23,544,192	7.1%	7.2%
April	15,878,836	4.8%	4.9%
May	9,895,963	3.0%	3.0%
June	7,349,895	2.2%	2.3%
July	11,752,276	3.5%	3.6%
August	13,831,825	4.2%	4.2%
September (Note 4)	69,584,822	20.9%	21.3%
October (Note 4)	112,257,000	33.7%	34.4%
November	20,428,200	6.1%	6.3%
December	15,325,390	4.6%	4.7%
2020			
From 1 January up to the Latest Practicable Date	2,304,000	0.7%	0.7%

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Notes:

1. Source: Bloomberg
2. The calculation is based on the monthly total trading volume of the H Shares divided by the total issued H Shares at the end of each month (or at the Latest Practicable Date for January 2020).
3. The calculation is based on the monthly total trading volume of the H Shares divided by the total issued H Shares in public float at the end of each month (or at the Latest Practicable Date for January 2020).
4. Trading of the H Shares was suspended from 30 September 2019 to 2 October 2019.

From the table above, in general, we note that the monthly total trading volume of the H Shares (as a percentage to the total issued H Shares in public float) has not been consistently active from 1 January 2018 up to the date of publication of the Announcement. Before the release of the Announcement, the percentages of monthly total trading volumes of the H Shares to the total issued H Shares in public float were below 10% during such period except for four months, e.g. January 2018, March 2018, February 2019 and September 2019, with trading volumes ranging from approximately 10.5% to 21.3% to public float. Trading volume of the H Shares surged after publication of the Announcement on 2 October 2019 with the total monthly trading volume of H Shares increasing to 112,257,000 H Shares in October 2019 (representing approximately 34.4% of the total issued H Shares in public float), with 44,889,000 H Shares traded on 3 October 2019 (the trading day immediately after publication of the Announcement).

Given the relatively thin trading volume in the H Shares in general prior to the publication of the Announcement, if H Shareholders wish to sell a significant number of H Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the H Shares. The higher level of trading volume subsequent to the Announcement may not, in our view, be sustained if the H Share Offer lapses. Therefore, the H Share Offer provides an opportunity for the H Shareholders, especially those holding a large block of H Shares, to dispose of their holdings at a fixed cash price if they so wish.

5. Privatisation precedents

We have compared the H Share Offer to privatisation proposals of other companies listed on the Main Board of the Stock Exchange announced since 1 January 2017 and up to the Latest Practicable Date, excluding privatisation proposals which were not/yet to be approved (or, where applicable, required acceptance level were not or yet to be achieved) or without a cash cancellation consideration/offer price (the “**Privatisation Precedents**”), the Privatisation Precedents set out below represent an exhaustive list of privatisation proposals we were able to identify from the Stock Exchange’s website satisfying the above selection criteria. The table below illustrates the premia/discounts represented by the cancellation consideration/offer price over/to the respective last trading day and respective last 5 days, 10 days, 30 days, 60 days and 180 days average share prices in respect of such privatisation proposals. The Privatisation Precedents set out below provide a comparison between the cancellation consideration/offer price and the then prevailing market prices per share of successful privatisation proposals. Although the business nature, financial performance and position and scale of each company vary, and some aspects of pricing may be industry-specific, the below analysis, in our view, demonstrates the pricing of recent privatisations of Main Board listed companies in the Hong Kong stock market as a whole under recent market sentiments towards privatisations, a factor we consider relevant in assessing the range of reasonable cancellation prices/offer prices required for successful privatisations in the market. As such, we consider the Privatisation Precedents an appropriate basis in assessing the fairness and reasonableness of the H Share Offer Price.

Date of the announcement	Company name and stock code	Cancellation consideration/offer price HK\$	closing price per share on the last trading day (%)	Premium/(discount) of the cancellation consideration/offer price over/(to)			
				average closing price per share for the last 5 trading days up to and including the last trading day (%)	average closing price per share for the last 10 trading days up to and including the last trading day (%)	average closing price per share for the last 30 trading days up to and including the last trading day (%)	average closing price per share for the last 60 trading days up to and including the last trading day (%)
20-Oct-19	Dah Chong Hong Holdings Limited (stock code: 1828)	3.70	37.5	37.3	42.4	54.9	55.9
12-Aug-19	TPV Technology Limited (stock code: 903)	3.86	41.4	46.8	50.8	54.5	75.0
27-Jun-19	Asia Satellite Telecommunications Holdings Limited (stock code: 1135)	10.22	23.4	31.5	33.4	44.4	50.4
							41.5
							138.8
							71.0

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Date of the announcement	Company name and stock code	Cancellation consideration/ offer price HK\$	closing price per share on the last trading day (%)	Premium/(discount) of the cancellation consideration/offer price over/(to)			
				average closing price per share for the last 5 trading days up to and including the last trading day (%)	average closing price per share for the last 10 trading days up to and including the last trading day (%)	average closing price per share for the last 30 trading days up to and including the last trading day (%)	average closing price per share for the last 180 trading days up to and including the last trading day (%)
18-Jun-19	C.P. Lotus Corporation (stock code: 121)	0.11	10.0	10.2	12.0	29.4	21.9
14-Jun-19	China Automation Group Limited (stock code: 569)	1.5	11.1	11.3	13.6	15.4	38.5
4-Apr-19	China Hengshi Foundation Company Limited (stock code: 1197)	2.5	10.6	14.6	16.8	17.5	27.5
28-Mar-19	China Power Clean Energy Development Company Limited (stock code: 735)	5.45	41.9	54.9	60.9	78.4	88.8
5-Dec-18	Hopewell Holdings Limited (stock code: 54)	38.80	46.7	48.8	51.6	55.5	43.7
30-Oct-18	Advanced Semiconductor Manufacturing Corporation Limited (stock code: 3355)	1.50	66.7	85.6	97.4	99.3	84.2
27-Sept-18	Sinotrans Shipping Limited (stock code: 368)	2.70	50.0	54.8	54.6	43.1	27.9
10-Jun-18	Hong Kong Aircraft Engineering Company Limited (stock code: 0044)	71.81	63.2	63.2	65.1	62.4	50.0
7-Jun-18	Portico International Holdings Limited (stock code: 0589)	4.10	50.2	51.6	53.2	49.2	49.9
10-Nov-17	Welling Holding Limited (stock code: 0382)	2.06	30.4	30.4	30.6	34.2	22.8
3-Jul-17	China Assets (Holdings) Limited (stock code: 0170)	6.80	61.5	70.3	74.1	76.7	74.0

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Date of the announcement	Company name and stock code	Cancellation consideration/ offer price HK\$	closing price per share on the last trading day (%)	Premium/(discount) of the cancellation consideration/offer price over/(to)			
				average closing price per share for the last 5 trading days up to and including the last trading day (%)	average closing price per share for the last 10 trading days up to and including the last trading day (%)	average closing price per share for the last 30 trading days up to and including the last trading day (%)	average closing price per share for the last 180 trading days up to and including the last trading day (%)
19-Jun-17	Bloomage BioTechnology Corporation Limited (stock code: 0963)	16.30	16.8	23.4	24.8	24.8	32.6
29-May-17	China Metal International Holdings Inc. (stock code: 0319)	3.01	27.5	26.7	26.5	25.9	18.3
28-Apr-17	Belle International Holdings Limited (stock code: 1880)	6.30	19.5	23.3	23.6	21.5	26.4
20-Apr-17	TCC International Holdings Limited (stock code: 1136) (Note 3)	3.60	38.5	42.3	43.1	51.0	88.8
29-Mar-17	Goldin Properties Holdings Limited (stock code: 0283)	9.00	14.2	26.5	32.9	32.9	46.7
7-Mar-17	Yingde Gases Group Company Limited (stock code: 2168)	6.00	(3.5)	1.8	8.8	21.2	77.9
10-Jan-17	Intime Retail (Group) Company Limited (stock code: 1833)	10.00	42.3	47.5	47.9	51.8	53.7
				<i>Mean (simple average)</i>			
				<i>Median</i>			
				<i>Maximum</i>			
				<i>Minimum</i>			
2-Oct-19	The Company	9.00	29.1	43.8	58.1	81.3	92.1
				<i>Mean (simple average)</i>			
				<i>Median</i>			
				<i>Maximum</i>			
				<i>Minimum</i>			

Source: Bloomberg and website of the Stock Exchange

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Notes:

1. The premia/discounts of the cancellation consideration/offer price over/to the share price averages for the respective periods were calculated based on (i) the cancellation consideration/offer price as disclosed in the announcement/composite document/scheme document in relation to the privatisation proposal; and (ii) the historical share prices of the companies extracted from Bloomberg.
2. The cash alternative of HK\$5.45 for each ordinary scheme share had been used for the purpose of this comparison. The reference value for the share alternative implies a consideration of each ordinary scheme share of approximately HK\$3.77 to HK\$5.39 as disclosed in the scheme document, which is not adopted in our analysis.
3. The cash alternative of HK\$3.60 for each ordinary scheme share had been used for the purpose of this comparison. The reference value for the share alternative, for eligible investors based on the ratio of 0.42 on the applicable last trading date (being 17 April 2017) was HK\$3.93, which is not adopted in our analysis.
4. For the purpose of this table, last trading day represents the last full trading day in the respective shares immediately before the publication of the respective announcement.

The terms of the Privatisation Precedents set out above provide, in our view, a general guide to the premium over market prices needed in Hong Kong to secure a successful privatisation. Based on the table above, the average premia of the Privatisation Precedents over the last trading day share price, 5 days, 10 days, 30 days, 60 days and 180 days share price averages were approximately 33.3%, 38.2%, 41.2%, 44.9%, 49.2% and 53.6% respectively, and the premia represented by the H Share Offer Price over the average closing prices of the H Shares for the respective periods of approximately 29.1% to 92.1% are slightly below the average premium for the last trading day share price and higher than the average premia for the 5 days, 10 days, 30 days, 60 days and 180 days share price averages of the Privatisation Precedents.

As mentioned in the section headed “4. Analysis of price performance and trading liquidity of the H Shares” in this letter, prior to the publication of the Announcement on 2 October 2019, there was a significant increase in the H Share price of approximately 61.7% from 2 September 2019 (first trading day in September 2019) to the Last Trading Date, and the total monthly trading volume in September 2019 is four times higher than the previous month. The closing H Share price on the Last Trading Date of HK\$6.97 per H Share is significantly higher than the average H Share price of approximately HK\$4.9 per H Share during the Review Period before the publication of the Announcement. In view of the aforesaid H Share price movement in September 2019, it is considered that comparison over longer period of time, i.e. 60 days and 180 days, is more appropriate. Overall, we consider the premia represents by the H Share Offer Price is favourable compared with market practice.

6. Property valuation

The financial position of the Group as at 30 June 2019 is set out in the section headed “2. Information and prospects of the Group” of this letter above. As discussed in the aforesaid section, NAV attributable to owners of the Company amounted to approximately RMB13,500 million as at 30 June 2019, and major portion of the assets of the Group relates to properties interests owned by the Group for operations of its own business.

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JLL, the Independent Property Valuer, has prepared an independent valuation of the property interests of the Group as at 31 October 2019 (the “**Valuation Date**”). Summary of the valuation is set out in the Valuation Report contained in Appendix IV to the Composite Document. This is a summary for convenience of readers of the Composite Document; a copy of the full property valuation report will be contained in the announcement in relation to the despatch of the Composite Document and is available for inspection at the principal place of business of the Company in Hong Kong and on the websites of the Company and SFC. Please see the section headed “10. Documents available for inspection” in Appendix VI to the Composite Document for further details.

The market values of the Group’s property interests are summarised as follows:

	Market value of the property interests in existing state as at the Valuation Date (RMB’000)
Property interests:	
Held and occupied by the Group in the PRC	12,174,940
Held for investment by the Group in the PRC	3,792,760
Held under development by the Group in the PRC	456,310
Held for future development by the Group in the PRC	228,630
Held and occupied by the Group in other areas	315,080
	16,967,720
Total	16,967,720

Property interests of the Group as at the Valuation Date comprised a total of 112 property interests located in different countries.

As discussed with the Independent Property Valuer, the Group’s property interests are classified as follows:

- held and occupied by the Group: they mainly represented properties occupied by the Group for its operation use
- held for investment by the Group: they mainly represented properties held as investment properties
- held under development by the Group: they mainly represented properties held by the Group and was under development for future operation use
- held for future development by the Group: they mainly represented properties held by the Group to be further developed in the future

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We have reviewed the Valuation Report as contained in Appendix IV to the Composite Document, and have discussed with the Independent Property Valuer on (i) bases and assumptions used; (ii) valuation methodology adopted; and (iii) due diligence work performed. We have discussed the expertise of the Independent Property Valuer with its relevant staff member. We understand that the Independent Property Valuer is certified with the relevant qualifications required to perform this valuation exercise and the signing person of the Valuation Report has over 20 years' industry experience in conducting valuation exercises. We have also reviewed the terms of the engagement letter of the Independent Property Valuer and noted that the purpose of the valuation is to provide an opinion of market values of property interests held by the Group. We note and have discussed with the Independent Property Valuer that they have used various valuation methodologies for arriving at valuations of the property interests. They include (1) the comparison approach for properties which readily available market information can be obtained, where assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market; (2) the income approach mainly for properties which generate rental income, by taking into account the rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate; and (3) the cost approach with reference to their depreciated replacement cost for properties which relevant market comparable sales are unlikely to be readily available. We have reviewed the Valuation Report and have discussed with the Independent Property Valuer the overall approach to the property valuation and queried the selection of relevant valuation methodologies for major property interests. We concur with the valuation approaches the Independent Property Valuer has taken in valuing the different types of properties.

We note from the Valuation Report that the Independent Property Valuer has ascribed no commercial value to certain of the property interests as (i) there are defects in the title documents of certain property interests as at the Valuation Date; (ii) the allocated land nature and no-commodity housing nature of the properties restrict the transfer of ownerships of certain property interests; and (iii) titles of certain property interests do not belong to the Group. We understand from the Independent Property Valuer and note from the Valuation Report that, if all those defects were remedied and/or assuming the properties could be freely transferred, such property interests would have a market value of approximately RMB6.5 billion.

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7. Adjusted net assets value

As part of our assessment of the H Share Offer Price, we have compared it with the adjusted NAV (the “**Adjusted NAV**”) of the Group based on the unaudited consolidated NAV of the Group as at 30 June 2019, adjusted as follows:

	<i>RMB'000</i>
Unaudited consolidated NAV of the Group attributable to owners of the Company as at 30 June 2019	13,499,512
<i>Adjustments:</i>	
– Net revaluation surplus arising from the valuation of property interests attributable to the Group as at the Valuation Date (<i>Note 1</i>)	1,400,625
– Net tax as a result of the revaluation surplus on the property interests (<i>Note 2</i>)	(1,514,430)
– Effects on disposal of AVIC Maritime, Weihai Shipyard and AVIC Sunda (<i>Note 3</i>)	414,875
– Effects on issuance of A share convertible bonds by SCC (<i>Note 4</i>)	112,434
Adjusted NAV	13,913,016
Adjusted NAV per Share (<i>Note 5</i>)	RMB7.07 (equivalent to approximately HK\$7.84)

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Notes:

1. As advised by the Management, this represents the net revaluation surplus arising from the differences between the market values of the property interests of the Group as valued by the Independent Property Valuer and their corresponding book values as at the Valuation Date, after adjusting for relevant interests not attributable to the Group. Such revaluation differences were calculated by comparing the market value and the net book value of the property interests, assuming the Group would have disposed of the property interests to recognise the effects of the net revaluation surplus/deficit. However, since the Group intends to continue holding such property interests and in accordance with the Company's accounting policies, it did not mean that the NAV as contained in the consolidated financial statements of the Group will be adjusted, nor did it mean that the Group will realise any immediate gain/loss in its consolidated financial statements from revaluation of the property interests.

As set out in the section headed "6. Property valuation" of this letter above, the Independent Property Valuer has ascribed no commercial value to certain of the property interests as there are defects in title documents or restrictions in transfer of the relevant property interests as at the Valuation Date. We note from the Valuation Report that such property interests would not be freely transferrable by the Group. For the purpose of our analysis, we have excluded such property interests in the above calculation.

2. As advised by the Management, this represents the potential land appreciation tax and the deferred income tax in the PRC attributable to the net revaluation surplus/deficit on the property interests of the Group.

The land appreciation tax is calculated by the Management by applying the relevant tax rate and deductions as set out in the guidance from the PRC authorities to the assumed gain on revaluation of the property interests with reference to the valuation made by the Independent Property Valuer. Property interests with assumed loss on revaluation are not included in the calculation of potential land appreciation tax as no such tax will be charged for loss on disposal of property interests. The land appreciation tax will only be materialised when the relevant property interests are disposed of by the Group, by which time the gain/loss from revaluation of properties will be recognised by the Group. Since the Group intends to continue holding such property interests, the land appreciation tax is calculated for illustration purposes only.

The deferred income tax is calculated by the Management on the assumption that the revaluation surplus/deficit will, if materialized and recognised in the consolidated financial statements of the Group, affect the tax expenses. The figure is calculated by applying the applicable income tax rates to the revaluation surplus/deficit of the property interests. Deferred income tax for overseas properties are not considered in the calculation as the effect is not material.

3. Calculated based on the unaudited pro forma financial information contained in Appendix III to the Company's circular dated 25 October 2019, where the effects of the disposals of each of AVIC Maritime, Weihai Shipyard and AVIC Sunda were taken into consideration. As set out in the aforesaid unaudited pro forma financial information, the consolidated NAV attributable to the owners of the Company would increase from approximately RMB13.5 billion to approximately RMB13.9 billion.
4. It represents the estimated effects on the consolidated NAV of the Group attributable to the owners of the Company arising from the issuance of the A share convertible bonds by SCC as advised by the Management.
5. Calculated based on the total number of issued Shares of 1,967,796,791, including 832,973,997 issued Domestic Shares and 333,187,999 issued H Shares, and assuming full conversion of the PSCS with 801,634,795 Shares to be converted from PSCS (which have no maturity date and are not redeemable, and have been classified as equity in the consolidated financial statements of the Group).
6. Amount in HK\$ is calculated at an exchange rate of HK\$1: RMB0.90212 for illustrative purposes.

Based on the above, the H Share Offer Price of HK\$9.00 per H Share represents a premium of approximately 14.8% to the Adjusted NAV per Share.

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As advised by the Independent Property Valuer, market values of the property interests represent the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, i.e. the values to be realised from disposing of such property interests. However, we understand from the Management that a large portion of the property interests are properties that are being used by the Group for its own business and the Group plans to continue its businesses with no current plans to dispose of such property interests. It is also the intention of AVIC International to continue to carry on its current business. In other words, the Group would continue to benefit from owning such property interests through value to be generated in future operations. We therefore consider appropriate to perform another analysis based on the adjusted NAV without taking into account the impact from revaluation of property interests held for the Group's own use for its businesses, i.e. only the effects on the investment properties of the Group are considered (the "**Further Adjusted NAV**"). Details are set out below.

RMB'000

Unaudited consolidated NAV of the Group attributable to owners of the Company as at 30 June 2019	13,499,512
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Adjustments:

– Net revaluation deficit arising from the valuation of property interests (excluding property interests held for the Group's own use for its businesses) attributable to the Group as at the Valuation Date (<i>Note 1</i>)	(7,988)
– Net tax as a result of the revaluation surplus on the property interests (<i>Note 2</i>)	9,870
– Effects on disposal of AVIC Maritime, Weihai Shipyard and AVIC Sunda (<i>Note 3</i>)	414,875
– Effects on issuance of A share convertible bonds by SCC (<i>Note 4</i>)	112,434

Further Adjusted NAV	14,028,703
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Further Adjusted NAV per Share (<i>Note 5</i>)	RMB7.13 (equivalent to approximately HK\$7.90)
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Notes:

1. As advised by the Management, this represents the net revaluation surplus arising from the differences between the market values of the property interests of the Group (excluding property interests held for the Group's own use for its businesses) as valued by the Independent Property Valuer and their corresponding book values as at the Valuation Date, after adjusting for relevant interests not attributable to the Group. Such property interests represent investment properties which had been revalued in the consolidated financial statements of the Group as at 30 June 2019. The revaluation differences were calculated by comparing the market value and the net book value of the property interests, assuming the net revaluation surplus/deficit would be recognised in the Group's financial statements.

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As set out in the section headed “6. Property valuation” of this letter above, the Independent Property Valuer has ascribed no commercial value to certain of the property interests as there are defects in title documents or restrictions in transfer of the relevant property interests as at the Valuation Date. We note from the Valuation Report that such property interests would not be freely transferrable by the Group. For the purpose of our analysis, we have excluded such property interests in the above calculation.

2. As advised by the Management, this represents the deferred income tax in the PRC attributable to the net revaluation surplus/deficit on the property interests of the Group (excluding property interests held for the Group’s own use for its businesses).

The deferred income tax is calculated by the Management on the assumption that the revaluation surplus/deficit will, if materialized and recognised in the consolidated financial statements of the Group, affect the tax expenses. The figure is calculated by applying the applicable income tax rates to the revaluation surplus/deficit of the property interests. Deferred income tax for overseas properties are not considered in the calculation as the effect is not material.

As the Group intends to hold the property interests and not to dispose of them, no land appreciation tax was calculated.

3. Calculated based on the unaudited pro forma financial information contained in Appendix III to the Company’s circular dated 25 October 2019, where the effects of the disposals of each of AVIC Maritime, Weihai Shipyard and AVIC Sunda were taken into consideration. As set out in the aforesaid unaudited pro forma financial information, the consolidated NAV attributable to the owners of the Company would increase from approximately RMB13.5 billion to approximately RMB13.9 billion.
4. It represents the estimated effects on the consolidated NAV of the Group attributable to the owners of the Company arising from the issuance of the A share convertible bonds by SCC as advised by the Management.
5. Calculated based on the total number of issued Shares of 1,967,796,791, including 832,973,997 issued Domestic Shares and 333,187,999 issued H Shares, and assuming full conversion of the PSCS with 801,634,795 Shares to be converted from PSCS (which have no maturity date and are not redeemable, and have been classified as equity in the consolidated financial statements of the Group).
6. Amount in HK\$ is calculated at an exchange rate of HK\$1: RMB0.90212 for illustrative purposes.

As discussed above, the Further Adjusted NAV, as compared to the Adjusted NAV, was calculated without taking into account the effects from revaluation of property interests that the Group holds for its own business use, which we consider to be a more appropriate representation of the value of assets and liabilities of the Group given its intention to continue the existing business operations.

Based on the above, the H Share Offer Price of HK\$9.00 per H Share represents a premium of approximately 13.9% to the Further Adjusted NAV per Share, which we consider to be favourable to the Independent H Shareholders.

8. Valuation of the Company

As discussed in the section headed “2. Information and prospects of the Group” of this letter above, the Group is involved in different business segments. There is no single dominating business segment and the business segments of the Group are not closely associated with each other from a business perspective. Given the above and the composition of businesses that the Group is engaged in, there is no company listed on the Main Board of the Stock Exchange which is comparable to the Group as a whole. As an alternative, we have performed a sum-of-the-parts valuation of the Group. Following the disposal of equity interests in AVIC Maritime, the Company has three directly held subsidiaries which are listed on stock exchanges other than Hong Kong, including Tian Ma, SCC and Fiyta (each listed on the Shenzhen Stock Exchange and represents the FPD, PCB and Retail segments of the Group respectively). Consequently, the valuation of the parts could in theory be based on the market prices of the subsidiaries. However, valuation metrics are very different on the Shenzhen Stock Exchange, which can be demonstrated by the difference in the price-to-earnings (“P/E”) ratio of the Shenzhen Stock Exchange Composite Index and the Hang Seng Index, the market indicators of Shenzhen and Hong Kong stock markets, of approximately 36.93 times and 11.14 times respectively as at the Latest Practicable Date, and the two stock markets are subject to different investor base. The market capitalisation of each relevant company is set out in the table below.

	FPD	PCB	Retail	Total
Listed subsidiaries	Tian Ma	SCC	Fiyta	
Stock code	000050.SZ	002916.SZ	000026.SZ/ 200026.SZ	
Market capitalisation as at the Latest Practicable Date (RMB'million) (Note 1)	34,326.5	49,570.3	4,513.8	
Interest held by the Group as at the Latest Practicable Date	16.02%	69.05%	36.79%	
Value attributable to the owners of the Company (RMB'million) (Note 2)	5,499.1	34,228.3	1,660.6	41,388.0

Notes:

1. Closing market capitalisation as sourced from Bloomberg.
2. Calculated by multiplying the market capitalisation of the listed subsidiaries with the respective interest held by the Group.

We note from the table above that the aggregate value of the FPD, PCB and Retail businesses attributable to the owners of the Company would be approximately RMB41 billion (equivalent to approximately HK\$46 billion at an exchange rate of HK\$1:RMB0.90212). This is more than five times the closing market capitalisation of the

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Company of approximately HK\$8.1 billion as at the Last Trading Date, almost nine times the average closing market capitalisation of the Company of approximately HK\$5.2 billion during the one-year period prior to and including the Last Trading Date. We have also compared the historical trends of the closing market capitalisation of the Company and the above listed subsidiaries (i.e. Tian Ma, SCC and Fiyta), each of which represents a single business segment of the Group, since 1 January 2018 in the chart below.



Note: the figures of aggregate closing market capitalisation of the three subsidiaries (Tian Ma, SCC and Fiyta) were calculated based on (a) their respective closing market capitalisation sourced from Bloomberg; (b) the respective interest held by the Group, including (i) the decrease in interest in Tian Ma on 2 February 2018 from approximately 20.81% to 16.02%; (ii) the decrease in the interest in Fiyta on 29 January 2019 from approximately 37.15% to 36.79%; and (iii) the decrease in the interest in SCC on 29 January 2019 from approximately 69.74% to 69.05%; and (c) the exchange rate of HK\$1:RMB0.90212.

As set out in the chart above, the closing market capitalisation of the Company has always been substantially lower than the aggregate closing market capitalisation of the three subsidiaries (Tian Ma, SCC and Fiyta) attributable to the Group, representing about 20% to 36% of the aggregated value in 2018 and 11% to 23% of the aggregated value in 2019 up to the Last Trading Date.

Consequently, we have concluded this comparison lacks any significant validity in the context of the H Share Offer, and we have adopted a method based on Hong Kong listed companies for each segment.

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Values of the FPD, PCB and Retail businesses

As set out in the section headed “2. Information and prospects of the Group” of this letter above, each of the FPD, PCB and Retail segments has been profit making during 2016 to 2018 and the first half of 2019. The P/E ratio is considered appropriate in the context of valuation of these three segments. We have identified companies comparable to each of these three business segments and derived the valuation of each segment with reference to the P/E ratios of the comparable companies. The comparable companies identified represent an exhaustive list of companies comparable to each of the Group’s FPD, PCB and Retail segments based on the criteria listed below.

(i) FPD segment

We have selected comparable companies listed on the Main Board of the Stock Exchange which are principally engaged in with at least 50% of the revenue generating from display panels business based on their latest published annual/interim reports available as at the date immediately before the Latest Practicable Date. The P/E ratios of the comparable companies are set out in the table below.

Company	Stock code	Principal business (Note 1)	P/E ratio (times) (Note 1)
BOE Varitronix Limited	710	Design, manufacture and sales of liquid crystal display and related products	142.93
China Display Optoelectronics Technology Holdings Limited	334	Manufacture and sales of liquid crystal display modules for computers and mobile phones, as well as flat panel display products	10.42
Truly International Holdings Limited	732	Manufacture and sale of liquid crystal displays products	19.44
Yeebo (International Holdings) Limited	259	Manufacture and sale of liquid crystal displays and related products	4.38
Average			44.29
Average excluding outlier (Note 2)			11.41

Note:

- Principal businesses of the comparable companies are sourced from the website of the Stock Exchange and P/E ratios of the comparable companies as at the Latest Practicable Date are sourced from Bloomberg.

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2. The historical P/E ratio of BOE Varitronix Limited (“BOE”) of approximately 142.93 times is much higher than the range of other comparable companies. We noted that BOE’s P/E ratio increased drastically from 2016 to 2017 due, in our opinion, to a significant decrease in net profit for the year ended 31 December 2016. The significantly low net profit continued to give rise to a high P/E ratio in 2018 and 2019. Therefore, we consider BOE an outlier.

The value of the Group’s FPD segment is calculated as follows:

	<i>RMB’000</i>
Segment net profit for the year ended 31 December 2018	914,585
Interest held by the Group as at the Latest Practicable Date	16.02%
Average P/E ratio of the comparable companies (excluding outlier)	11.41 times
Value of the segment attributable to the Group	1,671,753

Note: value of the segment attributable to the Group is calculated by multiplying (a) the segment net profit for the year ended 31 December 2018; (b) the percentage interest held by the Group as at the Latest Practicable Date; and (c) the average P/E ratio of the comparable companies (excluding outlier).

(ii) *PCB segment*

We have selected comparable companies listed on the Main Board of the Stock Exchange which are principally engaged in with at least 50% of the revenue generating from printed circuit boards manufacturing business based on their latest published annual/interim reports available as at the date immediately before the Latest Practicable Date. The P/E ratios of the comparable companies are set out in the table below.

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Company	Stock code	Principal business (Note 1)	P/E ratio (times) (Note 1)
AKM Industrial Company Limited	1639	Manufacture and sale of flexible printed circuit.	44.90
Asia Tele-Net and Technology Corporation Limited	679	Design, manufacture and sales of electroplating equipment, including printed circuit boards, surface finishing businesses and photovoltaic businesses.	5.31
HKBridge Financial Holdings Limited	2323	Manufacture and sale of a broad range of printed circuit boards.	N/A
TC Orient Lighting Holdings Limited	515	Manufacture and trading of printed circuit boards and lighting products.	N/A
Yan Tat Group Holdings Limited	1480	Manufacture and sales of printed circuit boards.	10.19
Average (excluding outlier) (Note 2)			7.75

Notes:

- Principal businesses of the comparable companies are sourced from the website of the Stock Exchange and P/E ratios of the comparable companies as at the Latest Practicable Date are sourced from Bloomberg.

“N/A” refers to companies which are loss making in the latest full financial year.
- The historical P/E ratio of AKM Industrial Company Limited (“AKM”) of approximately 44.90 times is much higher than the that of other comparable companies. We noted that AKM’s P/E ratio increased drastically due to a significant decrease in net profit for the six months ended 30 June 2019, therefore we consider AKM an outlier.

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The value of the Group's PCB segment is calculated as follows:

	<i>RMB'000</i>
Segment net profit for the year ended 31 December 2018	703,685
Interest held by the Group as at the Latest Practicable Date	69.05%
Average P/E ratio of the comparable companies (excluding outlier)	7.75 times

Value of the segment attributable to the Group	3,765,682
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Note: value of the segment attributable to the Group is calculated by multiplying (a) the segment net profit for the year ended 31 December 2018; (b) the percentage interest held by the Group as at the Latest Practicable Date; and (c) the average P/E ratio of the comparable companies (excluding outlier).

(iii) Retail segment

We have selected comparable companies listed on the Main Board of the Stock Exchange which are principally engaged in with at least 50% of the revenue generating from manufacturing and retailing of watches business based on their latest published annual/interim reports available as at the date immediately before the Latest Practicable Date. The P/E ratios of the comparable companies are set out in the table below.

Company	Stock code	Principal business	P/E ratio (times) (Note)
Ernest Borel Holdings Limited	1856	Design, manufacture, marketing and sales of Swiss made mechanical and quartz premium watches.	N/A
Luxxu Group Limited	1327	Manufacture and trading of watches.	N/A
National Electronics Holdings Limited	213	Manufacture, assembly and sales of electronic watches and watch parts, and trading of watch movements and watch parts.	5.48
Time Watch Investments Limited	2033	Manufacture and retail sales of watches.	6.40
Average			5.94

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Note: Principal businesses of the comparable companies are sourced from the website of the Stock Exchange and P/E ratios of the comparable companies as at the Latest Practicable Date are sourced from Bloomberg.

“N/A” refers to companies which are loss making in the latest full financial year.

The value of the Group’s Retails segment is calculated as follows:

	<i>RMB’000</i>
Segment net profit for the year ended 31 December 2018	183,080
Interest held by the Group as at the Latest Practicable Date	36.79%
Average P/E ratio of the comparable companies	5.94 times
Value of the segment attributable to the Group	400,089

Note: value of the segment attributable to the Group is calculated by multiplying (a) the segment net profit for the year ended 31 December 2018; (b) the percentage interest held by the Group as at the Latest Practicable Date; and (c) the average P/E ratio of the comparable companies

Value of the Engineering business

As set out in the section headed “2. Information and prospects of the Group” of this letter above, the Engineering segment has been loss making in 2017, 2018 and the first half of 2019 and the P/E ratio is not appropriate in the context of valuation of this segment. We understand from the Management that the Engineering segment has been focusing on engineering, procurement and construction projects recently, involving mainly infrastructure projects. We note from the 2019 interim report of the Company that the Engineering segment recorded substantial amounts of assets and liabilities of approximately RMB28.5 billion and RMB25.2 billion respectively, with a NAV of approximately RMB3.3 billion as at 30 June 2019. We consider the price-to-book (“P/B”) ratio appropriate in the context of valuation of the Engineering and Logistics segment.

We have selected comparable companies listed on the Main Board of the Stock Exchange which are under the industry of “Engineering and construction services” as classified by the Bloomberg Industry Classification System, and, based on their latest published annual/interim reports available as at the date immediately before the Latest Practicable Date, are principally engaged in with at least 50% of the revenue generating from provision of engineering and/or construction contracting services (excluding those mainly related to building construction or property development). In view of the size of the Group’s Engineering business in terms of net assets value and in order to identify companies which will provide a more meaningful comparison to the Engineering segment, at the same time obtaining a meaningful population of comparable companies, we have exclude companies which (a) are under prolonged suspension as at the Latest Practicable Date; (b) had a closing market capitalisation below HK\$1 billion (about one-third of the NAV of the Engineering segment as at 30 June 2019) or above HK\$20 billion (about 6 times

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the NAV of the Engineering segment as at 30 June 2019); or (c) recorded a net assets value attributable to shareholders below HK\$500 million (about one-sixth of NAV of the Engineering segment as at 30 June 2019) in their respective latest annual reports available as at the date immediately before the Latest Practicable Date. The Comparable Companies set out in the table below represent an exhaustive list of companies comparable to the Group's Engineering business based on the above criteria. The P/B ratios of the comparable companies are set out in the table below.

Company	Stock code	Principal business (Note)	P/B ratio (times) (Note)
Asia Allied Infrastructure Holdings Limited	711	Construction engineering businesses.	0.53
Beijing Urban Construction Design & Development Group Company Limited	1599	Design, survey, consultancy and construction contracting business.	0.64
Build King Holdings Limited	240	Civil engineering businesses	1.05
China Aluminum International Engineering Corporation Limited	2068	Engineering design and consulting business.	0.79
China Machinery Engineering Corporation	1829	International engineering contracting business	0.71
Wai Kee Holdings Limited	610	Construction and material businesses.	0.49
Average			0.70

Note: Principal businesses of the comparable companies are sourced from the website of the Stock Exchange and P/B ratios of the comparable companies as at the Latest Practicable Date are sourced from Bloomberg.

The value of the Group's Engineering segment is calculated as follows:

	<i>RMB'000</i>
Segment net assets as at 30 June 2019	3,286,725
	<i>(Note 2)</i>
Average P/B ratio of the comparable companies	0.70 times
Value of the segment attributable to the Group	2,300,708

Note:

1. value of the segment attributable to the Group is calculated by multiplying (a) the segment net assets as at 30 June 2019; and (b) the average P/B ratio of the comparable companies.

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2. As advised by the Management, no separate disclosures regarding the segment net assets attributable to shareholders and non-controlling interests regarding the Group's engineering segment are available.

Sum-of-the-parts valuation of the Group

Based on our findings in this section above, we have calculated the sum-of-the-parts valuation of the Group as follows:

	<i>RMB'000</i>
Assessed value with reference to comparable companies:	
(i) FPD business	1,671,753
(ii) PCB business	3,765,682
(iii) Retail business	400,089
(iv) Engineering business	2,300,708
Remaining parts of the Group (<i>Note 1</i>)	2,403,474
Effects of revaluation of investment properties (<i>Note 2</i>)	1,882
Assessed value of the Group	10,543,588
(the " Sum-of-the-parts Value ")	
Sum-of-the-parts Value per Share (<i>Note 3</i>)	RMB5.36
	(equivalent to approx. HK\$5.94)

Notes:

1. As advised by Management, remaining parts include (a) NAV of the others segment as at 30 June 2019 of approximately RMB8,465.3 million and; (b) elimination between different segments as at 30 June 2019 of approximately RMB6,061.8 million mainly relating to elimination of investments in subsidiaries and inter-company balances. The net amount of approximately RMB2.4 billion mainly represents (i) investment in associate which had been classified as assets held for sale; and (ii) key assets of other segment including cash, receivables, inventories and fixed assets. Since (i) the value of the Group's investment in associate had already been classified as assets held for sale and the relevant disposal has subsequently been completed with no substantial gain or loss on disposal recorded; (ii) the companies involving in the other segment carry out different businesses which are not material to the Group as a whole; and (iii) values of certain of the key assets of the other segment (e.g. cash and receivables) had been reflected in the book value, we consider appropriate to adopt the NAV of the remaining parts in our sum-of-the-parts valuation. Effects of non-controlling interests were not considered as no separate disclosures were made in the Company's 2019 interim report.
2. The figure for the effects of revaluation of investment properties is calculated based on figures advised by the Management as follows:

	<i>RMB'000</i>
Net revaluation deficit attributable to the Group	(7,988)
Less: Net tax as a result of the revaluation surplus	9,870
Net effects of revaluation of investment properties	1,882

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We note from the Valuation Report that there was no market value for certain of the investment properties as there are defects in titles or restrictions in transfer of the underlying properties and the properties were not freely transferrable. We have excluded such properties when calculating the effects of revaluation above.

We have not considered any effects on revaluation on properties held for own use as it is the intention of the Offeror to continue the operation of the Group and not to dispose of the properties to realise their values.

Net tax represents the deferred income tax in the PRC attributable to the net revaluation surplus/deficit on the property interests of the Group (excluding property interests held for the Group's own use for its businesses).

The deferred income tax is calculated by the Management on the assumption that the revaluation surplus/deficit will, if materialised and recognised in the consolidated financial statements of the Group, affect the tax expenses. The figure is calculated by applying the applicable income tax rates to the revaluation surplus/deficit of the property interests. Deferred income tax for overseas properties are not considered in the calculation as the effect is not material.

As the Group intends to hold the property interests and not to dispose of them, no land appreciation tax was calculated.

3. It is calculated by dividing (a) the Sum-of-the-parts Value by (b) the total number of issued Shares of 1,967,796,791, including 832,973,997 issued Domestic Shares and 333,187,999 issued H Shares, and assuming full conversion of the PSCS with 801,634,795 Domestic Shares to be converted from PSCS (which have no maturity date and are not redeemable, and have been classified as equity in the consolidated financial statements of the Group).

Figure in RMB is converted into HK\$ at an exchange rate of HK\$1: RMB0.90212.

The H Share Offer Price of HK\$9.00 per H Share represents a premium of approximately 51.5% over the Sum-of-the-Parts Value per Share, which we consider to be favourable to the Independent H Shareholders.

9. Analysis on the Delisting and the Merger

As mentioned in the paragraphs above, the Company will make an application for the Delisting upon the H Share Offer becoming unconditional and subject to the obtaining of the relevant shareholders' approval of the Delisting, while the Merger will proceed subject to the completion of the H Share Offer, the Delisting becoming effective and the fulfilment or waiver (as applicable) of the Merger Conditions.

As discussed in the section headed "1. Background to and reasons for the H Share Offer, the Delisting and the Merger" of this letter above, considering a number of factors such as shortening of the management chain, improvement in the operational efficiency and dispense of costs associated with compliance and maintaining the listing status of the Company, and the benefits to carry out the H Share Offer given the significant premium represented by the H Share Offer Price over recent H Share prices and the opportunity to realise the investments in the Company in light of the limited liquidity of the H Shares, we consider the Delisting and Merger (together with the H Share Offer) are measures with an overall objective to facilitate business integration amongst AVIC International and the Company as well as to optimise their corporate structure, enhance management effectiveness and achieve synergies in business. If the H Share Offer becoming unconditional and the H Shares are delisted from the Stock Exchange, shareholders will be

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holding unlisted securities. The Merger is intended to, among other things, avoid the Independent H Shareholders holding unlisted shares as a result of the Delisting.

As part of the Merger and pursuant to the Merger Agreement, AVIC International will pay a Merger Price of HK\$9.00 per delisted H Share (other than those that may be acquired by AVIC International under the H Share Offer and those held by the Dissenting H Shareholders) in cash to the then existing H Shareholders within seven Business Days after the Merger Effective Date, and the Company and AVIC Shenzhen will be de-registered in accordance with the PRC Company Law, the Administrative Regulations of the PRC Governing the Company Registration and relevant legal provisions. Consequently, each of the Company and AVIC Shenzhen will cease to exist as a separate legal entity, which will be merged and absorbed into AVIC International. Given that the Merger Price is equal to the H Share Offer price of HK\$9.00 per delisted H Share, it is considered to be reasonable.

Having considered the above, we consider the Delisting and the Merger, coupled with the H Share Offer, can provide a valuable opportunity for the Independent H Shareholders to realise their investments in the Company, and are fair and reasonable and in the interests of the Independent H Shareholders.

The Independent H Shareholders should also be aware that as the Merger Conditions (in respect of the Merger) are different from the Conditions (in respect of the H Share Offer), even following the successful completion of the H Share Offer and the Delisting, there is no certainty that the Merger will proceed.

Independent H Shareholders are encouraged to read in details the terms and conditions of the Merger contained in the “Letter from CICC” in the Composite Document.

DISCUSSION

Independent H Shareholders should consider the H Share Offer, the Delisting and the Merger Agreement and the Merger based on the principal factors and reasons set out in detail above and summarised below.

(i) Recent results and prospects

The Group has been principally engaged in different segments, mainly including FPD, PCB, Retails and Engineering segments. The overall financial performance of the Group has deteriorated in recent years and in the first half of 2019, resulting in decreases in profits attributable to owners of the Company. The high-tech electronic products segment (including the FPD and PCB segments), which contribute most of the profits of the Group, are being carried out through subsidiaries listed on the Shenzhen Stock Exchange with significant portion of non-controlling interests. The performance of the Engineering segment continued to deteriorate. As a result of the improvement of operating results of the FPD and PCB businesses and the gain on disposal of Weihai Shipyard, results of the Group showed improvement during the nine months ended 30 September 2019. The

slowdown in domestic and international economic environment will continue to affect the Group's overall performance, while the development of 4G and 5G networks and the demand for professional display products will provide opportunities to the PCB and FPD business segments. As such, the Management sees, and we concur with their view that there are both challenges and opportunities in the prospects of the Group, and there remains uncertainty on the growth prospects of certain businesses of the Group in the short to medium term.

(ii) Reasons for the H Share Offer and the Delisting

The H Share Offer, the Delisting and the Merger will improve the management efficiency through the simplification of the corporate structure and allow the Company to dispense of costs associated with compliance and maintaining the listing status of the Company, improving operational efficiency. The H Share Offer represents an opportunity for the Independent H Shareholders to realise their investment in the Company for cash at a premium, which we consider attractive, as summarised in paragraph (iii) below.

(iii) Premium over market prices of the H Shares

We have reviewed a number of factors when assessing the fairness of the H Share Offer Price. One of the most important factors has been the premium of the H Share Offer Price over recent Share prices, which is high. The H Share Offer Price is higher than the closing H Share prices in all trading days during the Review Period. It is higher than the H Share closing prices in most of the trading days over the past ten years before the Latest Practicable Date. Based on the summaries as set out in the section headed "4. Analysis of price performance and trading liquidity of the H Shares" of this letter above, the H Share Offer Price compares favourably to the closing Share prices, with a range of premia of approximately 29.1% to 92.1% over different periods before the Last Trading Date that we have reviewed.

The H Share Offer will be made at the H Share Offer Price of HK\$9.00 per H Share in cash. **AVIC International will not increase the H Share Offer Price for the H Share Offer and AVIC International does not reserve the right to increase the H Share Offer Price.** If the H Share Offer fails, AVIC International cannot in normal circumstances put forward another such proposal for at least twelve months.

(iv) Dividend yield

As at the Latest Practicable Date, the dividend yield of the Hang Seng Index was approximately 3.48%, which is significantly higher than the implied dividend yield of approximately 0.6% for 2017 (and nil dividend paid for 2018 and first half of 2019) based on the H Share Offer Price. On this basis, Independent H Shareholders who accept the H Share Offer could, if they wished, reinvest the proceeds from the H Share Offer in other listed Hong Kong companies to achieve a higher yield.

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(v) Privatisation precedents

We have compared the premium of the H Share Offer Price over the historical trading prices of the Privatisation Precedents. The premia for the H Share Offer are, although slightly below the average premium for the last trading day share price, higher than the average premia for the 5 days, 10 days, 30 days, 60 days and 180 days share price averages, which suggests the basis of the H Share Offer Price is favourable compared with market practice.

(vi) Trading generally not active

Trading of the H Shares has not been consistently active during the period we have reviewed. Although trading liquidity increased after publication of the Announcement, that level may not be sustained if the H Share Offer lapses. The H Share Offer provides an opportunity for the H Shareholders, especially those holding a large block of H Shares, to dispose of their holdings at a fixed cash H Share Offer Price without affecting market prices.

(vii) Net assets value

We have performed an analysis on the H Share Offer Price by comparing to the NAV of the Group. The H Share Offer Price represents a premium over the Further Adjusted NAV of approximately 13.9%, which we consider to be a favourable factor to the Independent H Shareholders.

(viii) Valuation of the Company

We have performed a sum-of-the-parts valuation of the Group as set out in the section headed “8. Valuation of the Company” of this letter above. The Sum-of-the-parts Value of the Group was approximately RMB5.36 per Share (equivalent to approximately HK\$5.94 per Share). The H Share Offer Price represents a premium of approximately 51.5% over such value.

(ix) Listed status

Independent H Shareholders are reminded that if they do not accept the H Share Offer, and the H Share Offer subsequently becomes unconditional in all respects and the H Shares are delisted from the Stock Exchange, such Independent H Shareholders will hold securities that are not listed on the Stock Exchange or any other exchange. In addition, the Company may or may not continue to be subject to the protections to minority shareholders under the Takeovers Code after the completion of the H Share Offer. The Merger allows the then existing H Shareholders recorded on the Registers on the Merger Effective Date to receive a Merger Price of HK\$9.00 per H Share in cash for cancellation of relevant rights attaching to such H Shares. Independent Shareholders should note that the Merger is subject to certain conditions, including but not limited to the Independent H Shareholders’ approval, and AVIC International will not be obliged to pay the

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Merger Price should the Merger not be implemented. If the Merger is not implemented, the then Independent H Shareholders (who do not accept the H Share Offer before it closes) will be holding securities that are not listed on the Stock Exchange in such circumstances.

OPINION AND RECOMMENDATIONS

Based on the above principal factors and reasons, we consider the terms of the H Share Offer, the Delisting and the Merger are fair and reasonable so far as the Independent H Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent H Shareholders to (i) vote in favour of the resolutions to approve the Delisting and the Merger Agreement and the Merger at the H Share Class Meeting; and (ii) vote in favour of the resolution to approve the Merger Agreement and the Merger at the Extraordinary General Meeting.

We also advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent H Shareholders to accept the H Share Offer.

Independent H Shareholders are advised to monitor the H Share price performance and liquidity of the H Shares during the period of the H Share Offer. Since the Announcement, the market price of the H Shares has been chiefly governed, in our view, by the H Share Offer. Independent H Shareholders are reminded of the risk, in our view, of a fall in the H Share price towards its previous average level before the Announcement of around HK\$4.07 to HK\$6.97 per H Share, at least in the short term, if the H Share Offer, the Delisting and the Merger are not approved. Independent H Shareholders who are sensitive to this risk may consider selling in the market prior to the H Share Class Meeting and the Extraordinary General Meeting.

There is also a possibility that the H Share price may exceed the H Share Offer Price during the Offer Period, although based on recent price movements we consider this unlikely. In the event that the market price of the H Shares exceeds the H Share Offer Price so that the sale proceeds, net of all transaction costs, exceeds the amount receivable under the H Share Offer, the Independent H Shareholders should consider selling their H Shares in the market instead of accepting the H Share Offer.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M. N. Sabine
Chairman

Mr. M. N. Sabine is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years' experience in the corporate finance industry.

For illustrative purpose and unless otherwise stated, amounts denominated in RMB have been translated into HK\$ at an exchange rate of HK\$1:RMB0.90212.

1. PROCEDURES FOR ACCEPTANCE OF THE H SHARE OFFER

1.1 The H Share Offer

- (a) To accept the H Share Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the H Share Offer.
- (b) If the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the H Share Offer, you must either:
 - (i) if your H Share(s) has/have been lodged with your licensed securities dealer (or other registered dealer in securities or custodian bank) through CCASS, instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to give instructions to HKSCC Nominees Limited on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them;
 - (ii) lodge your H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the H Share Offer on your behalf and requesting it to deliver the accompanying Form of Acceptance duly completed together with the relevant H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of H Shares in respect of which you intend to accept the H Share Offer to the Registrar in an envelope marked “**AVIC International Holdings Limited — H Share Offer**”;
 - (iii) if your H Share(s) has/have been lodged with your investor participant’s account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited; or

- (iv) arrange for the H Share(s) to be registered in your name through the Registrar and send the accompanying Form of Acceptance duly completed together with the relevant H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar in an envelope marked “**AVIC International Holdings Limited — H Share Offer**”.

For the avoidance of doubt, if you send the accompanying Form of Acceptance to the Registrar by yourself directly, the acceptance of the H Share Offer will be treated as invalid. Therefore, if the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Share(s) is/are in the name of a nominee company or a name other than your own, you must take actions as mentioned above.

- (c) If the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Shares is/are in your name, and you wish to accept the H Share Offer, you must send the accompanying Form of Acceptance duly completed together with the relevant H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by post or by hand, marked “**AVIC International Holdings Limited — H Share Offer**” on the envelope, as soon as possible and in any event reach the Registrar no later than 4:00 p.m. on Friday, 6 March 2020, being the First Closing Date, or such later time and/or date as the Company may determine and announce in compliance with the requirements of the Takeovers Code.
- (d) If the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Share(s) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the H Share Offer, the Form of Acceptance should nevertheless be completed and delivered in an envelope marked “**AVIC International Holdings Limited — H Share Offer**” to the Registrar together with a letter stating that you have lost one or more of your H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your H Share certificate(s), you should also write to the Registrar for a form of letter of indemnity which, when

completed in accordance with the instructions given therein, should be returned to the Registrar. AVIC International shall have the absolute discretion to decide whether any H Shares in respect of which the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by AVIC International.

- (e) If you have lodged transfer(s) of any of your H Shares for registration in your name and have not yet received your H Share certificate(s) and you wish to accept the H Share Offer, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked **“AVIC International Holdings Limited — H Share Offer”** to the Registrar together with the transfer receipt(s) duly signed by you. Such action will be deemed to be an irrevocable instruction and authority to CICC and/or AVIC International and/or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant H Share certificate(s) when issued and to deliver such H Share certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such H Share certificate(s), subject to the terms and conditions to the H Share Offer, as if it/they were delivered to the Registrar with the Form of Acceptance.
- (f) Acceptance of the H Share Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on Friday, 6 March 2020, being the First Closing Date, or such later time and/or date as AVIC International may determine and announce in compliance with the requirements of the Takeovers Code, and is:
 - (i) accompanied by the relevant H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those H Share certificate(s) is/are not in your name, such other documents (for example a duly stamped transfer of the relevant H Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant H Share(s); or
 - (ii) from a registered the H Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to H Share(s) which are not taken into account under another sub-paragraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (g) If the Form of Acceptance is executed by a person other than the registered H Shareholder, appropriate documentary evidence of authority (for example grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (h) No acknowledgement of receipt for any Form(s) of Acceptance, H Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD

- (a) The H Share Offer is made on Wednesday, 8 January 2020, the date of posting of this Composite Document, and is capable of acceptance on and from this date. Unless the H Share Offer has previously been revised or extended in accordance with the Takeovers Code with the consent of the Executive, to be valid, the Form of Acceptance must be received by the Registrar by 4:00 p.m. on Friday, 6 March 2020, being the First Closing Date.
- (b) If the H Share Offer is extended, the announcement of such extension will state the next closing date or a statement that the H Share Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to the H Shareholders before the H Share Offer is closed. If the H Share Offer is declared unconditional in all respects, the H Share Offer will be extended and remain open for acceptance for not less than 28 days thereafter.
- (c) If the First Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the First Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date of the H Share Offer so extended.
- (d) The acceptance by or on behalf of an H Shareholder in its original and/or any previously revised form, shall be treated as an acceptance of the relevant H Share Offer so extended.
- (e) Any acceptance of the relevant extended H Share Offer and/or any election pursuant thereof shall be irrevocable unless and until the accepting H Shareholder of the H Share Offer becomes entitled to withdraw his/her/its acceptance under the paragraph headed "4. Effect of Acceptance of the H Share Offer and Right of Withdrawal" below and duly does so.

3. SETTLEMENT

- (a) Settlement of the consideration under the H Share Offer will be made as soon as possible, but in any event within seven Business Days following the later of (i) the Unconditional Date and (ii) the date of receipt of a complete and valid Form of Acceptance by the Registrar in respect of the H Share Offer.
- (b) In the case of the H Shareholders accepting the H Share Offer, each cheque will be despatched by ordinary post to the address specified on the relevant H Shareholder's Form of Acceptance at his/her/its own risk.

- (c) No fractions of a cent will be payable and the amount of cash consideration payable to an H Shareholder who accepts the H Share Offer will be rounded up to the nearest cent.
- (d) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact AVIC International for payment.
- (e) Settlement of the consideration to which an H Shareholder is entitled under the H Share regard to any lien, right of set-off, counterclaim or other analogous right to which AVIC International may otherwise be, or claim to be, entitled against such H Shareholder.

4. EFFECT OF ACCEPTANCE OF THE H SHARE OFFER AND RIGHT OF WITHDRAWAL

- (a) By validly accepting the H Share Offer, the H Shareholders will sell to AVIC International their tendered H Shares free from all options, liens, claims, equities, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the date of the Announcement or which subsequently become attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid, on or after the date of the Announcement.

In addition to the Conditions set out in the “Letter from CICC” from pages 12 to 26 of this Composite Document, the H Share Offer is made on the basis that acceptance of the H Share Offer by any H Shareholder will constitute a warranty by such H Shareholder to AVIC International that the H Shares acquired under the H Share Offer are fully paid and sold by such H Shareholder free from all options, liens, claims, equities, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the date of the Announcement or which subsequently become attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid, on or after the date of the Announcement.

- (b) The H Share Offer is conditional upon fulfilment of the Conditions set out in the “Letter from CICC” from pages 12 to 26 of this Composite Document. Acceptance of the H Share Offer tendered by the H Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the H Share Offer shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date if the H Share Offer has not by then become unconditional as to acceptances. An acceptor of the H Share Offer may withdraw his/her/its acceptance by

lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar.

- (c) Under Rule 19.2 of the Takeovers Code, if AVIC International is unable to comply with any of the requirements of making announcements relating to the H Share Offer set out in the section headed “5. ANNOUNCEMENTS” of this Appendix I, the Executive may require that the H Shareholders who have tendered acceptances to the H Share Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.
- (d) Upon the withdrawal of acceptance by an H Shareholder, AVIC International shall (or shall procure), as soon as possible but in any event within 10 days thereof, return by ordinary post, the H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the H Share(s) lodged with the Form of Acceptance to such H Shareholder.

5. ANNOUNCEMENTS

- (a) The announcement of the results of the H Share Offer will be jointly issued by AVIC International and the Company and posted on the website of the Stock Exchange by 7:00 p.m. on Friday, 6 March 2020, being the First Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 of the Takeovers Code and will include, among other things, the results of the H Share Offer.
- (b) If the H Share Offer is extended, the announcement of such extension will state the next closing date or a statement that the H Share Offer will remain open until further notice. If the H Share Offer is unconditional in all respects, a statement may be made that the H Share Offer will remain open for acceptance for at least 28 days thereafter in accordance with the Takeovers Code.
- (c) The results announcements shall specify the total number of H Shares and rights over H Shares:
 - (i) for which acceptances of the H Share Offer have been received;
 - (ii) held, controlled or directed by AVIC International or its concert parties (except those which are exempt principal traders or exempt fund managers recognised by the Executive as such for the purpose of the Takeovers Code) before the Offer Period; and
 - (iii) acquired or agreed to be acquired during the Offer Period by AVIC International or its concert parties (except those which are exempt principal traders or exempt fund managers recognised by the Executive as such for the purpose of the Takeovers Code).

- (d) The results announcements must include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company which AVIC International or its concert parties (except those which are exempt principal traders or exempt fund managers recognised by the Executive as such for the purpose of the Takeovers Code) has/have borrowed or lent, save for any borrowed H Shares which have been either on-lent or sold.
- (e) The results announcements shall specify the percentages of the relevant classes of share capital of the Company, and the percentages of voting rights, represented by these numbers.
- (f) If AVIC International, its concert parties or its advisers make(s) any statement about the level of acceptances or the number or percentage of accepting H Shareholders during the Offer Period, then AVIC International must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.
- (g) As required under the Takeovers Code and the Listing Rules, all announcements in relation to the H Share Offer in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

6. NOMINEE REGISTRATION

To ensure the equality of treatment of all H Shareholders, registered H Shareholders who hold the H Share(s) as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of H Share(s) whose investments are registered in the names of nominees to accept the H Share Offer, it is essential that they provide instructions of their intentions to the H Share Offer to their respective nominees.

7. POSTING

All documents and remittances to be sent to the H Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent, in the case of H Shareholders, at their addresses as they appear in the Registers, in the case of joint H Shareholders, to the H Shareholder whose name appears first in the Registers. None of AVIC International, the Company, CICC, Somerley, the Registrar or any of their respective directors or agents or any other person involved in the H Share Offer will be responsible for any loss or delay in transmission or any other liability that may arise as a result thereof.

8. OVERSEAS H SHAREHOLDERS

- (a) The H Share Offer is in respect of a company incorporated in the PRC and listed in Hong Kong and is therefore subject to the procedure and disclosure requirements of laws, regulations and rules in Hong Kong which may be different from those in other jurisdictions. The making of the H Share Offer to Overseas H Shareholders may be affected by the laws of the relevant jurisdictions, Overseas H Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas H Shareholder who wishes to accept the H Share Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with any other necessary formalities or legal requirements.
- (b) Any such Overseas H Shareholder will be responsible for any such issue, transfer or other taxes by whomsoever payable and AVIC International, the Company, CICC and any person acting on their behalf shall be entitled to be fully indemnified and held harmless by such Overseas H Shareholder for any such issue, transfer or other taxes as such person may be required to pay.
- (c) This Composite Document, the accompanying Form(s) of Acceptance and any related documents are only being distributed in the United Kingdom to persons who (i) have professional experience in matters relating to investments or (ii) to whom this Composite Document may otherwise be lawfully distributed under the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (all such persons together being referred to as “relevant persons”). This Composite Document, the Form(s) of Acceptance and any related documents are directed only in the United Kingdom at relevant persons and must not be acted on or relied on by persons in the United Kingdom who are not relevant persons. Any investment or investment activity to which this Composite Document relates is available only in the United Kingdom to relevant persons and will be engaged in only with persons in the United Kingdom who are relevant persons. Based on the Registers as at the Latest Practicable Date, there was one Overseas H Shareholder with his registered address in the United Kingdom. This Composite Document, the accompanying Form(s) of Acceptance and any related documents will be despatched to all registered H Shareholders of the Company, including the aforementioned Overseas H Shareholder.
- (d) Any acceptance by any H Shareholder will be deemed to constitute a representation and warranty from such H Shareholder to AVIC International, and the Company that all local laws and requirements have been complied with and that the H Share Offer can be accepted by such H Shareholder lawfully under the laws of the relevant jurisdiction. The H Shareholders should consult their professional advisers if in doubt.

9. HONG KONG STAMP DUTY AND TAXATION

- (a) Seller's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration arising on acceptance of the H Share Offer will be payable by the H Shareholders who accept the H Share Offer. The relevant amount of stamp duty will be deducted from the consideration payable to such H Shareholder under the H Share Offer. AVIC International will bear its own portion of buyer's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable in respect of acceptances of the H Share Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the H Shares which are validly tendered for acceptance under the H Share Offer.
- (b) There may be tax implications on the H Shareholders in relation to the H Share Offer depending on the individual circumstances of the H Shareholders. The H Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the H Share Offer. It is emphasised that none of AVIC International, the Company and their ultimate beneficial owners and concert parties, CICC, Somerley, the Registrar or any of their respective directors or professional advisers or any persons involved in the H Share Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance of the H Share Offer.

10. GENERAL

- (a) All communications, notices, the Form of Acceptance, H Share certificate(s), transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the H Share Offer to be delivered by or sent to or from the H Shareholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of AVIC International, the Company, CICC, Somerley, the Registrar or any of their respective directors or agents or any other person involved in the H Share Offer accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the H Share Offer.
- (c) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the H Share Offer is made will not invalidate the H Share Offer in any way.

- (d) The H Share Offer and all acceptances thereof will be governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of an H Shareholder will constitute such H Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the H Share Offer.
- (e) Due execution of a Form of Acceptance will constitute an authority to AVIC International, CICC or such person or persons as any of them may direct to complete, amend and execute any document on behalf of the person or persons accepting the H Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in AVIC International, or such person or persons as it may direct, the H Share(s) in respect of which such person or persons has/have accepted the H Share Offer.
- (f) The settlement of the consideration to which any H Shareholder is entitled under the H Share Offer will be implemented in full in accordance with the terms of the H Share Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which AVIC International may otherwise be, or claim to be, entitled against such H Shareholder.
- (g) Any H Shareholders accepting the H Share Offer will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (h) In making their decision, H Shareholders must rely on their own examination of the Group and the terms of the H Share Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of AVIC International, the Company, CICC or their respective professional advisers. The H Shareholders should consult their own professional advisers for professional advice.
- (i) The making of the H Share Offer to the Overseas H Shareholders may be subject to the laws of the relevant jurisdictions. The Overseas H Shareholders should observe any applicable legal or regulatory requirements. It is the responsibility of Overseas H Shareholders wishing to accept the H Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Such Overseas H Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas H Shareholders in

respect of the relevant jurisdictions. The Overseas H Shareholders are recommended to seek professional advice on deciding whether or not to accept the H Share Offer.

- (j) This Composite Document and the accompanying Form of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the H Share Offer in Hong Kong and the operating rules of the Stock Exchange.

11. INTERPRETATION

- (a) A reference in this Composite Document to an H Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of H Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Composite Document apply to them jointly and severally.
- (b) A reference in this Composite Document and the Form of Acceptance to the H Share Offer shall include any extension thereof.
- (c) A reference in this Composite Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

1. FINANCIAL SUMMARY

The following summary financial information for each of the three financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019 is extracted from the respective published audited and unaudited (as the case may be) consolidated financial statements of the Group as set forth in the annual reports of the Company for the years ended 31 December 2016, 31 December 2017 and 31 December 2018, respectively and in the interim report of the Company for the six months ended 30 June 2019.

Each of the auditors' report of the Group for the year ended 31 December 2018 prepared by Deloitte Touche Tohmatsu, and the auditors' reports of the Group for the two years ended 31 December 2016 and 2017 prepared by PricewaterhouseCoopers were unqualified. There are no exceptional items because of size, nature or incidence of the Group for each of the three years ended 31 December 2016, 31 December 2017 and 31 December 2018.

Results Summary

	For the six months ended 30 June 2019 <i>RMB'000</i> (unaudited)	For the year ended 31 December		
		2018 <i>RMB'000</i> (audited)	2017 <i>RMB'000</i> (audited) (Restated)	2016 <i>RMB'000</i> (audited)
Revenue and profit:				
Revenue	26,871,678	54,290,366	46,276,689	33,007,917
Profit before taxation	1,168,271	743,027	2,350,778	1,797,895
Profit after taxation*	840,271	351,505	1,834,948	1,287,972
Profit attributable to:				
Owners of the Company	91,576	(568,314)	510,942	806,066
Non-controlling interests	748,695	919,819	1,324,006	481,906
Basic earnings per share profit attributable to owners of the Company (<i>RMB</i>)	0.67	(0.51)	0.41	0.67
Diluted earnings per share profit attributable to owners of the Company (<i>RMB</i>)	0.47	N/A	0.26	0.41
Dividends per share owners of the Company (<i>RMB</i>)	0.00	0.00	0.05	0.10

* Profit after taxation includes profit/(loss) from discontinued operations.

Assets Summary

	For the six months ended 30 June 2019 <i>RMB'000</i> (unaudited)	For the year ended 31 December		
		2018 <i>RMB'000</i> (audited)	2017 <i>RMB'000</i> (audited) (Restated)	2016 <i>RMB'000</i> (audited)
Total assets	108,296,101	101,287,295	98,010,042	64,780,737
Total liabilities	68,943,649	62,602,517	60,595,307	39,414,224
Total equity	39,352,452	38,684,778	37,414,735	25,366,513
Equity attributable to owners of the Company	13,499,512	13,394,660	13,401,019	12,039,247
Minority interests	25,852,940	25,290,118	24,013,716	13,327,266
Basic net assets per share net assets attributable to owners of the Company (<i>RMB</i>)	11.58	11.49	11.49	10.32
Diluted net assets per share net assets attributable to owners of the Company (<i>RMB</i>)	6.86	6.81	6.81	6.12

2. CONSOLIDATED FINANCIAL STATEMENTS

Set below is the reproduction of the text of the audited consolidated financial statements of the Group together with the accompanying notes contained in the 2018 annual report of the Company. Capitalised terms used in this section have the same meanings as those defined in the 2018 annual report of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December	
		2018	2017
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Revenue	5	54,290,366	46,276,689
Cost of sales		(45,959,310)	(37,815,273)
Gross profit		8,331,056	8,461,416
Distribution costs		(2,148,705)	(2,027,451)
Other income	6	1,342,769	1,203,658
Other gains and losses	7	130,432	492,831
Administrative expenses		(4,662,300)	(4,419,246)
Impairment of goodwill		(418,628)	–
Impairment losses of trade receivable, net of reversal		(1,107,396)	(403,118)
Fair value gain on investment properties		216,480	172,619
Operating profit		1,683,708	3,480,709
Finance income		489,605	497,211
Finance costs		(1,716,425)	(1,854,761)
Finance costs – net	8	(1,226,820)	(1,357,550)
Share of results of joint ventures and associates		286,139	227,617
Profit before income tax		743,027	2,350,778
Income tax expense	9	(391,522)	(515,828)
Profit for the year		351,505	1,834,948
Attributable to:			
Owners of the Company		(568,314)	510,942
Non-controlling interests		919,819	1,324,006
		351,505	1,834,948
(Losses)/earnings per share attributable to the owners of the Company for the year:			
(RMB per share)			
Basic (losses)/earnings per share	10	(0.5112)	0.4143
Diluted earnings per share		N/A	0.2597

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Profit for the year	351,505	1,834,948
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurements of retirement and other supplemental benefit obligations	84	2,812
Fair value changes on transfer of owner-occupied property to investment property, net of tax	632,439	183,136
<i>Item that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	46,651	(43,075)
Other comprehensive income for the year, net of income tax	679,174	142,873
Total comprehensive income for the year, net of income tax	1,030,679	1,977,821
Attributable to:		
Owners of the Company	87,991	635,996
Non-controlling interests	942,688	1,341,825
Total comprehensive income for the year	1,030,679	1,977,821

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		As at 31 December		As at
		2018	2017	1 January
	NOTES	RMB'000	RMB'000	2017
			(Restated)	(Restated)
ASSETS				
Non-current assets				
Land use rights		3,005,686	2,729,189	2,303,950
Intangible assets		941,192	957,241	917,311
Property, plant and equipment		36,640,634	33,094,986	20,515,957
Construction-in-progress		13,312,025	11,197,997	14,318,435
Investment properties		4,483,326	2,458,127	1,968,682
Goodwill		624,225	989,343	960,054
Investments accounted for using the equity method		2,383,560	2,614,019	4,525,143
Contract assets		228,595	–	–
Trade and other receivables	11	254,254	399,150	1,727,577
Available-for-sale financial assets		–	54,617	55,560
Financial assets at fair value through profit or loss		214,358	–	–
Deferred income tax assets		743,796	688,747	618,885
Other non-current assets		198,688	278,691	614,749
		<u>63,030,339</u>	<u>55,462,107</u>	<u>48,526,303</u>
Current assets				
Inventories		8,686,301	7,405,143	6,254,639
Properties under development		445,876	871,690	679,923
Contract assets		1,206,757	–	–
Trade and other receivables	11	19,248,287	18,465,691	16,310,641
Amounts due from customers for contract work		–	2,038,512	1,841,368
Financial assets at fair value through profit or loss		5,391	15,371	2,901
Pledged bank deposits		138,238	370,084	981,169
Cash and cash equivalents		<u>8,526,106</u>	<u>13,381,444</u>	<u>9,616,391</u>
		<u>38,256,956</u>	<u>42,547,935</u>	<u>35,687,032</u>
Total assets		<u>101,287,295</u>	<u>98,010,042</u>	<u>84,213,335</u>

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP

		As at 31 December		As at
		2018	2017	1 January
	NOTES	RMB'000	RMB'000	2017
			(Restated)	(Restated)
EQUITY				
Capital and reserves attributable to owners of the Company				
Share capital		1,166,162	1,166,162	1,166,162
Share premium		1,512,380	1,512,380	1,512,380
Other reserves	12	2,790,075	2,104,922	1,520,643
Perpetual subordinated convertible securities		2,781,674	2,781,674	2,781,674
Retained earnings		5,144,369	5,835,881	5,459,790
		<u>13,394,660</u>	<u>13,401,019</u>	<u>12,440,649</u>
Non-controlling interests		<u>25,290,118</u>	<u>24,013,716</u>	<u>21,905,982</u>
Total equity		<u>38,684,778</u>	<u>37,414,735</u>	<u>34,346,631</u>
LIABILITIES				
Non-current liabilities				
Borrowings	13	19,055,820	16,821,129	13,744,427
Deferred income tax liabilities		889,470	712,722	662,252
Deferred income on government grants		1,653,794	2,172,383	2,116,065
Provisions		269,662	143,933	196,461
Trade and other payables	14	187,981	124,510	73,390
Retirement and other supplemental benefit obligations		405,105	404,731	414,274
Other non-current liabilities		287	75,673	80,332
		<u>22,462,119</u>	<u>20,455,081</u>	<u>17,287,201</u>
Current liabilities				
Trade and other payables	14	23,494,666	22,664,639	19,488,511
Contract liabilities		2,325,792	–	–
Amounts due to customers for contract work		–	489,700	975,536
Borrowings	13	13,882,445	16,532,239	11,787,303
Current income tax liabilities		321,108	436,232	301,509
Retirement and other supplemental benefit obligations		15,473	15,910	15,742
Other current liabilities		100,914	1,506	10,902
		<u>40,140,398</u>	<u>40,140,226</u>	<u>32,579,503</u>
Total liabilities		<u>62,602,517</u>	<u>60,595,307</u>	<u>49,866,704</u>
Total equity and liabilities		<u>101,287,295</u>	<u>98,010,042</u>	<u>84,213,335</u>

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Cash flows from operating activities		
Cash generated from operations	4,361,564	6,896,506
Interest paid	(1,786,114)	(1,331,960)
Income tax paid	(495,228)	(453,606)
Net cash generated from operating activities	<u>2,080,222</u>	<u>5,110,940</u>
Cash flows from investing activities		
Addition to construction-in-progress	(5,790,792)	(10,873,778)
Purchase of property, plant and equipment	(1,583,625)	(2,026,104)
Purchase of land use rights	(72,004)	(9,993)
Purchase of intangible assets	(70,853)	(53,846)
Payment for other non-current assets	(13,180)	(84,817)
Proceeds for acquisition of a subsidiary, net of cash paid	61,943	–
Payment for the acquisition of and capital injection to associates	–	(8,600)
Payment for the acquisition of and capital injection to joint ventures	2,237	–
Cash inflow from disposals of subsidiaries	33,110	602,529
Payment to purchasing of financial assets FVTPL	(2,972,585)	–
Proceeds from disposal of FVTPL financial assets	2,810,374	–
Proceeds from disposals of property, plant and equipment	32,080	150,205
Proceeds from disposals of intangible assets	4,915	113
Proceeds from disposals of land use right	13,912	–
Proceeds from disposals of investments in associates	39,440	680,438
Proceeds from disposals of investments in joint ventures	829,882	1,014,300
Government grants received	813,171	1,320,446
Interest received	267,592	305,195
Loans to related parties	(911,365)	(1,492,947)
Repayments of loan to related parties	549,288	1,383,713
Dividends received	48,179	161,056
Net cash used in investing activities	<u>(5,908,281)</u>	<u>(8,932,090)</u>

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000 (Restated)
Cash flows from financing activities		
Proceeds from borrowings	19,519,991	21,580,408
Repayments of borrowings	(21,560,860)	(13,795,235)
Borrowings from related parties	3,687,059	1,341,573
Repayments of borrowings from related parties	(2,471,640)	(2,496,254)
Capital contribution to subsidiaries from non-controlling interests	–	1,269,961
Dividend paid to shareholders of the Company	(58,309)	(116,616)
Dividends paid to non-controlling interests of subsidiaries	(246,580)	(41,050)
Net cash (used in)/generated from financing activities	<u>(1,130,339)</u>	<u>7,742,787</u>
Net (decrease)/increase in cash and cash equivalents	(4,958,398)	3,921,637
Cash and cash equivalents at beginning of year	13,381,444	9,616,391
Effects of exchange rate changes on cash and cash equivalents	<u>102,385</u>	<u>(156,584)</u>
Cash and cash equivalents at end of year	<u><u>8,525,431</u></u>	<u><u>13,381,444</u></u>

NOTES TO THE FINANCIAL STATEMENTS

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

The consolidated financial statements have been approved for issue on 15 March 2019.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board and the applicable disclosure requirements of regarding the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The 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 consolidated financial statements are presented in Renminbi (“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 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”).

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

Business combinations in relation to Xiamen Tianma Microelectronics Co., Ltd. (“Xianmen Tianma Company”) and Shanghai Tian Ma Organic Light-Emitting Company Limited (“Tianma Organic Company”)

On 10 March 2017, Tianma Micro-electronics Co. Ltd. (“Tianma Company”), a subsidiary of the Company entered into two separate framework agreements for acquiring the interests in Xiamen Tianma Company and Tianma Organic Company in consideration for which Tianma Company will issue and allot approximately 647,024,307 A Shares to the related selling parties (“Tianma Transactions”). The details are as follows:

- (i) Tianma Company acquired 14.7%, 15.3%, 6% and 64% equity interest (in aggregate 100% equity interest) in Xiamen Tianma Company from AVIC International, the immediate holding company of the Company, AVIC International Shenzhen Company Limited (“AVIC Shenzhen”), a wholly owned subsidiary of AVIC International, AVIC International Xiamen Company Limited (“AVIC Xiamen”), a wholly owned subsidiary of the Group,

and Xiamen Jincai Industrial Development Company Limited (“Xiamen Jincai”), an independent third party, respectively (“Xiamen Tianma Acquisition”); and

- (ii) Tianma Company acquired 40% and 20% equity interest (in aggregate 60% equity interest) in Tianma Organic Company from Shanghai Industrial Investment (Group) Co., Ltd., an independent third party and Shanghai Zhangjiang (Group) Co., Ltd., an independent third party respectively.

Since the date of establishment of Xiamen Tianma Company, Xiamen Jincai will give its 34% voting rights of Xiamen Tianma Company to AVIC Shenzhen, hence AVIC Shenzhen held 49.3% voting rights of Xiamen Tianma Company collectively. In addition, AVIC Shenzhen has the right to appoint three out of five directors to the board of directors of Xiamen Tianma Company. Accordingly, Xiamen Tianma Company has been the subsidiary of AVIC Shenzhen since the date of its establishment prior to the completion of Xiamen Tianma Acquisition.

The Tianma Transactions were completed on 2 February 2018. Upon completion of the Tianma Transactions, Xiamen Tianma Company became a wholly owned subsidiary of Tianma Company, while Tianma Company held 60% equity interests in Tianma Organic Company.

The acquisition of equity interests in Tianma Organic Company was accounted for as business combination involving entity not under common control, and the acquisition of entity interests in Xiamen Tianma Company was treated as business combination involving entities under common control and accounted for on the basis of merger accounting.

Since the Company and Xiamen Tianma Company are under common control of AVIC International, the assets and liabilities of Xiamen Tianma Company have been recognised in the consolidated financial statements of the Group at the carrying amounts recognised previously in AVIC International’s consolidated financial statements. The consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income includes the results of Xiamen Tianma Company since the date when the combining businesses first came under the common control. The consolidated financial statements of the Group have been restated as if the businesses had been combined when they first came under common control.

The effect of restatements described above on the consolidated statement of financial position as at 31 December 2017 and is as follows:

	The Group as previously reported RMB'000	Merger of Xiamen Tianma Company RMB'000	Eliminations (Note) RMB'000	The Group as restated RMB'000
Non-current assets	35,204,022	21,036,824	(778,739)	55,462,107
Current assets	38,359,034	5,070,242	(881,341)	42,547,935
Total assets	<u>73,563,056</u>	<u>26,107,066</u>	<u>(1,660,080)</u>	<u>98,010,042</u>
Non-current liabilities	13,423,142	7,056,726	(24,787)	20,455,081
Current liabilities	32,325,180	8,649,092	(834,046)	40,140,226
Total liabilities	<u>45,748,322</u>	<u>15,705,818</u>	<u>(858,833)</u>	<u>60,595,307</u>
Total equity	<u>27,814,734</u>	<u>10,401,248</u>	<u>(801,247)</u>	<u>37,414,735</u>

Note:

The eliminations adjustments include:

- (i) Derecognition of available-for-sale (“AFS”) financial assets amounting to RMB627,150,000 in Xiamen Tianma Company held by AVIC Xiamen, a wholly owned subsidiary of the Company.
- (ii) Elimination of Xiamen Tianma Company’s share capital amounting to RMB8,800,000,000.
- (iii) Elimination of retained earnings attributable to shareholders of the Company amounting to RMB833,668,000.
- (iv) The recognition of non-controlling interests amounting to RMB9,192,018,000, due to that the Company’s equity interests in Tianma Company were diluted from 20.81% to 16.32% after the completion of the Xiamen Tianma Acquisition.

The effect of restatements described above on the consolidated statement of financial position as at 1 January 2017 and is as follows:

	The Group as previously reported RMB’000	Merger of Xiamen Tianma Company RMB’000	Eliminations (Note) RMB’000	The Group as restated RMB’000
Non-current assets	31,579,538	17,695,604	(748,839)	48,526,303
Current assets	33,201,199	3,649,738	(1,163,905)	35,687,032
Total assets	64,780,737	21,345,342	(1,912,744)	84,213,335
Non-current liabilities	11,734,776	5,552,425	–	17,287,201
Current liabilities	27,679,448	6,032,990	(1,132,935)	32,579,503
Total liabilities	39,414,224	11,585,415	(1,132,935)	49,866,704
Total equity	25,366,513	9,759,927	(779,809)	34,346,631

Note:

The eliminations adjustments mainly include:

- (i) Derecognition of available-for-sale financial assets amounting to RMB528,000,000 in Xiamen Tianma Company held by AVIC Xiamen, a wholly owned subsidiary of the Company.
- (ii) Elimination of Xiamen Tianma Company’s share capital amounting to RMB8,800,000,000.
- (iii) Elimination of retained earnings attributable to shareholders of the Company amounting to RMB497,411,000.
- (iv) The recognition of non-controlling interests amounting to RMB8,769,738,000, due to that the Company’s equity interests in Tianma Company were diluted from 20.81% to 16.32% after the completion of the Xiamen Tianma Acquisition.

The effect of restatements described above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 and is as follows:

	The Group as previously reported RMB'000	Merger of Xiamen Tianma Company RMB'000	Eliminations (Note) RMB'000	The Group as restated RMB'000
Revenue	36,581,679	11,401,910	(1,706,900)	46,276,689
Profit for the year	1,118,811	641,321	74,816	1,834,948

Note: The adjustments represent elimination of intra-group transactions and balances between the Group and Xiamen Tianma Company which include sales and purchase of goods and services, also include recognition of transaction cost of Xiamen Tianma Acquisition.

The effects of restatements described above on the consolidated cash flow for the year ended 31 December 2017 are as follows:

	Year ended 31 December 2017 RMB'000
Net increase in cash generated from operating activities	1,575,729
Net increase in cash used in investing activities	(4,272,410)
Net increase in cash generated from financing activities	3,260,089
Net increase in cash and cash equivalents	563,408
Net increase in cash and cash equivalents at beginning of year	596,010
Net increase in cash and cash equivalents at end of year	1,159,418

The effects of restatements described above on the earnings per share ("EPS") for the year ended 31 December 2017 are as follows:

	Year ended 31 December 2017 RMB'000
Basic EPS before adjustment	0.3261
Adjustments arising from acquisition of subsidiary under common control	0.0882
Basic EPS after adjustment	0.4143
Diluted EPS before adjustment	0.2074
Adjustments arising from acquisition of subsidiary under common control	0.0523
Diluted EPS after adjustment	0.2597

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

New and Amendments to IFRSs that are mandatorily effective for the current year

The group has applied the following new and amendments to IFRSs and an interpretation issued by the International Accounting Standards Board for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

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

3.1 IFRS 15 *Revenue from Contracts with Customers*

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

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

Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

		Carrying amounts restated under merger accounting at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018*
	Note	RMB'000	RMB'000	RMB'000
Non-current Assets				
Contract assets		–	175,173	175,173
Trade and other receivables	(b)	399,150	(175,173)	223,977
Current Assets				
Trade and other receivables	(b)	18,465,691	(359,298)	18,106,393
Contract assets		–	2,397,810	2,397,810
Amounts due from customers for contract work	(a)	2,038,512	(2,038,512)	–
Current Liabilities				
Trade and other payables	(c)	22,664,639	(3,701,371)	18,963,268
Contract liabilities		–	4,191,071	4,191,071
Amounts due to customers for contract work	(a)	489,700	(489,700)	–

* The amounts in this column are after the adjustments from the application of IFRS 9.

- (a) In relation to construction contracts previously accounted under IAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date upon initial application of IFRS 15. RMB2,038,512,000 and RMB489,700,000 of amounts due from/to customers for contract work were reclassified to contract assets and contract liabilities respectively.
- (b) At the date of initial application, a total of RMB534,471,000 retention deposits and unbilled revenue arising from construction contracts are conditional on the Group's achieving specified milestones as stipulated in the contracts, and hence such balance was reclassified from trade and other receivables to contract assets.
- (c) As at 1 January 2018, advances from customers of RMB3,701,371,000 in respect of consideration for contracts with customers previously included in trade and other payables were reclassified to contract liabilities.

The directors of the Company assessed that the application of IFRS 15 have no material impact on the timing and amounts of revenue recognised.

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018. There is no impact on the Group's consolidated statement of profit or loss and other comprehensive income for the current year. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported RMB'000	Reclassification RMB'000	Amounts without application of IFRS 15 RMB'000
Non-current Assets			
Contract assets	228,595	(228,595)	–
Trade and other receivables	254,254	228,595	482,849
Current Assets			
Trade and other receivables	19,248,287	310,924	19,559,211
Contract assets	1,206,757	(1,206,757)	–
Amounts due from customers for contract work	–	895,833	895,833
Current Liabilities			
Trade and other payables	23,494,666	1,885,055	25,379,721
Contract liabilities	2,325,792	(2,325,792)	–
Amounts due to customers for contract work	–	440,737	440,737

Except as described above, the application of IFRS 15 has had no material impact on the amount reported in the consolidated financial statements.

3.2 IFRS 9 *Financial instruments*

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets, contract assets, financial lease receivables and financial guarantee contracts and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

		Available- for-sale ("AFS") RMB'000	Financial assets at FVTPL required by IAS 39/ IFRS 9 RMB'000	AFS financial assets accumulated reserve RMB'000	Retained earnings RMB'000
	Note				
Closing balance as restated under merger accounting at 31 December 2017 – IAS 39		54,617	–	13,214	5,822,667
Effect arising from initial application of IFRS 9: Reclassification					
From available-for-sale	(a)	(54,617)	54,617	(13,214)	13,214
Opening balance at 1 January 2018		<u>–</u>	<u>54,617</u>	<u>–</u>	<u>5,835,881</u>

(a) AFS investments

From AFS investments to FVTPL

At the date of initial application of IFRS 9, the Group's equity investments of RMB54,617,000 were reclassified from available-for-sale investments measured at fair value under IAS 39 to financial assets at FVTPL under IFRS 9. The fair value gains of RMB13,214,000 relating to those instruments previously carried at fair value were transferred from AFS revaluation reserve to retained earnings.

(b) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets, trade receivables and lease receivables. To measure the ECL, contract assets and trade receivables have been grouped based on shared credit risk characteristics. The contract assets relate to construction contracts, and retention deposits, and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, pledged bank deposits and cash and cash equivalents, are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

For outstanding financial guarantees provided to a third party of approximately RMB747,640,000, the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is measured on 12m ECL basis.

The loss allowances for contract assets as at 31 December 2017 reconcile to the opening loss allowances as at 1 January 2018 is as follows:

	Current – Amounts due from customers for contract work RMB'000	Current – Trade and other receivables RMB'000	Current – Contract assets RMB'000
At 31 December 2017 as restated under merger accounting – IAS 39	(69,507)	(9,971)	–
Reclassification	69,507	9,971	(79,478)
At 1 January 2018	–	–	(79,478)

3.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 RMB'000 (Restated under merger accounting) (Note)	IFRS 15 RMB'000	IFRS 9 RMB'000	1 January 2018 RMB'000 (Restated)
Non-current Assets				
Available-for-sale investments	54,617	–	(54,617)	–
Financial assets at FVTPL	–	–	54,617	54,617
Contract assets	–	175,173	–	175,173
Trade and other receivables	399,150	(175,173)	–	223,977
Current Assets				
Trade and other receivables	18,465,691	(359,298)	–	18,106,393
Contract assets	–	2,397,810	–	2,397,810
Amounts due from customers for contract work	2,038,512	(2,038,512)	–	–
Current Liabilities				
Trade and other payables	22,664,639	(3,701,371)	–	18,963,268
Contract liabilities	–	4,191,071	–	4,191,071
Amounts due to customers for contract work	489,700	(489,700)	–	–

Note: The figures are restated for the merger accounting for business combination involving entities under common control, details refer to Note 2.

New and Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ³
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 3	Definition of a Business ⁴
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1 and IAS 8	Definition of Material ⁵
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and A Joint Venture ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and the interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

3.4 IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognised an asset for prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB460,409,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB51,274,000 and refundable rental deposits received of RMB58,180,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

The directors of the Company expect that, such changes would increase the assets and liabilities of the Group, but would not result in significant impact to the financial performance over the lease term of the Group's future financial statements.

4. SEGMENTAL INFORMATION

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, and shipping building and related engineering, procurement and construction projects (“EPC projects”) development.

The revenue and profit/(loss) after income tax of the Group by activities is classified as follows:

	Revenue		Profit/(loss) for the year	
	2018 RMB'000	2017 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000 (Restated)
Manufacture and Sales of FPD Products	28,537,031	23,483,026	914,585	1,495,778
Manufacture and Sales of PCB Products	7,388,972	5,502,534	703,685	454,096
Retails and consumer goods	3,376,464	3,322,928	183,080	224,432
International Engineering and Trading & Logistics	14,191,301	13,239,645	(1,466,825)	(299,228)
All other segments	796,598	728,556	16,980	(40,130)
Total Segments	<u>54,290,366</u>	<u>46,276,689</u>	<u>351,505</u>	<u>1,834,948</u>

The Group entities are principally domiciled in the PRC. The result of its revenue from external customers in PRC and other countries and districts are disclosed as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Revenue		
Mainland China	36,171,494	28,967,961
Hong Kong	842,990	1,193,049
Europe and America	6,364,658	4,379,879
East Asia and Southeast Asia	5,861,711	6,853,363
Africa	2,617,766	1,789,712
Others	2,431,747	3,092,725
Total revenue	<u>54,290,366</u>	<u>46,276,689</u>

Revenue is allocated based on the country in which customers are located.

During the year of 2018, the Group has incurred capital expenditure of approximately RMB8,765,244,000 (2017: RMB13,242,403,000).

5. REVENUE

A. For the year ended 31 December 2018

(a) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2018			
	High-tech Electronic Products RMB'000	Retails and Consumer Products RMB'000	International Engineering and Trading & Logistics RMB'000	Others RMB'000
Types of goods or service				
Sales of goods				
– FPD	28,527,368	–	–	–
– PCB	7,350,149	–	–	–
– Watches	–	3,264,023	–	–
– trading under international engineering services and trading of standard parts products	–	–	4,480,527	496,700
	35,877,517	3,264,023	4,480,527	496,700
Construction	–	–	9,517,229	–
Sale of properties	–	–	204,434	–
Provision of service	–	–	768,597	210,976
Total	<u>35,877,517</u>	<u>3,264,023</u>	<u>14,970,787</u>	<u>707,676</u>
Geographical markets				
Mainland China	27,704,891	3,186,166	5,204,626	605,448
Hong Kong	507,872	52,666	282,452	–
Europe and America	3,813,764	5,753	2,442,913	102,228
East Asia and Southeast Asia	3,533,321	19,235	2,309,155	–
Africa	–	–	2,617,766	–
Others	317,669	203	2,113,875	–
Total	<u>35,877,517</u>	<u>3,264,023</u>	<u>14,970,787</u>	<u>707,676</u>
Timing of revenue recognition				
A point in time	35,877,517	3,264,023	4,684,961	496,700
Over time	–	–	10,285,826	210,976
Total	<u>35,877,517</u>	<u>3,264,023</u>	<u>14,970,787</u>	<u>707,676</u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended 31 December 2018		
	Segment revenue	Adjustments and eliminations	Consolidated
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
High-tech Electronic Products	35,877,517	–	35,877,517
Retails and Consumer Products	3,264,023	(5,883)	3,258,140
International Engineering and Trading & Logistics	14,970,787	(884,869)	14,085,918
Others	707,676	–	707,676
	54,820,003	(890,752)	53,929,251
Rental income			
High-tech Electronic Products	48,486	–	48,486
Retails and Consumer Products	118,324	–	118,324
International Engineering and Trading & Logistics	105,383	–	105,383
Others	88,922	–	88,922
	361,115	–	361,115
Total revenue	55,181,118	(890,752)	54,290,366

B. For the year ended 31 December 2017

An Analysis of the Group's revenue for the year from continuing operations is as follows:

	2017 RMB'000 (Restated)
Sale of goods	38,689,549
Revenue from construction contracts	6,806,673
Rental income	351,422
Services income	206,726
Others	222,319
Total revenue per consolidated statement of profit or loss	46,276,689

6. OTHER INCOME

	2018 RMB'000	2017 RMB'000 (Restated)
Government grants	1,190,120	1,076,079
Sales of by-products	77,873	26,564
Service and maintenance income	36,104	78,825
Compensation income	24,493	10,137
Others	14,179	12,053
	<u>1,342,769</u>	<u>1,203,658</u>

7. OTHER GAINS AND LOSSES

	2018 RMB'000 (Restated)	2017 RMB'000
Gain on fair value remeasurement of previously held equity interest of an associate in the Tianma Organic Acquisition	128,196	–
Gain on disposal of financial assets at FVTPL	9,527	–
Gain on disposal of investments in associates	7,847	444,522
Gain on disposals of subsidiaries	6,042	–
Fair value changes of financial assets at FVTPL	4,324	–
Gain on disposals of land use right	1,848	–
Dividends received from financial assets at FVTPL	51	–
Loss from discounting bank acceptance bills	(15,923)	(31,570)
(Loss)/gain on disposal of property, plant and equipment	(10,397)	2,655
Loss on disposals of intangible assets	(741)	–
Compensation expenses	(336)	(4,235)
Gain on disposal of investments in joint ventures	–	73,685
Fair value changes on derivative financial instruments	–	8,667
Gain on available-for-sale financial assets	–	51
Loss on disposals of available-for-sale financial assets	–	(944)
Others	(6)	–
	<u>130,432</u>	<u>492,831</u>

8. FINANCE COSTS – NET

	2018 RMB'000	2017 RMB'000 (Restated)
Interest income	(238,147)	(319,329)
Foreign exchange gain	(251,458)	(177,882)
	<u>(489,605)</u>	<u>(497,211)</u>
Interest expense		
– bank borrowings	1,657,546	1,409,113
– borrowings from related parties	95,085	115,080
– medium-term notes	43,044	72,140
– debentures	2,053	–
– Other interest expenses	1,194	–
	<u>(348,041)</u>	<u>(153,675)</u>
Less: interest capitalised	<u>1,450,881</u>	<u>1,442,658</u>
Foreign exchange loss	<u>265,544</u>	<u>412,103</u>
Finance costs expensed	<u>1,716,425</u>	<u>1,854,762</u>
Net finance costs	<u>1,226,820</u>	<u>1,357,550</u>

9. 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% in 2018 (2017: 15%).

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

Income tax charged for the year represents:

	2018 RMB'000	2017 RMB'000 (Restated)
Current income tax on profits for the year	380,104	576,069
Deferred income tax	<u>11,418</u>	<u>(60,241)</u>
Income tax expense	<u>391,522</u>	<u>515,828</u>

10. (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic and diluted (losses)/earnings per share are calculated by dividing the (losses)/profits attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2018 RMB'000	2017 RMB'000 (Restated)
(Losses)/profits attributable to owners of the Company	(568,314)	510,942
Less: Profit attributable to perpetual subordinated convertible securities holders (RMB'000)	<u>(27,817)</u>	<u>(27,817)</u>
(Losses)/profits attributable to ordinary shareholders of the Company	<u>(596,131)</u>	<u>483,125</u>
	'000	'000
Weighted average number of ordinary shares in issue	<u>31,166,162</u>	<u>1,166,162</u>
Basic (losses)/earnings per share (RMB per share)	<u>(0.5112)</u>	<u>0.4143</u>

(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: perpetual subordinated convertible securities. The perpetual subordinated convertible securities are assumed to have been converted into ordinary shares.

Perpetual subordinated convertible securities could potentially dilute basic earnings per share in the future, but were not included in the computation of diluted earnings per share as they were anti-dilutive for year ended 31 December 2018 presented. The diluted earnings per share for the year ended 31 December 2017 was RMB0.2597 per share.

11. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000 (Restated)
Trade receivables	13,427,953	10,379,105
Less: allowance for credit loss	(1,316,617)	(528,535)
Trade receivables – net	12,111,336	9,850,570
Other receivables	2,960,708	3,978,783
Notes receivable	713,995	796,573
Loans to employees	43,317	46,952
Prepayments to suppliers	1,527,828	1,796,985
Excess of input over output value added tax	2,046,653	1,978,533
Interests receivable	28,201	57,427
Deposits	–	282,212
Finance lease receivables	70,503	76,806
	19,502,541	18,864,841
Less: non-current portion		
Excess of input over output value added tax	(32,318)	–
Deposits	–	(197,572)
Other receivables	(175,043)	(139,182)
Finance lease receivables	(46,893)	(62,396)
	(254,254)	(399,150)
Current portion	19,248,287	18,465,691

12. OTHER RESERVES

	Capital reserve RMB'000	Statutory general reserve fund RMB'000	Available-for- sale financial assets revaluation reserve RMB'000	Revaluation gain on transfer of owner- occupied property to investment property RMB'000	Re- measurements of post- employment benefit obligations RMB'000	Currency translation differences RMB'000	Total RMB'000
Balance as at 1 January 2017	1,565,548	189,056	13,214	129,902	(17,409)	(705,079)	1,175,232
Effect of merger	345,411	-	-	-	-	-	345,411
Balance as at 1 January 2017 as restated	1,910,959	189,056	13,214	129,902	(17,409)	(705,079)	1,520,643
Re-measurements of post-employment benefit obligations	-	-	-	-	(858)	-	(858)
Revaluation gain on transfer of owner-occupied property to investment property	-	-	-	118,525	-	-	118,525
Currency translation differences	-	-	-	-	-	7,387	7,387
Share of reserve of an associate	(1,127)	-	-	-	-	-	(1,127)
Appropriation to reserves	-	31,449	-	-	-	-	31,449
Special reserve-safety production fund	501	-	-	-	-	-	501
Initial public offering of a subsidiary	441,616	-	-	-	-	-	441,616
Balance as at 31 December 2017 as restated	<u>2,351,949</u>	<u>220,505</u>	<u>13,214</u>	<u>248,427</u>	<u>(18,267)</u>	<u>(697,692)</u>	<u>2,118,136</u>
Balance as at 1 January 2018 as restated	2,351,949	220,505	13,214	248,427	(18,267)	(697,692)	2,118,136
Adjustments (Note 3)	-	-	(13,214)	-	-	-	(13,214)
Balance as at 1 January 2018 as restated with adjustments	2,351,949	220,505	-	248,427	(18,267)	(697,692)	2,104,922
Re-measurements of post-employment benefit obligations	-	-	-	-	(915)	-	(915)
Revaluation gain on transfer of owner-occupied property to investment property	-	-	-	626,401	-	-	626,401
Currency translation differences	-	-	-	-	-	30,819	30,819
Share of reserve of an associate	(1,015)	-	-	-	-	-	(1,015)
Appropriation to reserves	-	64,889	-	-	-	-	64,889
Special reserve-safety production fund	8,603	-	-	-	-	-	8,603
Transaction with Non-controlling interests	(43,629)	-	-	-	-	-	(43,629)
Balance as at 31 December 2018	<u>2,315,908</u>	<u>285,394</u>	<u>-</u>	<u>874,828</u>	<u>(19,182)</u>	<u>(666,873)</u>	<u>2,790,075</u>

13. BORROWINGS

Borrowings include bank borrowings and other borrowings which are analysed as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Non-current		
Bank borrowings		
– pledged	6,053,805	2,472,397
– guaranteed	10,540,460	6,088,300
– unsecured	3,894,265	8,865,625
Medium-term notes	700,000	1,800,000
Corporate bonds	997,028	–
Related party borrowings	1,645,072	1,511,852
Interest-free government loan	188,407	161,700
	<u>24,019,037</u>	<u>20,899,874</u>
Less: current portion of non-current borrowings	<u>(4,963,217)</u>	<u>(4,078,745)</u>
	<u>19,055,820</u>	<u>16,821,129</u>
Current		
Bank borrowings		
– pledged	293,728	60,688
– guaranteed	1,625,025	884,000
– unsecured	5,906,633	10,393,544
Related party borrowings	1,093,842	1,115,262
Current portion of non-current borrowings	<u>4,963,217</u>	<u>4,078,745</u>
	<u>13,882,445</u>	<u>16,532,239</u>
	<u>32,938,265</u>	<u>33,353,368</u>

14. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000 (Restated)
Trade payables	12,277,248	10,108,006
Salaries and staff welfare payables	1,234,889	1,161,639
Notes payable	3,045,915	2,556,302
Advances from customers	26,329	3,720,422
Interest payable	153,353	140,545
Dividend payable	142,604	31,264
Other taxes payable	630,783	699,478
Accruals and other payables	5,850,019	4,174,518
Deposits from customers	<u>321,507</u>	<u>196,975</u>
	<u>23,682,647</u>	<u>22,789,149</u>
Less: non-current portion		
Deposits from customers	<u>(187,981)</u>	<u>(124,510)</u>
Current portion	<u>23,494,666</u>	<u>22,664,639</u>

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)
Gross profit		4,641,247	4,080,709
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	–
Operating profit		1,845,332	1,776,526
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
Profit before income tax		1,168,271	1,184,220
Income tax expense	5	(328,000)	(187,564)
Profit for the period	6B	840,271	996,656
Attributable to:			
Owners of the Company		91,576	137,778
Non-controlling interests		748,695	858,878
		840,271	996,656
Earnings per share attributable to the owners of the Company for the period:			
Basic (RMB per share)	8	0.0666	0.1062
Diluted (RMB per share)	8	0.0465	0.0700

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

		30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
	NOTES		
ASSETS			
Non-current assets			
Land use rights		–	3,005,686
Right-of-use assets	9	2,867,092	–
Intangible assets		900,073	941,192
Property, plant and equipment	10	34,600,194	36,640,634
Construction-in-progress		15,855,396	13,312,025
Investment properties	11	4,484,469	4,483,326
Goodwill		620,270	624,225
Investments accounted for using the equity method	12	938,437	2,383,560
Trade and other receivables	13	91,335	254,254
Contract assets	14	272,334	228,595
Financial assets at fair value through profit or loss (“FVTPL”)		217,058	214,358
Deferred income tax assets		744,905	743,796
Other non-current assets		405,368	198,688
		<u>61,996,931</u>	<u>63,030,339</u>
Current assets			
Inventories		8,821,304	8,686,301
Properties under development		466,029	445,876
Trade and other receivables	13	21,597,200	19,248,287
Contract assets	14	652,814	1,206,757
Financial assets at fair value through profit or loss		7,582	5,391
Pledged bank deposits		158,288	138,238
Cash and cash equivalents		10,116,144	8,526,106
		<u>41,819,361</u>	<u>38,256,956</u>
Assets classified as held for sale	15	4,479,809	–
		<u>46,299,170</u>	<u>38,256,956</u>
Total assets		<u><u>108,296,101</u></u>	<u><u>101,287,295</u></u>

		30 June 2019	31 December 2018
	NOTES	RMB'000 (Unaudited)	RMB'000 (Audited)
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		1,166,162	1,166,162
Share premium		1,512,380	1,512,380
Other reserves		2,803,351	2,790,075
Perpetual subordinated convertible securities ("PSCS")		2,781,674	2,781,674
Retained earnings		5,235,945	5,144,369
		<u>13,499,512</u>	<u>13,394,660</u>
Non-controlling interests		<u>25,852,940</u>	<u>25,290,118</u>
Total equity		<u>39,352,452</u>	<u>38,684,778</u>
LIABILITIES			
Non-current liabilities			
Borrowings	17	19,603,104	19,055,820
Deferred income tax liabilities		824,396	889,470
Deferred income on government grants		1,339,628	1,653,794
Lease liabilities		236,933	–
Provisions		235,939	269,662
Trade and other payables	16	373,971	187,981
Retirement and other supplemental benefit obligations		412,017	405,105
Other non-current liabilities		<u>5,030</u>	<u>287</u>
		<u>23,031,018</u>	<u>22,462,119</u>

		30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
	NOTES		
Current liabilities			
Trade and other payables	16	24,036,638	23,494,666
Contract liabilities		3,727,937	2,325,792
Lease liabilities		133,522	–
Borrowings	17	15,494,269	13,882,445
Current income tax liabilities		232,794	321,108
Retirement and other supplemental benefit obligations		15,385	15,473
Other current liabilities		75,000	100,914
		<hr/>	<hr/>
		43,715,545	40,140,398
Liabilities associated with assets classified as held for sale	15	2,197,086	–
		<hr/>	<hr/>
		45,912,631	40,140,398
Total liabilities		68,943,649	62,602,517
		<hr/>	<hr/>
Total equity and liabilities		108,296,101	101,287,295
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Perpetual subordinated convertible securities	Retained earnings	Total		
	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
Transactions with owners								
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

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP

	Attributable to owners of the Company						Attributable to non-controlling interests			
	Share capital RMB'000	Share premium RMB'000	PSCS RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Share award reserve of subsidiaries RMB'000	Share of net assets of subsidiaries RMB'000	Total RMB'000	Total equity 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
Transactions with owners										
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

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Financing activities		
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)
Net cash generated from/(used in) financing activities	<u>3,721,207</u>	<u>(1,818,073)</u>
Net increase/(decrease) in cash and cash equivalents	<u>1,527,906</u>	<u>(4,386,130)</u>
Cash and cash equivalents at beginning of period	<u>8,526,106</u>	<u>13,381,444</u>
Effects of exchange rate changes on cash and cash equivalents	<u>73,654</u>	<u>(32,496)</u>
Cash and cash equivalents at end of period	<u><u>10,127,666</u></u>	<u><u>8,962,818</u></u>
Represented by:		
Cash and cash equivalents	10,116,144	8,962,818
Cash and cash equivalents classified as held for sale	<u>11,522</u>	<u>–</u>
	<u><u>10,127,666</u></u>	<u><u>8,962,818</u></u>

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%.

		At 1 January 2019
	<i>Note</i>	<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:

	Note	Right-of-use assets RMB'000
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		<u>7,393</u>
		<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.

		Carrying amounts Previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	Notes	RMB'000	RMB'000	RMB'000
Non-current Assets				
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
Current Assets				
Trade and other receivables		19,248,287	(7,476)	19,240,811
– Prepaid rental	(c)	7,476	(7,476)	–
Current Liabilities				
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
Non-current liabilities				
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
Types of goods or services						
Sales of goods						
– 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>
Construction	–	–	–	3,562,962	–	3,562,962
Sale of properties	–	–	–	80,599	–	80,599
Provision of services	–	–	30,391	393,409	102,665	526,465
Revenue from contract with customers	<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>
Rental income	–	24,359	67,374	17,362	46,884	155,979
Total	<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
Types of goods or services						
Sales of goods						
– 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>
Construction	–	–	–	4,295,998	–	4,295,998
Sale of properties	–	–	–	1,391	135	1,526
Provision of services	–	–	–	372,927	106,206	479,133
	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,669,316</u>	<u>106,341</u>	<u>4,775,657</u>
Revenue from contract with customers	<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>
Rental income	<u>–</u>	<u>–</u>	<u>57,539</u>	<u>21,514</u>	<u>40,607</u>	<u>119,660</u>
Total	<u><u>13,792,758</u></u>	<u><u>3,117,785</u></u>	<u><u>1,680,654</u></u>	<u><u>5,995,053</u></u>	<u><u>396,820</u></u>	<u><u>24,983,070</u></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
	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,858,582</u>	<u>102,665</u>	<u>3,961,247</u>
Total	<u><u>14,472,593</u></u>	<u><u>4,650,121</u></u>	<u><u>1,703,585</u></u>	<u><u>5,540,360</u></u>	<u><u>349,040</u></u>	<u><u>26,715,699</u></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
Total	13,792,758	3,117,785	1,623,115	5,973,539	356,213	24,863,410

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
Total	14,472,593	4,650,121	1,703,585	5,540,360	349,040	26,715,699

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
Total	13,792,758	3,117,785	1,623,115	5,973,539	356,213	24,863,410

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>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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	13,792,758	3,117,833	1,683,837	6,281,256	396,820	25,272,504	(289,434)	24,983,070
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	880,677	313,676	145,832	(60,604)	150,924	1,430,505	(246,285)	1,184,220

Segment assets and liabilities

As at 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 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 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 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	2018
	RMB'000	RMB'000
	(Unaudited)	(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
Other gains and losses	222,218	151,053

6B. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(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	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(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	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	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	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>RMB’000</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

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

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:

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

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

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

	30 June 2019 RMB'000 (Unaudited)
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/> <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/> <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

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

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:

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

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.

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

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

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

	Fair value as at			
	30 June 2019	31 December 2018	Fair value hierarchy	Valuation technique(s) and key input(s)
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.

	Private equity investments at FVTPL RMB'000
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	2018
	RMB'000	RMB'000
	(Unaudited)	(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	<u>36,963</u>	<u>–</u>
Agency services income		
– Fellow subsidiaries	75,066	117,121
– Holding company	–	4,794
	<u>75,066</u>	<u>121,915</u>
Interest and guarantee fee income		
– Fellow subsidiaries	4,263	32,778
– A major shareholder of the Company	–	39
– Associates	–	5,289
– A minority shareholder of the Company	1,076	–
	<u>5,339</u>	<u>38,106</u>

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

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Other receivables		
– Holding company	48,263	110,543
– A major shareholder of the Company	–	5,149
– Fellow subsidiaries	66,087	269,345
– Associates	4,520	7,830
	<u>118,870</u>	<u>392,867</u>
Accounts receivable		
– Fellow subsidiaries	43,322	145,101
– Joint ventures	–	82,944
– Associates	44,970	52,916
– Holding company	4,918	6,439
	<u>93,210</u>	<u>287,400</u>

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Prepayments		
– Fellow subsidiaries	2,395	37,615
– Holding company	424	1,464
	<u>2,819</u>	<u>39,079</u>
Accruals and other payables		
– A major shareholder of the Company	6,543	135,018
– Holding company	975	54,263
– Fellow subsidiaries	35,153	24,370
– Associates	517	–
	<u>43,188</u>	<u>213,651</u>
Accounts payable		
– Fellow subsidiaries	18,058	245,300
– Associates	–	11,052
– Holding company	–	162
	<u>18,058</u>	<u>256,514</u>
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

	30 June 2019 RMB'000 (Unaudited)	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	–
	<u>1,559,911</u>	<u>1,137,108</u>
Included in other liabilities		
– A major shareholder of the Company	75,000	75,000
– Non-controlling interests	–	463
	<u>75,000</u>	<u>75,463</u>
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	–
	<u>2,958,272</u>	<u>2,738,914</u>

(d) Loan to related parties

	30 June 2019 RMB'000 (Unaudited)	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	–
	<u>1,621,695</u>	<u>1,568,536</u>

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.

3. UNAUDITED FINANCIAL INFORMATION OF THE GROUP

Reference is made to the following announcement and circular which were published by the Company:

1. the VSD Circular, in relation to the proposed non-public issuance of A shares by Tianma Company and deemed disposal of interest in Tianma Company by the Company; and
2. the 2019 Third Quarterly Results Announcement in relation to the unaudited results of the Company and the unaudited combined results of the Company and its subsidiaries prepared in accordance with the PRC GAAP for the nine months ended 30 September 2019.

Pursuant to the Takeovers Code,

1. the following estimates of the unaudited consolidated profit before income tax, unaudited consolidated profit for the year/period and unaudited consolidated profit of the Tianma Company and its subsidiaries attributable to owners of the Tianma Company for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 prepared in accordance with International Financial Reporting Standards:

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June 2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	<u>1,136,391</u>	<u>1,606,423</u>	<u>951,480</u>	<u>880,600</u>	<u>661,032</u>
Profit for the year/period	<u>965,284</u>	<u>1,455,462</u>	<u>915,655</u>	<u>809,219</u>	<u>609,474</u>
Profit attributable to:					
Owners of Tianma Company	<u>674,742</u>	<u>1,045,016</u>	<u>857,318</u>	<u>750,882</u>	<u>609,474</u>

2. and the follow estimates of the unaudited consolidated profit before income tax, unaudited consolidated profit for the period, unaudited consolidated profit of the Group attributable to the owners of the Company, the unaudited profit before income tax, unaudited profit for the period of the Company for the nine months ended 30 September 2019 prepared in accordance with International Financial Reporting Standards:

- a. For the Group

	Nine months ended 30 September 2019 <i>RMB'000</i> (Unaudited)
Profit before income tax	1,912,213
Profit for the period	1,433,049
Attributable to:	
Owners of the Company	371,311

- b. For the Company

	Nine months ended 30 September 2019 <i>RMB'000</i> (Unaudited)
Profit before income tax	184,547
Profit for the period	183,171

constitute profit forecasts under Rule 10 of the Takeovers Code. Shareholders should note that the Required Financial Information has been reported on in accordance with Rule 10 of the Takeovers Code by the Company's financial adviser and its auditors or consultant accountants and such reports have been lodged with the Executive in accordance with Rule 10.4 of the Takeovers Code. The letters from the reporting accountant and the Independent Financial Adviser in respect of the Required Financial Information pursuant to Rule 10 of the Takeovers Code are included in Appendix III of this Composite Document.

The Group prepares its annual and interim financial statements in accordance with the IFRS, whilst the Unaudited 2019 Third Quarterly Profit Figures were prepared in accordance with the generally accepted accounting principles in the PRC (PRC GAAP). Hence, in order to comply with the requirements of the Takeovers Code, a reconciliation of the abovementioned Unaudited 2019 Third Quarterly Profit Figures has been prepared in line with the IFRS and the Profit Forecast Reports have been made on the Reconciled Unaudited Profit Figures.

4. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 31 October 2019, being the latest practicable date for the purpose of this indebtedness statement, the Group had total borrowings of RMB33,332,285,000, details of which are as follows:

	Secured and unguaranteed (Note i) RMB'000	Unsecured Guaranteed (Note ii) RMB'000	Unsecured Unguaranteed RMB'000	Total RMB'000
Non-current				
Bank borrowings	5,840,141	3,013,000	6,988,835	15,841,976
Debentures	–	–	2,694,850	2,694,850
Third party borrowings	134,598	–	197,835	332,433
Amounts due to related parties	–	–	883,578	883,578
	<u>5,974,739</u>	<u>3,013,000</u>	<u>10,765,098</u>	<u>19,752,837</u>
Current				
Bank borrowings	255,965	1,264,500	9,663,537	11,184,002
Third party borrowings	49,862	–	–	49,862
Amounts due to related parties	–	270,000	2,075,584	2,345,584
	<u>305,827</u>	<u>1,534,500</u>	<u>11,939,121</u>	<u>13,579,448</u>
	<u>6,280,566</u>	<u>4,547,500</u>	<u>22,504,219</u>	<u>33,332,285</u>

(i) The secured borrowings of RMB6,280,566,000 as at 31 October 2019 were secured by right-of-use assets and property, plant and equipment of the Group.

(ii) The unsecured but guaranteed borrowings of RMB4,547,500,000 as at 31 October 2019 were guaranteed by AVIC International Holding Corporation (the holding company of the Company), AVIC International Shenzhen Company Limited (a major shareholder of the Company) or Xiamen Financial Investment Group Co., Ltd.(an independent third party).

Lease obligations

As at the close of business on 31 October 2019, the Group, as a lessee, has lease liabilities for the remainder of the relevant lease terms amounting to RMB329,550,000 in aggregate. Except for lease liabilities of RMB216,590,000 which are secured by rental deposits and unguaranteed and lease liabilities of RMB3,546,000 which are secured by rental deposits and property, plant and equipment and unguaranteed, all the remaining amounts are unsecured and unguaranteed.

Contingent liabilities

As at the close of business on 31 October 2019, being the latest practicable date for the purpose of this indebtedness statement, the Group has the following financial guarantees outstanding:

Guarantor	Guarantor's relationship with the Group	Guarantee	Guarantee's relationship with the Group	31 October 2019 Outstanding amounts guaranteed RMB'000
AVIC International Beijing Company Limited (中國航空技術北京有限公司)	Subsidiary of the Company	Tuofu Yuanyang Shipping Company Limited* (拓富遠洋海運有限公司)	Independent third party	82,416

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

Save as disclosed above or otherwise mentioned herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any outstanding debentures issued and outstanding or authorized or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, other recognised lease liabilities or lease commitments, any other mortgages and charges, material contingent liabilities and guarantees outstanding at the close of business on 31 October 2019, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Composite Document.

5. MATERIAL CHANGES

Save as (i) set out in this Composite Document as regards the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder; and (ii) the items as disclosed below, the directors of the Company confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

(1) Financial results

As set out in the 2019 interim report of the Company, the Group recorded increase in revenue of approximately 7.6% during the six months ended 30 June 2019 as compared to the same period in 2018, but the profit for the period and the profit attributable to owners of the Company during the six months ended 30 June 2019 decreased by approximately 15.7% and 33.5% respectively as compared to the same period in 2018.

As set out in the Company's announcement dated 31 October 2019, the Company has published its unaudited results of the Company for the nine months ended 30 September 2019 in accordance with the relevant rules and regulations in the PRC. Figures presented in the aforesaid announcement were prepared in accordance with the generally accepted accounting principles in the PRC. As set out in the aforesaid announcement, for the nine months ended 30 September 2019 in the combined financial statements of the Company and its subsidiaries, the unaudited net profits increased and net profit attributable to owners of the Company increased significantly compared to the same period in 2018. The profits of the Group for the nine months ended 30 September 2019 prepared in accordance with IFRS are set out in the section headed "3. Unaudited financial information of the Group" of this Appendix II above.

(2) Third quarterly results of subsidiaries

Fiyta Holdings Limited (飛亞達(集團)股份有限公司) ("Fiyta"), a subsidiary of the Company, published its financial results for the third quarter of 2019, where revenue increased by approximately 6.82% and net profit attributable to shareholders of Fiyta increased by approximately 9.88% for the nine months ended 30 September 2019 compared to the same period in 2018. Details of the above are set out in the Company's two announcements dated 17 October 2019 and the 2019 third quarter report of Fiyta.

Shennan Circuit Co., Ltd. (深南電路股份有限公司) ("SCC"), a subsidiary of the Company, published its financial results for the third quarter of 2019, where revenue increased by approximately 43.5% and net profit attributable to shareholders of SCC increased by approximately 83.4% for the nine months ended 30 September 2019 compared to the same period in 2018. Details of the above are set out in the Company's two announcements dated 29 October 2019 and the 2019 third quarter report of SCC.

Tian Ma, a subsidiary of the Company, published its financial results for the third quarter of 2019, where revenue increased by approximately 7.74% and net profit attributable to shareholders of Tian Ma decreased by approximately 15.03% for the nine months ended 30 September 2019 compared to the same period in 2018. Details of the above are set out in the Company's two announcements dated 30 October 2019 and the 2019 third quarter report of Tian Ma.

AVIC International Maritime Holdings Limited ("AVIC Maritime"), a subsidiary of the Company, published its financial results for the third quarter of 2019, where revenue decreased by approximately 8% and net profit attributable to shareholders of AVIC Maritime increased by approximately 1% for the nine months ended 30 September 2019 compared to the same period in 2018. Details of the above are set out in the Company's two announcements dated 8 November 2019.

(3) Acquisition of two companies by Tian Ma Company and placing of A shares by Tian Ma

Tian Ma proposed to carry out a placing of its A shares. On 10 September 2018, Tian Ma entered into two separate supplemental agreements with (a) AVIC International, AVIC Shenzhen, China National Aero Technology Xiamen Company Limited (中國航空技術廈門有限公司), and Xiamen Jincai Industrial Development Company Limited (廈門金財產業發展有限公司); 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) respectively, in relation to the price determination and placing price of the placing shares for the proposed A shares placing.

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 China Securities Regulatory Commission (中國證券監督管理委員會) (the “CSRC”) which was 11 January 2018, and therefore, the validity period for the written approval from CSRC expired automatically on 10 January 2019.

Details of the above are set out in the Company’s announcement dated 10 January 2019.

(4) Granting of restricted shares of SCC and Fiyta

On 28 January 2019, SCC has granted 2,800,000 restricted shares to 145 grantees and Fiyta has granted 4,224,000 restricted shares to 128 grantees. Upon completion of the aforesaid grants of restricted shares, the Company’s interests in SCC decreased from approximately 69.74% to 69.05%, and the Company’s interests in Fiyta decreased from approximately 37.15% to 36.79%.

Details of the above are set out in the two announcements of the Company both dated 28 January 2019.

(5) Disposal of equity interest and creditor’s rights of Chengdu Jujin Trading Co., Ltd. (成都聚錦商貿有限公司) (“Chengdu Jujin”)

On 27 June 2018, the Company announced that Chengdu AVIC Raise Real Estate Company Limited (成都中航瑞賽置業有限公司) (“Chengdu Raise”), a non-wholly owned subsidiary of the Company, would conduct the formal process of public tender in relation to the disposal of (i) its 20% equity interest in Chengdu Jujin and (ii) the creditor’s rights in Chengdu Jujin held by it through China Beijing Equity Exchange (北京產權交易所). On 28 December 2018, the Board decided to conduct a new public tender in relation to the disposal of interest in Chengdu Jujin.

On 10 April 2019, Chengdu Raise and Beijing Raise Science Company Limited (北京瑞賽科技有限公司) (“Beijing Raise”) entered into the equity transaction

agreement with Chengdu Pidun Hong Jing Real Estate Company Limited (成都郫都泓景置業有限公司) in respect of the disposal of interest in Chengdu Jujin and creditor's rights in Chengdu Jujin. Upon completion of the aforesaid disposal in Chengdu Jujin, Chengdu Raise will cease to have any equity interest in Chengdu Jujin.

Details of the above are set out in the Company's announcements dated 19 February 2019 and 10 April 2019 and the Company's circular dated 31 January 2019.

(6) Issuance of A share convertible bonds by SCC (the "Issuance by SCC")

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 can be converted to a maximum of 26,252,158 conversion shares (before ex-rights and ex-dividend). Following the completion of the Issuance by SCC 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 Issuance by SCC 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%. The Issuance by SCC has been completed and SCC will remain as a subsidiary of the Company after such issuance.

Details of the above are set out in the Company's announcements dated 8 April 2019, 24 April 2019, 30 May 2019, 6 June 2019, 26 June 2019, 26 July 2019, 19 August 2019, 20 October 2019, 10 December 2019, 19 December 2019 and 29 December 2019 and the Company's circular dated 20 June 2019.

(7) Disposal of 69.77% equity interest and shareholder's loan in AVIC Weihai Shipyard Company Limited* (中航威海船廠有限公司) ("Weihai Shipyard")

On 26 April 2019, the Company entered into an equity transaction agreement with China Merchants Offshore Engineering Investment (Shen Zhen) Co., Ltd.* (深圳市招商局海工投資有限公司) ("CMOEI"), pursuant to which, among other things, 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 to CMOEI. Upon completion of the disposal in September 2019, the Company ceased to hold any equity interest in Weihai Shipyard and Weihai Shipyard ceased to be a subsidiary of the Company.

Details of the above are set out in the Company's announcements dated 26 April 2019, 20 June 2019, 24 July 2019, 23 August 2019 and 10 September 2019 and the Company's circular dated 24 June 2019.

(8) Disposal of 22.35% equity interest in AVIC Sunda Holding Company Limited (中航善達股份有限公司) (“AVIC Sunda”)

On 26 April 2019, the Company entered into the equity transfer agreement with China Merchants Shekou Industrial Zone Holdings Co., Ltd.* (招商局蛇口工業區控股股份有限公司) (“CMSK”), pursuant to which the Company agreed to transfer 149,087,820 A shares in AVIC Sunda to CMSK. Upon completion of the disposal in September 2019, the Company ceased to hold any equity interest in AVIC Sunda.

Details of the above are set out in the Company’s announcements dated 26 April 2019, 5 June 2019, 25 July 2019, 23 August 2019 and 4 September 2019 and the Company’s circular dated 24 June 2019.

(9) Master cooperation agreements

On 2 July 2019, Wuhan Tianma Microelectronics Co., Ltd. (“Wuhan Tianma”) and Applied Materials East Asia Pte. Ltd. entered into a master cooperation agreement, pursuant to which the parties would collaborate in relation to the 6th generation project phase 2 of Wuhan Tianma according to the terms set out therein. Details of the above are set out in the Company’s announcement dated 2 July 2019.

On 10 September 2019, Wuhan Tianma, SFA Engineering (Shenzhen) Co., Ltd. (三發機電(深圳)有限公司) and SFA Engineering Corp. entered into a master cooperation agreement, pursuant to which the parties agreed to collaborate in relation to the construction project of the Sixth Generation of LTPS AMOLED production line project phase 2 according to the terms set out therein. Details of the above are set out in the Company’s announcement dated 10 September 2019.

(10) Underwriting agreement in connection with the Issuance of by SCC

On 9 July 2019, SCC entered into the underwriting agreement with AVIC Securities Co., Ltd. which would be responsible for the underwriting of the A shares convertible bonds of SCC, with sponsorship and underwriting services fees of RMB7,000,000.

Details of the above are set out in the Company’s announcement dated 9 July 2019.

(11) Formation of joint venture company by Tian Ma

On 20 December 2019, a wholly-owned subsidiary of Tian Ma entered into a joint venture agreement with certain parties in relation to the injection of capital into a joint venture company, which shall construct a production line for soft display, with a capital contribution of RMB4.05 billion into the joint venture company by the wholly-owned subsidiary of Tian Ma (representing approximately 15% equity interest holding in the joint venture company). The joint venture company will not be a subsidiary of the Company and its financial results will not

be consolidated into the financial statement of the Group. On 2 January 2020, the Company received written shareholders' approval from AVIC International and AVIC Shenzhen on the transaction contemplated under the JV Agreement and no general meeting was required.

Details of the above are set out in the Company's announcements dated 12 August 2019, 20 December 2019 and 2 January 2020.

(12) Disposal of 73.87% equity interest in AVIC Maritime

On 27 August 2019, the Company (as offeree) and China Merchants Industry Investment Limited ("CMII") (as offeror) signed the implementation agreement (the "**Implementation Agreement**"). CMII will make the offer to the Company at the price of S\$0.15 per share to acquire (the "**Acquisition Offer**") 73.87% of the equity interest in AVIC Maritime held by the Company ("**AVIC Maritime Disposal**") at the total consideration of S\$31,642,105.35 (equivalent to approximately RMB162,007,579) for the equity interest. The AVIC Maritime Disposal has been completed on 4 December 2019. Immediately after completion of the AVIC Maritime Disposal, AVIC Maritime ceased to be a subsidiary of the Company.

Details of the above are set out in the Company's announcements dated 27 August 2019, 11 November 2019, 25 November 2019 and 5 December 2019 and the Company's circular dated 25 October 2019.

(13) Proposed non-public issuance of A shares by Tian Ma

On 28 August 2019, the board of directors of Tian Ma, a non wholly-owned subsidiary of the Company, resolved to issue by way of non-public offer not more than 409,624,610 new A shares of Tianma Company to not more than 10 subscribers, to raise a maximum amount of proceeds of RMB7,300,000,000. The proposed issuance of A shares by Tian Ma constitutes a deemed and very substantial disposal to the Company and it was approved by the Shareholders on 11 November 2019. CSRC has accepted the application in relation to the proposed issuance. Tian Ma will remain as a subsidiary of the Company after completion of the proposed non-public issuance of A shares.

Details of the above are set out in the Company's announcements dated 28 August 2019, 11 November 2019, 15 November 2019, 28 November 2019 and 16 December 2019 and the Company's circular dated 25 October 2019.

(14) Repurchase of shares by Fiyta

Fiyta proposed to repurchase part of its domestically listed foreign shares (B shares) (the “**B Shares**”) using its self-owned funds through the way of centralised bidding transaction. The total aggregated amount for the proposed B Shares repurchase will be not less than RMB40 million and will also not be more than RMB80 million. As at the Latest Practicable Date, the aforesaid repurchase was still on-going.

Details of the above are set out in the Company’s announcement dated 4 April 2019.

* *For identification purpose only*

The following is the text of a letter from Deloitte Touche Tohmatsu, the reporting accountant of the Company, for the purpose of inclusion in this Composite Document.

Deloitte.

德勤

8 January 2020

The Board of Directors
AVIC International Holdings Limited
39/F, AVIC Center Building, No. 1018, Huaifu Road,
Futian District, Shenzhen, The People's Republic of China

Dear Sirs,

AVIC International Holdings Limited ("the Company")

Profit Estimate for Years Ended 31 December 2016, 2017 and 2018 and Period Ended 30 June 2019

We refer to the estimate of the unaudited consolidated profit before income tax, unaudited consolidated profit for the period and unaudited consolidated profit of Tianma Micro-electronics Co., Ltd. and its subsidiaries (collectively referred to as "the Tianma Group") attributable to owners of the Tianma Company for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 prepared in accordance with International Financial Reporting Standards ("the Profit Estimate") set forth in Appendix II of the composite document of the Company dated 8 January 2020 in relation to the proposed voluntary withdrawal of listing of the H shares of the Company and proposed merger by absorption of the Company by AVIC International Holding Corporation (the "Composite Document"). The Profit Estimate is prepared by the directors of the Company and constitutes a profit forecast under Rule 10 of the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission.

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated results of the Tianma Group for the year ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, the unaudited consolidated results based on the management accounts of the Tianma Group for the years ended 2016, 2017 and 2018 and the six months ended 30 June 2019.

The Company's directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Company and its subsidiaries (collectively referred to as “the Group”). Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix II of the Composite Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published annual report of the Company for the years ended 31 December 2016, 2017 and 2018 and the published interim report of the Company for the six months ended 30 June 2019 which conform with International Financial Reporting Standards issued by the International Accounting Standards Board.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a letter from Somerley Capital Limited prepared for inclusion in this Composite Document.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

8 January 2020

The board of directors
AVIC International Holdings Limited
39/F, AVIC Center Building
No.1018 Huafu Road, Futian District
Shenzhen, The People's Republic of China

Dear Sirs,

AVIC International Holdings Limited
(the "Company", together with its subsidiaries, the "Group")

We refer to the unaudited consolidated profit before income tax, unaudited consolidated profit for the period and unaudited consolidated profit of the Tianma Micro-electronics Co., Ltd. (the "**Tianma Company**") and its subsidiaries (collectively referred to as the "**Tianma Group**") attributable to owners of the Tianma Company for the years ended 31 December 2016, 2017 and 2018 and the period ended 30 June 2019 (the "**Profit Estimate**") as set out in the section headed "3. Unaudited financial information of the Group" in Appendix II to the composite document dated 8 January 2020 in relation to the voluntary conditional offer, the proposed voluntary withdrawal of listing of the H shares of the Company and proposed merger by absorption of the Company by AVIC International Holding Corporation (the "**Composite Document**"). We note that the Profit Estimate is regarded as a profit forecast under Rule 10 of the Code on Takeovers and Mergers published by the Securities and Futures Commission of Hong Kong.

We have discussed with the directors of the Company (the "**Directors**") the bases and assumptions upon which the Profit Estimate was prepared. We have also considered the letter from Deloitte Touche Tohmatsu dated 8 January 2020 issued to you, the text of which is set out in Appendix III to the Composite Document, which states that, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly complied in accordance with the bases adopted by the Directors as set out in Appendix II to the Composite Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published annual report of the Company for the years ended 31 December 2016, 2017 and 2018 and the published interim report of the Company for the six months ended 30 June 2019 which conform with International Financial Reporting Standards issued by the International Accounting Standards Board.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Company, its subsidiaries, associate and/or joint ventures, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the date hereof. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Company, its subsidiaries, associate and/or joint ventures. Save as provided in this letter, we do not express any other opinion or views on the Profit Estimate. The board of directors of the Company remains solely responsible for the Profit Estimate.

Based on the above, we are satisfied that the Profit Estimate has been prepared by the board of directors of the Company with due care and consideration.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M. N. Sabine
Chairman

The following is the text of a letter from Deloitte Touche Tohmatsu, the reporting accountant of the Company, for the purpose of inclusion in this Composite Document.

Deloitte.**德勤**

8 January 2020

The Board of Directors
AVIC International Holdings Limited
39/F, AVIC Center Building, No. 1018, Huafu Road,
Futian District, Shenzhen, The People's Republic of China

Dear Sirs,

AVIC International Holdings Limited ("the Company")

Profit Estimate for Period Ended 30 September 2019

We refer to the estimate of the unaudited consolidated profit before income tax, unaudited consolidated profit for the period, unaudited consolidated profit of the Company and its subsidiaries (collectively referred to as "the Group") attributable to the owners of the Company, the unaudited profit before income tax, unaudited profit for the period of the Company for the nine months ended 30 September 2019 prepared in accordance with International Financial Reporting Standards ("the Profit Estimate") set forth in Appendix II of the composite document of the Company dated 8 January 2020 in relation to the proposed voluntary withdrawal of listing of the H shares of the Company and proposed merger by absorption of the Company by AVIC International Holding Corporation (the "Composite Document"). The Profit Estimate is prepared by the directors of the Company and constitutes a profit forecast under Rule 10 of the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission.

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the unaudited result of the Company and the unaudited consolidated results of the Group for the nine months ended 30 September 2019, the unaudited results of the Company and the consolidated results of the Group are based on the management accounts of the Company and the Group for the nine months ended 30 September 2019.

The Company's directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix II of the Composite Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published interim report of the Company for the six months ended 30 June 2019 which conform with International Financial Reporting Standards issued by the International Accounting Standards Board.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a letter from Somerley Capital Limited prepared for inclusion in this Composite Document.

**SOMERLEY CAPITAL LIMITED**

20th Floor
China Building
29 Queen's Road Central
Hong Kong

8 January 2020

The board of directors
AVIC International Holdings Limited
39/F, AVIC Center Building
No.1018 Huafu Road, Futian District
Shenzhen, The People's Republic of China

Dear Sirs,

AVIC International Holdings Limited
(the "Company", together with its subsidiaries, the "Group")

We refer to the unaudited consolidated profit before income tax, unaudited consolidated profit of the Group, unaudited consolidated profit of the Group attributable to the owners of the Company, unaudited profit before income tax of the Company, unaudited profit of the Company for the period ended 30 September 2019 (the "**Profit Estimate**") as set out in the section headed "3. Unaudited financial information of the Group" in Appendix II to the composite document dated 8 January 2020 in relation to the voluntary conditional offer, the proposed voluntary withdrawal of listing of the H shares of the Company and proposed merger by absorption of the Company by AVIC International Holding Corporation (the "**Composite Document**"). We note that the Profit Estimate is regarded as a profit forecast under Rule 10 of the Code on Takeovers and Mergers published by the Securities and Futures Commission of Hong Kong.

We have discussed with the directors of the Company (the "**Directors**") the bases and assumptions upon which the Profit Estimate was prepared. We have also considered the letter from Deloitte Touche Tohmatsu dated 8 January 2020 issued to you, the text of which is set out in Appendix III to the Composite Document, which states that, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly complied in accordance with the bases adopted by the Directors as set out in Appendix II to the Composite Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published annual report of the Company for the year ended 31 December 2018 and the published interim report of the Company for the six months ended 30 June 2019 which conform with International Financial Reporting Standards issued by the International Accounting Standards Board.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Company, its subsidiaries, associate and/or joint ventures, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the date hereof. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Company, its subsidiaries, associate and/or joint ventures. Save as provided in this letter, we do not express any other opinion or views on the Profit Estimate. The board of directors of the Company remains solely responsible for the Profit Estimate.

Based on the above, we are satisfied that the Profit Estimate has been prepared by the board of directors of the Company with due care and consideration.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M. N. Sabine
Chairman

The following is the text of a letter and summary disclosure of values, prepared for the purpose of incorporation in the Composite Document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 October 2019 of the property interests held by the Group.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7th Floor, One Taikoo Place
979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

仲量聯行企業評估及諮詢有限公司
香港英皇道979號太古坊一座7樓
電話 +852 2846 5000 傳真 +852 2169 6001
公司牌照號碼：C-030171

The Board of Directors
AVIC International Holdings Limited
39/F, AVIC Center Building
No.1018 Huafu Road, Futian District
Shenzhen, Guangdong Province
The PRC

8 January 2020

Dear Sirs,

In accordance with your instructions to value the property interests held by **AVIC International Holdings Limited** (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) in the People’s Republic of China (the “**PRC**”), Hong Kong, Singapore, Japan, Malaysia, Switzerland, the United States, Tanzania, Kenya, Peru and Sri Lanka, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 October 2019 (the “**valuation date**”).

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

We have valued property nos. 5, 11 to 21, 23 to 27, 29 to 33, 44, 45, 49, 50, 52 in Group I which are held and occupied by the Group in the PRC, property nos. 58, 59, 60, 73, 76 to 79, 81, 82, 84 and 87 in Group II which are held for investment by the Group in the PRC, property no. 95 in Group IV which is held for future development by the Group in the PRC and overseas properties in Groups V, VI, VIII, X and XIII which are held and occupied by the Group in Hong Kong, Singapore, Malaysia, the United States and Peru by the comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant

transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

We have valued property nos. 1, 2, 3, 6 to 10, 22, 37, 38, 43, 48, 51 and 53 in Group I, the remaining properties in Group II and properties in Groups IX, XI and XII which are held and occupied by the Group in Switzerland, Tanzania and Kenya by the income approach by taking into account the rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of property nos. 4, 28, 34 to 36, 39 to 42, 46, 47, 54 to 57 in Group I and properties in Groups VII and XIV which are held and occupied by the Group in Japan and Sri Lanka, and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the relevant property interests have been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the property interests in Group III which are held under development by the Group (comprising property nos. 89 to 94), we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to land comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date. We have relied on the accrued construction cost and professional fees information provided by the Group according to the different stages of construction of the properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

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

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

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

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

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates and Building Ownership Certificates in the PRC and other official documents relating to the property interests in other countries and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Advisors — Jia Yuan Law Offices, concerning the validity of the property interests in the PRC, the Company's Malaysia Legal Advisors — Megat Najmuddin Leong & Co, concerning the validity of the property interest in Malaysia, the Company's Kenya Legal Advisors — Amolo & Gacoka, concerning the validity of the property interests in Kenya, the Company's Tanzania Legal Advisors — George Palangyo, concerning the validity of the property interest in Tanzania, the Company's Peru Legal Advisors — Progress Advisors, concerning the validity of the property interests in Peru and the Company's Sri Lanka Legal Advisors — Attorney-at-Law & Notary Public in Sri Lanka, concerning the validity of the property interest in Sri Lanka. All the legal opinions are provided regarding the property interests as at 31 October 2019.

The status of titles and grant of major certificates approvals and licenses of the properties, in accordance with the information provided by the Group are set out in the notes of the respective valuation certificate included in a full property valuation report which is available for public inspection.

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

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

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

Inspection of the properties was carried out in October of 2019 by about 30 technical staff including Ms. Echo Li, Ms. Gloria Wang, Ms. Ivy Zheng, Mr. Johnny Lee, Mr. Jerry He, Mr. Stone Chen, Ms. Ran Wang, Ms. Joey Fei, Ms. Elaine Huang, Ms. Raina Zheng, Ms. Olivia Siger, Mr. Shadrack Mella, etc. They are Chartered Surveyors/China Real Estate Appraisers or have more than 2 years' experience in the valuation of properties.

Unless otherwise stated, the monetary stated in our valuations are in Renminbi ("RMB") in respect of all the properties.

As advised by the Company, the potential tax liabilities would arise if the properties specified in this report were to be sold that mainly comprise the following:

For the PRC properties: Value-added tax at the rate of 9%, stamp duty at the rate of 0.05% of the contract price, land appreciation tax at progressive rates ranging from 30% to 60% on the appreciated amount (being the proceeds of sales of the property less deductible expenditure including costs of land, development and construction) and enterprise income tax at the rate of 25% on the gain

For Hong Kong property: Stamp duty at progressive rates from 1.5% to 8.5% on transaction amount (of which both the seller and the buyer are jointly and severally liable; yet in market practice, buyers are often liable)

For Singapore properties: Stamp duty tax at certain rate of the actual price or market value, which is higher (depends on type, purchased date and holding period) and enterprise income tax at the rate of 17% on the gain

For Japan property: Consumption tax at the rate of 10% of the contract price (land price is exclusive of such tax), stamp duty based on lump sum and profit tax at the rate of 34.04% on the gain

For Malaysia property: Stamp duty at the rate of 3% of the contract price, capital gain tax at the rate of 10% on the profit of sales of the property

For Switzerland property: Value-added tax at the rate of 7.7% of the contract price and income tax (depends on the profit)

For United States property: Federal tax at the rate of 21% on the gain and State of California tax at the rate of 8.84% on the gain

For Tanzania properties: Stamp duty at the rate of 1% of the contract price, capital gain tax at the rate of 10% on the profit of sales of the property

For Kenya properties: Stamp duty at the rate of 4% of the contract price and profit tax at the rate of 30% on the gain

For Peru properties: Profit tax at the rate of 5% on the gain and sales tax at the rate of 3% on the excess portion of sales price on 10 times of unit tax

For Sri Lanka property: Value-added tax at the rate of 8%, stamp duty at the rate of 4% of the contract price and profit tax at the rate of 28% on the gain for Residential Company

In respect of the properties held by the Group for occupation, investment, under development and for future development, the likelihood of the relevant tax liabilities crystallizing is remote as the Group has no plans for the disposal of such properties yet.

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

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu

MRICS MHKIS RPS (GP)

Senior Director

Notes: Eddie T.W. Yiu is a Chartered Surveyor who has 26 years' experience in the valuation of various fields of the property industry in difference regions including the PRC, Asia Pacific regions, Europe, the United States, etc.

SUMMARY DISCLOSURE OF PROPERTY VALUATION

Abbreviation:

GFA: Gross Floor Area

LUR: Land Use Rights

CPS: Car Parking Spaces

"—": Not Applicable or not available

Holding Entity	Abbreviation	Equity interests owned by the Company
AVIC International Holdings Limited	the Company	
Tianma Microelectronics Co., Ltd. ¹	Tianma Company	16.02%
Shanghai Tianma Microelectronics Co., Ltd. ²	Shanghai Tianma	16.02%
Chengdu Tianma Microelectronics Co., Ltd. ²	Chengdu Tianma	16.02%
Wuhan Tianma Micro-Electronics Co., Ltd. ²	Wuhan Tianma	16.02%
Shanghai Avic Optoelectronics Co., Ltd. ²	Shanghai Optoelectronics	16.02%
Tianma Japan, Ltd. ²	Japan Tianma	16.02%
Xiamen Tianma Microelectronics Co., Ltd. ²	Xiamen Tianma	16.02%
Shanghai Tianma AMOLED Co., Ltd. ²	Shanghai Amoled	16.02%
Shennan Circuits Co., Ltd.	Shennan Circuits	69.05%
WuXi Shennan Circuits Co., Ltd.	Wuxi Shennan	69.05%
NanTong Shennan Circuits Co., Ltd.	Nantong Shennan	69.05%
Beijing AVIC Ruixin Investment and Management Co., Ltd.	Beijing Ruixin	90%
AVIC International Trade & Economic Development Ltd.	AVIC Trade	100%
Zhong Hang Yu Ming (Anyang) Science Technology Ltd.	AVIC Yuming	100%
AVIC International Beijing Co., Ltd.	AVIC Beijing	100%
Chengdu AVIC Ruisai Development Ltd.	Chengdu Ruisai	60%
Guangdong International Building Enterprises Co., Ltd.	Guangdong International	75%
China National Aero-Technology Guangzhou Company Limited	Guangzhou Company	100%
AVIC Lutong Company Limited ⁴	AVIC Lutong	50%
Guizhou Qianhe Investment Logistics Co., Ltd. ⁴	Guizhou Qianhe	27.5%
Tianjin Avic Lutong Company Limited ⁴	Tianjin Lutong	50%
Guangxi AVIC Lutong Bitumen Company Limited ⁴	Guangxi Lutong	25.5%

Holding Entity	Abbreviation	Equity interests owned by the Company
Hunan AVIC Lutong Bitumen Company Limited ⁴	Hunan Lutong	42.5%
Shenzhen Aero-Fasteners MFG Co., Ltd.	Shenzhen MFG	100%
Superior Fastening(Shanghai) Ltd.	Shanghai Fastening	100%
Hu Nan AVIC Fastening Systems Co., Ltd.	Hunan Fastening	100%
Heng Yang AVIC Plating Center Co., Ltd.	Henyang Planting	95%
Avic International Xiamen Company Limited	AVIC Xiamen	100%
FIYTA Holdings Ltd. ¹	FIYTA	36.79%
Liaoning Hengdarui Commerce Co., Ltd. ³	Hengdarui	36.79%
FIYTA (HONG KONG) Co., Ltd. ³	HK FIYTA	36.79%
Montres Chouriet SA ³	Montres Chouriet SA	36.79%
China National Aero-Technology International Engineering Corporation	Aero-Technology Engineering	100%
CATIC International Engineering (T) Limited	CATIC Engineering	100%
CATIC International Apartments (T) Limited	CATIC Apartments	60%
Profit Angel Investments Limited	Profit Angel Investments	100%
Rich Combination Investments Limited	Rich Combination Investments	100%
Goldunion International Limited	Goldunion International	100%
Asas Wijaya Sdn Bhd	Asas Wijaya Sdn Bhd	100%
T.F.T. Tools, INC.	T.F.T. Tools	100%
Avic International Beijing (E.A.) Company Limited	Avic Beijing (E.A.)	100%

Remarks:

- The directors of the Company are of the view that the Group has de facto control over Tianma Company and FIYTA and therefore accounted for the investments in Tianma Company and FIYTA as subsidiaries in the consolidated financial statements despite its equity interests was below 50%, in consideration of all facts and circumstances including but not limited to: a) The contractual arrangement with other shareholders of Tianma Company; b) The Group has more voting rights than any other single shareholder; c) There is a dispersion in holdings of other shareholders; d) Attendance and voting patterns at previous shareholders' meetings; and e) The Company has majority of the board seats in the board of Tianma Company and Fiyta.
- These companies are all wholly owned subsidiaries of Tianma Company.
- These companies are all wholly owned subsidiaries of FIYTA.
- AVIC Lutong is the subsidiary of the Company and AVIC Lutong has controlling equity interests on Guizhou Qianhe, Tianjin Lutong, Guangxi Lutong and Hunan Lutong.

The valuation summary and major parameters in the valuation of each property from the full valuation report are listed below. In the course of our valuation, we have relied on the information provided by the Group and, where required, its legal advisers regarding the title to the properties and, based on the information provided by the Group and its legal advisers, properties with assigned commercial values in this Appendix have proper legal title.

Property Group (Group I-Group XIV)	Property No.	Market Value in Existing State as at the Valuation Date RMB
Group I — Property interests held and occupied by the Group in the PRC	1-57	12,174,940,000
Group II — Property interests held for investment by the Group in the PRC	58-88	3,792,760,000
Group III — Property interests held under development by the Group in the PRC	89-94	456,310,000
Group IV — Property interest held for future development by the Group in the PRC	95	228,630,000
Group V — Property interest held and occupied by the Group in Hong Kong	96	9,400,000
Group VI — Property interests held and occupied by the Group in Singapore	97-99	29,140,000
Group VII — Property interest held and occupied by the Group in Japan	100	118,360,000 No
Group VIII — Property interest held and occupied by the Group in Malaysia	101	commercial value
Group IX — Property interest held and occupied by the Group in Switzerland	102	22,910,000
Group X — Property interest held and occupied by the Group in the United States	103	5,100,000
Group XI — Property interests held and occupied by the Group in Tanzania	104-105	44,160,000
Group XII — Property interests held and occupied by the Group in Kenya	106-107	27,130,000 No
Group XIII — Property interests held and occupied by the Group in Peru	108-111	commercial value
Group XIV — Property interest held and occupied by the Group in Sri Lanka	112	58,880,000
Total		16,967,720,000

Notes:

1. The exchange rates adopted in our valuation are HKD1=RMB0.8947, SGD1=RMB5.1616, JPD1=RMB0.0647, MYR1=RMB1.6882, CHF1=RMB7.0918, USD1=RMB7.0248 and LKR1=RMB0.0388, which were the middle rates published by the Bank of China as at the valuation date.
2. We have attributed no commercial value to property nos. 14, 18 and 23 in Group I due to their allocated land nature. However, for reference purposes, we are of the opinion that the market value of these properties as at the valuation date would be RMB167,210,000 assuming that they could be freely transferred.

Allocated land refers to the land use rights obtained by land users for free or by paying only land compensation fees. The allocated land use rights were approved by local government and has no land use terms. Land users have rights to occupy and use the allocated land parcels in such a manner as specified by relevant PRC laws and regulations. However, they should obtain approvals from relevant authorities to transfer the land, and the land premium from leasing and disposing of the land parcels should be turned over to the government.

3. We have attributed no commercial value to property nos. 7, 8 and 42 in Group I and property nos. 66 and 67 in Group II due to non-commodity housing nature. However, for reference purposes, we are of the opinion that the market value of these properties as at the valuation date would be RMB2,480,770,000 assuming that they could be freely transferred.

Commodity housing refers to the properties developed by qualified real estate developers and could be freely leased out or transferred in the market. Non-commodity housing has the opposite meaning of commodity housing, which refers to the properties that can not be operated as real estate developments. Non-commodity housing could be occupied and used by the owners, however, transfer of the properties would be strictly prohibited or restricted, and leasing and mortgage of the properties should follow relevant regulations.

4. We have attributed no commercial value to the underground car parking spaces of property no. 9, and properties nos. 19, 49 and 53 in Group I, property no. 77 in Group II and property no. 91 in Group III, due to lack of proper title certificates. For reference purposes, we are of the opinion that the market value of these properties as at the valuation date would be RMB1,179,560,000 assuming that all relevant title certificates had been obtained and they could be freely transferred.
5. We have attributed no commercial value to portions of property nos. 28, 35, 39, 40, 46, 56 and 57 in Group I due to lack of proper title certificates. For reference purposes, we are of the opinion that the depreciated replacement cost of those buildings (excluding the land element) as at the valuation date would be RMB2,636,300,000.
6. We have attributed no commercial value to property no. 101 in Group VIII as the Building Ownership Certificate has not been obtained. However, for reference purpose, we are of the opinion that the market value of the property would be RMB49,800,000 (equivalent to MYR29,500,000) as at the valuation date assuming that it can be freely transferred.
7. We have attributed no commercial value to property no. 106 in Group XII as the Building Ownership Certificate has not been obtained. However, for reference purpose, we are of the opinion that the market value of the property would be RMB7,380,000 (equivalent to USD1,050,000) as at the valuation date assuming that it can be freely transferred.
8. We have attributed no commercial value to the property nos. 108 to 111 in Group XIII due to the title not belongs to the Group. However, for reference purpose, we are of the opinion that the market value of the properties would be RMB21,290,000 (equivalent to USD3,031,899) assuming all relevant title certificates had been obtained and they could be freely transferred.

Group I — Property interests held and occupied by the Group in the PRC

No.	Property Name	Holding Entity	Province/ Municipality	District	Land Usage	LUR Expiry Date	Type	GFA <i>sq.m.</i>	Completion Date	No. of CPS	Market Value in Existing State as at Valuation Date RMB
1.	AVIC International Square, Beijing	AVIC Beijing	Beijing	Daxing	Commercial and Composite	Commercial: 28 August 2051; Composite: 28 August 2061	Office /Commercial	10,749.00	2016	—	196,630,000
2.	2nd to 5th floors of Building no. 6 of AVIC Science and Technology Park, Beijing	Beijing Ruixin	Beijing	Daxing	Industrial	27 December 2056	Office	2,092.00	2013	—	16,570,000
3.	25th and 26th floors of AVIC International Plaza, Chengdu	Chengdu Ruilai	Sichuan	High-tech Area	Commercial and Residential	Commercial: 22 April 2052; Residential: 22 April 2082	Office	4,007.18	2013	—	59,170,000
4.	An industrial complex No. 88 Tianyuan Road, Chengdu	Chengdu Tianma	Sichuan	Pidu	Industrial	21 December 2058	Industrial	85,353.82	2010	—	416,790,000
5.	Unit 159 of Golf Valley Community, Chengdu	Chengdu Tianma	Sichuan	Shuangliu	Residential	7 March 2070	Residential	831.55	2010	—	11,610,000
6.	Various units of 1928 Plaza, Shenyang	FIYTA	Liaoning	Heping	Commercial	7 March 2046	Commercial	3,460.55	2011	—	62,090,000

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ON THE PROPERTIES HELD BY THE GROUP

No.	Property Name	Holding Entity	Province/ Municipality	District	Land Usage	LUR Expiry Date	Type	GFA sq.m.	Completion Date	No. of CPS	Market Value in Existing State as at Valuation Date RMB
7.	Various units of FIYTA Building, Shenzhen	FIYTA	Guangdong	Futian	Commercial and Office	8 March 2045	Commercial	715.00	1988	—	No commercial value
8.	Various units of FIYTA Hi-tech Building, Shenzhen	FIYTA	Guangdong	Nanshan	Science & Research Office	19 August 2046	Commercial/ Office	23,076.90	2004	365	No commercial value
9.	Various units of FIYTA Clocks and Watches Mansion, Shenzhen	FIYTA	Guangdong	Guangming	Industrial	11 July 2061	Commercial/ Office	43,725.23	2016	321	288,280,000
10.	Various units of Xi'an FIYTA Plaza, Xi'an	FIYTA	Shaanxi	Beilin	Business & Finance	29 April 2042	Office	6,183.34	2004	—	56,100,000
11.	Unit 712 of Xincheng Culture Plaza, Beijing	FIYTA	Beijing	Dongcheng	Office	9 March 2048	Office	189.75	2005	—	5,470,000
12.	Units 1907A and 1907B of Shenergy International Building, Shanghai	FIYTA	Shanghai	Huangpu	Office	—	Office	278.41	1997	—	7,610,000
13.	Unit 11201 of Xincheng International Apartment, Xi'an	FIYTA	Shaanxi	Xincheng	Residential	—	Residential	106.22	2002	—	1,070,000

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No.	Property Name	Holding Entity	Province/ Municipality	District	Land Usage	LUR Expiry Date	Type	GFA sq.m.	Completion Date	No. of CPS	Market Value in Existing State as at Valuation Date RMB
14.	A unit on 7th floor of Building B in Kangda Apartment, Tianjin	FIYTA	Tianjin	Heping	Residential	allocated	Residential	125.64	1998	—	No commercial value
15.	Unit 2001 in Jiaoyun Plaza, Qingdao	FIYTA	Shandong	Shibei	Commercial /Residential Composite	1 June 2045	Office	103.67	1997	—	1,760,000
16.	Unit 1216 of Linjiang Building, Chongqing	FIYTA	Chongqing	Yuzhong	Residential	25 May 2042	Residential	117.73	1996	—	1,260,000
17.	Unit 1106 of Building no. 1 of Fengjing International, Shenyang	FIYTA	Liaoning	Shenhe	Residential	3 November 2030	Residential	186.56	2008	—	1,210,000
18.	Units 101 and 102 of Youaili Community, Shenyang	FIYTA	Liaoning	Shenhe	Residential	allocated	Residential	120.00	1998	—	No commercial value
19.	2 residential units in Building no. 41 No.19 Tieling Street, Harbin	FIYTA	Heilongjiang	Nangang	Residential	—	Residential	179.84	1998	—	No commercial value
20.	Unit 602, Building no. 1 of Weiye Xingcheng, Changsha	FIYTA	Hunan	Furong	Composite	10 October 2050	Residential	131.24	2007	—	1,810,000

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No.	Property Name	Holding Entity	Province/ Municipality	District	Land Usage	LUR Expiry Date	Type	GFA sq.m.	Completion Date	No. of CPS	Market Value in Existing State as at Valuation Date RMB
21.	2 office units on the 26th floor of Zhenghong International Plaza, Zhengzhou	FIYTA	Henan	Jinshui	Commercial	30 July 2054	Office	345.03	2018	—	6,350,000
22.	Various units of Guangdong International Plaza, Guangzhou	Guangdong International	Guangdong	Yuexiu	Commercial/ Residential	9 December 2047; 30 October 2059 and 11 April 2061	Commercial	69,664.08	1992	—	476,260,000
23.	A residential building (except for unit 172-501) in Guangyuan Middle Road, Guangzhou	Guangdong International	Guangdong	Baiyun	Residential	allocated	Residential	6,689.74	1990's	—	No commercial value
24.	Units 901 to 903 No. 2-2 Baohan Straight Street, Guangzhou	Guangdong International	Guangdong	Yuexiu	Residential	—	Residential	271.48	1993	—	9,220,000
25.	12 units of Building nos. 4 and 5 in Yard 1, No. 39 Zhu Si Gang 2nd Road, Guangzhou	Guangzhou Company	Guangdong	Yuexiu	Residential	16 September 2080	Residential	571.59	2000	—	26,010,000

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ON THE PROPERTIES HELD BY THE GROUP

No.	Property Name	Holding Entity	Province/ Municipality	District	Land Usage	LUR Expiry Date	Type	GFA sq.m.	Completion Date	No. of CPS	Market Value in Existing State as at Valuation Date RMB
26.	19 office unites of Haifu Center, Qinzhou	AVIC Lutong	Guangxi	Qinzhou Harbor	Office	—	Office	707.43	2012	—	3,350,000
27.	Unit 2802 of Yuanlong Plaza, Guiyang	AVIC Lutong	Guizhou	Yunyan	Residential	31 January 2054	Residential	148.19	2013	—	2,450,000
28.	An industrial complex No. 61 Hunhe Road, Tianjin	Tianjin Lutong	Tianjin	Binhai New Area	Industrial	8 March 2066	Industrial	7,860.32	2018	—	91,300,000
29.	7 office units on the 17th floor of Union Square, Guiyang	Guizhou Qianhe	Guizhou	High-tech Area	Commercial Service	2 September 2051	Office	492.73	2015	—	5,090,000
30.	Units 102 and 901 Nos. 202 and 204 Si You Yi Road, Guangzhou	Guangzhou Company	Guangdong	Yuexiu	Residential	16 September 2080	Residential	85.69	1993	—	3,440,000
31.	Units 1401 to 1408 of Dongxing Building, Guangzhou	Guangzhou Company	Guangdong	Yuexiu	Residential	16 September 2080	Residential	821.60	2005	—	32,400,000
32.	16 office units in the South Tower of Poly International Plaza, Guangzhou	Guangzhou Company	Guangdong	Haizhu	Office	1 June 2054	Office	3,370.67	2007	—	79,390,000

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No.	Property Name	Holding Entity	Province/ Municipality	District	Land Usage	LUR Expiry Date	Type	GFA sq.m.	Completion Date	No. of CPS	Market Value in Existing State as at Valuation Date RMB
33.	9 office units of Yuanda Center, Beijing	AVIC Trade	Beijing	Chaoyang	Office and Composite	9 December 2046	Office and Composite	1,545.02	2003	—	47,530,000
34.	An industrial building located at Wuyi West Road and Haihe Avenue, Anyang	AVIC Trade	Henan	Wenfeng	Industrial	14 August 2056	Industrial	16,901.47	2016	—	33,900,000
35.	Completed portion of an industrial complex No. 19 Shangni Road, Hengyang	Hunan Fastening	Hunan	Shigu	Industrial	31 August 2064	Industrial	25,182.58	2016	—	No commercial value
36.	An industrial complex No. 1051 Xingwen Road, Shanghai	Shanghai Fastening	Shanghai	Jiading	Industrial	20 July 2056	Industrial	27,714.45	2008/2017	—	94,390,000
37.	An industrial complex located at Yuanfu Road, Shenzhen	Shenzhen MFG	Guangdong	Longhua New District	Industrial	25 November 2052	Industrial	17,868.72	2004/2006	—	66,380,000
38.	Various office units on the 40th to 41st floors of Tower A in AVIC Zijin Plaza, Xiamen	AVIC Xiamen	Fujian	Siming	Office	31 December 2061	Office	2,976.57	2015	—	69,440,000
39.	An industrial complex No. 6999 Xiang'an West Road, Xiamen	Xiamen Tianma	Fujian	Xiang'an	Industrial	23 May 2061	Industrial	849,139.53	2013-2019	—	3,977,280,000

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No.	Property Name	Holding Entity	Province/ Municipality	District	Land Usage	LUR Expiry Date	Type	GFA sq.m.	Completion Date	No. of CPS	Market Value in Existing State as at Valuation Date RMB
40.	An industrial complex Nos. 888 and 889 Huiqing Road, Shanghai	Shanghai Tianma	Shanghai	Pudong	Industrial	25 September 2056	Industrial	169,834.88	2009/2018	—	848,380,000
41.	An industrial complex No. 3388 Huaning Road, Shanghai	Shanghai Optoelectronics	Shanghai	Minhang	Industrial	2 February 2054	Industrial	160,595.46	2006	—	958,980,000
42.	An industrial complex located at Longgang, Shenzhen	Shennan Circuits	Guangdong	Longgang	Industrial	21 March 2056 and 17 January 2061	Industrial	193,560.91	2008-2013	—	No commercial value
43.	An industrial complex located at Shahe, Shenzhen	Shennan Circuits	Guangdong	Nanshan	Industrial	7 October 2041	Industrial	35,509.57	1994/1998	—	585,330,000
44.	10 residential units of Building no. 53 in Taoyuancun, Shenzhen	Shennan Circuits	Guangdong	Nanshan	Residential	15 August 2047	Residential	744.35	1997	—	45,850,000
45.	24 residential units of Building no. 3 in Taoranjia, Shenzhen	Shennan Circuits	Guangdong	Nanshan	Single Apartment	7 June 2062	Residential	874.32	2001	—	46,130,000
46.	Completed portion of an industrial complex No. 18 East Changjiang Road, Wuxi	Wuxi Shennan	Jiangsu	Xinwu	Industrial	17 December 2062 and 1 March 2065	Industrial	191,928.86	2015-2019	—	764,650,000

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No.	Property Name	Holding Entity	Province/ Municipality	District	Land Usage	LUR Expiry Date	Type	GFA sq.m.	Completion Date	No. of CPS	Market Value in Existing State as at Valuation Date RMB
47.	Completed portion of an industrial complex No. 168 Xiwang Road, Nantong	Nantong Shennan	Jiangsu	Tongzhou	Industrial	13 December 2065	Industrial	67,823.37	2018	—	339,100,000
48.	Various units of Dormitory Building 3 and Industrial Building 1A in Jinlong Industrial Park, Shenzhen	Tianma Company	Guangdong	Nanshan	Industrial and Residential	27 June 2023	Industrial /Residential	26,882.65	1994	—	126,810,000
49.	Unit 102 of Building no. 1 in Nanyuan New Village, Shenzhen	Tianma Company	Guangdong	Nanshan	Residential	—	Residential	64.29	1984	—	No commercial value
50.	25 residential units of Block 3 in Kaiyuan Residential Community, Shenzhen	Tianma Company	Guangdong	Nanshan	Residential	4 June 2039	Residential	2,372.14	1993	—	117,240,000
51.	Various units of 4 buildings located at Baolong Avenue and Qingfeng Avenue, Shenzhen	Tianma Company	Guangdong	Baoan	Industrial	10 April 2051 and 3 March 2055	Industrial	108,757.45	2003/2008	—	266,320,000

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No.	Property Name	Holding Entity	Province/ Municipality	District	Land Usage	LUR Expiry Date	Type	GFA sq.m.	Completion Date	No. of CPS	Market Value in Existing State as at Valuation Date RMB
52.	Unit 9D of Building no. 7 in Julong Garden Commodity, Beijing	Tianma Company	Beijing	Dongcheng	Apartment	22 July 2043	Apartment	201.94	2003	—	12,600,000
53.	Units 305 and 3102 of Building no. 2 in Yiye Square, Shenzhen	Tianma Company	Shenzhen	Futian	Residential	12 May 2082	Residential	120.05	2013	—	No commercial value
54.	Completed portion of an industrial complex No. 3809 Lingkong North Road, Shenzhen	Shanghai Amoled	Shanghai	Pudong	Industrial	25 September 2056	Industrial	57,523.67	2017	—	441,020,000
55.	An industrial complex No. 8 Liufangyuanheng Road, Wuhan	Wuhan Tianma	Hubei	Jiangxia	Industrial	29 December 2058	Industrial	234,926.13	2011-2017	—	1,053,640,000
56.	An industrial complex No. 9 Zuoling Avenue, Wuhan	Wuhan Tianma	Hubei	Hongshan	Industrial	12 March 2065 and 7 July 2066	Industrial	597,752.86	2018	—	417,280,000
57.	2 buildings located at 3610 Factory, Qiannan Buyi and Miao Autonomous Prefecture	Guizhou Qianhe	Guizhou	Guiding	—		Industrial	602.17	2013	—	No commercial value

Notes:

1. We have been provided with a legal opinion regarding the property interests as at 31 October 2019 by the Company's PRC legal advisers — Jia Yuan Law Offices, which contains, *inter alia*, the following:
 - a. the Group is legally in possession of the land use rights and the building ownership rights of most of the properties;
 - b. as the properties nos. 7, 8 and 42 has non-commodity housing nature, so transfer of the properties would be strictly prohibited or restricted, and leasing and mortgage of the property should follow relevant PRC laws and regulations;
 - c. the Group should obtain approvals from relevant authorities to transfer the properties nos. 14, 18 and 23, and the land premium from leasing and disposing of these properties should be turned over to the government;
 - d. as advised by the Group, they are in the procedure of applying for Building Ownership Rights Certificates for property nos. 28, 35 and portions of property nos. 39, 40, 46 and 56, the Group is entitled to freely transfer, lease, mortgage or otherwise dispose of the buildings after obtaining title certificates;
 - e. the Group has not obtained any title documents of the underground CPS of property no. 9 and properties nos. 19, 53 and 57, and these properties have title defects; and
 - f. as advised by the Group, the Building Ownership Certificate of property no. 49 has been recovered and withdrawn by Urban Redevelopment Office of City Vanke Nanyuan Real Estate Development Co., Ltd and the Group has no legal rights to occupy, use, lease, transfer, mortgage and otherwise dispose of the property.
2. We have relied on the aforesaid legal opinion and attributed no commercial value to properties nos. 7, 8 and 42 due to their non-commodity housing nature. However, for reference purposes, we are of the opinion that the market value of these properties as at the valuation date would be RMB915,440,000 assuming that they could be freely transferred.
3. We have relied on the aforesaid legal opinion and attributed no commercial value to property nos. 14, 18 and 23 due to their allocated land nature. However, for reference purposes, we are of the opinion that the market value of these properties as at the valuation date would be RMB167,210,000 assuming that they could be freely transferred.
4. We have attributed no commercial value to several buildings of properties nos. 28, 35, 39, 40, 46, 56 and 57 due to lack of proper title certificates. For reference purposes, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land element) as at the valuation date would be RMB2,636,300,000.
5. We have attributed no commercial value to the underground CPS of property no. 9 and properties nos. 19, 49, and 53 due to lack of any title certificates. For reference purposes, we are of the opinion that the market value of these properties as at the valuation date would be RMB21,540,000 assuming that all relevant proper title certificates had been obtained and they could be freely transferred.

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ON THE PROPERTIES HELD BY THE GROUP

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

No.	Property Name	Holding Entity	Province /Municipality	District	Land Usage	LUR Expiry Date	Type	GFA <i>sq. m.</i>	Completion Date	No. of CPS	Annual Passing Rent RMB	Market Value in Existing State as at Valuation Date RMB
58.	25th floor of Hangdu Building, Shenzhen	the Company	Guangdong	Futian	Science and Technology Office	2 December 2044	Office	1,373.45	1997	—	1,812,954	41,200,000
59.	22nd floor of Hangdu Building, Shenzhen	Tianma Company	Guangdong	Futian	Science and Technology Office	2 December 2044	Office	655.00	1997	—	781,781	19,650,000
60.	2 office units on the 8th floor of Hangdu Building, Shenzhen	Sherman Circuits	Guangdong	Futian	Science and Technology Office	2 December 2044	Office	181.24	1997	—	239,237	5,440,000
61.	AVIC International Beijing Industrial Park, Beijing	AVIC Beijing	Beijing	Daxing	Industrial	5 March 2043	Office	42,463.59	1996	—	28,349,818	337,630,000
62.	AVIC International Square, Beijing	AVIC Beijing	Beijing	Daxing	Commercial and Composite	Commercial: 28 August 2051; Composite: 28 August 2061	Office and CPS	128,325.52	2016	712	34,265,148	1,897,040,000
63.	Unit 301 of Lianri International Building, Beijing	Beijing Ruixin	Beijing	Chaoyang	Residential	—	Residential	1,180.04	2003	—	1,550,573	36,940,000
64.	Parking Building, Shenyang	FYTA	Liaoning	Heping	Commercial	8 November 2046	Commercial	2,447.85	2015	—	2,022,540	41,210,000
65.	Various units of 1928 Plaza, Shengyang	FYTA	Liaoning	Heping	Commercial	7 March 2046	Commercial	2,612.28	2011	—	1,539,972	39,370,000

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No.	Property Name	Holding Entity	Province /Municipality	District	Land Usage	LUR Expiry Date	Type	GFA sq.m.	Completion Date	No. of CPS	Annual Passing Rent RMB	Market Value in Existing State as at Valuation Date RMB
66.	Various units of FIYTA Building, Shenzhen	FIYTA	Guangdong	Futian	Commercial and Office	8 March 2045	Office	19,302.10	1988	—	32,828,152	No commercial value
67.	Various units of FIYTA Hi-tech Building, Shenzhen	FIYTA	Guangdong	Nanshan	Science & Research and Office	19 August 2046	Office and Commercial	59,127.94	2004	—	78,357,524	No commercial value
68.	Various units of FIYTA Clocks and Watches Mansion, Shenzhen	FIYTA	Guangdong	Guangming	Industrial	11 July 2061	Industrial	26,414.03	2016	—	11,419,384	252,550,000
69.	Various units of Xi'an FIYTA Plaza, Xi'an	FIYTA	Shaanxi	Beilin	Business and Finance	29 April 2042	Commercial	11,959.00	2004	—	—	122,400,000
70.	Various units of Guangdong International Plaza, Guangzhou	Guangdong International	Guangdong	Yuexiu	Commercial/ Residential	9 December 2047, 30 October 2059 and 11 April 2061	Office and CPS	8,870.91	1992	173	729,398	86,020,000
71.	AVIC Building, Guangzhou	Guangzhou Company	Guangdong	Yuexiu	Residential	16 September 2080	Residential	4,255.66	1984	—	2,399,576	42,120,000
72.	An industrial complex No. 9 Jinhua Yi Street, Guangzhou	Guangzhou Company	Guangdong	Huangpu	Industrial	9 December 2021	Industrial	20,444.79	1992	—	3,294,115	23,160,000

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No.	Property Name	Holding Entity	Province /Municipality	District	Land Usage	LUR Expiry Date	Type	Completion			Annual Passing Rent RMB	Market Value in Existing State as at Valuation Date RMB
								GFA sq.m.	Date	No. of CPS		
73.	Unit 502 of Building no. 6 in Hubin'erdi, Xiamen	AVIC Xiamen	Fujian	Siming	Residential	1 January 2052	Residential	45.08	1981	—	15,600	2,590,000
74.	Building no. 4 and portions of Building no. 5 No. 1 Huli Avenue, Xiamen	AVIC Xiamen	Fujian	Huli	Industrial	20 July 2039	Industrial	15,910.04	1990	—	2,900,738	52,940,000
75.	Building nos. 1 to 3 No. 4 Yuehua Road, Xiamen	AVIC Xiamen	Fujian	Huli	Industrial	31 December 2034	Industrial and CPS	27,059.61	2010	141	10,482,237	132,510,000
76.	3 residential units in Xiangeli, Xiamen	AVIC Xiamen	Fujian	Siming	Residential	1 January 2065	Residential	291.40	1993	—	112,800	10,620,000
77.	A commercial building No. 1-1 Huli Avenue, Xiamen	AVIC Xiamen	Fujian	Huli	—	—	Commercial	838.00	1993	—	—	No commercial value
78.	21 office units and 13 CPS of Hongxiang Building, Xiamen	AVIC Xiamen	Fujian	Siming	Office	30 June 2038	Office and CPS	7,773.56	1990	13	4,337,364	111,030,000
79.	Units 204, 206, 210 and 213 of Yinju Xiangdi, Xiamen	AVIC Xiamen	Fujian	Siming	Office	16 May 2053	Office	1,319.24	2003	—	522,009	32,700,000

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No.	Property Name	Holding Entity	Province /Municipality	District	Land Usage	LUR Expiry Date	Type	Completion GFA sq.m.	Date	No. of CPS	Annual Passing Rent RMB	Market Value in Existing State as at Valuation Date RMB
80.	8 units of International Steel Service Center, Shanghai	AVIC Xiamen	Shanghai	Baoshan	Office and Commercial	22 May 2047	Commercial	1,041.48	2007	—	923,741	19,970,000
81.	Unit 502 of Building no. 101 in Binlang Dongli, Xiamen	AVIC Xiamen	Fujian	Siming	Residential	19 May 2060	Residential	52.09	1986	—	21,600	2,440,000
82.	Units 2001 and 2002 of Baijinwan Plaza, Shanghai	AVIC Xiamen	Shanghai	Hongkou	Commercial and Office	4 April 2055	Office	481.08	2010	—	877,971	20,510,000
83.	Office units on the 29th to 39th floors and CPS of Tower A in AVIC Zijin Plaza, Xiamen	AVIC Xiamen	Fujian	Siming	Office and CPS	31 December 2061	Office and CPS	25,693.15	2015	200	22,525,600	378,970,000
84.	4 units on the 3rd floor of Cangsong Building, Shenzhen	Shennan Circuits	Guangdong	Futian	Industrial	15 November 2088	Industrial	549.42	2001	—	659,304	13,050,000
85.	3rd and 4th floor of Industrial Building 1A in Jinlong Industrial Park, Shenzhen	Tianna Company	Guangdong	Nanshan	Industrial and Residential	27 June 2023	Industrial	9,210.61	1994	—	3,880,422	43,530,000

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No.	Property Name	Holding Entity	Province /Municipality	District	Land Usage	LUR Expiry Date	Type	Completion GFA sq. m.	Date	No. of CPS	Annual Passing Rent RMB	Market Value in Existing State as at Valuation Date RMB
86.	3rd floor of Building no. 3 in Baolong Industrial Park, Shenzhen	Tianma Company	Guangdong	Baoan	Industrial	3 March 2055	Industrial	3,319.00	2008	—	668,652	8,970,000
87.	Units 2013 and 2104 of Yidian Apartment, Shanghai	Tianma Company	Shanghai	Jingan	Residential	—	Residential	200.94	1999	—	120,009	13,560,000
88.	An industrial building No. 8 Liufangyuanheng Road, Wuhan	Wuhan Tianma	Hubei	Jiangxia	Industrial	29 December 2058	Industrial	985.59	2012	—	1,829,377	4,640,000

Notes:

1. We have been provided with a legal opinion regarding the property interests as at 31 October 2019 by the Company's PRC legal advisers — Jia Yuan Law Offices, which contains, *inter alia*, the following:
 - a. the Group is legally in possession of the land use rights and the building ownership rights of most of the properties;
 - b. as the properties nos. 66 and 67 has non-commodity housing nature, so the properties can't be transferred, and leasing and mortgage of the property should follow relevant PRC laws and regulations; and
 - c. the Group has not obtained any title documents of the property no. 77 and this property has title defects.
2. We have relied on the aforesaid legal opinion and attributed no commercial value to properties nos. 66 and 67 due to their non-commodity housing nature. However, for reference purposes, we are of the opinion that the market value of these properties as at the valuation date would be RMB1,565,330,000 assuming that they could be freely transferred.
3. We have attributed no commercial value to property no. 77 due to lack of any title certificates. For reference purposes, we are of the opinion that the market value of the property as at the valuation date would be RMB8,970,000 assuming that all relevant proper title certificates had been obtained and it could be freely transferred.

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Group III — Property interests held under development by the Group in the PRC

No.	Property Name	Holding Entity	Province/ Municipality	District	Land Usage	LUR Expiry Date	Type	Site Area sq.m.	Planned GFA sq.m.	Estimated Completion Date	Total Estimated Construction cost RMB	Construction Cost Incurred up to the Valuation Date RMB	Gross Development Value as if Completed as at the Valuation Date RMB	Market Value in Existing State as at Valuation Date RMB
89.	3 buildings under construction No.19 Shangni Road, Hengyang	Hunan Fastening	Hunan	Shigu	Industrial	31 August 2064	Industrial	113,510.33	12,698.85	2020	22,100,000	10,660,000	109,750,000	59,940,000
90.	An industrial complex located at Yunsheng Road and Xin'an Road, Hengyang	Hengyang Planting	Hunan	Shigu	Industrial	31 August 2064	Industrial	26,265.20	13,903.81	2020	43,000,000	18,000,000	37,720,000	37,720,000
91.	A building located at of Wenqin Road and Hongzhong Avenue, Xiamen	Xiamen Tianma	Fujian	Xiang'an	Commercial and Residential	Commercial: 27 February 2057; Residential: 27 February 2087	Commercial/ Residential	26,366.945	71,673.27	2020	306,210,000	189,210,000	1,465,000,000	No commercial value
92.	2 buildings under construction No. 18 East Changjiang Road, Wuxi	Wuxi Stemman	Jiangsu	Xinwu	Industrial	17 December 2062 and 1 March 2065	Industrial	—	44,088.00	2020	241,000,000	4,005,000	276,490,000	25,940,000

APPENDIX IV

SUMMARY OF PROPERTY VALUATION REPORT ON THE PROPERTIES HELD BY THE GROUP

No.	Property Name	Holding Entity	Province/ Municipality	District	Land Usage	LUR Expiry Date	Type	Site Area sq.m.	Planned GFA sq.m.	Estimated Completion Date	Total Estimated Construction cost RMB	Construction Cost Incurred up to the Valuation Date RMB	Gross Development		Market Value in Existing State as at Valuation Date RMB
													Value as if Completed as at the Valuation Date RMB	Value as at the Valuation Date RMB	
93.	4 buildings under construction No. 168 Xiwang Road, Nantong	Nantong Shennan	Jiangsu	Tongzhou	Industrial	13 December 2065	Industrial	—	71,568.73	2020	250,000,000	145,106,000	272,900,000	167,610,000	
94.	2 buildings under construction No. 3809 Lingkong North Road, Shanghai	Shanghai Amoled	Shanghai	Pudong	Industrial	25 September 2056	Industrial	—	44,802.19	2020	115,920,000	38,841,000	237,300,000	165,100,000	

Notes:

- We have been provided with a legal opinion regarding the property interests as at 31 October 2019 by the Company's PRC legal advisers — Jia Yuan Law Offices, which contains, inter alia, the following:
 - the Group is legally in possession of the land use rights the properties;
 - the Group could apply for title certificates for the properties which are under construction after obtaining the Construction Work Completion and Inspection Certificates; and
 - as advised by the Group, they are in the procedure of applying for relevant title certificates for the property no. 91 and they are entitled to freely transfer, lease, mortgage or otherwise dispose of the property after obtaining title certificates.
- We have relied on the aforesaid legal opinion and attributed no commercial value to property no. 91 due to lack of proper title certificates. For reference purposes, we are of the opinion that the market value of the property as at the valuation date would be RMB1,149,050,000 assuming that all relevant proper title certificates had been obtained and they could be freely transferred.

Group IV — Property interest held for future development by the Group in the PRC

No.	Property Name	Holding Entity	Province/ Municipality	District	Land Usage	LUR Expiry Date	Site Area sq.m.	Planned GFA sq.m.	Estimated Commencement Date	Estimated Completion Date	Total Estimated Construction cost RMB	Gross Development Value as if Completed as at the Valuation Date RMB	Market Value in Existing State as at Valuation Date RMB

95.	A parcel of land located at Liuxian Avenue, Shenzhen	Tianma Company	Guangdong	Longhua	Innovative industrial	29 January 2048	10,030.66	73,409.00	End of 2019	2021	500,000,000	960,000,000	228,630,000
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Note:

1. We have been provided with a legal opinion regarding the property interests as at 31 October 2019 by the Company's PRC legal advisers — Jia Yuan Law Offices, that the Group is legally in possession of the land use rights of the property and the Group is entitled to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the property within the valid term of the land use rights.

Group V — Property interests held and occupied by the Group in Hong Kong

No.	Property Name	Holding Entity	City	District	Land Usage	Government Lease Expiry Date	Type	GFA sq.m.	Year Completed	No. of CPS	Market Value in Existing State as at	
											Valuation Date RMB	Equivalent Value HKD
96.	Flats A and B on 9th floor of Nanking Building	HK FYTA	Hong Kong	Kowloon	Residential	24 December 2026	Residential	72.60	1992	—	9,400,000	10,300,000

Note: We have adopted an exchange rate of HKD1 to RMB0.8974, which was approximately the prevailing exchange rate as at the valuation date.

Group VI — Property interests held and occupied by the Group in Singapore

No.	Property Name	Holding Entity	City	Address	Land Usage	Land Lease Expiry Date	Type	GFA sq.m.	Year Completed	No. of CPS	Market Value in	
											Existing State as at Valuation Date	Equivalent Value SGD
97.	3 Rhu Cross	Profit Angel Investments	Singapore	#08-12 Costa Rhu	Residential	29 May 2093	Apartment	153.00	1997	—	10,940,000	2,120,000
98.	6 Marina Boulevard	Rich Combination Investments	Singapore	#13-17 The Sail @ Marina Bay	White (Mixed use)	11 August 2101	Apartment	63.00	2008	—	6,660,000	1,290,000
99.	2 Marina Boulevard	Goldunion International	Singapore	#16-03 The Sail @ Marina Bay	White (Mixed use)	11 August 2101	Apartment	96.00	2008	—	11,540,000	2,240,000

Note: We have adopted an exchange rate of SGD1 to RMB5.1616, which was approximately the prevailing exchange rate as at the valuation date.

Group VII — Property interest held and occupied by the Group in Japan

No.	Property Name	Holding Entity	City	Address	Land Usage	LUR Expiry Date	Type	GFA <i>sq.m.</i>	Year Completed	No. of CPS	Market Value in	
											Existing State as at Valuation Date	Equivalent Value <i>JPY</i>
100.	No.48-5, Goshono shimotsutsumi 3-chome	Japan Tianma	Akita	No.48-5, Goshono shimotsutsumi 3-chome	Industrial	Freehold	Industrial	63,116.65	1983-2005	—	118,360,000	1,829,900,000

Note: We have adopted an exchange rate of JPY1 to RMB0.0647, which was approximately the prevailing exchange rate as at the valuation date.

Group VIII — Property interest held and occupied by the Group in Malaysia

Project No.	Name	Holding Entity	City	Address	Land Usage	LUR Expiry		Type	GFA (sq.m.)	Year Completed	No. of CPS	Date RMB
						Date						
101.	Cardogan Hotel	Asas Wijaya Sdn Bhd	Kuala Lumpur	No. 64 Jalan Bukit Bintang	Commercial	Freehold		Hotel	2,757.43	2014	—	No commercial value

Notes:

- We have been provided with a legal opinion regarding the property interest as at 31 October 2019 by the Company's legal advisor — Megat Najmuddin Leong & Co in Malaysia, which contains, inter alia, the following:
 - the Group owns the land use rights of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the property;
 - the property is not subject to any third party encumbrance; and
 - the Group has obtained the relevant construction permits for the property. The Group can obtain the building ownership certificate for the property after fulfilling the relevant construction completion acceptance procedures.
- In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the Building Ownership Certificate has not been obtained. However, for reference purpose, we are of the opinion that the market value of the property would be RMB49,800,000 (Equivalent to MYR29,500,000) as at the valuation date assuming that it can be freely transferred.
- We have adopted an exchange rate of MYR1 to RMB1.6882, which was approximately the prevailing exchange rate as at the valuation date.

Group IX — Property interest held and occupied by the Group in Switzerland

No.	Project Name	Holding Entity	City	Address	Land Usage	LUR Expiry Date	Type	GFA <i>sq.m.</i>	Year Completed	No. of CPS	Market Value in	
											Existing State as at Valuation Date	Equivalent Value CHF
102.	Chemin de l'Epinglier 5	Montres Chouriet SA	Geneva	1217 Meyrin	Industrial	30 September 2040	Factory	961.00	1961	—	22,910,000 RMB	3,230,000

Note: We have adopted an exchange rate of CHF1 to RMB7.0918, which was approximately the prevailing exchange rate as at the valuation date.

Group X — Property interest held and occupied by the Group in the United States

No.	Project Name	Holding Entity	City	District	Land Usage	LUR Expiry Date	Type	GFA <i>sq. m.</i>	Year Completed	No. of CPS	Market Value in	
											Existing State as at Valuation Date	Equivalent Value <i>USD</i>
103.	1749 Manor Gate Rd	T.F.T. Tools	California	Hacienda Heights	Residential	Freehold	Residential	250.56	1968	—	5,100,000 <i>RMB</i>	710,000

Note: We have adopted an exchange rate of USD1 to RMB7.0248, which was approximately the prevailing exchange rate as at the valuation date.

Group XI — Property interests held and occupied by the Group in Tanzania

No.	Project Name	Holding Entity	City	District	Land Usage	Land Lease Expiry Date	Type	GFA <i>sq.m.</i>	Year Completed	No. of CPS	Market Value in	
											Existing State as at Valuation Date	Equivalent Value USD
104.	Plot No.7	CATIC	Dares	Oyster Bay	Residential	28 February 2078	Service	4,100	2010	—	15,430,000	2,200,000
105.	Plot No.2470/5	Engineering CATIC	Salaam Dares	Upanga Area Plot	Residential	30 November 2080	apartment Service	5,750	2014	—	28,730,000	4,090,000
		Apartmentis	Salaam				apartment					

Notes:

- Pursuant to a lease agreement dated on 19 April 2008 signed between Mr. Edgar Diones Maokola Majogo as Lessor and CATIC Engineering as Lessee, the land plot of the property was leased to the Lessee for 70 years from 1 March 2008 to 28 February 2078.
- Pursuant to a lease agreement dated on 26 November 2010 and the addendum dated on 27 October 2014 signed between Mr. Patrick Cyprian Mombo as Lessor and CATIC Apartments as Lessee, the land plot of the property was leased to the Lessee for 70 years from 1 December 2010 to 30 November 2080.
- We have been provided with a legal opinion regarding the property interest as at 31 October 2019 by the Company's legal advisor — George Palangyo in Tanzania, which contains, inter alia, the following:
 - the demised properties with their developments are limited to disposition in terms of transfer and assignment without the permissions from the Lessors. But it can be permissible and entitled for executing other disposing like leasing, loans and mortgage;
 - that as the demised plots are leased from the local resident persons; the only clear encumbrance is the registered long term lease, which is subjective on the limitation as per the lease agreement of 70 years and the limitation averred herein above;
 - the demised properties have not been registered with other encumbrances on as mortgage or charge other than the lease and assignment referred above;
 - the development of property no. 104 (three storeys plus basement and office block) was executed pursuant to the building permit issued by the Kinondoni Municipal Counsel Building Permit (BP) No. 05929 of 22/12/2008 issued pursuant to the Township (Building) Rules, (Cap.101) and the construction was executed under the adherence of the construction laws in Tanzania; and
 - the development of property no. 105 (10 storeys plus basement) was executed pursuant to the building permit issued by the Ilala Municipal Council Building Permit No.2378 of 31 October 2012 and the construction was executed under the adherence of the construction laws in Tanzania.
- We have adopted an exchange rate of USD1 to RMB7.0248, which was approximately the prevailing exchange rate as at the valuation date.

Group XII — Property interests held and occupied by the Group in Kenya

No.	Project Name	Holding Entity	City	District	Land Usage	Land Lease Expiry Date	Type	GFA sq.m.	Year Completed	No. of CPS	Market Value in	
											Existing State as at Valuation Date	Equivalent Value USD
											RMB	
106.	AVIC Park	Aero-Technology Engineering	Nairobi	Kileleshwa	Residential	30 September 2066	Office and Residential	1,052.27	2016	—	No commercial value	No commercial value
107.	Mavoko Municipality	Avic Beijing (E.A.)	Nairobi	Machakos	Industrial	1 May 2091	Industrial	8,206.68	2017	—	27,130,000	3,862,000

Notes:

- Pursuant to 4 Agreement for sale signed between AVIC International Property Nairobi Limited as vendor and Aero-Technology Engineering as purchaser, the property no. 106 has been sold to the purchaser at a total purchase price of USD1,591,397.
- As advised by the Company, the Building Ownership Certificates of the property no. 106 need to be obtained through a property management company, which is in the process of establishing and the Building Ownership Certificates are expected to be obtained by March 2020.
- We have been provided with a legal opinion regarding the property interest as at 31 October 2019 by the Company's legal advisor — M/s Amolo & Gacoka in Kenya, which contains, inter alia, the following:
 - AVIC International Property Nairobi Limited owns L.R. No.4857/56 Kileleshwa (property no. 106) for a term of 50 years by virtue of a lease from the Government of Kenya from 1 October 2016;
 - according to the title issued by the Government of Kenya, the user of L.R. No.4857/56 in the name of AVIC International Property Nairobi Limited is multi-dwelling and the construction of apartments on the said title is consistent with the authorized user;
 - due to the nature of the project developed by AVIC International Property Nairobi Limited on L.R. No.4857/56, for sale of the apartments to third parties, AVIC International Property Nairobi Limited can sell the apartments by way of long term leases but cannot now create a mortgage over the property. The buyers will be however entitled to create mortgages over the individual units; and
 - AVIC International Property Nairobi Limited have obtained the relevant construction permits for the AVIC Park from the relevant local authorities and have obtained the necessary completion and occupation certificates for the buildings after fulfilling the relevant construction completion and approval conditions.
- In the valuation of this property, we have attributed no commercial value to the property no. 106 as the Building Ownership Certificate has not been obtained. However, for reference purpose, we are of the opinion that the market value of the property would be RMB7,380,000 (Equivalent to USD1,050,000) as at the valuation date assuming that it can be freely transferred.
- We have adopted an exchange rate of USD1 to RMB7.0248, which was approximately the prevailing exchange rate as at the valuation date.

Group XIII — Property interests held and occupied by the Group in Peru

No.	Project Name	Holding Entity	City	District	Land Usage	LUR Expiry Date	Type	GFA sq.m.	Year Completed	No. of CPS	Market Value in Existing State as at Valuation Date RMB
108.	Unit Nos.805 and 806 of Calle bolivar, 472 Miraflores	AVIC Beijing	Lima	Miraflores	Commercial	Freehold	Office	95.74	1996	—	No commercial value
109.	Unit No.904 of Av.Reducto 816 Miraflores	AVIC Beijing	Lima	Miraflores	Residential	Freehold	Residential	52.64	1996	—	No commercial value
110.	Unit Nos.1202, 1302 and 1402 of Calle bolivar 486 Miraflores	AVIC Beijing	Lima	Miraflores,	Residential	Freehold	Residential	419.94	1996	—	No commercial value
111.	Av.Gral Garzon 1878 Jesus Maria	AVIC Beijing	Lima	Jesus Maria	Commercial Residential	Freehold	Warehouse	882.66	1997	—	No commercial value

Notes:

- We have been provided with a legal opinion regarding the property interest as at 31 October 2019 by the Company's legal advisor — Progress Advisors in Peru, which contains, inter alia, the following:
 - only Mr. Yang Jing Nan can exercise rights of use, enjoyment, disposition and claim on the properties; and
 - the properties are free from charges.
- We have adopted an exchange rate of USD1 to RMB7.0248, which was approximately the prevailing exchange rate as at the valuation date.
- In the valuation of these properties, we have attributed no commercial value to these properties due to the title not belongs to the Group. However, for reference purpose, we are of the opinion that the market value of these properties would be RMB21,290,000 (Equivalent to USD3,031,899) assuming all relevant proper title certificates had been obtained and these properties could be freely transferred.

Group XIV — Property interest held and occupied by the Group in Sri Lanka

No.	Project Name	Holding Entity	City	District	Land Usage	LUR Expiry Date	Type	GFA <i>sq.m.</i>	Year Completed	No. of CPS	Market Value in	
											Existing State as at Valuation Date	Equivalent Value
											<i>RMB</i>	<i>LKR</i>
112.	No.88 Ward Place	Aero-Technology Engineering	Colombo	—	Commercial and Residential	freehold	Office	4,422.36	2016	—	58,880,000	1,517,200,000

Note:

1. We have been provided with a legal opinion regarding the property interest as at 31 October 2019 by the Company's legal advisor — Mahabalage Dona Kalyani Jayawardena in Sri Lanka, which contains, inter alia, the following:

- the Group is entitled to transfer, lease, mortgage or otherwise dispose of the property;
- the construction, use and management of the multi-storied building standing on the said property is in compliance with the relevant laws and regulations of Sri Lanka with the confirmation that the building has fulfilled the relevant construction completion acceptance procedures. The building has been constructed adhering to the above and it is confirmed by the Certificate of Conformity dated 18 October 2016 issued by the City Planning Division, Municipal Engineer's Department of Colombo Municipal Council;
- the Condominium Management Authority of Sri Lanka has issued the certificate for Common Amenities & Common elements of the building of the Condominium Property dated 3 March 2017 and confirmed that the Authority is satisfied with the Building Approval and the Certificate of Conformity issued by the Colombo Municipal Council and are satisfied for the benefit and the welfare of the occupants of the Condominium Parcels of the building;
- the Group possesses all the relevant construction permits for the multi-storied buildings and the building has been declared as a Condominium Building as per the regulations of the Apartment Ownership Law No.11 of 1973 (as amended) in Sri Lanka and approved by the Condominium Management Authority of Sri Lanka;
- the Group has already obtained ownership certificates for the apartment units/parcels of the building from the Colombo Municipal Council the Local Authority of the area as per the Laws of the Sri Lanka; and
- the property is not subject to any third party encumbrances and free of all encumbrances.

2. We have adopted an exchange rate of LKR1 to RMB0.0388, which was approximately the prevailing exchange rate as at the valuation date.

1. RESPONSIBILITY STATEMENT

The directors of AVIC International jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Company's Board) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of AVIC International and the parties acting in concert with it in the securities of the Company

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company owned or controlled by AVIC International and parties acting in concert with it were as follows:

Offeror/ Name of parties acting concert with it	Number and class of Shares directly held	Approximate percentage of the same class of securities as at the Latest Practicable Date	Approximate percentage of total issued share capital of the Company as at the Latest Practicable Date
Domestic Shares			
AVIC International (<i>Note</i>)	437,264,906 Domestic Shares and	52.49%	37.50%
	PSCS which may be converted into 767,569,312 Domestic Shares	92.15%	65.82%
Parties acting in concert with AVIC International			
– AVIC Shenzhen (<i>Note</i>)	395,709,091 Domestic Shares	47.51%	33.93%
	and		
	PSCS which may be converted into 34,065,483 Domestic Shares	4.09%	2.92%

Offeror/ Name of parties acting concert with it	Number and class of Shares directly held	Approximate percentage of the same class of securities as at the Latest Practicable Date	Approximate percentage of total issued share capital of the Company as at the Latest Practicable Date
H Shares			
- Best Pine Investment Ltd. (Note)	6,876,000 H Shares	2.06%	0.59%

Note:

As at the Latest Practicable Date, Aviation Industry Corporation owns 91.14% of the equity interest in AVIC International which in turn owns 100% equity interest in AVIC Shenzhen. Hence, Aviation Industry Corporation is deemed, or taken to be, interested in all the Shares in which AVIC International and AVIC Shenzhen are interested in, respectively. AVIC International owns 100% of the equity interest in AVIC Shenzhen. Hence, AVIC International is deemed, or taken to be, interested in all the Shares in which AVIC Shenzhen is interested.

- (1) AVIC International directly held: (A) 437,264,906 Domestic Shares, representing approximately 37.50% of the issued share capital of the Company; and (B) PSCS in the outstanding amount of RMB2,663,465,514 which may be converted into 767,569,312 Domestic Shares at the initial conversion price of RMB3.47 (subject to the adjustment pursuant to the terms of PSCS).
- (2) AVIC Shenzhen directly held: (A) 395,709,091 Domestic Shares, representing approximately 33.93% of the issued share capital of the Company; and (B) PSCS in the outstanding amount of RMB118,207,225 which may be converted into 34,065,483 Domestic Shares at the initial conversion price of RMB3.47 (subject to the adjustment pursuant to the terms of PSCS).
- (3) Best Pine Investment Limited is a wholly-owned subsidiary of AVIC International and directly held 6,876,000 H Shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, AVIC International, its directors and parties acting in concert with AVIC International did not have any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

As at the Latest Practicable Date:

(a) Interests discloseable under Schedule I to the Takeovers Code

As at the Latest Practicable Date,

- (i) save for the above disclosure of direct and indirect shareholding and PSCS (as the case may be) of AVIC International and parties acting in concert with it in the Company, neither AVIC International nor parties acting in concert with it (except those which are exempt principal traders or exempt fund managers recognised by the Executive as such for the purpose of the Takeovers Code) owned or had control or direction over any other voting rights or rights over the Shares, options, derivatives, warrants, other securities convertible into Shares, or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code);
- (ii) no directors of AVIC International were interested in any Shares in the Company or any convertible securities, warrants, options or derivatives in respect of the shares in the Company;
- (iii) save for the above disclosure of existing direct and indirect shareholding and PSCS (as the case may be) of AVIC International and parties acting in concert with it in the Company, none of the persons acting in concert with AVIC International (except those which are exempt principal traders or exempt fund managers recognised by the Executive as such for the purpose of the Takeovers Code) owned or controlled any other interests in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares of the Company;
- (iv) no one who owned or controlled Shares, convertible securities, warrants, options or derivatives in respect of the Shares of the Company had irrevocably committed to vote in favour of or against the resolutions at the H Share Class Meeting and/or at the Extraordinary General Meeting (save that AVIC International intends to vote in favour of the Merger Agreement and the Merger contemplated thereunder in the Extraordinary General Meeting), or to accept or reject the H Share Offer;
- (v) save for the H Share Offer and the Merger, no person had any arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code with AVIC International or the Company or any of their concert parties during the period commencing from the date of the Announcement and ended on the Latest Practicable Date;

- (vi) neither AVIC International nor any parties acting in concert with it (except those which are exempt principal traders or exempt fund managers recognised by the Executive as such for the purpose of the Takeovers Code) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22) in the Company; and
- (vii) none of AVIC International, the directors of AVIC International or any parties acting in concert with any of them (except those which are exempt principal traders or exempt fund managers recognised by the Executive as such for the purpose of the Takeovers Code) had dealt for value in any Shares of the Company, or any convertible securities, warrants, options or derivatives in respect of the Shares of the Company during the Disclosure Period.

(b) Other interests

As at the Latest Practicable Date,

- (i) save for the H Share Offer and the Merger, there was no agreement, arrangement or understanding between AVIC International and any other person in relation to the transfer, charge or pledge of the Shares to be purchased by AVIC International or any of its wholly-owned subsidiaries upon completion of the H Share Offer or the Merger;
- (ii) AVIC International had no intention to transfer, charge or pledge any securities in the Company acquired pursuant to the H Share Offer or the Merger to any other person, or has no agreement, arrangement or understanding with any third party to do so;
- (iii) no benefit had been or would be given to any director of the Company as compensation for loss of office or otherwise in connection with the H Share Offer or the Merger;
- (iv) save for the H Share Offer and the Merger, no agreement, arrangement or understanding, including any compensation arrangement, existed between AVIC International or any person acting in concert with AVIC International and any of the directors of the Company, recent directors of the Company, the Shareholders or recent Shareholders which is conditional on or dependent upon the outcome of or otherwise connected with the H Share Offer or the Merger;
- (v) there is no material contract entered into by AVIC International in which any director of the Company has a material personal interest;

- (vi) there is no agreement or arrangement to which AVIC International is a party which relates to the circumstances in which it may or may not invoke or seek to invoke the pre-condition, a condition to the H Share Offer and the consequence of its doing so; and
- (vii) save for the Merger Conditions contained in the Merger Agreement, there is no agreement or arrangement to which AVIC International is party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Merger.

4. CONSENT AND QUALIFICATIONS

The following are the name and qualifications of the expert of AVIC International whose letter, opinions or advice are contained or referred to in this Composite Document:

Name	Qualifications
China International Capital Corporation Hong Kong Securities Limited	the exclusive financial adviser to AVIC International and a licensed corporation under the Securities and Futures Ordinance, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities

CICC has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and/or report and the references to its name in the form and context in which they appear herein.

5. MISCELLANEOUS

- (1) AVIC International is a limited liability company established on 12 April 1983 in accordance with the PRC Company Law. As at the Latest Practicable Date, AVIC International was owned as to 91.14% by Aviation Industry Corporation (a wholly state-owned company with the board comprising of Tan Ruisong, Luo Ronghuai, Zhou Guoqiang, Wang Jianqiang, Liu Xihan, Li Wanyu, Liu Deheng and Li Benzhen) and 8.86% by AVIC CCB Aviation Industry Equity Investment (Tianjin) Co., Ltd (中航建銀航空產業股權投資(天津)有限公司) (which was owned as to 30% by AVIC Investment Holding Ltd. (中航投資控股有限公司) and 70% by Gongqingchengxinhang Investment Ltd. (共青城信航投資有限公司)). AVIC Investment Holding Ltd. is ultimately controlled by Aviation Industry Corporation through AVIC Capital Co., Ltd. (中航資本控股股份有限公司), an A-share listed company with the board comprising of Lu Da'en, Zhao Hongwei, Zheng Qiang, Li Juwen, Liu Guangyun, Zhan Xingshuang, Yin Xingmin, Sun Qixiang and Wang Jianxin. Based on the information available to AVIC International, Gongqingchengxinhang Investment Ltd. is ultimately controlled by each of Prudential plc (a listed company on the stock exchanges of London, Hong Kong, Singapore and New York with the board comprising of Paul Victor Falzon Sant Manduca as the chairman; Michael Andrew Wells, Mark Thomas FitzPatrick CA and Stuart James Turner FCA FCSI FRM as executive directors; Jeremy David Bruce Anderson CBE, Sir Howard John Davies, David John Alexander Law ACA, Kaikhushru Shiavax Nargolwala FCA, Anthony John Liddell Nightingale CMG SBS JP, The Hon. Philip John Remnant CBE FCA, Alice Davey Schroeder,

Thomas Ros Watjen, Jane Fields Wicker-Miurin OBE and Yok Tak Amy Yip as independent non-executive directors) and CITIC Group Corporation, a wholly state-owned company, through CITIC Limited (a listed company on the Stock Exchange with the board comprising of Mr. Chang Zhenming (chairman), Mr. Wang Jiong and Ms. Li Qingping as executive directors; Mr. Song Kangle, Ms. Yan Shuqin, Mr. Liu Zhuyu, Mr. Peng Yanxiang, Mr. Liu Zhongyuan and Mr. Yang Xiaoping as non-executive directors; and Mr. Francis Siu Wai Keung, Dr. Xu Jinwu, Mr. Anthony Francis Neoh, Mr. Shohei Harada and Mr. Gregory Lynn Curl as independent non-executive directors).

- (2) The registered office of AVIC International is at No. 18, Beichen East Road, Chaoyang District, Beijing.
- (3) AVIC International is the controlling Shareholder of the Company, and its core businesses consist of international aviation, electronics information, infrastructure construction, engineering procurement construction (EPC) and government projects, and cement and building materials engineering etc.
- (4) The principal members of AVIC International's concert group include AVIC Shenzhen and Best Pine Investment Ltd. AVIC Shenzhen is a wholly-owned subsidiary of AVIC International, and its core businesses consist of commercial retail, hotel management and property business. The registered office of AVIC Shenzhen is at 3908 AVIC Center, No. 1018 of Huafu Road, Huahang Community, Huaqiang North Street, Futian District, Shenzhen. Best Pine Investment Ltd. is a wholly-owned subsidiary of AVIC International, and its registered office is at 20/F, Tower II, Admiralty Centre, No.18 Harcourt Road, Admiralty, Hong Kong.
- (5) The directors of AVIC International are Mr. Liu Hong De, Mr. Li Zong Shun, Mr. Li Shang Fu, Mr. Yan Dong, Mr. Lai Wei Xuan, Mr. Li Qi Feng, Mr. Fu Fang Xing, Ms. Kong Ling Fen and Mr. You Lei.
- (6) The registered office of CICC is at 29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (1) on the website of the Company at www.avic161.com; (2) on the website of the SFC at www.sfc.hk; and (3) at the principal place of business of the Company in Hong Kong at Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday (public holidays excepted) until the Merger has become effective or the date on which the Merger lapses or is withdrawn, whichever is the earliest:

- (i) the articles of association of AVIC International;
- (ii) the letter from CICC as set out from pages 12 to 26 of this Composite Document; and
- (iii) the written consent from CICC as referred to under the section headed "4. Consents and Qualifications" in this Appendix V.

1. RESPONSIBILITY STATEMENT

The information in this Composite Document relating to the Company has been supplied by the directors of the Company. The issue of this Composite Document has been approved by the directors of the Company, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to AVIC International and parties acting in concert with it (except for the Group)) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the AVIC International Board and parties acting in concert with AVIC International (except for the Group)) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The directors of the Company also jointly and severally accept full responsibility for the accuracy of the information contained in the overseas regulatory announcement and the announcement in relation to the principal financial data and indicators of AVIC International Maritime Holdings Limited for the third quarter ended 30 September 2019 both dated 8 November 2019 and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the aforesaid two announcements have been arrived at after due and careful consideration and there are no other facts not contained in the aforesaid two announcements, the omission of which would make any of the statements in the aforesaid two announcements misleading.

2. SHARE CAPITAL OF THE COMPANY

(a) Authorised and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised</i>	<i>RMB</i>
832,973,997 Domestic Shares of RMB1.00 each	832,973,997
333,187,999 H Shares of RMB1.00 each	333,187,999
Total	<u>1,166,161,996</u>
<i>Issued and fully paid</i>	<i>RMB</i>
832,973,997 Domestic Shares of RMB1.00 each	832,973,997
333,187,999 H Shares of RMB1.00 each	333,187,999
Total	<u>1,166,161,996</u>

As at the date of this Composite Document, there were PSCS in the outstanding amount of RMB2,781,672,739 issued by the Company which may be converted into 801,634,795 Domestic Shares at the initial conversion price of RMB3.47 (subject to adjustment pursuant to the terms of the PSCS). As at the date of this Composite Document, save for the PSCS, there were no other outstanding options, warrants, derivatives or convertible securities issued by the Company.

All of the Domestic Shares and H Shares currently in issue rank pari passu in all respects with each other, including voting rights and the right to receive dividend payment, except that payment of dividend will be made in RMB to the holders of the Domestic Shares and in Hong Kong dollars to H Shareholders.

The number of Shares in issue at 31 December 2018, being the date to which the latest audited consolidated financial statements of the Group were made up, was 1,166,161,996, with 832,973,997 Domestic Shares and 333,187,999 H Shares. The Company has not issued any Shares since that date until the Latest Practicable Date.

(b) Listing

The H Shares are listed and traded on the Main Board of the Stock Exchange. No part of the Shares is listed or dealt in, nor is any listing or permission to deal in the Shares being or proposed to be sought, on any other stock exchange.

3. MARKET PRICES

The table below shows the closing prices of the H Shares as quoted on the Stock Exchange (i) on the last trading day of each of the six calendar months preceding the date of the Announcement, (ii) on 27 September 2019, being the Last Trading Day prior to the suspension of trading in the H Shares pending the issue of the Announcement, and (iii) on the Latest Practicable Date.

Date	Price per H Share HK\$
29 March	4.92
30 April	4.96
31 May	3.97
28 June	4.02
31 July 2019	4.87
31 August 2019	4.31
27 September (Last Trading Day)	6.97
31 October 2019	7.40
29 November 2019	7.97
31 December 2019	8.25
3 January 2020 (Latest Practicable Date)	8.20

During the Disclosure Period, the highest and lowest closing prices per H Share recorded on the Stock Exchange were HK\$8.34 on 3 October 2019 and HK\$3.77 on 6 June 2019, respectively.

4. DISCLOSURE OF INTERESTS

(a) **Interests of the directors, supervisors and chief executives of the Company in the securities of the Company and the securities of the associated corporations of the Company**

As at the Latest Practicable Date, none of the directors, supervisors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register required to be kept pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

(b) **Interests of substantial shareholders in the securities of the Company**

As at the Latest Practicable Date, the following persons or entities (other than the directors, supervisors and chief executives of the Company) had an interest or a short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Name of Shareholders	Capacity/ Nature of interest	Number and class of Shares held	Approximate percentage of the same class of securities	Approximate percentage of total issued share capital of the Company as at the Latest Practicable Date
<i>Domestic Shares</i>				
Aviation Industry Corporation	Interest of controlled corporation	437,264,906 Domestic Shares and deemed to be interested in the PSCS held by AVIC International and AVIC Shenzhen as stated below	52.49%	37.50%

Name of Shareholders	Capacity/ Nature of interest	Number and class of Shares held	Approximate percentage of the same class of securities	Approximate percentage of total issued share capital of the Company as at the Latest Practicable Date
AVIC International	Interest of controlled corporation	437,264,906 Domestic Shares and PSCS which may be converted into 767,569,312 Domestic Shares	52.49% 92.15%	37.50% 65.82%
AVIC Shenzhen	Beneficial owner	395,709,091 Domestic Shares and PSCS which may be converted into 34,065,483 Domestic Shares	47.50% 4.09%	33.93% 2.92%
<i>H Shares</i>				
CK Hutchison Holdings Limited	Interest of controlled corporations	30,120,000 H Shares (<i>Note 2</i>)	9.04%	2.58%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	30,120,000 H Shares (<i>Note 2</i>)	9.04%	2.58%
Cheung Kong Investment Company Limited	Interest of controlled corporation	11,950,000 H Shares (<i>Note 2</i>)	3.58%	1.02%
Empire Grand Limited	Beneficial owner	11,950,000 H Shares (<i>Note 2</i>)	3.58%	1.02%
Hutchison Whampoa Limited	Interest of controlled corporation	18,170,000 H Shares (<i>Note 2</i>)	5.45%	1.56%
Hutchison International Limited	Beneficial owner	18,170,000 H Shares (<i>Note 2</i>)	5.45%	1.56%

Notes:

1. As at the Latest Practicable Date, Aviation Industry Corporation owns 91.14% of the equity interest in AVIC International which in turn owns 100% equity interest in AVIC Shenzhen. Hence, Aviation Industry Corporation is deemed, or taken to be, interested in all the Shares in which AVIC International and AVIC Shenzhen are interested in, respectively. AVIC International owns 100% of the equity interest in AVIC Shenzhen. Hence, AVIC International is deemed, or taken to be, interested in all the Shares in which AVIC Shenzhen is interested.
 - (i) AVIC International held: (A) 437,264,906 Domestic Shares, representing approximately 37.50% of the issued share capital of the Company; and (B) PSCS in the outstanding amount of RMB2,663,465,514 which may be converted into 767,569,312 Domestic Shares at the initial conversion price of RMB3.47 (subject to the adjustment pursuant to the terms of PSCS).
 - (ii) AVIC Shenzhen held: (A) 395,709,091 Domestic Shares, representing approximately 33.93% of the issued share capital of the Company; and (B) PSCS in the outstanding amount of RMB118,207,225 which may be converted into 34,065,483 Domestic Shares at the initial conversion price of RMB3.47 (subject to the adjustment pursuant to the terms of PSCS).
2. Empire Grand Limited ("**Empire Grand**") holds 11,950,000 H Shares and Empire Grand is a wholly-owned subsidiary of Cheung Kong Investment Company Limited, which in turn is a wholly-owned subsidiary of Cheung Kong (Holdings) Limited ("**CKH**"). Accordingly, CKH was deemed to be interested in the 11,950,000 H Shares held by Empire Grand. Hutchison International Limited ("**HIL**") holds 18,170,000 H Shares and HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited. Hutchison Whampoa Limited was deemed to be interested in the 18,170,000 H Shares held by HIL. CKH is entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Hutchison Whampoa Limited. Accordingly, CKH was deemed to be interested in the 18,170,000 H Shares held by HIL. In addition, CKH is a wholly-owned subsidiary of CK Hutchison Holdings Limited. Accordingly, CK Hutchison Holdings Limited ("**CK Hutchison**") was deemed to be interested in the 30,120,000 H Shares in total held by Empire Grand and HIL.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the directors of the Company, no other persons or entities (other than the directors, supervisors and the chief executives of the Company) had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

(c) Interests discloseable under Schedule II to the Takeovers Code

Save as disclosed above, as at the Latest Practicable Date:

- (i) The Company was not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in AVIC International;

- (ii) none of the directors of the Company was interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company or AVIC International, or had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company or AVIC International during the Disclosure Period;
- (iii) none of the subsidiaries of the Company, the pension fund of the Company or of its subsidiaries, or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, or had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Disclosure Period;
- (iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and none of such persons had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Disclosure Period;
- (v) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company were managed on a discretionary basis by fund managers connected with the Company, and none of them had dealt in any relevant securities in the Company during the Disclosure Period;
- (vi) none of the directors of the Company held any beneficial shareholdings in the Company which would otherwise entitle them to vote at the Extraordinary General Meeting and/or the H Share Class Meeting or to accept or reject the H Share Offer; and
- (vii) none of the Company or the directors of the Company had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

(d) Other interests

As at the Latest Practicable Date,

- (i) no benefit had been or would be given to any director of the Company as compensation for loss of office or otherwise in connection with the H Share Offer or the Merger;

- (ii) save for the H Share Offer and the Merger, no agreement, arrangement or understanding, including any compensation arrangement, existed between AVIC International or any person acting in concert with AVIC International and any of the directors of the Company, recent directors of the Company, the Shareholders or recent Shareholders which is conditional on or dependent upon the outcome of or otherwise connected with the H Share Offer or the Merger;
- (iii) there is no material contract entered into by AVIC International in which any director of the Company has a material personal interest; and
- (iv) there is no understanding, arrangement or agreement or special deal with favourable conditions (as defined under Rule 25 of the Takeovers Code) between any Shareholders on the one hand, and (i) AVIC International and/or parties acting in concert with it; or (ii) the Company, its subsidiaries or associated companies on the other hand. Further, as disclosed in the announcement of the Company dated 16 December 2019 in respect of the proposed non-public issuance of A shares by Tian Ma and deemed disposal of interest in Tian Ma by the Company, the Company will (i) procure Tian Ma to use its reasonable endeavours and base on the register of members of the Company and other shareholding ownership information of the Company reasonably available and obtained, not to engage any person who is a Shareholder to be the sponsor and/or underwriter of the said proposed issuance; and (ii) subject to the compliance of the PRC laws and regulations and the requirements of relevant supervisory authorities and stock exchange(s), procure Tian Ma and/or its sponsor to use their respective reasonable endeavours and base on the register of members of the Company and other shareholding ownership information of the Company reasonably available and obtained, not to issue new A shares of Tian Ma to any person who is a Shareholder. For details of the proposed non-public issuance of A shares by Tian Ma, please refer to the Company's announcement dated 28 August 2019 and circular dated 25 October 2019.

5. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, save for the service contracts as set out below, none of the directors of the Company had entered into any service agreement or letter of appointment with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) had been entered into, or amended within six months before the date of commencement of the Offer Period; (ii) was a continuous contract with a notice period of 12 months or more; (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Name	Commencement date of service	Expiry date of service contract	Term of service	Position and employer	Director's fee (per annum)
Mr. Liu Hongde	24 May 2019	23 May 2022 (resigned on 23 August 2019)	Three years	Director, AVIC International Holding (HK) Limited ^(Note 1)	HK\$36,000
Mr. Lai Wei Xuan	24 May 2019	23 May 2022	Three years	Director, AVIC International Holding (HK) Limited ^(Note 1)	HK\$36,000
Mr. Fu Fang Xing	24 May 2019	23 May 2022	Three years	Director, AVIC International Holding (HK) Limited ^(Note 1)	HK\$36,000
Mr. Chen Hong Liang	8 July 2019	7 July 2022	Three years	Chairman and director, Tian Ma ^(Note 2)	To be determined in accordance with the remuneration policy of Tian Ma with reference to individual performance and prevailing market conditions

Notes:

1. AVIC International Holding (HK) Limited is a listed company on the Stock Exchange (stock code: 232) and an associated company (as defined in the Takeovers Code) of the Company. The re-appointment and fixation of the service term and director's fee of each of Mr. Liu Hongde, Mr. Lai Wei Xuan and Mr. Fu Fang Xing were approved at the annual general meeting of AVIC International Holding (HK) Limited held on 24 May 2019. Mr. Liu Hongde has resigned as a director of AVIC International Holding (HK) Limited on 23 August 2019.
2. Tian Ma is a listed company on the Shenzhen Stock Exchange (A share stock code: 000050) and a subsidiary of the Company. The re-appointment and fixation of the service term of Mr. Chen Hong Liang were approved at the extraordinary general meeting of Tian Ma held on 8 July 2019.

Save for the service contract of Mr. Chen Hong Liang, the service contracts of Mr. Liu Hongde, Mr. Lai Wei Xuan and Mr. Fu Fang Xing are fixed term.

6. MATERIAL CONTRACTS OF THE GROUP

Within the two years immediately preceding the commencement of the Offer Period, and up to and including the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, have been entered into by the Group and are or may be material:

- (i) the joint venture agreement dated 20 December 2019 entered into amongst Xiamen Tian Ma Microelectronics Company Limited (廈門天馬微電子有限公司) ("**Xiamen Tian Ma**"), a non-wholly owned subsidiary of the Company, Xiamen Jinyuan Industry Development Co., Ltd.* (廈門金圓產業發展有限公司), Xiamen International Trade Industry Co., Ltd.* (廈門國貿產業有限公司), Xiamen Xiangyu Group Co., Ltd.* (廈門象嶼集團有限公司) and Xiamen Xingma Equity Investment Partnership (Limited Partnership)* (廈門興馬股權投資合夥企業(有限合夥)) in relation to, among others, the setting up of a joint venture company in the PRC with a total registered capital of RMB27 billion which Xiamen Tian Ma shall contribute RMB405 million in the capital of the said joint venture company;
- (ii) the Merger Agreement;
- (iii) the master cooperation agreement dated 10 September 2019 entered into among Wuhan Tian Ma Microelectronics Co., Ltd. (武漢天馬微電子有限公司) ("**Wuhan Tian Ma**"), SFA Engineering Corp. and SFA Engineering (Shenzhen) Co., Ltd. (三發機電(深圳)有限公司) in relation to the purchase of production equipment necessary for the G6 Project Phase 2 by Wuhan Tian Ma at the consideration not exceeding RMB710,890,000;
- (iv) the implementation agreement dated 27 August 2019 entered into between the Company and China Merchants Industry Investment Limited in relation to the Company's disposal of 73.87% equity interest in AVIC International Maritime Holdings Limited at the consideration of 31,642,105.35 Singapore dollars (equivalent to approximately RMB162,007,579);
- (v) the underwriting agreement dated 9 July 2019 entered into between Shennan Circuits Co., Ltd. (深南電路股份有限公司) ("**SCC**") and AVIC Securities Co., Ltd. (中航證券有限公司) ("**AVIC Securities**"), pursuant to which SCC agreed to engage AVIC Securities as the lead underwriter in its proposed issuance of its A share convertible bonds in the maximum amount of RMB1,520,000,000 at the sponsorship and underwriting services fees in the total amount of RMB7,000,000;
- (vi) the master cooperation agreement dated 2 July 2019 entered into between Wuhan Tian Ma and Applied Materials South East Asia Pte. Ltd. in relation to the purchase of production equipment necessary for the construction project of the Sixth Generation of LTPS AMOLED production line project phase 2 by

Wuhan Tian Ma at the consideration not exceeding US\$80,000,000 (equivalent to approximately RMB548,000,000);

- (vii) the Weihai Shipyard equity transaction agreement dated 26 April 2019 (as amended and supplemented by a supplemental agreement dated 20 June 2019) entered into between the Company 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**”) in relation to the disposal of 69.77% equity interest in AVIC Weihai Shipyard Company Limited* (中航威海船廠有限公司) and the shareholder’s loan by the Company to CMOEI at the consideration of not exceeding RMB620,000,000;
- (viii) the AVIC Sunda equity transfer agreement dated 26 April 2019 entered into between the Company and China Merchants Shekou Industrial Zone Holdings Co., Ltd.* (招商局蛇口工業區控股股份有限公司) (“**CMSK**”) in relation to the disposal of 149,087,820 A shares in AVIC Sunda Holding Company Limited (中航善達股份有限公司) by the Company to CMSK at the consideration of RMB1,289,609,643 (after adjustment pursuant to the terms of the AVIC Sunda equity transfer agreement);
- (ix) the equity transaction agreement dated 10 April 2019 entered into among Chengdu AVIC Raise Real Estate Company Limited (成都中航瑞賽置業有限公司) (“**Chengdu Raise**”) and Beijing Raise Science Company Limited (北京瑞賽科技有限公司) (“**Beijing Raise**”) as vendors and Chengdu Piduhong Jing Real Estate Company Limited (成都郫都泓璟置業有限公司) (“**Chengdu Piduhong Jing**”) as purchaser, pursuant to which Chengdu Raise and Beijing Raise agreed to transfer 20% and 80% equity interest and their respective creditor’s rights in Chengdu Jujin Trading Co., Ltd. (成都聚錦商貿有限公司) to Chengdu Piduhong Jing at an aggregate consideration of RMB2,213,869,547;
- (x) the payment guarantee agreement dated 10 April 2019 entered into among Chengdu Raise and Beijing Raise as creditors, Chengdu Piduhong Jing as debtor and Sichuan Languang Development Company Limited (四川藍光發展股份有限公司) as guarantor, pursuant to which the guarantor provided a payment guarantee of RMB1,182,869,547 in respect of the consideration payable by Chengdu Piduhong Jing to Chengdu Raise and Beijing Raise;
- (xi) the capital increase agreement dated 17 November 2018 entered into among the Company, Aviation Industry Corporation, Shaanxi Aviation Industry Development Group Co., Ltd. (陝西航空產業發展集團有限公司) (“**Shaanxi Aviation Industry Development**”), Xi’an Industrial Investment Group Co., Ltd. (西安工業投資集團有限公司) (“**Xi’an Industrial Investment**”), AVIC Aircraft Corporation (中航飛機股份有限公司) (“**AVIC Aircraft**”), Xi’an Aircraft Industry (Group) Co., Ltd. (西安飛機工業(集團)有限責任公司) (“**Xi’an Aircraft Industry**”), AVIC Airborne Systems Co., Ltd. (中航機載系統有限公司), AVIC International Aviation Development Co., Ltd. (中航國際航空發展有限公司) and AVIC Aviation Electronics Systems Co., Ltd. (中航航空電子系統有限責任公司), pursuant to which Aviation Industry Corporation, Shaanxi Aviation

Industry Development, Xi'an Industrial Investment, AVIC Aircraft and Xi'an Aircraft Industry agreed to make capital contributions in the total sum of approximately RMB6.723 billion to AVIC Xifei Civil Aircraft Co., Ltd. (中航西飛民用飛機有限責任公司) ("**AVIC Xifei**"); and the Company decided not to exercise the right of first refusal in relation to the said capital increase and its shareholding in AVIC Xifei was diluted from 7.895% to 1.7655%;

- (xii) the equity transfer agreement dated 24 October 2018 entered into between the Company as vendor and AVIC International as purchaser, pursuant to which the Company agreed to sell and AVIC International agreed to purchase 60% equity interest in AVIC International Simulation Technology Service Co., Ltd. (中航國際仿真科技服務有限公司) at the consideration of RMB31,611,120;
- (xiii) the 2018 financial services agreement dated 26 September 2018 entered into between the Company and AVIC Finance Co., Ltd. ("**AVIC Finance**"), pursuant to which AVIC Finance agreed to 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 of the agreement to 31 December 2021 at the annual cap of RMB4,000,000,000 for the deposit services to be provided AVIC Finance and US\$26,000,000 for the foreign exchange services to be provided AVIC Finance for each of the financial year during the term of the 2018 financial services agreement;
- (xiv) the supplemental agreement dated 10 September 2018 entered into among Tian Ma, AVIC International, AVIC Shenzhen, CATIC Xiamen Company Limited (中國航空技術廈門有限公司) ("**Xiamen Company**") and Xiamen Jincai Industrial Development Company Limited (廈門金財產業發展有限公司) ("**Xiamen Jincai**"), pursuant to which that the term in the agreements entered into among Tian Ma, AVIC International, AVIC Shenzhen, Xiamen Company and Xiamen Jincai dated 14 November 2017 and 23 August 2017 (as contemplated under the framework agreement entered by the said parties on 10 March 2017) that the "placing price of placing shares for the proposed A shares placing shall not be lower than the issue price of the consideration shares" shall be deleted;
- (xv) the supplemental agreement dated 10 September 2018 entered into among Tian Ma, Shanghai Industrial Investment (Group) Co., Ltd. (上海工業投資(集團)有限公司) ("**Shanghai Investment Company**") and Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司) ("**Shanghai Zhangjiang Company**"), pursuant to which that the term in the agreements entered into among Tian Ma, Shanghai Investment Company and Shanghai Zhangjiang Company dated 14 November 2017 and 23 August 2017 (as contemplated under the framework agreement entered by the said parties on 10 March 2017) that the "placing price of placing shares for the proposed A shares placing shall not be lower than the issue price of the consideration shares" shall be deleted;

- (xvi) the equity transaction agreement dated 23 January 2018 entered into between the China National Aero Technology International Engineering Company Limited (中國航空技術國際工程有限公司) (the “**International Engineering Company**”) and AVIC Shenzhen as the vendors and Shenzhen Lian Heng Investment Company Limited (深圳市聯恒投資有限公司) as the purchaser in respect of the disposal of the 24.5% equity interest (the “**AVIC Construction Engineering Interest**”) in AVIC Construction Engineering Company Limited (中航建築工程有限公司) (the “**AVIC Construction Engineering**”) held by the International Engineering Company and the disposal of 51% equity interest in AVIC Construction Engineering held by AVIC Shenzhen at an aggregate consideration of RMB121,541,200 with the consideration of RMB39,440,520 for AVIC Construction Engineering Interest and the consideration of RMB82,100,680 for the disposal of 51% equity interest in AVIC Construction Engineering held by AVIC Shenzhen;
- (xvii) the equity transaction agreement which took effect on 2 January 2018 entered into between the Company and AVIC International as the vendors and Hengqin Zhong Chang Sheng Qi Hang Investment Centre (Limited Partnership) (橫琴中長勝啟航投資中心(有限合夥)) as the purchaser in respect of the disposal of the 47.12% equity interest (the “**AVIC Vanke Interest**”) in AVIC International Vanke Company Limited (中航萬科有限公司) (the “**AVIC Vanke**”) held by the Company and the disposal of 12.88% equity interest in AVIC Vanke held by AVIC International at an aggregate consideration of RMB2,348,278,960 with the consideration of RMB1,844,181,743.25 for the disposal of AVIC Vanke Interest and the consideration of RMB504,097,216.75 for the disposal of 12.88% equity interest in AVIC Vanke held by AVIC International; and
- (xviii) the equity transaction agreement dated 8 November 2017 entered into between China National Aero Technology International Engineering Company (中國航空技術國際工程公司), a wholly-owned subsidiary of the Company, as vendor and Shenzhen Yunli Hotel Management Co., Ltd (深圳雲里酒店管理有限公司) as purchaser in respect of the disposal of 20% equity interest in Hangfa Investment Management Co., Ltd (航發投資管理有限公司) which is held by China National Aero Technology International Engineering Company (中國航空技術國際工程公司) at a consideration of RMB664,417,540.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and so far as the directors of the Company are aware of, no litigation, arbitration or claim of material importance is pending or threatened by or against the Company or any of its subsidiaries.

8. CONSENT AND QUALIFICATIONS

The following are the names and qualifications of the experts whose letter, opinions or advice are contained or referred to in this Composite Document:

Name	Qualifications
Somerley Capital Limited	the Independent Financial Adviser to the Independent Board Committee, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Jones Lang LaSalle Corporation Appraisal And Advisory Limited	Independent Property Valuer

Each of the experts above has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion therein of its letter/ report/ opinions, and the references to its name and opinions in the form and context in which it respectively appears.

9. MISCELLANEOUS

- (1) The principal place of business in the PRC of the Company is at 39/F, AVIC Center Building, No.1018 Huafu Road, Futian District, Shenzhen, the PRC and the principal place of business in Hong Kong is at Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong.
- (2) The Registrar is Hong Kong Registrars Limited, which is situated at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (3) The registered office of Somerley is at 20th Floor, China Building, 29 Queen's Road Central, Hong Kong.
- (4) The English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (1) on the website of the Company at www.avic161.com; (2) on the website of the SFC at www.sfc.hk; and (3) at the principal place of business of the Company in Hong Kong at Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong during normal business hours from

9:00 a.m. to 5:00 p.m. on any weekday (public holidays excepted) until the Merger has become effective or the date on which the Merger lapses or is withdrawn, whichever is the earliest:

- (1) the Articles of the Company;
- (2) the annual reports of the Company for each of the three years ended 31 December 2016, 2017 and 2018;
- (3) the interim report of the Company for the six months ended 30 June 2019;
- (4) each of the material contracts referred to in the paragraph headed “6. Material contracts of the Group” in this Appendix VI;
- (5) the letter from the Company’s Board, the text of which is set out from pages 27 to 41 of this Composite Document;
- (6) the letter from the Independent Board Committee, the text of which is set out from pages 42 to 43 of this Composite Document;
- (7) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent H Shareholders, the text of which is set out from pages 44 to 98 of this Composite Document;
- (8) the letters from Deloitte Touche Tohmatsu and the Independent Financial Adviser in respect of the Required Financial Information, the text of which is set out in Appendix III to this Composite Document;
- (9) the full property valuation report dated 8 January 2020 on the properties held by the Group prepared by Jones Lang LaSalle Corporation Appraisal And Advisory Limited, a summary of which is set out in Appendix IV to this Composite Document;
- (10) each of the written consents referred to in the section headed “8. Consent and Qualifications” in this Appendix VI;
- (11) the service contracts of Mr. Liu Hongde, Mr Lai Wei Xuan, Mr. Fu Fang Xing and Mr. Chen Hong Liang as set out in the section headed “5. Service Contracts of Directors” in this Appendix VI; and
- (12) this Composite Document and the accompanying Form of Acceptance.

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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 company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00161)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting (the “EGM”) of AVIC International Holdings Limited (the “**Company**”) will be held at 39/F, AVIC Center Building, No. 1018 Huafu Road, Futian District, Shenzhen, the People's Republic of China on Friday, 14 February 2020 at 9:00 a.m. to consider and, if thought fit, to pass (with or without modifications) the following resolutions by more than two-thirds of the votes attaching to the shares of the Company held by the shareholders of the Company that are cast either in person or by proxy at the EGM.

SPECIAL RESOLUTION

THAT subject to the passing of this same resolution by the holders of H Shares of the Company other than AVIC International Holding Corporation (“**AVIC International**”) and parties acting in concert with it (the “**Independent H Shareholders**”) in the extraordinary general meeting of the H shareholders of the Company (the “**H Share Class Meeting**”), as approved by way of poll by at least 75% of the votes attaching to the H shares of the Company (the “**H Shares**”) held by the Independent H Shareholders that are cast either in person or by proxy at the H Share Class Meeting and with the number of votes cast against the resolution by the Independent Shareholders being not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders:

- (a) the agreement entered into among AVIC International, the Company and AVIC International Shenzhen Company Limited (“**AVIC Shenzhen**”) on 2 October 2019 in relation to the proposed merger by absorption of the Company and AVIC Shenzhen by AVIC International pursuant to the Company Law of the PRC (as amended, supplemented or otherwise modified from time to time) and other applicable laws in the People's Republic of China as contemplated thereunder (the “**Merger**”) (the “**Merger Agreement**”, which expression shall include all amendments and/or supplements made thereto from time to time), the execution of the Merger Agreement by the Company, and the Merger contemplated thereunder be and are hereby approved, ratified and confirmed; and

- (b) the board of directors of the Company, and/or unless the board of directors of the Company determines otherwise, any director of the Company be and are hereby authorised to take such other action and execute such documents or deeds as he may consider necessary or desirable for the purpose of implementing the Merger and all other transactions contemplated by the Merger Agreement.

Yours faithfully,
By order of the Company's Board
AVIC International Holdings Limited
Liu Hong De
Chairman

Shenzhen, the PRC, 30 December 2019

Notes:

1. Eligibility for the EGM

Shareholders of the Company who intend to attend the EGM must deliver all instruments of transfer, accompanied by the relevant share certificates, to the legal address of the Company (for holders of Domestic Shares) or to the H share registrar of the Company, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) on or before 4:30 p.m. on 14 January 2020 (Tuesday).

2. Registration procedures for the EGM

- (a) A shareholder or his proxy should produce proof of identity when attending the EGM;
- (b) Shareholders of the Company who intend to attend the EGM should return the confirmation slip for the EGM to the Company on or before 24 January 2020 (Friday); and
- (c) Shareholders of the Company may send the above confirmation slip to the legal address of the Company in person, by post or by facsimile.

3. Proxy

- (d) A shareholder of the Company eligible to attend the EGM is entitled to appoint one or more proxies to attend and vote on his behalf in accordance with the articles of association of the Company. A proxy need not be a shareholder of the Company;
- (e) A proxy shall be appointed by a written instrument signed by the appointer or its attorney. If the proxy form is signed by the attorney of the appointer, the power of the attorney or other authorisation document(s) of such attorney should be notarised;
- (f) To be valid, the power of attorney or other authorisation document(s) which have been notarised together with the completed proxy form, must be delivered to the legal address of the Company (for holders of Domestic Shares) or to the H share registrar of the Company, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) not less than 24 hours before the time designed for the holding of the EGM or not less than 24 hours before the time appointed for taking the poll; and
- (g) A shareholder of the Company who has appointed more than one proxy shall only vote on a poll at the EGM.

4. Closure of register of members of the Company

The register of members of the Company will be closed from 15 January 2020 (Wednesday) to 14 February 2020 (Friday) (both days inclusive), during which no transfer of shares of the Company will be effected. Holders of shares whose names stand on the register of members of the Company at 4:30 p.m. on 14 January 2020 (Tuesday) are entitled to attend and vote at the EGM.

5. The EGM is expected not to last for more than half a day. Attendants shall bear their own traveling and accommodation expenses.

Legal address of the Company: 39/F, AVIC Center Building No. 1018 Huaifu Road Futian District, Shenzhen Guangdong Province the People's Republic of China

Tel.: 0755-2124 6901

Fax: 0755-8379 0228

Postal code: 518031

Websites: www.avic161.com

As at the date hereof, the Company's Board comprises: 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.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this notice and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this notice have been arrived at after due and careful consideration and there are no other facts not contained in this notice, the omission of which would make any statement in this notice misleading.

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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 company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00161)

NOTICE OF CLASS MEETING OF H SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of the H shareholders (the “**H Share Class Meeting**”) of AVIC International Holdings Limited (the “**Company**”) will be held at 39/F, AVIC Center Building, No. 1018 Huaifu Road, Futian District, Shenzhen, the People's Republic of China on Friday, 14 February 2020 at 9:30 a.m. (or immediately after the conclusion or adjournment of the extraordinary general meeting of the holders of H shares of the Company which will be held at the same place and date) to consider and, if thought fit, to pass (with or without modifications) the following resolutions by at least 75% of the votes attaching to the H shares of the Company (the “**H Shares**”) held by the holders of H Shares (the “**H Shareholders**”) other than AVIC International Holding Corporation (“**AVIC International**”) and parties acting in concert with it (the “**Independent H Shareholders**”) that are cast by poll either in person or by proxy at the H Share Class Meeting, and with the number of votes cast by poll against the resolutions at the H Share Class Meeting amounting to not more than 10% of all the H Shares held by the Independent H Shareholders.

SPECIAL RESOLUTIONS

1. **THAT:**

- (a) subject to minimum valid acceptances of the voluntary conditional offer to be made by China International Capital Corporation Hong Kong Securities Limited on behalf of AVIC International to acquire all of the issued H Shares of the Company (the “**H Share Offer**”) being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Friday, 6 March 2020 (or such later time or date as AVIC International may, subject to the Takeovers Code decide) amounting to at least 90% of the H Shares in issue held by the Independent H Shareholders, the voluntary withdrawal of the listing of the H Shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Delisting**”) be and is hereby approved; and

- (b) the board of directors of the Company, and/or unless the board of directors of the Company determines otherwise, any director of the Company be and are hereby authorised to take such other action and execute such documents or deeds as he may consider necessary or desirable for the purpose of implementing the Delisting and/or any matters in relation thereto.
2. **THAT** subject to the passing of this same resolution by the shareholders of the Company in the extraordinary general meeting of the Company (the “EGM”) by more than two-thirds of the votes attaching to the shares of the Company held by the shareholders of the Company that are cast either in person or by proxy at the EGM:
- (a) the agreement entered into among AVIC International, the Company and AVIC International Shenzhen Company Limited (“**AVIC Shenzhen**”) on 2 October 2019 in relation to the proposed merger by absorption of the Company and AVIC Shenzhen by AVIC International pursuant to the Company Law of the PRC (as amended, supplemented or otherwise modified from time to time) and other applicable laws in the People’s Republic of China as contemplated thereunder (the “**Merger**”) (the “**Merger Agreement**”, which expression shall include all amendments and/or supplements made thereto from time to time), the execution of the Merger Agreement by the Company, and the Merger contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (b) the board of directors of the Company, and/or unless the board of directors of the Company determines otherwise, any director of the Company be and are hereby authorised to take such other action and execute such documents or deeds as he may consider necessary or desirable for the purpose of implementing the Merger and all other transactions contemplated by the Merger Agreement.

Yours faithfully,
By order of the Company’s Board
AVIC International Holdings Limited
Liu Hong De
Chairman

Shenzhen, the PRC, 30 December 2019

Notes:

1. Eligibility for the H Share Class Meeting

H Shareholders of the Company who intend to attend the H Share Class Meeting must deliver all instruments of transfer, accompanied by the relevant share certificates, to the H share registrar of the Company, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) on or before 4:30 p.m. on 14 January 2020 (Tuesday).

2. Registration procedures for the H Share Class Meeting

- (a) A shareholder or his proxy should produce proof of identity when attending the H Share Class Meeting;
- (b) Shareholders of the Company who intend to attend the H Share Class Meeting should return the confirmation slip for the EGM to the Company on or before 24 January 2020 (Friday); and
- (c) Shareholders of the Company may send the above confirmation slip to the legal address of the Company in person, by post or by facsimile.

3. Proxy

- (d) A shareholder of the Company eligible to attend the H Share Class Meeting is entitled to appoint one or more proxies to attend and vote on his behalf in accordance with the articles of association of the Company. A proxy need not be a shareholder of the Company;
- (e) A proxy shall be appointed by a written instrument signed by the appointer or its attorney. If the proxy form is signed by the attorney of the appointer, the power of the attorney or other authorisation document(s) of such attorney should be notarised;
- (f) To be valid, the power of attorney or other authorisation document(s) which have been notarised together with the completed proxy form, must be delivered to the legal address of the Company (for holders of Domestic Shares) or to the H share registrar of the Company, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) not less than 24 hours before the time designed for the holding of the EGM or not less than 24 hours before the time appointed for taking the poll; and
- (g) A shareholder of the Company who has appointed more than one proxy shall only vote on a poll at the H Share Class Meeting.

4. Closure of register of members of the Company

The register of members of the Company will be closed from 15 January 2020 (Wednesday) to 14 February 2020 (Friday) (both days inclusive), during which no transfer of shares of the Company will be effected. Holders of shares whose names stand on the register of members of the Company at 4:30 p.m. on 14 January 2020 (Tuesday) are entitled to attend and vote at the H Share Class Meeting.

5. The H Share Class Meeting is expected not to last for more than half a day. Attendants shall bear their own traveling and accommodation expenses.

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As at the date hereof, the Company's Board comprises: 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.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this notice and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this notice have been arrived at after due and careful consideration and there are no other facts not contained in this notice, the omission of which would make any statement in this notice misleading.