

(Stock Code: 0161)



### **BASIC INFORMATION OF THE COMPANY**

Listing stock exchange : The Stock Exchange of Hong Kong Limited

Stock short name : AVIC IHL Stock Code : 00161

Website : www.avic161.com

#### **EXECUTIVE DIRECTORS**

Mr. Liu Hong De, chairman (appointed as chairman on 15 February 2017)

Mr. Lai Wei Xuan, vice chairman

Mr. You Lei, vice chairman

Ms. Zhou Chun Hua (appointed on

15 February 2017)

Mr. Chen Hong Liang

Mr. Liu Jun

Mr. Wu Guang Quan (resigned on

15 February 2017)

Mr. Pan Lin Wu (resigned on 15 February 2017)

# INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wong Wai Ling (re-elected as an independent non-executive Director on

12 June 2017) Mr. Wu Wei

Mr. Wei Wei

### **SUPERVISORS**

Mr. Cao Jiang, chairman

Mr. Liang Chi

Mr. Liu Yongze

Mr. Yang Xi

# **COMPANY SECRETARY**

Mr. Zhong Si Jun

### **AUDIT COMMITTEE**

Ms. Wong Wai Ling, chairman

Mr. Wu Wei

Mr. Wei Wei

#### REMUNERATION COMMITTEE

Mr. Wei Wei, chairman

Mr. Liu Hong De

Mr. Chen Hong Liang

Ms. Wong Wai Ling

Mr. Wu Wei

### NOMINATION COMMITTEE

Mr. Wu Wei, chairman

Mr. Liu Hong De

Mr. Chen Hong Liang

Ms. Wong Wai Ling

Mr. Wei Wei

# REGISTERED ADDRESS OF THE COMPANY

Level 25, Hangdu Building, Catic Zone,

Shennan Road Central.

Futian Dist., Shenzhen, China

# PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1603, 16/F,

China Building,

29 Queen's Road Central.

Hong Kong

# STOCK-H SHARE REGISTRAR (FOR STOCK TRANSFER)

Hong Kong Registrars Limited Shops 1712–1716, 17th Floor.

Hopewell Centre.

183 Queen's Road East.

Wanchai.

Hong Kong

#### INDEPENDENT AUDITOR

PricewaterhouseCoopers

# LEGAL ADVISER AS TO HONG KONG LAWS

LOONG & YEUNG

#### PRINCIPAL BANKS

Bank of China

Agricultural Bank of China

Industrial and Commercial Bank of China

Bank of Shanghai

The board (the "Board") of directors (the "Directors") of AVIC International Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 prepared in accordance with the International Financial Reporting Standards as follows:

### **INTERIM CONSOLIDATED BALANCE SHEET**

	Note	Unaudited 30 June 2017 <i>RMB</i> '000	Audited 31 December 2016 RMB'000
ACCETO			
ASSETS Non-current assets			
Land use rights		2,149,812	2,195,136
Goodwill		985,072	960,054
Intangible assets		925,814	872.363
Property, plant and equipment		12,898,379	13,520,552
Investment properties		2,048,811	1,968,682
Construction-in-progress		9,011,110	3,993,953
Investments accounted for using the equity method		4,621,172	4,525,143
Trade and other receivables	7	518,233	1,727,577
Available-for-sale financial assets		583,560	583,560
Deferred income tax assets		606,812	617,769
Other non-current assets		276,932	614,749
		34,625,707	31,579,538
Current assets			
Inventories		5,864,206	5,805,348
Properties under development		1,043,959	679,923
Trade and other receivables	7	15,811,830	14,913,716
Amounts due from customers for contract work		1,893,295	1,841,368
Financial assets at fair value through profit or loss		11,531	2,901
Pledged bank deposits		857,400	937,562
Cash and cash equivalents		8,224,399	9,020,381
		33,706,620	33,201,199
Total assets		68,332,327	64,780,737

EQUITY Capital and reserves attributable to owners of the Company	Note	Unaudited 30 June 2017 <i>RMB'000</i>	Audited 31 December 2016 <i>RMB'000</i>
Share capital Share premium Perpetual subordinated convertible securities Other reserves Retained earnings		1,166,162 1,512,380 2,781,674 1,278,493 5,530,931	1,166,162 1,512,380 2,781,674 1,175,232 5,403,799
Non-controlling interests  Total equity		12,269,640 13,700,867 25,970,507	12,039,247 13,327,266 25,366,513
LIABILITIES Non-current liabilities Borrowings Deferred income tax liabilities Deferred income on government grants Provisions Trade and other payables Retirement and other supplemental benefit obligations Other non-current liabilities	8	10,482,240 622,859 1,673,826 201,431 120,420 408,089 106,032	8,904,854 617,537 1,447,927 196,461 73,391 414,274 80,332
Current liabilities Trade and other payables Amounts due to customers for contract work Borrowings Financial liabilities at fair value through profit or loss Current income tax liabilities Retirement and other supplemental benefit obligations Other current liabilities	8	13,614,897 16,366,228 1,224,402 10,871,149 1,325 217,860 11,970 53,989	11,734,776 17,056,217 975,536 9,319,542 – 301,509 15,742 10,902
Total liabilities		28,746,923 42,361,820	27,679,448 39,414,224
Total equity and liabilities		68,332,327	64,780,737

# INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Unaudited Six months ended 30 June

	Note	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Revenue Cost of sales	6	15,891,633 (12,609,954)	14,663,812 (12,165,964)
Gross profit		3,281,679	2,497,848
Distribution costs Administrative expenses Other income Other (losses)/gains – net		(980,914) (1,580,340) 393,882 (26,535)	(880,948) (1,452,339) 400,768 11,327
Operating profit	9	1,087,772	576,656
Finance income Finance costs		129,975 (587,110)	274,081 (519,756)
Finance costs - net		(457,135)	(245,675)
Share of profit of investments accounted for using the equity method		107,171	186,726
Profit before income tax		737,808	517,707
Income tax expense	10	(204,305)	(107,861)
Profit for the period		533,503	409,846
Profit attributable to: Owners of the Company Non-controlling interests		127,132 406,371	182,245 227,601
		533,503	409,846
Earnings per share attributable to the owners of the Company during the period (RMB per share)			
Basic earnings per share	11	0.10	0.15
Diluted earnings per share	11	0.06	0.09

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

# Unaudited Six months ended 30 June

	2017 RMB'000	2016 <i>RMB'000</i>
Profit for the period	533,503	409,846
Other comprehensive income:	ŕ	
Items that may be reclassified to profit or loss		
Currency translation differences	111,008	55,705
Other comprehensive income for the period, net of tax	111,008	55,705
Total comprehensive income for the period, net of tax	644,511	465,551
Attributable to:		
- Owners of the Company	229,912	214,518
- Non-controlling interests	414,599	251,033
Total comprehensive income for the period	644,511	465,551

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

				Unauc	dited			
		Attributabl	e to owners of the	Company				
-			Perpetual			•		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2016	1,166,162	1,512,380	2,781,674	1,234,425	4,845,122	11,539,763	12,801,353	24,341,116
Comprehensive income								
Profit for the period ended 30 June 2016	-	-	-	-	182,245	182,245	227,601	409,846
Other comprehensive income	-	-	-	32,273	-	32,273	23,432	55,705
Total comprehensive income	-	-	-	32,273	182,245	214,518	251,033	465,551
Transactions with owners								
Capital contributed by non-controlling interest	_	_	_	_	_	_	40,000	40,000
Disposal of subsidiaries	-	-	-	-	-	-	(6,905)	(6,905)
Special reserve-safety production fund	_	_	_	472	_	472	6	478
Dividends relating to 2016	-	-	-	-	-	-	(127,604)	(127,604)
Total transactions with owners	-	-	-	472	-	472	(94,503)	(94,031)
Balance as at 30 June 2016	1,166,162	1,512,380	2,781,674	1,267,170	5,027,367	11,754,753	12,957,883	24,712,636

	Unaudited								
		Attributab	le to owners of the	e Company					
			Perpetual						
			subordinated				Non-		
	Share	Share	convertible	Other	Retained		controlling	Total	
	capital	premium	securities	reserves	earnings	Total	interest	equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 1 January 2017	1,166,162	1,512,380	2,781,674	1,175,232	5,403,799	12,039,247	13,327,266	25,366,513	
Comprehensive income									
Profit for the period ended 30 June 2017	-	-	-	-	127,132	127,132	406,371	533,503	
Other comprehensive income	-	-	-	102,780	-	102,780	8,228	111,008	
Total comprehensive income	-	-	-	102,780	127,132	229,912	414,599	644,511	
Transactions with owners									
Disposal of subsidiaries	_	_	_	_	_	_	(12,047)	(12,047)	
Special reserve-safety production fund	-	-	_	481	-	481	208	689	
Dividends relating to 2017	-	-	-	-	-	-	(29,159)	(29,159)	
Total transactions with owners	-	-	-	481	-	481	(40,998)	(40,517)	
Balance as at 30 June 2017	1,166,162	1,512,380	2,781,674	1,278,493	5,530,931	12,269,640	13,700,867	25,970,507	

# **INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

# Unaudited Six months ended 30 June

	2017 RMB'000	2016 RMB'000
Cash flows from operating activities: Cash generated from/(used in) operations Interest paid Income tax paid	1,744,876 (450,096) (280,896)	(1,506,720) (423,197) (190,300)
Cash flows from/(used in) operating activities	1,013,884	(2,120,217)
Cash flows from investing activities:  Net proceeds from disposal of subsidiaries  Net proceeds from disposal of property, plant and equipment and investment properties  Contribution to associates  Contribution to jointly controlled entities  Purchase of land use rights  Additions to property, plant and equipment and construction in process  Additions to available-for-sale financial assets  Loans to related parties	600,000 4,372 (5,100) - (45,324) (5,270,909) - (20,000)	19,361 2,637 (9,860) (34,000) (32,096) (1,742,467) (2,200)
Additions to financial assets at fair value through profit or loss Government grants received Interest received Dividends received  Cash flows used in investing activities	(6,114) 487,137 93,045 26,716 (4,136,177)	(200,000) 35,398 162,122 257,668 (1,543,437)
Cash flows from financing activities: Proceeds from borrowings Repayments of borrowings Borrowings from related parties Repayments of borrowings from related parties Consideration paid to non-controlling interests Capital contribution to subsidiaries from non-controlling interests	9,080,747 (6,395,807) 1,690,900 (2,150,900)	8,668,863 (8,568,415) 2,079,823 (1,873,943) (6,540)
Dividends paid to non-controlling interests of subsidiaries	(4,659)	(55,089)
Cash flows generated from financing activities  Net decrease in cash and cash equivalents Cash and cash equivalents at beginning of period Currency translation differences	2,220,281 (902,012) 9,020,381 106,030	264,699 (3,398,955) 11,780,904 108,552
Cash and cash equivalents at end of period	8,224,399	8,490,501

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION

### 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 H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the manufacturing and sales of flat panel displays, printed circuit boards and watches, property development, logistic and shipping building service relating to engineering, procurement and construction projects ("EPC projects") development in the PRC.

The office address of the Company is 25/F, Hangdu Building, CATIC Zone, Shennan Road Central, Futian District, Shenzhen, PRC.

This interim consolidated financial information is prepared in RMB thousands, unless otherwise stated. This interim consolidated financial information has not been audited.

The interim consolidated financial information have been approved for issue on 25 August 2017.

### Significant events and transactions

On 10 March 2017, Tian Ma Microelectronics Co., Ltd. ("Tianma") entered into two separate framework agreements with (a) AVIC International, AVIC Shenzhen, Xiamen Company and Xiamen Jincai Company, a third party, in relation to the acquisition of 100% equity interest in Xiamen Tianma Microelectronics Company Limited; and (b) Shanghai Industrial Investment (Group) Co., Ltd., a third party, and Shanghai Zhangjiang (Group) Co., Ltd., a third party, in relation to the acquisition of 60% equity interest in Shanghai Tian Ma Organic Light-Emitting Company Limited. Pursuant to the framework agreements, the consideration for the acquisitions will be fully settled by issue of consideration shares of Tianma.

On 17 May 2017, the Board resolved to dispose of the interests in AVIC Vanke Company Limited ("AVIC Vanke"). It is proposed that the Company will, jointly with AVIC International, conduct the disposal of the 60% interest in AVIC Vanke in aggregate in relation to their respective 47.12% and 12.88% equity interest in AVIC Vanke through China Beijing Equity Exchange.

# 2 Basis of preparation

This interim consolidated financial information for the six months ended 30 June 2017 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These unaudited interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRS.

# 3 Accounting polices

The accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2017.

- (a) Amendments to IFRS effective for the financial year ending 31 December 2017 do not have a material impact on the Group.
- (b) Impact of standards issued but not yet applied to the Group.

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2017. They are relevant to the operations of the Group but have not been early adopted.

Effective for accounting periods beginning on or after

IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

The Group has already commenced an assessment of the impact of these new or revised standards which are relevant to the Group's operation. The directors do not expect the adoption of IFRS 16 would result in significant impact on the Group's financial performance and positions except for the recognition of the right-of-use assets and corresponding lease liabilities arising from accounting for operating leases by the Group as a lessee.

#### 4 Estimates

The preparation of interim consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

# 5 Financial risk management

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management policies since 31 December 2016.

### 5.2 Liquidity risk

Compared to 31 December 2016, there was no material change in the contractual undiscounted cash out flows for financial liabilities. The Group exercises prudent liquidity risk management by maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

### 5.3 Fair value estimation

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 assets that are measured at fair value at 30 June 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss Available-for-sale financial assets	11,531	-	- 583,560	11,531 583,560
Total assets	11,531	_	583,560	595,091
<b>Liabilities</b> Financial liabilities at fair value				
through profit or loss	1,325	-	-	1,325
Total liabilities	1,325	-	-	1,325

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total <i>RMB'000</i>
Assets Financial assets at fair value through profit or loss Available-for-sale financial	2,901	-	-	2,901
assets	_	_	583,560	583,560
Total assets	2,901	_	583,560	586,461

## 6 Segment information

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 board considers the business from a product perspective. The Group is reorganised into the four business segments below:

- High-tech Electronic:
  - Manufacture and sales of flat panel displays and modules ("FPD") products
  - Manufacture and sales of printed circuit boards ("PCB") products
- Retails and Consumer Products manufacture of middle to high-end wrist watches and chain store sales of luxury watches
- Real Estate real estate development and construction engineering work
- Trading and Logistics trading, logistics and shipping building business related to Engineering, Procurement and Construction Projects ("EPC Projects")

The hotel business and standard parts products are included in all 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 after taxation.

The revenue and profit/(loss) after taxation of the Group for the six months ended 30 June 2017 and 2016 by activities are classified as follows:

	Six months e	Six months ended 30 June		nded 30 June
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
High-tech Electronic				
<ul> <li>Manufacture and Sales of FPD</li> </ul>				
Products	6,126,685	4,922,742	442,156	258,720
<ul> <li>Manufacture and Sales of PCB</li> </ul>				
Products	2,621,286	2,042,751	224,044	138,840
Retails and Consumer Products	1,588,554	1,469,081	86,573	64,755
Real Estate (a)	1,704,289	1,709,820	(24,019)	161,307
Trading and Logistics	3,511,326	4,196,051	(133,913)	(164,509)
All other Segments	339,493	323,367	(61,338)	(49,267)
Total	15,891,633	14,663,812	533,503	409,846

Profit after taxation of the Group contains investment gain of AVIC Vanke Company Limited amounting to RMB49,244,000 (as the same period of 2016: RMB40,075,000) and investment loss of AVIC Real Estate Holding Company Limited amounting to RMB33,229,000 (as the same period of 2016: investment gain of RMB751,000).

Profit/(loss) after taxation

# 7 Trade and other receivables

### As at

	30 June	31 December
	2017	2016
	RMB'000	RMB'000
Trade receivables	7,198,716	7,594,867
Less: provision for impairment of receivables	(216,813)	(238,818)
·	, , ,	. , ,
Trade receivables – net	6,981,903	7,356,049
Other receivables	4,925,155	4,989,560
Notes receivables	1,234,059	1,414,173
Prepayments to suppliers	2,026,764	1,619,005
Excess of input over output value added tax	938,846	952,436
Interests receivable	28,657	43,293
Deposits	178,714	187,566
Financial lease receivables	15,965	79,211
	16,330,063	16,641,293
	10,000,000	10,041,200
Less: non-current portion		
- Excess of input over output value added tax	(17,103)	_
- Deposits	(129,251)	(160,044)
- Other receivables	(355,914)	(1,488,322)
- Financial lease receivables	(15,965)	(79,211)
	(518,233)	(1,727,577)
Current portion	15,811,830	14,913,716

The Group's credit term on sale of goods is from 1 month to 12 months. The aging analysis of trade receivables is as follows:

### As at

	30 June 2017 <i>RMB'000</i>	31 December 2016 <i>RMB'000</i>
Trade receivables Within 1 year Between 1 and 2 years Between 2 and 3 years Over 3 years	6,013,111 642,929 297,723 244,953	6,086,581 901,340 342,304 264,642
Less: provision for impairment losses	7,198,716 (216,813)	7,594,867 (238,818)
	6,981,903	7,356,049

# 8 Trade and other payables

### As at

	30 June 2017 <i>RMB'000</i>	31 December 2016 <i>RMB'000</i>
Trade payables	7,688,614	8,342,557
Salaries and staff welfare payable	567,441	692,901
Notes payable	1,750,544	2,090,214
Advances from customers	3,019,692	3,241,995
Interest payable	226,012	88,998
Dividend payable	26,728	27,136
Other taxes payable	100,400	225,465
Accruals and other payables	2,986,797	2,277,870
Deposits	120,420	142,472
	16,486,648	17,129,608
Less: non-current portion		
- Deposits	(120,420)	(73,391)
Current portion	16,366,228	17,056,217

As at 30 June 2017 and 31 December 2016, the aging analysis of the trade payables are as follows:

As at

	30 June 2017 <i>RMB'000</i>	31 December 2016 <i>RMB'000</i>
<b>Trade payables</b> Within 1 year	6,989,889	7,379,859
Between 1 and 2 years Between 2 and 3 years	453,245 173,547	614,723 202,414
Over 3 years	71,933	145,561
	7,688,614	8,342,557

# 9 Operating profit

The following items have been charged to the operating profit during the period:

### Six months ended 30 June

	2017 RMB'000	2016 RMB'000
Provision for impairment of inventory	56,874	42,518
Provision for impairment of trade receivables	22,158	16,587
Amortisation of land use rights	32,049	22,968
Amortisation of other non-current assets	257,832	127,692
Depreciation of fixed assets	808,336	716,995
Losses on disposals of property, plant and equipment	1,856	1,535

# 10 Income tax charge

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.

Tian Ma Microelectronics Co., Ltd. ("Tianma") and its subsidiaries Shanghai Tianma Microelectronics Co., Ltd., Chengdu Tianma Microelectronics Co., Ltd., Wuhan Tianma Microelectronics Co., Ltd., Shanghai AVIC Opto-electronics Co., Ltd. ("Shanghai Opto-electronics"), Shennan Circuit Co., Ltd. ("SCC"), AVIC Wang Xin Beijing Science and Technology Co., Ltd., Shenzhen Fiyta Technology Development Co., Ltd, China National Aero-Technology Beijing Company Limited ("Beijing Company") and Shenzhen Fiyta Chronometer Manufacture Co., Ltd. were qualified as High and New Technology Enterprises in the PRC and were entitled to a preferential income tax rate of 15% in 2017 (2016: 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.

#### Six months ended

	30 June 2017 <i>RMB'000</i>	30 June 2016 <i>RMB'000</i>
Current income tax Deferred income tax charged	197,247 7,058	92,814 15,047
	204,305	107,861

# 11 Earnings per share

### (a) Basic

Basic and diluted earnings per share are calculated by dividing the profit attributable to owners minus profit attributable to perpetual subordinated convertible securities holders of the Company by the weighted average number of ordinary shares in issue during the period.

### Six months ended

	30 June 2017 <i>RMB'000</i>	30 June 2016 <i>RMB'000</i>
Profit attributable to owners of the Company (RMB'000)  Less: Profit attributable to perpetual subordinated convertible securities ("PSCS") holders (RMB'000)	127,132	182,245
Adjusted profit attributable to the owners of the Company (RMB'000)	113,224	168,337
Weighted average number of ordinary shares in issue (thousands)	1,166,162	1,166,162
Basic earnings per share (RMB per share)	0.10	0.15

### (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.

#### Six months ended

	30 June 2017 <i>RMB'000</i>	30 June 2016 <i>RMB'000</i>
Profit attributable to owners of the Company (RMB'000)	127,132	182,245
Weighted average number of ordinary shares in issue (thousands) Adjustments for: Perpetual subordinated convertible securities (thousands)	1,166,162 801,635	1,166,162 801,635
Weighted average number of diluted earnings per share (thousands)	1,967,797	1,967,797
Diluted earnings per share (RMB per share)	0.06	0.09

### 12 Dividends

The directors did not propose an interim dividend for the six months ended 30 June 2017 (30 June 2016: Nii).

### 13 FINANCIAL GUARANTEE CONTRACTS

As at 30 June 2017, the Group has the following financial guarantees outstanding:

Guarantor	Guarantor's relationship with the Group	Guarantee	Guarantee's relationship with the Group	Outstanding amounts guaranteed RMB'000
The Company	Holding Company	Shenzhen AVIC Resource Co. Ltd. (深圳中航資源有限公司)	Fellow subsidiaries	120,000
Tian Ma Microelectronics Co., Ltd. ("Tianma Company")	Subsidiary of the Group	Shanghai Tianma Organic Light Emitting Display technology Co., Ltd. * (上海天馬有機發光顯示技術 有限公司)	Associate	748,343
China National Aero Technology Xiamen Company Limited ("Xiamen Company")	Subsidiary of the Group	Xiamen Tianma Microelectronics Co., Ltd. * (廈門天馬微電子有限公司)	The guarantor holds 6% equity interest in the guarantee	98,750
China National Aero Technology International Engineering Company Limited ("Engineering Company")	Subsidiary of the Group	CATIC Construction Engineering Company Limited * (中航建築工程有限公司)	Associate	127,400
Beijing Company	Subsidiary of the Group	Taizhou AVIC Shipbuilding Heavy Industry Limited* (泰州中航船舶重工有限公司)	Third party	126,253
Beijing Company	Subsidiary of the Group	Zhengli Ocean Engineering Company Limited* (正力海洋工程有限公司)	Third party	6,240
China National Aero Technology Trade and Economic Development Company Limited ("TED Company")	Subsidiary of the Group	AVIC Wang Xin Beijing Science and Technology Co., Ltd. (中航網信 (北京) 科技有限公司)	Associate	9,313
				1,236,299

<sup>\*</sup> The English names of these companies are management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

# As at 31 December 2016, the Group has the following financial guarantees outstanding:

Guarantor	Guarantor's relationship with the Group	Guarantee	Guarantee's relationship with the Group	Outstanding amounts guaranteed RMB'000
Beijing Company	Subsidiary of the Group	Taizhou AVIC Shipbuilding Heavy Industry Limited* (泰州中航船舶重工有限公司)	Third party	347,040
Beijing Company	Subsidiary of the Group	Zhengli Ocean Engineering Company Limited* (正力海洋工程有限公司)	Third party	11,710
Tianma Company	Subsidiary of the Group	Shanghai Tianma Organic Light-Emitting Technology Company Limited* (上海天馬有機發光顯示技術 有限公司)	Associate	682,572
Xiamen Company	Subsidiary of the Group	Xiamen Tianma Microelectronics Company Limited* (廈門天馬微電子有限公司)	The guarantor holds 6% equity interests in the guarantee	176,000
TED Company	Subsidiary of the Group	AVIC Wang Xin Beijing Science and Technology Co., Ltd.* (中航網信(北京)科技有限公司)	Associate	25,000
Engineering Company	Subsidiary of the Group	CATIC Construction Engineering Company Limited* (中航建築工程有限公司)	Associate	127,400
The Company	Holding Company	Shenzhen AVIC Resources Co., Ltd. * (深圳中航資源有限公司)	Fellow subsidiaries	714,000
The Company	Holding Company	Qinghai CATIC Resources Co., Ltd. * (青海中航資源有限公司)	Fellow subsidiaries	475,470
The Company	Holding Company	Kunming AVIC Phosphorus Chemical Co., Ltd. * (昆明市中航磷化工有限公司)	Fellow subsidiaries	34,000
The Company	Holding Company	Yunnan Hongfu Fertilizer Co., Ltd. * (雲南紅富化肥有限公司)	Fellow subsidiaries	6,430
The Company	Holding Company	Qinghai AVIC Silicon Material Co.,Ltd* (青海中航矽材料有限公司)	Fellow subsidiaries	23,344
				2,622,966

<sup>\*</sup> The English names of these companies are management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

### 14 Commitments

### (a) Capital commitments

Capital commitments at the balance sheet date but not yet incurred are as follows:

As at

	30 June 2017 <i>RMB'000</i>	31 December 2016 <i>RMB</i> '000
Contracted but not provided for		
Land use rights	_	77,001
Property, plant and equipment	6,098,752	9,502,025
Intangible assets	50,131	_
Equity interest investments	11,050	11,050
	6,159,933	9,590,076

# (b) Operating lease commitments

The Group has commitments under non-cancellable operating leases in respect of office premises as follows:

As at

	30 June 2017 <i>RMB'000</i>	31 December 2016 <i>RMB'000</i>
Not later than one year Later than one year and not later than five years More than five years	98,629 178,188 4,193	91,097 196,536 8,356
	281,010	295,989

# 15 Related party transactions

The Group is controlled by AVIC International Holding Corporation ("AVIC International"), a state-controlled company established in the PRC which directly and indirectly hold 71.43% of the Company's shares. The remaining 28.57% of the shares are widely held. The directors regard AVIC International and Aviation Industry Corporation of China ("Aviation Industry") as the holding company and ultimate holding company of the Group respectively.

In addition to the related party information shown elsewhere in the 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

	2017	2016	
	RMB'000	RMB'000	
Deviser			
Revenue:			
Sales of goods			
– Associates	2,700	826	
	· ·		
<ul> <li>Fellow subsidiaries of Aviation Industry</li> </ul>	937,938	799,907	
<ul> <li>Holding company</li> </ul>	-	420	
<ul> <li>Ultimate holding company</li> </ul>	_	92	
- Joint ventures	18,162	25,652	
- Control Cont	10,102	20,002	
	958,800	826,897	
	930,000	020,031	
Consider income			
Service income			
<ul> <li>Fellow subsidiaries of Aviation Industry</li> </ul>	157,020	323,143	
<ul> <li>Holding company</li> </ul>	331	_	
- Associates	381	8	
7030010103	001	0	
	157,732	323,151	
	107,702	020,101	
Rental income			
	_		
<ul> <li>Fellow subsidiaries of Aviation Industry</li> </ul>	811	2,787	
Interest income			
<ul> <li>Fellow subsidiaries of Aviation Industry</li> </ul>	15	10,787	

# Six months ended 30 June

	CERTIFICATION OF CONTROL OF CONTROL		
	2017	2016	
	RMB'000	RMB'000	
Purchase of goods and services:			
Purchases of goods			
- Holding company		11,006	
0 . ;		· · · · · · · · · · · · · · · · · · ·	
<ul> <li>Fellow subsidiaries of Aviation Industry</li> </ul>	412,412	448,616	
<ul><li>Associates</li></ul>	1,750	118	
<ul> <li>Joint ventures</li> </ul>	15,371	22,607	
	10,011	,,	
	429,533	482,347	
Service costs			
<ul> <li>Fellow subsidiaries of Aviation Industry</li> </ul>	22,077	291,541	
- Associates	3,866	12	
<ul> <li>Holding company</li> </ul>	6	9	
<ul> <li>Non-controlling interests</li> </ul>	1,037	1,576	
	00.000	000 100	
	26,986	293,138	
Interest eveneses			
Interest expenses	00.405	10.000	
<ul> <li>Fellow subsidiaries of Aviation Industry</li> </ul>	33,135	12,208	
<ul> <li>Holding company</li> </ul>	910	14,887	
<ul> <li>AVIC International Shenzhen Company</li> </ul>			
Limited ("AVIC Shenzhen"), the Company's			
, , , , , , , , , , , , , , , , , , , ,			
shareholder holding the equity interests			
of the Company (30 June 2017: 33.93%,			
31 December 2016: 33.93%)	1,961	2,495	
	36,006	29,590	

# (b) Balances with related parties

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

As at

	30 June	31 December
	2017	2016
		1 1
	RMB'000	RMB'000
0.11		
Other receivables		
<ul> <li>Fellow subsidiaries of Aviation Industry</li> </ul>	705,953	419,048
– Associates	22,698	235,158
		· · · · · · · · · · · · · · · · · · ·
- Holding company	158,640	47,537
<ul><li>AVIC Shenzhen</li></ul>	3,000	3,000
<ul> <li>Non-controlling interests</li> </ul>	200	_
<ul> <li>Jointly controlled entities</li> </ul>	_	1,959
		.,000
	890,491	706,702
Interest receivables		
<ul><li>Associates</li></ul>	1,622	12,514
Prepayments		
- Fellow subsidiaries of Aviation Industry	28,134	6,956
- Associates	82,014	1,560
	· · · · · · · · · · · · · · · · · · ·	1,500
<ul> <li>Holding company</li> </ul>	2,289	_
- AVIC Shenzhen	-	15,000
	112,437	23,516
	, -	-,-
Accounts receivable		
<ul> <li>Fellow subsidiaries of Aviation Industry</li> </ul>	614,207	750,463
,		· ·
<ul> <li>Jointly controlled entities</li> </ul>	63,204	160,187
<ul><li>Associates</li></ul>	83,755	30
<ul> <li>Holding company</li> </ul>	6,347	3,861
<ul> <li>Non-controlling interests</li> </ul>	_	717
	767,513	915,258
Accruals and other payables		
. ,	206 747	60,000
- Fellow subsidiaries of Aviation Industry	306,747	68,289
- AVIC Shenzhen	6,635	6,684
<ul><li>Associates</li></ul>	5,430	6,060
- Holding company	53,110	592
J . ,	30,110	
- Jointly controlled entities	_	2,963
	371,922	84,588
	<del></del>	<del></del>

#### As at

	AS	As at	
	30 June	31 December	
	2017	2016	
	RMB'000	RMB'000	
Accounts payable			
<ul> <li>Fellow subsidiaries of Aviation Industry</li> </ul>	694,255	325,817	
– Associates	278	54,649	
<ul> <li>Holding company</li> </ul>	278	82	
	694,811	380,548	
	094,011	300,340	
Advance from customers			
<ul> <li>Fellow subsidiaries of Aviation Industry</li> </ul>	20,214	202,042	
<ul> <li>Jointly controlled entities</li> </ul>	8	4,007	
<ul> <li>Holding company</li> </ul>	840	420	
- Associates	-	134	
	21,062	206,603	
Interest no vables			
Interest payables		14.200	
Fellow subsidiaries of Aviation Industry	_	14,299	
Borrowings from related parties			
Included in other payables			
<ul> <li>Fellow subsidiaries of Aviation Industry</li> </ul>	_	73,263	
- Holding company	-	209,375	
	_	282,638	
Included in other liabilities			
- AVIC Shenzhen	75,000	75,000	
- Non-controlling interests	75,000	328	
- Non-controlling interests	_	020	
	75,000	75,328	
Included in borrowings			
- Fellow subsidiaries of Aviation Industry	1,299,527	2,187,022	
Loan to related parties			
Included in other receivables			
- Associates	137,919	387,705	
- Fellow subsidiaries of Aviation Industry	_	709,520	
	137,919	1,097,225	
	101,919	1,001,220	

# **BUSINESS REVIEW**

The revenue and profit contribution of the Company in its interim consolidated results for the six months ended 30 June 2017 (the "Reporting Period") were primarily derived from the following business segments and subsidiaries:

Business segments	Name of subsidiaries	Percentage of equity interests held by the Company	Principal activities
Segments	Name of Substitutiones	Company	Filicipal activities
High-tech Electronic	Tian Ma Microelectronics Co., Ltd. ("Tianma Company")	20.81%	Manufacture and sales of flat panel displays and modules (FPD)
	Shennan Circuits Co., Ltd. ("SCC")	92.99%	Manufacture and sales of printed circuit boards and packaging substrate (PCB)
Retails and Consumer Products	Fiyta Holdings Limited ("Fiyta")	37.15%	Manufacture of middle to high-end wrist watches and chain store sales of luxury watches
Trading and Logistics	China National AeroTechnology Beijing Company Limited ("Beijing Company")	100%	Mechatronics engineering and machinery vehicles, etc.
	AVIC International Maritime Holdings Limited ("AVIC Maritime")	73.87%	Shipping engineering
	AVIC Weihai Shipyard Co., Ltd. ("Weihai Shipyard")	69.77%	Shipping construction
	China National Aero Technology Guangzhou Company Limited ("Guangzhou Company")	100%	Trading and logistics of medical facilities and bitumen engineering

Business segments	Name of subsidiaries	Percentage of equity interests held by the Company	Principal activities
	China National Aero Technology Xiamen Company Limited ("Xiamen Company")	100%	Trading and logistics of stone materials
	China National Aero Technology Trade and Economic Development Company Limited ("TED Company")	100%	Tendering agency, etc
	AVIC International Renewable Energy Development Co., Ltd. ("RED Company")	100%	Power station construction, energy saving management, etc
Real Estate	Beijing AVIC Ruixin Investment and Management Company Limited ("Beijing Ruixin")	90%	Businesses like residential premises development
	Chengdu AVIC Raise Real Estate Company Limited ("Chengdu Raise")	60%	Businesses like residential premises development
	China National Aero Technology International Engineering Company Limited ("Engineering Company")	100%	General contracting of international engineering construction and general contracting of domestic construction engineering

During the first half of 2017, the global economy had been experiencing a complex situation while the domestic one still faced multiple risks and uncertainties. The Group had proactively responded to the internal and external challenges and capitalized on the opportunities in the market. For the Reporting Period, the consolidated revenue was approximately RMB15,891,633,000, representing an increase of approximately 8.37% as compared with RMB14,663,812,000 for the corresponding period in 2016. The profit after taxation of the Group was approximately RMB533,503,000, representing an increase of approximately 30.17% as compared with RMB409,846,000 for the same period of previous year. Owing to various factors, including the profit decline of subsidiaries which have larger percentage of shareholdings and the decrease in investment revenue, the profit attributable to the equity holders of the Company recorded a year-on-year decrease.

# **High-tech Electronic Products**

As for the business of high-tech electronic products, the Group engages in research and development (R&D), design, production, sales and service of display and PCB products mainly through its subsidiaries, such as Tianma Company and SCC. During the Reporting Period, the Group's turnover generated from high-tech electronic products segment was approximately RMB8,747,971,000, representing an increase of approximately 25.59% as compared with RMB6,965,493,000 for the same period of previous year. The profit after taxation was approximately RMB666,200,000, representing an increase of approximately 67.57% over the same period of previous year of approximately RMB397,560,000.

### (1) FPD

The display products of Tianma Company comprise small-to-medium size displays and display modules which are mainly used in consumer electronic products, such as mobiles, tablets, etc. and professional display fields such as industrial control and medical services. During the Reporting Period, Tianma Company continued to optimize the product structure with transformation to high-value-added products, which led to a continued increase in the proportion of medium-to-high end smartphone applications. Furthermore, the customer structure was further enhanced through continuous cultivation of customers worth billions and keeping up with mainstream customers in the industry. Tianma Company grasped the market opportunity driven by the growing trend of the end demand of a-Si consumer products, resulting in a significant increase of orders in the first half of the year. Benefited from the optimization of product structure, increase of consumer product price and strengthening of cost control, total profit recorded a significant increase as compared with that of the corresponding period of previous year. During the Reporting Period, the product line of the Wuhan 6th generation of AMOLED (G6 Project) was fully connected in April, in which rigid and flexible products were bright up at the same time.

During the Reporting Period, Tianma Company's major asset restructuring and ancillary financing proposal had been approved at the extraordinary general meeting of the Company and will be submitted to the State-owned Assets Supervision and Administration Commission ("SASAC") of the State Council for approval.

### (2) PCB

SCC's PCB products comprise medium-to-high end multi-layer PCB products, PCBA products and packaging substrate, which are mainly used in high technology fields such as telecommunication, aeronautics and astronautics, medical services and industrial control. During the Reporting Period, PCB business had seized the opportunities and actively captured purchase orders generated from the customer demands of telecommunication sector, while the outputs kept scaling new heights due to the increasing demand from customers such as Nokia, Ericsson and Samsung. Packaging Substrate seized the market opportunities of the demand from consumer electronic customers with IPHNOE industrial chain, which led to substantial growth in orders and outputs. PCBA business's integrated project output was enhanced swiftly and made a breakthrough in the industries such as medical services and motor vehicles, with significant increase in revenue and profit as compared with that of the same period of previous year. SCC's Nantong plant (深南電路南通工廠) had completed equipment and process arrangement as well as model selection, and the progress of infrastructure projects ran smooth.

During the Reporting Period, the updated materials of SCC's IPO project were submitted to the China Securities Regulatory Commission ("CSRC") in March and CSRC's preliminary review comments were received in May. For now, SCC is replying the relevant questions.

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

The retails and consumer products segment of the Group engages in the production and brand operation of medium-to-high end watches and chain sales of prestigious watches through its subsidiary, Fiyta. During the Reporting Period, the turnover generated from the retails and consumer products segment of the Group amounted to approximately RMB1,588,554,000, representing an increase of approximately 8.13% as compared with RMB1,469,081,000 over the same period of previous year. Profit after taxation was approximately RMB86,573,000, representing an increase of approximately 33.69% as compared with RMB64,755,000 over the same period of previous year.

During the first half of 2017, Fiyta grasped the pick-up market situation of domestic retail market of watches and clocks, and orderly facilitated the channel optimization and the promotion of physical store performance so as the significant improvement of single-store output of the older stores. The repair business and the overseas market sales of Fiyta watches increased substantially as compared with that of the corresponding period of previous year. The new brand of Jonas & Verus experienced a rapid growth. The research and development, market launch and channel extension of new products of Beijing Watch has a smooth progression.

## **Trading and Logistics**

The Group engages in the business of mechatronics engineering, ship engineering, tendering agency and energy management through its subsidiaries, including Beijing Company, AVIC Maritime, Weihai Shipyard, Guangzhou Company, Xiamen Company, TED Company and RED Company. During the Reporting Period, the Group's revenue generated from trading and logistics business was approximately RMB3,511,326,000, representing a decrease of approximately 16.32% over the same period of previous year of approximately RMB4,196,051,000. The loss after taxation was approximately RMB133,913,000, representing a reduction of losses of approximately RMB30,596,000 as compared to the loss after taxation of approximately RMB164,509,000 recorded in the same period of previous year.

### (1) Ship Engineering

The Group's ship engineering business has further optimized its product structure to accelerate the acquisition of high value-added and high-tech orders; continuously enhanced the key technology and self-owned shipyard management and manufacturing capabilities to ensure on-time shipping delivery with high quality. We also enhanced the cooperation with Deltamarin Oy, utilized the synergies of research and development and design to continuously improve the operating results. During the Reporting Period, 17 new shipping orders were signed under the Group's shipping business and 9 shipping orders were executed. Orders on hand accumulated to 41 ships. Ships under construction were in good progress and delivery of 14 ships was achieved.

### (2) Mechatronics Engineering

The mechatronics engineering business of the Group mainly comprises general contracting of elementary performing projects (EPC) including cement plant and power station. During the Reporting Period, the mechatronics engineering business of the Group has been promoting the market research on One Belt and One Road in depth, focusing on core industries and key regions and speeding up the project expansion and execution as well as the improvement of professional competence. Moreover, our mechatronics engineering business also has been focusing on the operational improvement of KHD Humboldt Wedag International AG and optimizing the business development model, sparing no effort to turn into profit. During the Reporting Period, the newly signed orders for mechatronics engineering business amounted to more than US\$2.7 billion.

#### **Real Estate**

The Group engages in domestic real estate development business through its subsidiaries such as Chengdu Raise and Beijing Ruixin, and engages in domestic and overseas engineering contracting through Engineering Company. During the Reporting Period, the real estate business of the Group recorded a turnover of approximately RMB1,704,289,000, representing a decrease of approximately 0.32% over the same period of last year of approximately RMB1,709,820,000. The loss after taxation amounted to approximately RMB24,019,000, representing a decrease of approximately RMB185,325,000 as compared to a profit after taxation of approximately RMB161,307,000 recorded in the same period of last year. Loss after taxation comprises investment gain from the jointly controlled entities, AVIC Vanke Company Limited ("AVIC Vanke"), and the associate, AVIC Real Estate Company Limited ("AVIC Real Estate"), of approximately RMB16,015,000.

### (1) Real Estate Development

The domestic real estate development projects of the Group are mainly involved in commercial complexes in small to medium cities. During the Reporting Period, the Group has made great efforts to promote the de-stocking in real estate business and sales payment returns, while orderly advancing the withdrawal of the associate, AVIC Vanke.

### (2) Engineering Contracting

The engineering contracting business of the Group mainly comprises contracting of international construction projects and gradually expands into domestic construction project contracting business. The Group successfully won the orders from South Asia and the Middle East, and undertook numerous medium and large international engineering general contracting projects. During the Reporting Period, there were 16 newly-signed international and domestic engineering projects with contract amount of approximately US\$1.8 billion. Projects on hand have been running smoothly, for instance, the south highway project of Sri Lanka entered into the construction peak for this year, and the aviation facilities construction business has made a remarkable breakthrough. Notwithstanding the above, the performance during the Period recorded a loss due to various factors, including the settlement of the partial completion of overseas and domestic projects.

### **Business Prospects**

Looking forward to the second half of 2017, as the global economy continues to be complicated and volatile, there are unfavorable situations that developed countries are suffering from an anemic economic recovery and China is still exposed to severe economic downward pressure. In light of the above, the Group will continuously stick to our annual strategic theme, with an aim to seize the market opportunities and enhance the order acquisition ability, accelerate market expansion and project execution, strive to enhance the product portfolio and adjust customer structures, and speed up the operational improvement of loss-making businesses. Meanwhile, we will achieve innovation in combination of our commercial models and further focus on our major business to achieve our whole-year operational target.

# **High-tech Electronic Products**

The high-tech electronic products business of the Group will continue to promote order acquisition and product structure optimization, and integrate market expansion with customer classification management to increase the customer coverage and penetration of high value-added products and strengthen the research and development efforts of technologies and products including packaging substrate and AM-OLED, and accelerate the promotion of the output of Wuhan G6 production line and the constructing progress of Shennan Nantong factory. For the second half of the year, the Company will further promote the reorganization of material assets and related financing proposals of Tianma Company and IPO project concerning the spin-off of Shennan Circuit

### **Retails and Consumer Products**

Fiyta will accelerate the optimization of existing pipeline structure and the promotion of yield per unit with deep combination of consuming demands of the customers, and will keep facilitating the cultivation of new brands and the expansion of new business and new market and continue to strengthen cost and expenses control and promote operational efficiency in order to further promote the operating results.

# **Trading and Logistics**

For the second half of the year, the Group will strive to reduce losses and increase profits in shipping business, enhancing our market expansion strengths to facilitate the acquisition of high value-added orders, while strengthening the operation and management of self-owned shipyards to ensure the on-time delivery of ships. The mechatronics engineering business will endeavor to procure the contract signing of EPC project in countries like Venezuela and Cuba, and promote the execution of projects on hand in an orderly manner while facilitating the implementation of operational improvement initiatives of KHD Humboldt Wedag International AG.

#### **Real Estate**

The Group will continuously facilitate the withdrawal of the associate, AVIC Vanke, and the withdrawal of the relevant property development business. Our key development focus, the engineering contracting business, will leverage on hard training, enhance operational management, speed up the progress of major projects, including the Angolan airport project, and strict control of expenses and costs, all of which will improve the gross profit of the project and the operating profit margin of the Company.

### LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2017, the total cash and cash equivalents of the Group amounted to approximately RMB8,224,399,000, including cash in Hong Kong dollars, US dollars, Japanese Yen and Korean Won which has been converted into Renminbi (31 December 2016: RMB9,020,381,000). The Group's total current borrowings amounted to approximately RMB10,871,149,000; and total noncurrent borrowings amounted to approximately RMB10,482,240,000 with an annual interest rate ranging from 0% to 6.53%. The Group has further strengthened and perfected its regulations in respect of the management of tradable financial assets, and formulated the procedures of decision-making, implementation and risk control.

As at 30 June 2017, the capital expenditure amounted to approximately RMB5,297,573,000. The details of which are set forth below:

Company Name	Project Name	Expenditure Amount (RMB'000)
Fiyta Holdings Limited	Design, construction of Fiyta watch building and ancillary construction projects	1,404
Shennan Circuits Co., Ltd.	Technological transformation projects	59,401
Wuxi Shennan Electric Circuit Company Limited	Infrastructure and equipment investment in Wuxi Plant	109,338
Nantong Shennan Electric Circuit Company Limited	Digital general high-speed and high-density multi- layer printed circuit boards (Phase I) investment project	30,088
China National Aero-Technology Beijing Company Limited	Aviation City Project	4,194
AVIC International Beijing (East Africa) Company Limited	Warehouses of industrial park in East Africa	1,703
KHD Humboldt Wedag International AG	Electronic equipment	5,567
China National Aero-Technology International Engineering Company Limited	Real estate projects in Tanzania	810

Company Name	Project Name	Expenditure Amount (RMB'000)
China National Aero-Technology International Engineering Company Limited	Hotel projects in Sri Lanka	98,250
China National Aero-Technology International Engineering Company Limited	Fixed assets such as engineering construction machinery	5,115
AVIC Lutong Company Limited	Construction and maintenance of Bitumen base in Tianjin	22,000
China National Aero-Technology Xiamen Company Limited	Self-owned part of Xiamen Zijin AVIC Real Estate Company Limited	3,489
Tian Ma Microelectronics Co., Ltd.	Shenzhen Tianma automotive display projects	12,454
Tian Ma Microelectronics Co., Ltd.	Shanghai Tianma 4.5th generation line of professional display technology modification project	56,496
Tian Ma Microelectronics Co., Ltd.	New dormitory buildings of Shanghai Tianma	33,565
Tian Ma Microelectronics Co., Ltd.	6th generation LTPS AMOLED production line project of Wuhan Tianma	4,611,858
Tian Ma Microelectronics Co., Ltd.	4.5th generation line of technology modification project of Wuhan Tianma	46,764
Tian Ma Microelectronics Co., Ltd.	4.5th generation line of dormitory building phase II of Wuhan Tianma	45,785
Tian Ma Microelectronics Co., Ltd.	5th generation line of technology modification project of Shanghai AVIC Opto-electronics	49,063
Tian Ma Microelectronics Co., Ltd.	Japan Tianma production line of technology modification project	61,096
Tian Ma Microelectronics Co., Ltd.	Other asset purchases	37,243
AVIC International Renewable Energy Development Co., Ltd.	Various energy saving and modification projects	1,888
Total		5,297,573

## **LOAN-TO-EQUITY RATIO**

As at 30 June 2017, the loan-to-equity ratio of the Group (dividing the bank loans by the shareholders' equity) was 82.22% (31 December 2016: 71.84%).

## **PLEDGED ASSETS**

As at 30 June 2017, certain subsidiaries of the Group had secured bank loans totaling approximately RMB1,679,348,000 (31 December 2016: approximately RMB948,043,000). The loans were secured by plants, buildings and land use rights, etc. of the Group. The details are as follows:

Company Name	Collateral category	Pledged against long-term Borrowing/ Pledged against short-term borrowing	The net value of the collateral	Borrowing amount (RMB'000)
China National Aero- Technology Beijing Company Limited	Land of the AVIC International Beijing Aviation City Project and the buildings thereon	Pledged against long-term borrowing	1,071,031	715,000
China National Aero- Technology Beijing Company Limited	AVIC Industrial Park's real estates in Beijing Yizhuang Economic-Technological Development Zone	Pledged against long-term borrowing	87,080	300,000
Montres Chouriet SA	Switzerland company's real estate	Pledged against long-term borrowing	16,962	5,456
Station 68 Limited	Station 68's company real estate	Pledged against long-term borrowing	2,939	122
Wuxi Shennan Electric Circuit Company Limited	Houses and buildings and their land use rights	Pledged against long-term borrowing	695,485	658,770
Total			1,873,498	1,679,348

## **ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSIT**

During the Reporting Period, the Company did not have any entrusted deposit and overdue term deposit in any form.

#### MANAGEMENT CONTRACTS

During the Reporting Period, the Company had not entered into nor maintained any contracts in respect of the management or administration of its overall business or any major business.

# ISSUE, PURCHASE, SALE OR REDEMPTION OF SHARES

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

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, to the knowledge of the Directors or the chief executive of the Company, the following parties (other than the Directors, supervisors or chief executive of the Company) had interests, or short positions in the shares of the Company (the "Shares") and underlying shares of the Company which would fall to be disclosed to the Company or otherwise notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"):

# Long positions in the Shares:

Name of shareholder	Capacity	Number and class of securities	Approximate percentage of the same class of securities	Approximate percentage of total registered share capital
Aviation Industry Corporation of China ("Aviation Industry")	Interest of controlled corporation	1,634,608,792 domestic shares (Note 1)	196.24%	140.17%
AVIC International Holding Corporation ("AVIC International")	Interest of controlled corporation	1,329,499,564 domestic shares (Note 1)	159.61%	114.01%
AVIC International Shenzhen Company Limited ("AVIC Shenzhen")	Beneficial owner	429,774,574 domestic shares (Note 1)	51.60%	36.85%
Beijing Raise Technology Company Limited ("Beijing Raise")	Beneficial owner	305,109,228 domestic shares (Note 1)	36.63%	26.16%

Name of shareholder	Capacity	Number and class of securities	Approximate percentage of the same class of securities	Approximate percentage of total registered share capital
Other shareholders CK Hutchison Holdings Limited	Interest of controlled corporations	57,144,000 H shares (Note 2)	17.15%	4.90%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	57,144,000 H shares (Note 2)	17.15%	4.90%
Cheung Kong Investment Company Limited	Interest of controlled corporation	28,573,000 H shares (Note 2)	8.58%	2.45%
Empire Grand Limited	Beneficial owner	28,573,000 H shares (Note 2)	8.58%	2.45%
Hutchison Whampoa Limited	Interest of controlled corporation	28,571,000 H shares (Note 2)	8.58%	2.45%
Hutchison International Limited	Beneficial owner	28,571,000 H shares (Note 2)	8.58%	2.45%
Jiang Jian Jun	Beneficial owner & interest of controlled corporation	18,472,000 H shares (Note 3)	5.54%	1.58%
China Silver Investments Development Ltd	Beneficial owner	18,210,000 H shares (Note 3)	5.47%	1.56%

#### Notes:

 Aviation Industry owns 62.52% of the equity interest in AVIC International which in turn owns 100% equity interest in AVIC Shenzhen. Hence, Aviation Industry is deemed, or taken to be, interested in all the Shares in which AVIC International and AVIC Shenzhen are interested in, respectively.

Aviation Industry owns 60% of the equity interest in Beijing Raise. Hence, Aviation Industry is deemed, or taken to be, interested in all the Shares in which Beijing Raise is interested in.

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 in.

#### As at 30 June 2017:

- (1) AVIC International held: (A) 437,264,906 domestic shares, representing approximately 37.50% of the issued share capital of the Company; and (B) perpetual subordinated convertible securities in the outstanding amount of RMB1,604,736,493 which may be converted into 462,460,084 domestic shares at the initial conversion price of RMB3.47 (subject to the adjustment pursuant to the terms of perpetual subordinated convertible securities).
- (2) AVIC Shenzhen held: (A) 395,709,091 domestic shares, representing approximately 33.93% of the issued share capital of the Company; and (B) perpetual subordinated convertible securities 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 perpetual subordinated convertible securities).
- (3) Beijing Raise held perpetual subordinated convertible securities in the amount of RMB1,058,729,021 which may be converted into 305,109,228 domestic shares at the initial conversion price of RMB3.47 (subject to the adjustment pursuant to the terms of perpetual subordinated convertible securities).
- Empire Grand Limited ("Empire Grand") holds 28,573,000 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. Accordingly, Cheung Kong (Holdings) Limited was deemed to be interested in the 28,573,000 H shares held by Empire Grand.

Hutchison International Limited ("HIL") holds 28,571,000 H shares and HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited. Hutchison Whampoa Limited was deemed to be interested in the 28,571,000 H shares held by HIL. Cheung Kong (Holdings) Limited 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, Cheung Kong (Holdings) Limited was deemed to be interested in the 28,571,000 H shares held by HIL. In addition, Cheung Kong (Holdings) Limited is a wholly-owned subsidiary of CK Hutchison Holdings Limited. Accordingly, CK Hutchison Holdings Limited was deemed to be interested in the 57,144,000 H shares in total held by Empire Grand and HIL.

3. Mr. Jiang Jian Jun ("Mr. Jiang") beneficially owned 262,000 H shares.

Mr. Jiang beneficially owned the entire equity interest of China Silver Investments Development Ltd., which held 18,210,000 H shares. Accordingly, Mr. Jiang was deemed to be interested in the H shares held by China Silver Investments Development Ltd..

## **DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE**

As at 30 June 2017, so far as is known to the Directors and chief executives of the Company, none of the Directors, supervisors or chief executive of the Company was interested in the shares (the "Shares"), underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or supervisors or chief executives of the Company were taken or deemed to have under such provisions of the SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

# CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Liu Hong De and Ms. Zhou Chun Hua were appointed as executive Directors at the extraordinary general meeting of the Company held on 15 February 2017, with a term up to the 2017 annual general meeting to be held by the Company in 2018. Mr. Wu Guang Quan and Mr. Pan Lin Wu no longer served as executive Directors due to change of job assignments. For details, please refer to the Company's announcements dated 13 December 2016 and 28 December 2016, the circular of the Company dated 30 December 2016 and the poll results announcement of the extraordinary general meeting dated 15 February 2017.

As Ms. Wong Wai Ling has served as an independent non-executive Director for more than nine years, she was re-elected as an independent non-executive Director at the annual general meeting of the Company held on 12 June 2017. For details, please refer to the Company's notice of annual general meeting and the circular dated 13 April 2017 and the poll results announcement of the annual general meeting dated 12 June 2017.

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

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

#### **DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS**

During the six months ended 30 June 2017, no Director or supervisor of the Company had any significant interest, either direct or indirect, in any contract or arrangement of significance to the business of the Group.

#### **EMPLOYEES AND REMUNERATION**

As at 30 June 2017, the Group had approximately 37,341 employees (the corresponding period of 2016: 37,523), with employee-related costs of approximately RMB2,214,320,000 (the corresponding period of 2016: RMB2,035,380,000). The Group formulated its competitive remuneration policy based on market conditions and individual employees' performance.

#### **FOREIGN EXCHANGE RISK**

The Group's products are mainly distributed in domestic market and its export business is mainly settled in US dollar, Euro or HK dollar, so the Group may be subject to fluctuations of foreign exchange rates, but it has no material foreign exchange risk.

# **FINANCIAL GUARANTEE CONTRACTS**

As at 30 June 2017, the Group had the following outstanding financial guarantees:

Guarantor	Guarantor's relationship with the Group	Guarantee	Guarantee's relationship with the Group	Outstanding amounts guaranteed (RMB'000)
The Company	Holding Company	Shenzhen AVIC Resources Co., Ltd. (深圳中航資源有限公司)	Fellow subsidiaries	120,000
Tianma Company	Subsidiary of the Group	Shanghai Tianma Organic Light Emitting Display Technology Co., Ltd. (上海天馬有機發光顯示技術 有限公司)	Associate	748,343
Xiamen Company	Subsidiary of the Group	Xiamen Tianma Microelectronics Co., Ltd. (廈門天馬徽電子有限公司)	The guarantor holds 6% equity interest in the guarantee	98,750
Engineering Company	Subsidiary of the Group	CATIC Construction Engineering Company Limited (中航建築工程有限公司)	Associate	127,400
Beijing Company	Subsidiary of the Group	Taizhou AVIC Shipbuilding Heavy Industry Limited (泰州中航船舶重工有限公司)	Third party	126,253
Beijing Company	Subsidiary of the Group	Zhengli Ocean Engineering Company Limited (正力海洋工程有限公司)	Third party	6,240
TED Company	Subsidiary of the Group	AVIC Wang Xin Beijing Science and Technology Co., Ltd. (中航網信(北京)科技有限公司)	Associate	9,313
Total				1,236,299

## **INTERIM DIVIDEND**

The Board did not propose an interim dividend for the Reporting Period (six months ended 30 June 2016: nil).

#### **MAJOR LITIGATION**

On 13 June 2014, Tang Energy Group Limited, Soaring Wind Energy, LLC. and its other members filed an arbitration claim with the American Arbitration Association against certain members of the Group in respect of a dispute arising out of a joint venture agreement (the "Arbitration Claim") (details of which are set out in the announcements of the Company dated 29 April 2015 and 22 December 2015). After the receipt of final award on the Arbitration Claim issued by the International Centre for Dispute Resolution of International Arbitration Tribunal in December 2015 (the "Decision"), the Group had engaged an additional law firm to assist in the Arbitration Claim. In March 2016, the Group had filed an application to the court with jurisdiction to oppose the enforcement of the Decision and request the revocation of the Decision (the "Opposition Application"). As at the date of this report, the Statement of Defense of the Opposition Application has been completed and the court has not made the ultimate final decision yet. The impact of the Arbitration Claim on the Company is subject to the results of the Opposition Application and other progress in the future. Therefore, the Directors consider that the Arbitration Claim does not have any material adverse impact on the Company as at the date of this report.

So far as the Directors are aware, save as disclosed above, there is no other litigation or claims of material importance pending or threatened against any member of the Group as at the date of this report.

#### SIGNIFICANT EVENTS

#### **Material events**

1. Discloseable transaction, connected transaction, very substantial acquisition and very substantial disposal – Acquisitions (the "Acquisitions") of Xiamen Tianma Microelectronics Co., Ltd. (廈門天馬微電子有限公司) ("Xiamen Tianma Company") and Shanghai Tianma Organic Light-Emitting Technology Company Limited (上海天馬有機發光顯示技術有限公司) ("Tianman Organic Company") by Tianma Company and proposed A-shares placing of Tianma Company

On 10 March 2017, Tianma Company entered into two separate framework agreements (the "Framework Agreements") with (a) AVIC International, AVIC Shenzhen, Xiamen Company and Xiamen Jincai Industrial Development Company Limited (廈門金財產業發展有限公司) ("Xiamen Jincai") in relation to the acquisition of 100% equity interest in Xiamen Tianma Company; and (b) Shanghai Industrial Investment (Group) Co., Ltd ("Shanghai Investment Company") and Shanghai Zhangjiang (Group) Co., Ltd ("Shanghai Zhangjiang Company") in relation to the acquisition of 60% equity interest in Tianma Organic Company.

Pursuant to the Framework Agreements, the consideration for the Acquisitions will be fully settled by issue of Consideration Shares to the vendors under the Framework Agreements upon completion of the respective Acquisitions at an issue price of RMB17.23 per A Share, which was determined with reference to and not lower than the benchmarked price of the A Shares, being 90% of the Average Price for the Acquisitions. The maximum number of Consideration Shares to be issued under the Xiamen Tianma Framework Agreement and the Tianma Organic Framework Agreement will be 613,821,008 and 39,267,579, respectively.

Based on the maximum number of Consideration Shares to be allotted and issued and the issue price of RMB17.23 per A Share, it is expected that the maximum consideration for the Xiamen Tianma Acquisition and the Tianma Organic Acquisition will be RMB10,576,135,967.80 and RMB676,580,386.17, respectively.

The Acquisitions are not inter-conditional with each other.

Pursuant to the Framework Agreements, Tianma Company proposes to issue not more than 111,987,085 new A Shares to not more than 10 investors. The placing price of the Placing Shares shall not be lower than 90% of the Average Price for the Proposed A Shares Placing and shall not be lower than the issue price of the Consideration Shares pursuant to the Framework Agreements, which is subject to the rules and regulations of CSRC and Shenzhen Stock Exchange. The proceeds to be raised under the Proposed A Shares Placing will be used for the construction of LTPS and CF production line of Xiamen Tianma Company, including expenses on purchase of equipment and installation which is in line with the requirement of CSRC. The success or failure of the Proposed A Shares Placing would not affect the Acquisitions and the Consideration Issue.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Xiamen Tianma Acquisition exceed(s) 100%, the Xiamen Tianma Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. As at the date of this report, AVIC International is a controlling Shareholder holding approximately 37.50% of the issued share capital of the Company, and it owns 100% equity interest in AVIC Shenzhen, which in turn is a controlling Shareholder holding approximately 33.93% of the issued share capital of the Company. Xiamen Tianma Company is held as to 30% in aggregate by, and thus an associate of, AVIC International and AVIC Shenzhen. Hence, the Xiamen Tianma Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Tianma Organic Acquisition exceed(s) 5% but are all less than 25%, the Tianma Organic Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements pursuant to the Listing Rules.

Assuming the Acquisitions have been completed, upon completion of the Consideration Issue (assuming the maximum number of Consideration Shares as provided under the Framework Agreements are issued), the equity interest of the Company held in Tianma will be diluted from approximately 20.81% to approximately 15.98% (including 1.79% equity interest held by Xiamen Company, a wholly-owned subsidiary of the Company). If Tianma proceeds with the Proposed A Shares Placing after completion of the Acquisitions, the equity interests of the Company held in Tianma Company will be further diluted to approximately 15.16% (including 1.70% equity interest held by Xiamen Company, a wholly-owned subsidiary of the Company) of the enlarged issued share capital of Tianma Company (assuming 111,987,085 new A Shares are issued) upon completion of the Proposed A Shares Placing. Such dilution in interest in Tianma Company as a result of the Consideration Issue and the Proposed A Shares Placing will constitute a deemed disposal of interest in Tianma Company held by the Company pursuant to Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) for the Consideration Issue and the Proposed A Shares Placing exceed(s) 75%, the dilution of the Company's equity interest in Tianma Company as a result of the Consideration Issue and the Proposed A Shares Placing constitutes a very substantial disposal of the Company under Rule 14.06 of the Listing Rules and the transactions are therefore subject to announcement, reporting and Shareholders' approval requirements under Chapter 14 of the Listing Rules. The Acquisitions and the proposed A share placing of Tianma Company have been approved by the independent shareholders of the Company at the extraordinary general meeting held on 12 June 2017. Please refer to the announcement of the Company dated at 10 March 2017, the circular dated 28 May 2017 and the extraordinary general meeting's poll result announcement of the Company dated 12 June 2017 for details.

The asset appraisal reports of Xiamen Tianma Company and Tianma Organic Company have been filed with the SASAC on 17 August 2017 and 22 August 2017, respectively.

On 23 August 2017, Tianma Company entered into the following formal agreements (collectively, the "Formal Agreements") in relation to the Xiamen Tianma Acquisition and the Tianma Organic Acquisition as contemplated under the Framework Agreements:

- (1) the asset acquisition agreement (the "Xiamen Tianma Formal Agreement") in relation to the acquisition of an aggregate of 100% equity interest in Xiamen Tianma Company with AVIC International, AVIC Shenzhen, Xiamen Company and Xiamen Jincai for an aggregate consideration of RMB10,452,506,800 (equivalent to approximately HK\$12,241,681,897); and
- (2) the asset acquisition agreement (the "Tianma Organic Formal Agreement") in relation to the acquisition of an aggregate of 60% equity interest in Tianma Organic Company with Shanghai Investment Company and Shanghai Zhangjiang Company for an aggregate consideration of RMB656,900,600 (equivalent to approximately HK\$769,343,501).

As Tianma Company has already distributed dividend for the year of 2016 on 26 July 2017, the issue price of the Consideration Shares of such acquisitions and the placing price of the Placing Shares has been adjusted to RMB17.17 per A Share and the consideration under the acquisitions between Xiamen Tianma and Tianman Organic Company will be settled in full by a total of 647,024,307 A Shares to be issued by Tianmen as Consideration Shares and the number of Placing Shares will be 110,658,124. Please refer to the announcement of the Company dated 23 August 2017.

Each of the Acquisitions and the Proposed A Shares Placing has been approved by SASAC. Please refer to the announcement of the Company dated 8 September 2017 for more details.

## 2. Proposed Mandate in Relation to the Possible Major Disposal and Connected Transaction

On 17 May 2017, the Board resolved to dispose of 47.12% equity interest in AVIC Vanke (the "AVIC Vanke Interest") held by the Company. As the Company and AVIC International both are state-owned enterprises and the AVIC Vanke Interest constitutes State-owned assets, the disposal of the AVIC Vanke Interest by the Company is required to go through the process of public tender through an equity exchange in accordance with the relevant PRC laws and regulations governing the disposal of State-owned assets. It is proposed that the Company will, jointly with AVIC International, conduct the disposal of the 60% interest in AVIC Vanke in aggregate in relation to their respective 47.12% and 12.88% equity interest in AVIC Vanke through China Beijing Equity Exchange.

Based on the preliminary appraised value of AVIC Vanke as at 31 December 2016, it is expected that the minimum bidding price for the Proposed Disposal shall be in the range of RMB1,780,440,000 to RMB1,876,680,000. The minimum bidding price of the AVIC Vanke Interest will be determined based on the appraised value of AVIC Vanke with reference to prevailing market prices subject to the approval from relevant regulatory authorities of Stateowned assets in the PRC.

The final consideration will depend on the final bid price offered by the successful bidder for the AVIC Vanke Interest, but will in any event be no less than the relevant minimum bidding price.

Given that (i) AVIC International is a controlling Shareholder holding approximately 37.50% of the issued share capital of the Company, and it holds 100% equity interest of AVIC Shenzhen, which in turn is a controlling Shareholder holding approximately 33.93% of the issued share capital of the Company; and (ii) AVIC International directly held 12.88% equity interest in AVIC Vanke, AVIC Vanke is an associate of AVIC International and a connected person of the Company and the Proposed Disposal, if materialised, will constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, AVIC International and its associates will abstain from voting in respect of the resolution(s) relating to the grant of the Proposed Mandate at the forthcoming EGM.

As one or more of the applicable percentage ratios set out in the Listing Rules in respect of the Proposed Disposal are more than 25% but less than 75%, the Proposed Disposal, if materialised, will also constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

As such, the Proposed Disposal and the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. For details, please refer to the announcements of the Company dated 17 May and 18 May 2017, respectively.

# Possible Discloseable Transaction – Potential Disposal of 75% Equity Interest in Guangdong International

On 16 June 2017, the Company announced that it intended to dispose of its 75% equity interest in Guangdong International Building Industrial Co., Ltd. (廣東國際大廈實業有限公司) ("Guangdong International") through a public tender process. The formal procedures for the public tender are proposed to commence on 24 August 2017. The base price for transfer of the 75% equity interest in Guangdong International shall be RMB297,000,000.

Based on the base price of the tender for transfer of 75% equity interest in Guangdong International of RMB297,000,000, one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the potential disposal is/are expected to be more than 5% but less than 25%. As such, the potential disposal, if materialized, may constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For details, please refer to the announcements of the Company dated 16 June 2017 and 23 August 2017.

#### CONNECTED TRANSACTIONS

# Continuing Connected Transactions – Framework Agreements in relation to Leasing and Management of Properties

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

- (1) New AVIC International Rental Framework Agreement: the Group agreed to lease to AVIC International and/or its associated companies real estate properties during the term of the New AVIC International Framework Agreement. The proposed annual caps for the three years from 2017 to 2019 will be RMB35,000,000.
- (2) New AVIC International Tenancy Framework Agreement: AVIC International and/ or its associated companies agreed to lease its real estate properties to the Group during the term of the New AVIC International Tenancy Framework Agreement. The proposed annual caps for the three years from 2017 to 2019 will be RMB5,000,000, RMB7,000,000 and RMB7,000,000, respectively.
- (3) New AVIC International Property Management Framework Agreement: AVIC International and/or its associated companies agreed to provide property management services to the Group during the term of the New AVIC International Property Management Framework Agreement. The proposed annual caps for the three years from 2017 to 2019 will be RMB45.000.000.

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

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

Continuing connected transactions under the agreements entered into by the Group in previous years and performed during the Reporting Period are set out as follows:

# Continuing Connected Transactions – Renewal of 2014 Xiamen Tianma Entrusted Management Agreement

On 4 March 2016, Xiamen Tianma Company entered into the entrusted management agreement (the "Xiamen Tianma Entrusted Management Agreement") for renewal of the 2014 Entrusted Management Agreement (as defined in the announcement of the Company dated 4 March 2014), pursuant to which Shanghai Tianma Microelectronics Co., Ltd. (上海天馬微電子有限公司) ("Shanghai Tianma") shall provide management services for a term commencing from 1 March 2016 and ending on 28 February 2019, and the management fee caps charged from 1 March 2016 to 28 February 2017, from 1 March 2017 to 28 February 2018 and from 1 March 2018 to 28 February 2019 will amount to RMB20,000,000, RMB20,000,000 and RMB30,000,000, respectively.

Xiamen Tianma Company is directly owned as to 15.3%, 14.7%, 6% and 64% by AVIC Shenzhen, AVIC International, Xiamen Company and Xiamen Jincai, respectively. Accordingly, Xiamen Tianma Company is a connected person of the Company and the Xiamen Tianma Entrusted Management Agreement constitutes a continuing connected transaction of the Company under the Listing Rules. For details, please refer to the announcement of the Company dated 4 March 2016.

# 2. Continuing Connected Transactions – Supplemental and Amended Aviation Industry Agency Services Framework Agreement

With the continuing development of the Group, and based on estimates of demand and operating conditions, the Directors expect that the existing annual caps (as defined in the announcement of the Company dated 16 October 2014) will be insufficient for the Group's requirements. On 16 June 2015, the Company and Aviation Industry entered into the supplemental agreement ("Supplemental Aviation Industry Agency Services Framework Agreement"), pursuant to which the Existing Annual Caps would be revised as follows:

	Year ended	Year ended	Year ending
	31 December	31 December	31 December
	2015	2016	2017
	RMB	RMB	RMB
Acceptance of the agency services by the Group	90,000,000	100,000,000	118,000,000

Further, pursuant to the Supplemental Aviation Industry Agency Services Framework Agreement, the scope of services to be provided by Aviation Industry and/or its associates (other than AVIC International and its associated companies) to the Group is extended to include financial consulting and advisory services.

As one or more of the applicable percentage ratios for the transactions contemplated under the Supplemental Aviation Industry Agency Services Framework Agreement (including the revised annual caps) exceed(s) 5%, the Supplemental Aviation Industry Agency Services Framework Agreement (including the revised annual caps) will be subject to the independent shareholders' approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

The Supplemental Aviation Industry Agency Services Framework Agreement and the transactions contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting of the Company held on 7 August 2015. For details, please refer to the announcements of the Company dated 16 June 2015 and 7 August 2015 and the circular of the Company dated 17 July 2015.

# 3. Continuing Connected Transactions – Renewal of the Financial Services Framework Agreement

On 29 September 2015, the Company and AVIC Finance Co., Ltd. (中航工業集團財務有限責任公司) ("AVIC Finance") entered into the financial services agreement ("the 2015 Financial Services Agreement") for renewal of the 2013 Financial Services Agreement (as defined in the announcement of the Company dated 3 April 2013). Pursuant to the 2015 Financial Services Agreement, AVIC Finance would provide to the Group a range of financial services as the Company may request from time to time for a term commencing from the date on which all the conditions under the 2015 Financial Services Agreement having been satisfied to 31 December 2018. The financial services provided by AVIC Finance to the Group are set out below:

Year ended

Year ended

60.000.000

	31 December	31 December	31 December
	2016	2017	2018
	(RMB)	(RMB)	(RMB)
Deposit services (the maximum daily outstanding balances) (the "Deposit Cap")	2,000,000,000	2,200,000,000	2,500,000,000
	Year ended	Year ended	Year ending
	31 December	31 December	31 December
	2016	2017	2018
	(USD)	(USD)	(USD)

As one or more of the applicable percentage ratios of Deposit Cap are more than 25% but less than 75%, the deposit services contemplated under the 2015 Financial Services Agreement constituted a major transaction of the Company under Chapter 14 of the Listing Rules. Aviation Industry is an ultimate holding company of the Company and AVIC Finance. Under the Listing Rules, AVIC Finance is a connected person of the Company. As each of the applicable percentage ratios of Deposit Cap and Spot FX Trading Cap exceeds 5%, the deposit services and foreign exchange services under the 2015 Financial Services Agreement are subject to the reporting, announcement and the independent shareholder's approval requirements under Chapter 14A of the Listing Rules.

60.000.000

Foreign exchange settlement and sale (the maximum daily transaction amount) (the "Spot FX Trading Cap")

60.000.000

The 2015 Financial Services Agreement and the transactions contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting of the Company held on 29 December 2015. For details, please refer to the announcements of the Company dated 29 September 2015 and 29 December 2015 and the circular of the Company dated 24 November 2015.

## 4. Continuing Connected Transaction - Supplemental Financial Services Agreement

On 11 August 2017, the Company entered into the supplemental financial services agreement (the "Supplemental Financial Services Agreement") with AVIC Finance, pursuant to which the existing maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with AVIC Finance during the term of the financial services agreement dated 29 September 2015 entered into between the Company and AVIC Finance in relation to the provision of financial services to the Group (details of which are set out in the announcement of the Company dated 29 September 2015 and the circular of the Company dated 24 November 2015) will be revised to RMB3 billion for a term commencing from the date (the "Effective Date") on which all the conditions under the Supplemental Financial Services Agreement have been satisfied (please refer to the paragraph headed "Conditions precedent" in the announcement of the Company dated 11 August 2017 for details) to 31 December 2018. The revised caps for deposit services under the Supplemental Financial Services Agreement are as follows:

For the	
period	
from the	
<b>E</b> ffective	Year
Date to	ended
31 December	31 December
2017	2018
(RMB)	(RMB)

Revised deposit cap (the maximum daily outstanding balances including accrued interests which is not cumulative in nature, inclusive of foreign currency converted into RMB)

3,000,000,000

3,000,000,000

Aviation Industry is an ultimate holding company of the Company and AVIC Finance. Aviation Industry held approximately 62.52% of the equity interest in AVIC International (a controlling Shareholder holding approximately 37.50% of the issued share capital of the Company), which in turns owned 100% equity interest of AVIC Shenzhen (a controlling Shareholder holding approximately 33.93% of the issued share capital of the Company), and Aviation Industry also directly and indirectly held the majority of equity interest in AVIC Finance. Accordingly, AVIC Finance is a connected person of the Company and the transactions contemplated under the Supplemental Financial Services Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios for provision of deposit services pursuant to the Supplemental Financial Services Agreement exceed 5%, the transaction is subject to the reporting, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in relation to the provision of deposit services under the Supplemental Financial Services Agreement is more than 25%, such transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and the shareholders' approval requirements under Chapter 14 of the Listing Rules.

# Continuing Connected Transactions – Framework Agreements for the Continuing Connected Transactions of the Group in the coming three years

The existing framework agreements, setting out the basic content of the transactions between the Group on one hand, and AVIC Industry or AVIC International (including their respective associates, where applicable) on the other hand, were entered into on 5 September 2012. As each of the aforesaid agreements would expire on 31 December 2014, the Company (or its subsidiaries) entered into: (i) the "New Aviation Industry Sale Framework Agreement", "New Aviation Industry Purchase Framework Agreement", "New Aviation Industry Agency Services Framework Agreement" and "New Aviation Industry Financial Framework Agreement" with AVIC Industry; and (ii) the "New AVIC International Sale Framework Agreement", "New AVIC International Agency Services Framework Agreement" and "New AVIC International Financial Framework Agreement" with AVIC International on 16 October 2014. The Engineering Company, a wholly-owned subsidiary of the Company, entered into the "New AVIC International Construction Services Framework Agreement" with AVIC International on the same date. Details of each of these

## framework agreements are set out as below:

Name of Agreement	Content of Agreements	2015	Annual Cap Amount 2016	2017
		(RMB)	(RMB)	(RMB)
New Aviation Industry Sale	Sales of goods	150,000,000	180,000,000	200,000,000
Framework Agreement				
New Aviation Industry Purchase Framework Agreement	Procurement of goods	200,000,000	300,000,000	400,000,000
New AVIC International Sale Framework Agreement	Sales of goods	3,000,000,000	3,200,000,000	3,500,000,000
New AVIC International Purchase Framework Agreement	Procurement of goods	3,500,000,000	4,000,000,000	4,500,000,000
New Aviation Industry Agency	Provision of agency services	120,000,000	150,000,000	200,000,000
Services Framework Agreement (Note 1)	Acceptance of agency services	35,000,000	38,000,000	40,000,000
New AVIC International Agency	Provision of agency services	160,000,000	200,000,000	222,000,000
Services Framework Agreement	Acceptance of agency services	120,000,000	150,000,000	160,000,000
New Aviation Industry Financial	Provision of borrowings/guarantee	1,200,000,000	1,300,000,000	1,500,000,000
Framework Agreement	Acceptance of borrowings/ guarantee	4,500,000,000	5,000,000,000	5,000,000,000
	Provision of the collected interest/ guarantee fee	80,000,000	90,000,000	90,000,000
	Acceptance of the collected interest/ quarantee fees	300,000,000	350,000,000	350,000,000
New AVIC International Financial	Provision of borrowings/guarantee	3,000,000,000	3,500,000,000	4,000,000,000
Framework Agreement	Acceptance of borrowings/ guarantee	15,000,000,000	18,000,000,000	22,000,000,000
	Provision of the collected interest/ guarantee fee	200,000,000	230,000,000	280,000,000
	Acceptance of the collected interest/ guarantee fees	500,000,000	600,000,000	800,000,000
New AVIC International Construction Services Framework Agreement	Provision of construction services	1,000,000,000	1,200,000,000	1,500,000,000

For details of the aforementioned continuing connected transactions, please refer to the announcement of the Company issued on 16 October 2014 and the circular of the Company dated 25 November 2014. The abovementioned connected transactions had been approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 30 December 2014.

#### Note:

 The New Aviation Industry Agency Services Framework Agreement was amended and supplemented by the supplemental agreement entered into between the Company and Aviation Industry on 16 June 2015. For details, please refer to the announcement of the Company dated 16 June 2015.

# 6. Continuing Connected Transactions – Concessionaire Framework Agreement and Aviation Industry Property Rental (leasing) Framework Agreement

On 30 December 2014, Rainbow Department Store Co., Ltd. (天虹商場股份有限公司) (formerly known as Shenzhen Rainbow Department Stores Co. Ltd. (深圳天虹商場有限責任公司)) ("Rainbow Department Store Company") and Fiyta (a subsidiary of the Company) entered into a concessionaire framework agreement (the "Rainbow Concessionaire Framework Agreement"), pursuant to which Rainbow Department Store Company agreed to allow Fiyta to occupy areas in the department stores owned and managed by Rainbow Department Store Company in various cities in the PRC and to establish its own sales counters for the sale of Fiyta watches and world famous watches, etc. for a term of three years commencing on 1 January 2015 and expiring on 31 December 2017. According to the Rainbow Concessionaire Framework Agreement, the annual cap amounts in respect of the concessionaire by Fiyta to Rainbow Department Store Company for the years ended 31 December 2015, 2016 and 2017 shall not exceed RMB32,000,000, RMB35,000,000 and RMB40,000,000, respectively.

On 30 December 2014, the Company and Aviation Industry entered into a property rental (leasing) framework agreement (the "Property Rental (Leasing) Framework Agreement"), pursuant to which the Group agreed to lease property from Aviation Industry and/or its associated companies (other than AVIC International and its associated companies) for a term of three years commencing on 1 January 2015 and ending on 31 December 2017. According to the Property Rental (Leasing) Framework Agreement, the annual cap amounts in respect of leasing of real estate properties by the Group to Aviation Industry and/or its associated companies (other than AVIC International and its associated companies) in the years ended 31 December 2015, 2016 and 2017 shall not exceed RMB5,000,000, RMB5,000,000 and RMB5,000,000, respectively.

On 30 December 2014, the Company and Aviation Industry entered into a property rental (letting) framework agreement (the "Property Rental (Letting) Framework Agreement"), pursuant to which the Group agreed to let property to Aviation Industry and/or its associated companies (other than AVIC International and its associated companies) for a term of three years commencing on 1 January 2015 and ending on 31 December 2017. According to the Property Rental (Letting) Framework Agreement, the annual cap amounts in respect of leasing of real estate properties by Aviation Industry and/or its associated companies (other than AVIC International and its associated companies) to the Group in the years ended 31 December 2015, 2016 and 2017 shall not exceed RMB5,000,000, RMB5,000,000 and RMB5,000,000, respectively.

Approximately 43.40% of the equity interest of Rainbow Department Store Company is owned by AVIC Shenzhen and hence Rainbow Department Store Company and Aviation Industry are the connected persons of the Company and accordingly the Rainbow Concessionaire Framework Agreement, the Property Rental (Leasing) Framework Agreement and the Property Rental (Letting) Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the above transactions are more than 0.1% but less than 5%, such transactions are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 30 December 2014.

#### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

### SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

## **AUDIT COMMITTEE**

The Board has established an audit committee (the "Audit Committee") in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting processes and internal control of the Company. The members of the Audit Committee currently comprise the independent non-executive Directors, namely Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Wei Wei. The Audit Committee had reviewed and confirmed the unaudited interim consolidated results of the Group for the Reporting Period and this report.

## **PUBLIC FLOAT**

Based on the public information available to the Board and within the best knowledge of the Board, the Company has maintained sufficient level of public float as at the date of this report.

By Order of the Board

AVIC International Holdings Limited

Liu Hong De

Chairman

Shenzhen, the People's Republic of China, 25 August 2017

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