



AviChina

AviChina Industry & Technology Company Limited
中国航空科技工业股份有限公司

(A joint stock limited company incorporated in the People's Republic of
China with limited liability)
(Stock Code : 2357)

2021

INTERIM REPORT

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HIGHLIGHTS OF INTERIM RESULTS

The board of directors (the “**Board**”) of AviChina Industry & Technology Company Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 prepared according to the China Accounting Standards for Business Enterprises (the “**CASBE**”).

Revenue	RMB27,893 million
Net profit attributable to the owners of the parent company	RMB1,199 million
Earnings per share	
– Basic and diluted	RMB0.16
Shareholders’ equity attributable to parent company	RMB23,892 million

INTERIM DIVIDEND

The Board proposed that no interim dividend would be declared and paid for the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2021, mutant strains of the novel coronavirus pneumonia epidemic (the “**Epidemic**”) spread widely, inflation in major economies intensified, and global economic recovery was more uncertain. China’s economy registered even more stable performance with good momentum for growth. Faced with the complex and ever-changing domestic and international environment, Aviation Industry Corporation of China, Ltd. (“**AVIC**”) insisted on self-reliance and self-strengthening in science and technology, speeded up independent research and development, and focused on upgrading innovation chain and industrial chain to make steady progress. By preventing and defusing risks, AVIC managed to coordinate the Epidemic prevention and control with economic development and has been listed in the Fortune Global 500 for thirteen consecutive years, ranking the 140th, 23 places higher than 2020. Meanwhile, AVIC ranked the second on the Global 500 of Aerospace and Defense industry.

During the first half of 2021, the Company was committed to becoming a flagship company to provide high-tech aviation products and services for both military and civil purposes. It faced up to the challenges, made concerted efforts to improve operating performance, and realized growth in both revenue and profit.

During the first half of 2021, the Group was committed to building a new development pattern of “dual cycles” in domestic and overseas capital markets. AVICOPTER PLC* (中航直升機股份有限公司) (“**AVICOPTER**”) completed the capital increase to Harbin Hafei Aviation Industry Co., Ltd.* (哈爾濱哈飛航空工業有限責任公司) (“**Hafei Aviation**”) and Jiangxi Changhe Aviation Industry Co., Ltd.* (江西昌河航空工業有限公司), and merged Tianjin Helicopter Company Limited.* (天津直升機有限責任公司) into Hafei Aviation, actively building a new pattern for open and shared civil helicopter development. Jiangxi Hongdu Aviation Industry Co., Ltd.* (江西洪都航空工業股份有限公司) (“**Hongdu Aviation**”) transferred the equity of a subsidiary to focus on its principle business and effectively optimized the allocation of resources. AVIC JONHON Optronics Technology Co., Ltd.* (中航光電科技股份有限公司) (“**JONHON Optronics**”) proposed non-public issuance of shares and actively implemented the Huanan Industry Base Project to unite development and enhance the research and development (“**R&D**”) and manufacturing capabilities of products in the fields of communications and new energy vehicles.

Helicopter business: the Group continued to improve the core competitiveness of helicopter products. Multi-type helicopter formed an air guard of honor to salute and bless the centennial of the Communist Party of China. The AC352 helicopter successfully completed the test flight of the unusable fuel supply at the Jiansanjiang Wetland Airport, making great progress in the verification of the airworthiness clauses. Advanced twin-engine multi-purpose helicopter AC332 commenced in Tianjin, accelerating the comprehensive development of the Tianjin Civil Helicopter Industrial Base. AC311A helicopter for geophysical and remote sensing airborne surveys was delivered, greatly improving the operational capability.

Trainer business: the Group actively expanded its market in trainer business. Hongdu Aviation was selected as the training base for aircraft maintenance projects in the 46th World Skills Competition, which was conducive to building an all-round training system for aircraft maintenance professionals to train and reserve talents in this regard, extending the connotation of trainer business, and exploring the path from the sales of trainers to the sales of integrated systems and services.

MANAGEMENT DISCUSSION AND ANALYSIS

General aviation business: the Group's general-purpose aircraft business was steadily developing. Y-12F appeared at the first Yangtze River Delta International Emergency Disaster Reduction and Rescue Expo, demonstrating the latest achievement in the systematic development of China's aviation emergency rescue equipment. Y-12E flew the "Tongren-Zhangjiajie" route, marking the official opening of the first inter-provincial short-distance transportation route between Guizhou and Hunan.

Aviation ancillary system and related business: the Group developed rapidly in aviation ancillary system and related business. Lanzhou Flight Control Co., Ltd.* (蘭州飛行控制有限責任公司) further promoted the servo control valve project to expand in the nuclear industry market. Tianjin Aviation Mechanical and Electrical Co., Ltd.* (天津航空機電有限公司) developed the splitter box Q/DZH product equipped on "Jilong (冀龍)"-2H emergency disaster relief UAV. GF5 series 56Gbps High-speed backplane connector from JONHON Optronics was selected into the Recommended Catalogue of Scientific and Technological Innovation Achievements of Central Enterprises (2020) (《中央企業科技創新成果推薦目錄(2020年)》); its core technology has been highly recognized by many enterprises and won the "2020 Gold Supplier" and "Best Cooperation Award"; it supported Luoyang Metro with optical, electrical, liquid-cooling and integrated wiring product lines, significantly improving its competitiveness in the rail transit field. Guided by market and customer demand, the Group continued to improve production management capabilities and production support capabilities to achieve balanced production and precise delivery of aviation ancillary system and related products. The Company subscribed for the Growth Enterprise Market IPO strategic placement of Chengdu Lighting Micro-power Technology Co., Ltd.* (成都雷電微力科技股份有限公司) to expand its aviation ancillary system business.

Aviation engineering service business: the aviation engineering service business of the Group secured stable development. China Aviation Planning and Design Institute Co., Ltd.* (中國航空規劃設計研究總院有限公司) ("AVIC CAPDI") got the EPC project for international subcontract of A320 fuselage equipping, realizing the cooperation between AVIC and Airbus again. The reconstruction and expansion project of Yichang Sanxia Airport successfully passed the test flight verification, making a major breakthrough in airport project under EPC mode. The CSA base project of Beijing new airport, the construction project of Science and Technology Museum Complex of Zhumadian Youth Palace and many other projects designed by AVIC CAPDI won the "China Steel Construction Award (Gold)" and the "Science and Technology Special Award". Construction of the world's largest COVID-19 vaccine production workshop designed by AVIC CAPDI was successfully completed to ensure the steady progress of the Epidemic prevention and control.

The Company is committed to maintaining high-level corporate governance, and actively fulfils economic, environmental and social responsibilities. It strived to contain the Epidemic, conducted targeted poverty alleviation, and was devoted to green aviation manufacturing to demonstrate dedication to its mission. The Company continued to expand investor relations, and actively communicated with the market and investors through online and offline channels including video conferences, teleconferences, and strategy meetings to continuously enhance its brand value.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

2021 is a critical year for China during which timeframes of the Two Centenary Goals converge. Under the extensive influence of the Epidemic, the foundation for the rapid recovery of the global economy is not yet strong, and China's development is still in a period of important strategic opportunities, with development and changes in both opportunities and challenges. In the second half of 2021, AVIC will actively respond to severe and complex circumstances and tasks, and enhance basic management to promote quality, efficiency and steady growth; strengthen risk prevention and control to ensure the safety and stability of the supply chain; and deepen reform and innovation to contiguously promote high-quality development. The Group will adhere to the goal of building a flagship company to provide high-tech aviation products and services for military and civil purposes, and steadily enhance its comprehensive strength. It will act proactively to develop itself into a world-class enterprise and build a new development pattern; promote further business integration, and pool resources to fully utilize synergy; continue to promote the development of 5G communications and new energy vehicles, and improve core capabilities in areas such as aviation ancillary system products; seize the opportunities and strengthen the implementation to advance science and technology innovation along with institutional innovation as the dual driving force for building advantages in the aviation industry; improve systems and mechanisms, consolidate basic management, and actively move towards intelligent manufacturing; strengthen the integration and coordination of compliance management system, risk management system and internal control system, and continuously enhance the effective operation of the management and control system to achieve sustainable development.

FINANCIAL REVIEW

Due to the completion of the acquisition of 100% equity interests in AVIC Helicopter Co., Ltd.* (中航直升機有限責任公司) (“**AVIC Helicopter**”) in December 2020, AVIC Helicopter, Harbin Aircraft Industry Group Co., Ltd.* (哈爾濱飛機工業集團有限責任公司) and Changhe Aircraft Industries (Group) Co., Ltd.* (昌河飛機工業(集團)有限責任公司) all became wholly-owned subsidiaries of the Company. The financial data of the Group in the corresponding period of the preceding year was restated pursuant to the relevant regulations and requirements.

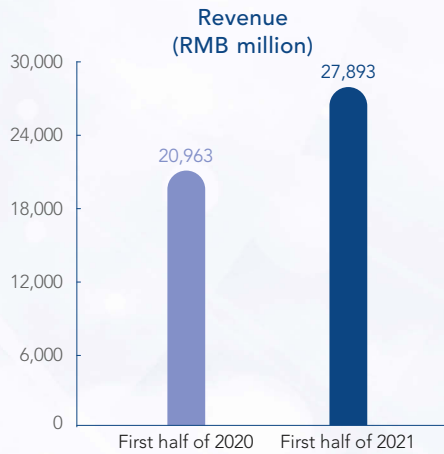
Since 2021, the Group has prepared financial statements in accordance with the CASBE. Therefore, the main financial indicators under the CASBE will be discussed and analyzed.

Unless otherwise stated, the corresponding financial data in the corresponding period of the preceding year referred in this report has been restated.

The business segments of the Group are divided into aviation entire aircraft segment, aviation ancillary system and related business segment, and aviation engineering services segment.

MANAGEMENT DISCUSSION AND ANALYSIS

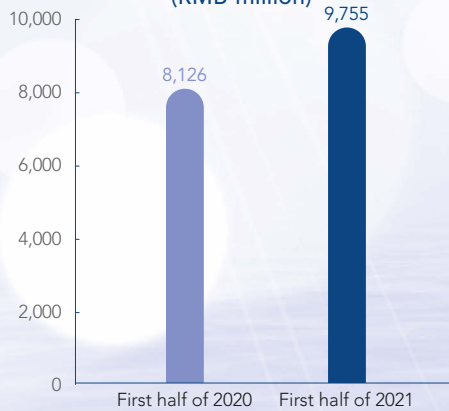
Revenue



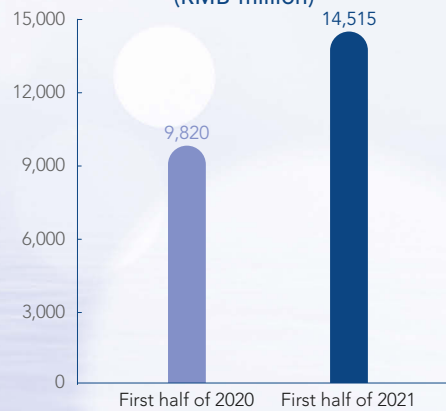
For the six months ended 30 June 2021, the Group recorded a revenue of RMB27,893 million, representing an increase of RMB6,930 million or 33.06% as compared with that of RMB20,963 million in the corresponding period of last year, which was mainly attributable to the growth of the revenue of aviation entire aircraft segment and aviation ancillary system and related business segment.

Segment Information

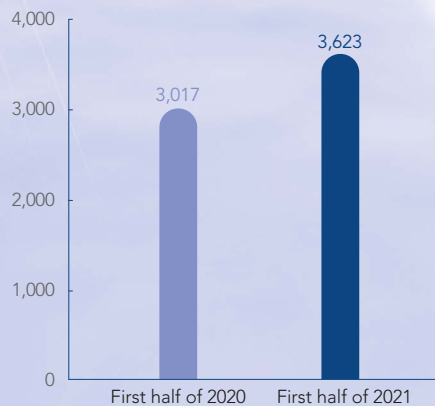
Revenue of aviation entire aircraft segment (RMB million)



Revenue of aviation ancillary system and related business segment (RMB million)



Revenue of aviation engineering services segment (RMB million)



MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2021, the revenue of the aviation entire aircraft segment of the Group amounted to RMB9,755 million, representing an increase of 20.05% as compared with that in the corresponding period of last year, which was mainly attributable to the increase in sales volume of helicopters and advanced trainers during the reporting period. The revenue of the aviation entire aircraft segment accounted for 34.97% of the total revenue of the Group. The revenue of the aviation ancillary system and related business segment of the Group amounted to RMB14,515 million, representing an increase of 47.81% as compared with that in the corresponding period of last year, which was mainly attributable to the great increase in revenue of avionics business. The revenue of the aviation ancillary system and related business segment accounted for 52.04% of the total revenue of the Group. The revenue of the aviation engineering services segment of the Group amounted to RMB3,623 million, representing an increase of 20.09% as compared with that in the corresponding period of last year, which was mainly attributable to the revenue increase in engineering. The revenue of the aviation engineering services segment accounted for 12.99% of the total revenue of the Group.

The segment profit of the aviation entire aircraft segment of the Group amounted to RMB729 million, representing an increase of RMB217 million or 42.38% as compared with that of RMB512 million in the corresponding period of last year. The increase was mainly attributable to increase of gross profit driven by the increase of revenue from the aviation entire aircraft business. The segment profit of the aviation ancillary system and related business segment of the Group amounted to RMB2,479 million, representing an increase of RMB925 million or 59.52% as compared with that of RMB1,554 million in the corresponding period of last year, which was mainly attributable to increase of gross profit driven by the increase of revenue from the avionics business. The segment profit of the aviation engineering services segment of the Group amounted to RMB157 million, representing an increase of RMB66 million or 72.53% as compared with that of RMB91 million in the corresponding period of last year, the main reason was that the Group continued to improve business structure, and some subsidiaries completed the disposal of loss business at the end of last year.

Gross Profit

For the six months ended 30 June 2021, the Group recorded a gross profit of RMB6,011 million, representing an increase of RMB1,696 million or 39.30% as compared with that of RMB4,315 million in the corresponding period of last year, which was mainly attributable to the increase in the revenue. The comprehensive gross profit margin was 21.55% during the reporting period, representing an increase of 0.97 percentage point as compared with that in the corresponding period of last year.

Selling Expenses

For the six months ended 30 June 2021, the selling expenses of the Group amounted to RMB315 million, representing an increase of RMB87 million or 38.16% as compared with that of RMB228 million in the corresponding period of last year, which was mainly attributable to a low base of the corresponding period of last year as affected by the Epidemic, and the increase of the staff costs of sales persons, sales services expenses and business travelling expenses due to the production in normal manner during the reporting period. The selling expenses accounted for 1.13% of the revenue during the reporting period, representing an increase of 0.04 percentage point as compared with 1.09% in the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

For the six months ended 30 June 2021, the administrative expenses of the Group amounted to RMB1,478 million, representing an increase of RMB175 million or 13.43% as compared with that of RMB1,303 million in the corresponding period of last year, which was mainly attributable to the increase of staff costs and no longer benefiting from the inclusive policy of social security relief as impacted by the Epidemic in the corresponding period of last year. The administrative expenses accounted for 5.30% of the revenue during the reporting period, representing a decrease of 0.92 percentage point as compared with that of 6.22% in the corresponding period of last year.

Research and Development Expenses

For the six months ended 30 June 2021, the R&D expenses of the Group amounted to RMB1,347 million, representing an increase of RMB415 million or 44.53% as compared with that of RMB932 million in the corresponding period of last year, which was mainly attributable to enhanced R&D input by some subsidiaries during the reporting period. The R&D expenses accounted for 4.83% of the revenue during the reporting period, representing an increase of 0.38 percentage point as compared with that of 4.45% in the corresponding period of last year.

Finance Costs

For the six months ended 30 June 2021, the finance costs of the Group amounted to RMB68 million, representing an increase of RMB90 million as compared with that of RMB-22 million in the corresponding period of last year, which was mainly attributable to the decrease in interest income and the increase of exchange loss of certain subsidiaries as compared with that in the corresponding period of last year.

Net Profit Attributable to the Owners of the Parent Company

For the six months ended 30 June 2021, the net profit attributable to the owners of the parent company amounted to RMB1,199 million, representing an increase of RMB341 million or 39.74% as compared with that of RMB858 million in the corresponding period of last year, which was mainly attributable to the increase in the gross profit as a result of the increase in the revenue during the reporting period.

Liquidity and Financial Resources

As at 30 June 2021, the cash and cash equivalents of the Group amounted to RMB16,213 million, which were mainly derived from cash and bank deposits at the beginning of 2021 and proceeds generated from business operations during the reporting period.

As at 30 June 2021, the total borrowings of the Group amounted to RMB10,746 million, of which short-term borrowings amounted to RMB3,944 million, current portion of long-term borrowings amounted to RMB1,676 million, and non-current portion of long-term borrowings amounted to RMB5,126 million.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, the bank borrowings of the Group amounted to RMB4,873 million with an average interest rate of 4% per annum, representing a decrease of RMB28 million as compared with that at the beginning of the reporting period; and other borrowings amounted to RMB5,873 million with an average interest rate of 3% per annum, representing a decrease of RMB793 million as compared with that at the beginning of the reporting period.

Seasonal influence on the Group's borrowings demand was relatively insignificant.

CAPITAL STRUCTURE

As at 30 June 2021, the Group's borrowings were mainly settled in Renminbi, and cash and cash equivalents were mainly held in Renminbi.

MORTGAGE AND PLEDGE ON ASSETS

As at 30 June 2021, the Group's secured borrowings amounted to RMB423 million, among which the borrowings of RMB3 million were pledged by accounts receivable with a net book value of RMB25 million; borrowings of RMB420 million were pledged by future collecting rights.

GEARING RATIO

As at 30 June 2021, the Group's gearing ratio was 8.83% (10.09% as at 31 December 2020), which was derived from dividing the total borrowings by the total assets as at 30 June 2021.

EXCHANGE RATE RISKS

The Group mainly operates in the PRC and most of its transactions are settled in Renminbi. The directors of the Company (the "Directors") are of the opinion that the exchange rate risks to the Group are not significant and will not have any material adverse impact on the Group's financial positions.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no significant contingent liabilities.

USE OF PROCEEDS

As at 30 June 2021, a total of RMB5,521 million out of the proceeds raised by the Company had been utilized in the manufacturing and research and development of advanced trainers, helicopters and aviation composite materials as well as the acquisition of assets in aviation business and equity investments. In the end of 2018, the net proceeds raised by the Company through H share placing were approximately HK\$1,346 million. Up to now, an amount of approximately RMB963 million had been used to invest in the aviation products business such as aviation cabin interior trimming business. As at 30 June 2021, the actual remaining balance of the proceeds amounted to approximately RMB215 million. The Company proposes to use such proceeds for investment in aviation products businesses, the industrialization projects of aviation research institutes and funds for aviation industry, the funding of acquisitions of aviation equity interest or aviation assets and for general corporate purposes in accordance with the Company's development strategy in the next year.

MANAGEMENT DISCUSSION AND ANALYSIS

ADOPTION OF THE CASBE TO PREPARE FINANCIAL STATEMENTS AND NON-REAPPOINTMENT OF INTERNATIONAL AUDITOR

In view of the convergence of CASBE and international financial reporting standards, after the approval at the annual general meeting of the Company held on 28 May 2021 (the “**AGM**”), the Company amended its Article of Association to adopt and comply only with the CASBE to prepare its financial statements, and consequently decided not to re-appoint ShineWing (HK) CPA Ltd. as the international auditor of the Company. ShineWing Certified Public Accountant LLP is the Company’s domestic auditor for the year 2021. The interim results of the Company for the six months ended 30 June 2021 were prepared only in accordance with the CASBE. The Company believes that adopting only the CASBE will not have any material and adverse impact on the publication of the Company’s results for the six months ended 30 June 2021 and thereafter. For details, please refer to the announcements of the Company dated 30 March 2021 and 20 April 2021, as well as the circular of the Company dated 28 April 2021.

EMPLOYEES

As at 30 June 2021, the Group had 44,884 employees. The Group’s staff costs amounted to RMB4,546 million for the six months ended 30 June 2021, representing an increase of RMB747 million or 19.66% as compared with that of RMB3,799 million in the corresponding period of last year.

The remuneration policies and employee training programs of the Company remained the same as those set out in the 2020 annual report.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

At the AGM, certain members of the sixth session of the Board of the Company, namely Mr. Wang Xuejun (executive director), Mr. Zhao Hongwei (executive director), Mr. Lian Dawei (non-executive director), Mr. Xu Gang (non-executive director) and Mr. Liu Weiwu (independent non-executive director) participated in the re-election of directors of the seventh session of the Board and were re-elected as the directors. Other members of the sixth session of the Board, namely Mr. Yan Lingxi (non-executive director), Mr. Liu Renhuai (independent non-executive director) and Mr. Wang Jianxin (independent non-executive director) confirmed that they would not participate in the re-election of the directors of the seventh session of the Board upon expiry of their terms of office. Meanwhile, Mr. Li Xichuan, Mr. Wang Jun, Mr. Mao Fugen and Mr. Lin Guiping were elected as the non-executive director, non-executive director, independent non-executive director and independent non-executive director of the seventh session of the Board of the Company, respectively.

After the conclusion of the AGM, the seventh session of the Board consists of the following members: Mr. Wang Xuejun (executive Director), Mr. Zhao Hongwei (executive Director), Mr. Lian Dawei (non-executive Director), Mr. Li Xichuan (non-executive Director), Mr. Xu Gang (non-executive Director), Mr. Wang Jun (non-executive Director), Mr. Liu Weiwu (independent non-executive Director), Mr. Mao Fugen (independent non-executive Director) and Mr. Lin Guiping (independent non-executive Director).

At the Board meeting convened following the AGM on the same date, Mr. Wang Xuejun was elected as the chairman of the Board of the Company.

At the AGM, Mr. Zheng Qiang and Mr. Guo Guangxin, members of the sixth session of the Supervisory Committee, participated in the re-election as shareholder representative supervisor of the seventh session of the Supervisory Committee and were re-elected as shareholder representative supervisors. Meanwhile, Mr. Zhao Zhuo was re-elected as the employee representative supervisor of the seventh session of the Supervisory Committee.

After the conclusion of the AGM, the seventh session of the Supervisory Committee consists of the following members: Mr. Zheng Qiang (shareholder representative supervisor), Mr. Guo Guangxin (shareholder representative supervisor) and Mr. Zhao Zhuo (employee representative supervisor).

At the Supervisory Committee meeting of the Company convened following the AGM on the same date, Mr. Zheng Qiang was elected as the chairman of the Supervisory Committee of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Hong Kong Listing Rules**”), and the Shares Trading Management Rules for Directors, supervisors, senior management and employees of the Company (the “**Rules**”) as its own guidelines for securities transactions by the Directors, supervisors, senior management and employees of the Company. In the first half of 2021, the Company amended the Rules timely according to relevant regulatory requirements. The Board has also confirmed that, having made specific enquiries of all the Directors and supervisors, all the Directors and supervisors of the Company had complied with the required standards for securities transactions by Directors and supervisors set out in the Model Code for the six months ended 30 June 2021.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, save as disclosed below, none of the Directors, supervisors or chief executive of the Company had interests or held short positions in the shares (“Shares”), underlying Shares and/or debentures of the Company and/or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

Name of Director/ Supervisor	Class of Shares	Capacity	Number of Shares	Approximate percentage of shareholdings to share capital in issue	Nature of Shares held
Zheng Qiang (a supervisor)	H Share	Beneficial owner	239,687	0.003%	Long position
		Interest of Spouse	966	0.000%	Long position
Zhao Zhuo (a supervisor)	H Share	Beneficial owner	69,110	0.001%	Long position

Note: Mr. Zhao Hongwei held 721,500 A shares in AVIC Industry-Finance Holdings Co., Ltd.* (中航工業產融控股股份有限公司) (“AVIC Industry-Finance”), representing approximately 0.008% of the total issued share capital of AVIC Industry-Finance. Mr. Wang Jun held (1) 60,000 A shares in AVIC Xi'an Aircraft Industry Group Company Ltd.* (中航西安飛機工業集團股份有限公司) (“AVIC XAC”), representing approximately 0.002% of the total issued share capital of AVIC XAC, and (2) 60,000 A shares in AVICOPTER, representing approximately 0.010% of the total issued share capital of AVICOPTER. Mr. Zheng Qiang held 33,500 A shares in AVIC Industry-Finance, representing approximately 0.0003% of the total issued share capital of AVIC Industry-Finance and his spouse held 2,500 A shares in Shennan Circuits Co Ltd.d (深南電路股份有限公司) (“Shennan Circuits”), representing approximately 0.0005% of the total issued share capital of Shennan Circuits. AVIC Industry-Finance, AVIC XAC, AVICOPTER and Shennan Circuits are subsidiaries of AVIC, and therefore are associated corporations (within the meaning of Part XV of the SFO) of the Company.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, pursuant to the register of members kept under section 336 of the SFO, the shareholders holding 5% or more equity interests in the class Shares and underlying Shares of the Company were as follows:

Name of Shareholder	Class of Shares	Capacity	Number of Shares	Approximate percentage of shareholdings to the same class of Shares in issue	Nature of Shares held
AVIC (Note 1)	H Shares	Beneficial owner, interest in controlled corporation	3,499,531,569	56.35%	Long position
	Domestic Shares (Note 2)	Beneficial owner	1,250,899,906	83.36%	Long position
Tianjin Free Trade Zone Investment Company Limited* (天津保稅區投資有限公司) (“ Tianjin Free Trade Zone Investment ”)	Domestic Shares (Note 2)	Beneficial owner	249,769,500	16.64%	Long position
Airbus (Note 3)	H Shares	Beneficial owner	312,255,827	5.03%	Long position

Note:

1. Out of the 3,499,531,569 H Shares held by AVIC, 3,297,780,902 H Shares are held as beneficial owner and 183,404,667 H Shares are held through AVIC Airborne Systems Company Limited* (中航機載系統有限公司), its wholly-owned subsidiary, and 18,346,000 H Shares are held by AVIC through China Aviation Industry (Hong Kong) Company Limited* (中國航空工業集團(香港)有限公司), its wholly-owned subsidiary.
2. Pursuant to the equity acquisition and share issuance agreement dated 28 November 2019, the Company proposed to issue a number of 1,500,669,406 domestic Shares as the consideration for the acquisition, among which, a number of 1,250,899,906 and 249,769,500 domestic Shares will be issued to AVIC and Tianjin Free Trade Zone Investment, respectively. The issuance of Domestic Shares was completed on 24 December 2020.
3. European Aeronautic Defence and Space Company – EADS N.V. officially changed its name to Airbus on 1 January 2014.

Save as disclosed above, as at 30 June 2021, the Company had not been notified of any other interests and short positions in 5% or more than 5% of the class Shares and underlying Shares of the Company which had been recorded in the register of members kept under section 336 of the SFO.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

AUDIT AND RISK MANAGEMENT COMMITTEE

In order to strengthen the integration and coordination of the compliance management system, risk management and internal control system, and continuously improve the effective operation of the Company's management and control systems, the seventh session of the Board established the Audit and Risk Management Committee on 28 May 2021 to replace the Audit Committee in carrying out the duty of assisting the Board and independently monitoring the financial operation, audit procedures and the risk management operation of the Company; and as considered and approved by the meeting of the Board of the Company held on 27 August 2021, the Terms of Reference of the Audit and Risk Management Committee were amended in accordance with the actual situation of the Company and related regulations. The Audit and Risk Management Committee had reviewed the Company's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021.

CORPORATE GOVERNANCE

The Company has strictly complied with various applicable laws, rules and regulations as well as its articles of association to standardize its operation. After reviewing the corporate governance arrangement adopted by the Company, the Board is of the view that the Company has complied with the requirements of the principles and code provisions set out in the Corporate Governance Code under the Hong Kong Listing Rules for the six months ended 30 June 2021.

OTHER EVENTS

On 15 January 2021, the Company and AVIC Heavy Machinery Company Limited* (中航重機股份有限公司) ("**AVIC Heavy Machinery**") entered into a share subscription agreement, pursuant to which the Company agrees to subscribe for the A shares to be issued by AVIC Heavy Machinery through non-public offering at the total subscription amount of RMB200 million by way of cash, with the total number of shares to be subscribed not exceeding 20% of the total number of issued shares of AVIC Heavy Machinery prior to such issuance, i.e., 187,936,168 shares (inclusive). Upon completion of the subscription, AVIC Heavy Machinery will not become a subsidiary of the Company. As at the date of the share subscription agreement, AVIC is the controlling Shareholder of the Company, and AVIC Heavy Machinery is a subsidiary of AVIC. Therefore, AVIC Heavy Machinery is a connected person of the Company under the Hong Kong Listing Rules. As such, the transaction contemplated under the share subscription agreement constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 15 January 2021.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

MAJOR SUBSEQUENT EVENTS

On 9 July 2021, the board of directors of JONHON Optronics approved the proposed issuance of new A shares by JONHON Optronics to raise proceeds of no more than RMB3.4 billion to facilitate its daily operations and construction of industrialization projects. As part of the A share issuance of JONHON Optronics, JONHON Optronics entered into a subscription agreement with China Aviation Emerging Industry Investment Co., Ltd.* (中航資本產業投資有限公司) (“**AVIC Industry Investment**”) and a subscription agreement with the Company on 9 July 2021. Pursuant to such agreements, JONHON Optronics has conditionally agreed to allot and issue, and each of AVIC Industry Investment and the Company has conditionally agreed to subscribe for the new A shares with RMB190 million and RMB200 million in cash, respectively. As at the date of such subscription agreements, AVIC is the controlling Shareholder of the Company, and AVIC Industry Investment is a subsidiary of AVIC. Therefore, AVIC Industry Investment is a connected person of the Company and such proposed subscription by AVIC Industry Investment constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. Following the completion of the issuance of JONHON Optronics, the Company’s shareholding percentage in JONHON Optronics may be diluted, which constitutes a deemed disposal of the Company’s equity interest in JONHON Optronics under Rule 14.29 of the Hong Kong Listing Rules. However, the issuance of JONHON Optronics will not result in any change of control of JONHON Optronics, and JONHON Optronics will remain a subsidiary of the Company following the completion of such issuance. For details, please refer to the announcements of the Company dated 17 May 2021 and 9 July 2021.

On 6 August 2021, after due consideration of various factors, including the market condition and the Company’s actual situations, the Company decided not to proceed with the exploration of the possibility of issuance of ordinary shares of the Company to be traded in Renminbi (the “**Proposed A Share Offering**”). As at the date of this report, the Company has not made any formal listing application to relevant securities regulatory authorities in the PRC for approval of the Proposed A Share Offering. For details, please refer to the announcements of the Company dated 30 October 2020 and 6 August 2021.

PURCHASE, SALE AND REDEMPTION OF SECURITIES

For the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

Consolidated Balance Sheet

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note V	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Current assets:			
Monetary funds	1	18,968,081,811	25,138,489,217
Settlement reserve			
Loans to banks and other financial institutions			
Financial assets held for trading	2	2,046,237,633	2,378,749,103
Derivative financial assets			
Notes receivable	3	4,964,215,630	8,739,588,328
Accounts receivable	4	21,005,813,039	16,370,668,841
Receivables financing		11,446,354	28,095,202
Prepayments	5	7,264,923,778	1,692,119,455
Premium receivable			
Reinsurance premium receivable			
Reinsurance contract provision receivable			
Other receivables	6	363,443,538	193,473,846
Including: Interest receivable			
Dividends receivable		51,611,778	309,300
Financial assets purchased under agreements to resell			
Inventories	7	33,392,536,519	30,713,010,487
Contract assets	8	7,075,449,547	4,542,892,460
Held-for-sale assets		55,181,576	57,424,372
Non-current assets due within one year			
Other current assets		743,621,678	702,992,333
Total current assets		95,890,951,103	90,557,503,644

Consolidated Balance Sheet (Continued)

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note V	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Non-current assets:			
Loans and advances			
Debt investment			
Other debt investment			
Long-term receivables		8,776,634	1,566,033
Long-term equity investments	9	1,868,099,788	1,728,131,943
Other equity instrument investments	10	1,843,598,010	1,612,599,803
Other non-current financial assets			
Investment properties	11	356,673,422	381,485,092
Fixed assets	12	13,468,723,131	13,553,983,084
Construction-in-progress	13	3,900,082,951	3,235,117,559
Bearer biological assets			
Oil and gas assets			
Right-of-use assets	14	649,430,223	680,918,043
Intangible assets	15	2,736,853,297	2,767,248,483
Development expenditure			
Goodwill		69,121,895	69,121,895
Long-term deferred expenses		74,032,555	69,648,616
Deferred income tax assets		432,188,199	373,213,782
Other non-current assets		458,742,181	556,008,640
Total non-current assets		25,866,322,286	25,029,042,973
Total assets		121,757,273,389	115,586,546,617

Legal representative: Wang Xuejun Person in charge of accounting: Tao Guofei Person in charge of the accounting department: Hu Wanlin

Consolidated Balance Sheet (Continued)

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note V	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Current Liabilities:			
Short-term borrowings	16	3,828,721,861	4,380,394,913
Borrowings from the central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading		9,144,585	20,416,526
Derivative financial liabilities			
Notes payable	17	6,487,378,849	8,524,837,419
Accounts payable	18	26,002,744,526	23,543,797,350
Advances		3,630,010	
Contract liabilities	19	23,114,005,555	17,136,185,913
Financial assets sold under agreements to repurchase			
Deposits and placements from other financial institutions			
Securities brokering			
Securities underwriting			
Employee benefits payable		1,009,607,993	1,758,648,928
Tax payable		311,877,468	347,749,402
Other payables		2,369,510,647	2,318,625,756
Including: Interest payable			
Dividends payable		546,443,444	362,540,213
Fees and commissions payable			
Reinsurance amounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		1,746,233,502	1,563,839,121
Other current liabilities		287,715,530	786,182,362
Total current liabilities		65,170,570,526	60,380,677,690

Consolidated Balance Sheet (Continued)

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note V	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings	20	3,421,299,956	3,598,431,047
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	21	649,971,262	636,374,789
Long-term payables		(499,783,882)	(23,867,989)
Long-term employee benefits payable		1,540,056,566	1,605,589,110
Estimated liabilities		669,685,859	574,768,260
Deferred income		871,585,640	792,831,734
Deferred income tax liabilities		146,135,557	139,741,579
Other non-current liabilities		1,819,422,046	1,778,121,661
Total non-current liabilities		8,618,373,004	9,101,990,191
Total liabilities		73,788,943,530	69,482,667,881
Shareholders' equity:			
Share capital	22	7,711,332,242	7,711,332,242
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves		11,617,172,384	11,580,160,798
Less: treasury shares			
Other comprehensive income		(381,893,423)	(444,304,828)
Special reserves		516,738,311	437,521,387
Surplus reserves		248,737,213	248,737,213
General risk reserve			
Undistributed profits		4,179,761,287	3,397,017,986
Total shareholders' equity attributable to parent company		23,891,848,014	22,930,464,798
Minority equity		24,076,481,845	23,173,413,938
Total shareholders' equity		47,968,329,859	46,103,878,736
Total liabilities and shareholders' equity		121,757,273,389	115,586,546,617

Legal representative: Wang Xuejun Person in charge of accounting: Tao Guofei Person in charge of the accounting department: Hu Wanlin

Balance Sheet of the Company

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Current assets:		
Monetary funds	686,159,807	663,396,767
Financial assets held for trading	1,669,241,677	1,898,301,973
Derivative financial assets		
Notes receivable		
Accounts receivable	1,603,740	1,603,740
Receivables financing		
Prepayments		
Other receivables	159,907,414	9,337,463
Including: Interest receivable		604
Dividends receivable	159,809,708	866,128
Inventories		
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	2,586	
Total current assets	2,516,915,224	2,572,639,943
Non-current assets:		
Debt investment		
Other debt investment		
Long-term receivables	1,202,775	1,566,033
Long-term equity investments	11,543,196,042	11,319,748,796
Other equity instrument investments	869,938,827	602,644,529
Other non-current financial assets		
Investment properties	27,234,546	27,814,201
Fixed assets	781,232	998,533
Construction-in-progress		
Bearer biological assets		
Oil and gas assets		
Right-of-use assets	5,111,015	7,155,421
Intangible assets	1,136,785	1,377,832
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	1,221,608	5,922,446
Other non-current assets	10,000,000	10,000,000
Total non-current assets	12,459,822,830	11,977,227,791
Total assets	14,976,738,054	14,549,867,734

Legal representative: Wang Xuejun Person in charge of accounting: Tao Guofei Person in charge of the accounting department: Hu Wanlin

Balance Sheet of the Company (Continued)

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Current liabilities:		
Short-term borrowings		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable		
Advances		
Contract liabilities		
Employee benefits payable	9,363,319	10,082,663
Tax payable	6,206,510	22,768,868
Other payables	719,452,802	467,164,349
Including: Interest payable		
Dividends payable	385,566,612	
Held-for-sale liabilities		
Non-current liabilities due within one year	4,536,357	4,445,069
Other current liabilities		
Total current liabilities	739,558,988	504,460,949
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Estimated liabilities		
Deferred income		
Deferred income tax liabilities	40,081,404	25,362,627
Other non-current liabilities		
Total non-current liabilities	40,081,404	25,362,627
Total liabilities	779,640,392	529,823,576

Balance Sheet of the Company (Continued)

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Shareholders' equity:		
Share capital	7,711,332,242	7,711,332,242
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	4,963,456,690	4,963,456,690
Less: treasury shares		
Other comprehensive income	111,332,601	34,493,107
Special reserves		
Surplus reserves	248,737,212	248,737,212
Undistributed profits	1,162,238,917	1,062,024,907
Total shareholders' equity	14,197,097,662	14,020,044,158
Total liabilities and shareholders' equity	14,976,738,054	14,549,867,734

Legal representative: Wang Xuejun Person in charge of accounting: Tao Guofei Person in charge of the accounting department: Hu Wanlin

Consolidated Income Statement

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note V	January-June	January-June
		2021 (Unaudited)	2020 (Unaudited) (Restated)
I. Total operating income		27,892,998,435	20,963,012,243
Including: Operating revenue	23	27,892,998,435	20,963,012,243
Interest income			
Earned premium			
Fee and commission income			
II. Total operating cost		25,150,538,225	19,142,653,034
Including: Operating cost	23	21,882,396,745	16,648,231,703
Interest expenses			
Fee and commission expenses			
Cash surrender amount			
Net expenses of claim settlement			
Net provision for insurance contract reserves			
Policyholder dividend expenses			
Reinsurance expenses			
Taxes and surcharges		59,969,661	53,071,230
Selling expenses	24	314,625,268	227,999,573
Administrative expenses	25	1,478,136,384	1,303,419,993
Research and development expenses	26	1,347,423,586	931,575,918
Finance costs	27	67,986,581	(21,645,383)
Including: Interest expense		194,233,255	237,905,720
Interest income		157,520,223	237,679,552
Add: Other income	28	112,507,875	84,340,891
Investment income (loss to be listed with "-")	29	190,837,973	99,735,749
Including: Income from investment in associates and joint ventures		133,501,275	62,075,022
Derecognition income of financial assets at amortised cost			
Exchange gain (loss to be listed with "-")			
Net exposure hedging income (loss to be listed with "-")			
Income from changes in fair value (loss to be listed with "-")	30	(41,943,440)	41,988,359
Credit impairment loss (loss to be listed with "-")	31	(176,938,977)	(170,728,036)
Asset impairment loss (loss to be listed with "-")	32	(64,853,658)	(46,315,297)
Income from assets disposal (loss to be listed with "-")		52,035	53,298
III. Operating profit (loss to be listed with "-")		2,762,122,018	1,829,434,173
Add: Non-operating income		27,425,394	10,779,688
Less: Non-operating expenses		7,119,355	9,404,444
IV. Total profit (total loss to be listed with "-")		2,782,428,057	1,830,809,417
Less: income tax expenses	33	339,589,403	210,347,560

Consolidated Income Statement (Continued)

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note V	January-June 2021 (Unaudited)	January-June 2020 (Unaudited) (Restated)
V. Net profit (net loss to be listed with "-")		2,442,838,654	1,620,461,857
(I) Classified according to operating continuity			
1. Net profit from continuing operations (net loss to be listed with "-")		2,442,838,654	1,620,461,857
2. Net profit from discontinuing operations (net loss to be listed with "-")			
(II) Classified according to attribution of the ownership			
1. Net profit attributable to the owners of the parent company (net loss to be listed with "-")		1,199,349,671	858,127,920
2. Minority profit and loss (net loss to be listed with "-")		1,243,488,983	762,333,937
VI. Net of tax of other comprehensive income		14,247,404	(15,641,815)
Net of tax of other comprehensive income attributable to the owner of the parent company		31,389,328	173,941
(I) Other comprehensive income that cannot be reclassified into profit or loss		36,638,451	(9,590,375)
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments		36,638,451	(9,590,375)
4. Changes in fair value of the enterprise's credit risk			
5. Others			
(II) Other comprehensive income reclassified into the profit or loss		(5,249,123)	9,764,316
1. Other comprehensive income that can be reclassified into profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Reserves for cash flow hedge (effective parts of cash flow hedge profit or loss)			
6. Translation difference of foreign currency financial statements		(5,249,123)	9,764,316
7. Others			
Net of tax of other comprehensive income attributable to minority shareholders		(17,141,924)	(15,815,756)
VII. Total comprehensive income		2,457,086,058	1,604,820,042
Total comprehensive income attributable to shareholders of the parent company		1,230,738,999	858,301,861
Total comprehensive income attributable to minority shareholders		1,226,347,059	746,518,181

Consolidated Income Statement (Continued)

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note V	January-June	January-June
		2021	2020
		(Unaudited)	(Unaudited)
		(Unaudited)	(Restated)
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	35	0.16	0.11
(II) Diluted earnings per share (RMB/share)	35	0.16	0.11

Legal representative: Wang Xuejun Person in charge of accounting: Tao Guofei Person in charge of the accounting department: Hu Wanlin

Income Statement of the Company

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	January-June 2021 (Unaudited)	January-June 2020 (Unaudited)
I. Operating income	328,436	656,873
Less: Operating cost	579,656	842,492
Taxes and surcharges	1,559,840	2,972,816
Selling expenses		
Administrative expenses	22,117,287	15,831,480
Research and development expenses	223,512	313,512
Finance costs	(1,489,960)	(40,632,865)
Including: Interest expense	91,288	
Interest income	6,665,845	35,855,719
Add: Other income	49,067	359,663
Investment income (loss to be listed with "-")	551,655,744	273,981,377
Including: Income from investment in associates and joint ventures	8,447,246	3,705,232
Derecognition income of financial assets at amortised cost		
Net exposure hedging income (loss to be listed with "-")		
Income from changes in fair value (loss to be listed with "-")	(8,419,221)	10,014,438
Credit impairment loss (loss to be listed with "-")	190,104	
Asset impairment loss (loss to be listed with "-")		
Income from assets disposal (loss to be listed with "-")		
II. Operating profit (loss to be listed with "-")	520,813,795	305,684,916
Add: Non-operating income		
Less: Non-operating expenses		1,000,000
III. Total profit (total loss to be listed with "-")	520,813,795	304,684,916
Less: income tax expenses	4,011,096	7,001,214
IV. Net profit (net loss to be listed with "-")	516,802,699	297,683,702
(I) Net profit from continuing operations (net loss to be listed with "-")	516,802,699	297,683,702
(II) Net profit from discontinuing operations (net loss to be listed with "-")		

Income Statement of the Company (Continued)

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	January-June 2021 (Unaudited)	January-June 2020 (Unaudited)
V. Net of tax of other comprehensive income	45,817,417	158,481
(I) Other comprehensive income that cannot be reclassified into profit or loss	45,817,417	158,481
1. Changes arising from re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments	45,817,417	158,481
4. Changes in fair value of the enterprise's credit risk		
5. Others		
(II) Other comprehensive income reclassified into the profit or loss		
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Reserves for cash flow hedge (effective parts of cash flow hedge profit or loss)		
6. Translation difference of foreign currency financial statements		
7. Others		
VI. Total comprehensive income	562,620,116	297,842,183

Legal representative: Wang Xuejun Person in charge of accounting: Tao Guofei Person in charge of the accounting department: Hu Wanlin

Consolidated Cash Flow Statement

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	January-June 2021 (Unaudited)	January-June 2020 (Unaudited) (Restated)
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering of services	29,483,821,305	13,333,529,864
Net increase in deposits and placements from financial institutions		
Net increase of borrowings from the central bank		
Net increase in placements from other financial institutions		
Cash received from premiums of original insurance contract		
Net amount of reinsurance business		
Net increase in deposits from policyholders		
Cash received from interests, fees and commissions		
Net increase in placement from banks and other financial institutions		
Net increase in repurchasing		
Net cash received from securities brokering		
Refund of taxes and surcharges	142,744,856	49,675,114
Other cash received relating to operating activities	1,191,984,199	1,521,619,004
Subtotal of cash inflows from operating activities	30,818,550,360	14,904,823,982
Cash paid for purchase of goods and receipt of services	25,901,940,176	13,864,730,596
Net increase in loans and advances		
Net increase in deposits with the central bank and other banks		
Cash paid for claim settlements on original insurance contract		
Net increase in financial assets held for trading		
Net increase in loans to banks and other financial institutions		
Cash paid for interests, fees and commissions		
Cash paid for policy dividends		
Cash paid to and for employees	5,053,949,903	4,071,680,091
Taxes and surcharges cash payments	645,456,414	429,099,669
Other cash paid relating to operating activities	2,187,283,295	2,138,791,381
Subtotal of cash outflow from operating activities	33,788,629,788	20,504,301,737
Net cash flow from operating activities	(2,970,079,428)	(5,599,477,755)

Consolidated Cash Flow Statement (Continued)

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	January-June 2021 (Unaudited)	January-June 2020 (Unaudited) (Restated)
II. Cash flows from investing activities:		
Cash received from return of investment	4,126,364,144	3,254,688,480
Cash received from investment income	101,346,470	331,217,935
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,393,655	167,619,099
Net cash received from disposal of subsidiaries and other business entities	11,136,524	842,790,222
Other cash received relating to investing activities		
Subtotal of cash inflows from investing activities	4,241,240,793	4,596,315,736
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	1,466,550,656	1,127,195,429
Cash paid to acquire investments	4,923,438,905	3,768,980,706
Net increase in pledge loans		
Net cash paid for acquisition of subsidiaries and other business entities		
Other cash paid relating to investing activities		
Subtotal of cash outflows from investing activities	6,389,989,561	4,896,176,135
Net cash flows from investing activities	(2,148,748,768)	(299,860,399)
III. Cash flows from financing activities:		
Cash received from absorbing investment	109,800,000	784,321,359
Including: Cash received from minority shareholders' investment in subsidiaries	109,800,000	784,321,359
Cash received from borrowings	3,171,545,816	6,461,305,023
Cash received from bond issue		
Other cash received relating to financing activities	683,033,748	3,840,000
Subtotal of cash inflow from financing activities	3,964,379,564	7,249,466,382
Cash paid for repayments of debts	3,680,816,799	5,349,497,763
Cash paid for distribution of dividends, profits or interest repayment	935,129,553	311,435,779
Including: Dividends and profits paid to minority shareholders by subsidiaries	745,739,786	109,881,287
Other cash paid relating to financing activities	804,182,132	202,513,231
Subtotal of cash outflow from financing activities	5,420,128,484	5,863,446,773
Net cash flow from financing activities	(1,455,748,920)	1,386,019,609

Consolidated Cash Flow Statement (Continued)

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	January-June 2021 (Unaudited)	January-June 2020 (Unaudited) (Restated)
IV. Effect of foreign exchange rate changes on cash and cash equivalents	(21,243,547)	2,744,083
V. Net increase in cash and cash equivalents	(6,595,820,663)	(4,510,574,462)
Add: Beginning balance of cash and cash equivalents	22,809,124,855	19,018,299,682
VI. Ending balance of cash and cash equivalents	16,213,304,192	14,507,725,220

Legal representative: Wang Xuejun Person in charge of accounting: Tao Guofei Person in charge of the accounting department: Hu Wanlin

Cash Flow Statement of the Company

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	January-June 2021 (Unaudited)	January-June 2020 (Unaudited)
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services		381,244
Refund of taxes and surcharges		
Other cash received relating to operating activities	8,138,695	112,416,614
Subtotal of cash inflows from operating activities	8,138,695	112,797,858
Cash paid for purchase of goods and receipt of services		
Cash paid to and for employees	13,277,181	11,031,997
Taxes and surcharges cash payments	25,082,434	3,433,111
Other cash paid relating to operating activities	126,870,461	35,058,925
Subtotal of cash outflows from operating activities	165,230,076	49,524,033
Net cash flows from operating activities	(157,091,381)	63,273,825
II. Cash flows from investing activities:		
Cash received from return of investment	1,501,388,736	111,195,665
Cash received from investment income	391,170,588	132,574,933
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other business entities		
Other cash received relating to investing activities		80,000,000
Subtotal of cash inflows from investing activities	1,892,559,324	323,770,598
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		
Cash paid to acquire investments	1,708,150,375	35,400,000
Net cash paid for acquisition of subsidiaries and other business entities		
Other cash paid relating to investing activities		191,356,906
Subtotal of cash outflows from investing activities	1,708,150,375	226,756,906
Net cash flows from investing activities	184,408,949	97,013,692

Cash Flow Statement of the Company (Continued)

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	January-June 2021 (Unaudited)	January-June 2020 (Unaudited)
III. Cash flows from financing activities:		
Cash received from absorbing investment		
Cash received from borrowings		
Cash received from bond issue		
Other cash received relating to financing activities		40,431,346
Subtotal of cash inflows from financing activities		40,431,346
Cash paid for repayments of debts		
Cash paid for distribution of dividends, profits or interest repayment		
Other cash paid relating to financing activities		155,503,000
Subtotal of cash outflows from financing activities		155,503,000
Net cash flows from financing activities		(115,071,654)
IV. Effect of foreign exchange rate changes on cash and cash equivalents	(4,554,528)	146,590
V. Net increase in cash and cash equivalents	22,763,040	45,362,453
Add: Beginning balance of cash and cash equivalents	663,396,767	1,263,528,410
VI. Ending balance of cash and cash equivalents	686,159,807	1,308,890,863

Legal representative: Wang Xuejun Person in charge of accounting: Tao Guofei Person in charge of the accounting department: Hu Wanlin

Consolidated Statement of Changes in Shareholders' Equity

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	January – June 2021 (Unaudited)							Total shareholders' equity						
	Share capital	Other equity instrument Preferred shares	Other equity instrument Perpetual bonds	Others	Capital reserve	Equity attributable to shareholders of the parent company Less: treasury shares	Other comprehensive income		Special reserves	Surplus reserves	General risk reserve	Undistributed profit	Others	Subtotal
I. Closing balance of the previous year	7,711,332,242				11,580,160,798	(444,304,628)	437,521,387	2,487,372,123	2,487,372,123	3,397,017,986	3,397,017,986	22,930,464,798	23,173,413,938	46,103,878,736
Add: Changes in accounting policies														
Business combination under common control														
Others														
II. Opening balance of the current year	7,711,332,242				11,580,160,798	(444,304,628)	437,521,387	2,487,372,123	2,487,372,123	3,397,017,986	3,397,017,986	22,930,464,798	23,173,413,938	46,103,878,736
III. Change in increase or decrease of the current year (decrease to be listed with "+")					37,011,586	62,411,405	79,216,924			782,743,301	782,743,301	961,383,216	903,067,907	1,864,451,123
(I) Total comprehensive income					37,011,586	31,389,328				1,199,349,671	1,199,349,671	1,230,738,999	1,226,347,059	2,457,086,058
(II) Capital invested and decreased by shareholders														
1. Common shares invested by shareholders														
2. Capital invested by other equity instrument holders														
3. Amount of share-based payment recognized as shareholders' equity														
4. Others					37,011,586					(385,566,612)	(385,566,612)	37,011,586	86,817,903	123,899,489
(III) Profit distribution														
1. Appropriation to surplus reserves														
2. Appropriation to general risk reserve														
3. Distribution to shareholders														
4. Others														
(IV) Internal carry-over in shareholders' equity														
1. Transfer from capital reserves to share capital														
2. Transfer from surplus reserves to share capital														
3. Recovery of losses by surplus reserves														
4. Retained earnings carried over from changes in defined benefit plans														
5. Retained earnings carried over from other comprehensive income														
6. Others														
(V) Special reserves														
1. Appropriation in the current year														
2. Use in the current year														
(VI) Others														
IV. Closing balance of the current year	7,711,332,242				11,617,172,384	(381,893,423)	516,738,311	2,487,372,123	2,487,372,123	4,179,761,287	(31,022,077)	23,891,848,014	24,076,481,845	47,968,329,859

Legal representative: Wang Xuejun

Person in charge of accounting: Tao Guofei

Person in charge of the accounting department: Hu Wanlin

Consolidated Statement of Changes in Shareholders' Equity (Continued)

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	January - June 2020 (Unaudited, Restated)														
	Share capital	Preferred shares	Other equity instrument Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profit	Others	Subtotal	Minority equity	Total shareholders' equity
I. Closing balance of the previous year	6,245,121,836			192,098,021	5,516,621,629		(285,615,450)	180,480,273	210,987,666		6,802,223,235		18,861,917,210	20,094,818,595	38,956,735,805
Add: Changes in accounting policies															
Corrections of prior period errors															
Business combination under common control															
Others															
II. Opening balance of the current year	6,245,121,836			192,098,021	12,266,586,285		(318,575,179)	380,365,801	210,987,666		1,699,009,581		20,675,574,011	19,572,353,511	40,247,927,522
III. Change in increase or decrease of the current year (decrease to be listed with "-")	(31,959,000)			(3,632)	(18,523,081)	8,633,312	5,448,941	54,389,921		645,499,265			664,219,102	455,156,164	1,121,375,266
(I) Total comprehensive income							173,941			868,127,920				746,518,181	1,604,820,042
(II) Capital invested and decreased by shareholders	(31,959,000)			(3,632)	(29,407,009)	8,633,312							(70,002,953)	177,574,961	107,572,008
1. Common shares invested by shareholders														96,357,524	96,357,524
2. Capital invested by other equity instrument holders															
3. Amount of share-based payment recognized as shareholders' equity															
4. Others	(31,959,000)			(3,632)	(59,881,372)	8,633,312							30,474,363	48,325,805	78,800,168
(III) Profit distribution										(187,353,655)			(187,353,655)	(465,991,679)	(653,345,334)
1. Appropriation to surplus reserves															
2. Appropriation to general risk reserve															
3. Distribution to shareholders															
4. Others															
(IV) Internal carry-over in shareholders' equity							5,275,000			(5,275,000)					
1. Transfer from capital reserves to share capital															
2. Transfer from surplus reserves to share capital															
3. Recovery of losses by surplus reserves															
4. Retained earnings carried over from changes in defined benefit plans															
5. Retained earnings carried over from other comprehensive income															
6. Others															
(V) Special reserves															
1. Appropriation in the current year								54,389,921					54,389,921	23,493,788	77,883,709
2. Use in the current year								(8,280,329)					(8,280,329)	(10,349,625)	(18,629,954)
(VI) Others															
10,883,928															
IV. Closing balance of the current year	6,213,162,836			192,094,389	12,248,043,204	8,633,312	(313,126,238)	434,755,722	210,987,666		2,364,508,846		21,341,793,113	20,027,509,675	41,369,302,788

Legal representative: Wang Xuejun

Person in charge of accounting: Tao Guofei

Person in charge of the accounting department: Hu Wanlin

Statement of Changes in Shareholders' Equity of the Company

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	January - June 2021 (Unaudited)						Total shareholders' equity				
	Share capital	Preferred shares	Other equity instrument Perpetual bonds	Capital reserves	Less: treasury shares	Other comprehensive income		Special reserves	Surplus reserves	Undistributed profit	Others
I. Closing balance of the previous year	7,711,332,242			4,963,456,690		34,493,107		248,737,212	1,062,024,907		14,020,044,158
Add: Changes in accounting policies											
Error correction of previous period											
Others											
II. Opening balance of the current year	7,711,332,242			4,963,456,690		34,493,107		248,737,212	1,062,024,907		14,020,044,158
III. Change in increase or decrease of the current year (decrease to be listed with "-")											
(I) Total comprehensive income						76,839,494			100,214,010		177,053,504
(II) Capital invested and decreased by shareholders						45,817,417			516,802,699		562,620,116
1. Common shares invested by shareholders											
2. Capital invested by other equity instrument holders											
3. Amount of share-based payment recognized as shareholders' equity											
4. Others											
(III) Profit distribution									(385,566,612)		(385,566,612)
1. Appropriation to surplus reserves											
2. Distribution to shareholders									(385,566,612)		(385,566,612)
3. Others											
(IV) Internal carry-over in shareholders' equity									(31,022,077)		(31,022,077)
1. Transfer from capital reserves to share capital											
2. Transfer from surplus reserves to share capital											
3. Recovery of losses by surplus reserves											
4. Retained earnings carried over from changes in defined benefit plans											
5. Retained earnings carried over from other comprehensive income											
6. Others									(31,022,077)		(31,022,077)
(V) Special reserves											
1. Appropriation in the current year											
2. Use in the current year											
(VI) Others											
IV. Closing balance of the current year	7,711,332,242			4,963,456,690		111,332,601		248,737,212	1,162,238,917		14,197,097,662

Legal representative: Wang Xuejun

Person in charge of accounting: Tao Guofei

Person in charge of the accounting department: Hu Wanlin

Statement of Changes in Shareholders' Equity of the Company (Continued)

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Share capital	Other equity instrument		Capital reserves	January - June 2020 (Unaudited)		Surplus reserves	Undistributed profit	Others	Total shareholders' equity
		Prefered shares	Perpetual bonds		Less: treasury shares	Other comprehensive income				
I. Closing balance of the previous year	6,245,121,836			3,365,403,895	13,081,654		210,987,665	916,303,934		10,750,898,984
Add: Changes in accounting policies										
Corrections of prior period errors										
Others										
II. Opening balance of the current year	6,245,121,836			3,365,403,895	13,081,654		210,987,665	916,303,934		10,750,898,984
III. Change in increase or decrease of the current year (decrease to be listed with "-")	(31,959,000)			(70,982,172)	158,481			110,330,047		(1,085,956)
(I) Total comprehensive income					158,481			297,683,702		297,842,183
(II) Capital invested and decreased by shareholders	(31,959,000)			(81,591,291)						(122,183,603)
1. Common shares invested by shareholders										
2. Capital invested by other equity instrument holders										
3. Amount of share-based payment recognized as shareholders' equity										
4. Others	(31,959,000)			(81,591,291)						(122,183,603)
(III) Profit distribution										
1. Appropriation to surplus reserves								(187,353,655)		(187,353,655)
2. Distribution to shareholders										
3. Others								(187,353,655)		(187,353,655)
(IV) Internal carry-over in shareholders' equity										
1. Transfer from capital reserves to share capital										
2. Transfer from surplus reserves to share capital										
3. Recovery of losses by surplus reserves										
4. Retained earnings carried over from changes in defined benefit plans										
5. Retained earnings carried over from other comprehensive income										
6. Others										
(V) Special reserves										
1. Appropriation in the current year										
2. Use in the current year										
(VI) Others				10,609,119						10,609,119
IV. Closing balance of the current year	6,213,162,836			3,294,421,723	13,240,135		210,987,665	1,026,633,981		10,749,813,028

Legal representative: Wang Xuejun

Person in charge of accounting: Tao Guofei

Person in charge of the accounting department: Hu Wanlin

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

I. BASIC INFORMATION OF THE COMPANY

(I) Basic Information

AviChina Industry & Technology Company Limited (hereinafter referred to as the Company, together with its subsidiaries, the Group) was restructured by a subsidiary of the former China Aviation Industry Corporation II (hereinafter referred to as AVIC II), and was incorporated in Beijing in the People's Republic of China (hereinafter referred to as the PRC) on 30 April 2003 as a joint stock company with limited liability. The Company has obtained the business license with the unified social credit code of 91110000710931141J issued by Beijing Administration for Industry and Commerce. The registered capital of the Company is RMB7,711,332,242. The legal representative is Wang Xuejun. The address of its registered office is 2nd Floor, Building 27, No. 26 Xihuan South Street, Beijing Economic Technological Development Area, Beijing, the PRC. It was listed on The Stock Exchange of Hong Kong Limited (the Hong Kong Stock Exchange) on 30 October 2003.

The registered capital of the Company at the time of establishment is RMB3,116,518,500, the Company was initiated by AVIC II (as the lead promoter) together with China Huarong Asset Management Co., Ltd. (formerly known as China Huarong Asset Management Company, hereinafter referred to as Huarong Asset Management), China Cinda Asset Management Co., Ltd. (formerly known as China Cinda Asset Management Corporation, hereinafter referred to as Cinda Asset Management) and China Orient Asset Management Co., Ltd. (formerly known as China Orient Asset Management Company, hereinafter referred to as Orient Asset Management). On October 2003, the Company was listed on the Main Board of the Hong Kong Stock Exchange and issued H shares. The former state-owned shareholders shall reduce their shareholdings of state-owned shares according to 10% of the amount raised by issuing H shares. After the issuance of H shares, the share capital of the Company increased to RMB4,643,608,500.

In 2008, Aviation Industry Corporation of China, Ltd. (formerly known as Aviation Industry Corporation of China, hereafter as AVIC) was newly established on the basis of the merger of enterprises and institutions owned by China Aviation Industry Corporation I and AVIC II. The shareholder of the Company was changed from AVIC II to AVIC. In 2010, the Company raised funds by increasing overseas listed foreign invested shares. After the capital increase, the share capital of the Company increased to RMB4,949.0245 million. In 2012, the Company issued 342,000,000 additional overseas listed H Shares to foreign investors, increasing the share capital by RMB342.00 million. In the same year, the Company issued 183,404,667 Domestic Shares to AVIC Airborne Systems Company Limited (hereinafter as AVIC Airborne). As of 31 March 2012, due to additional issuance of H Shares and additional issuance of Domestic Shares, the share capital of the Company was changed to RMB5,474.4292 million. In 2016, the Company issued 491,692,669 Domestic Shares to AVIC. After the additional issuance of Domestic Shares, the share capital of the Company was changed to RMB5,966.1218 million. In 2018, 3,609,687,934 existing shares of the Company held by AVIC, AVIC Airborne, Huarong Asset Management, Cinda Asset Management and Orient Asset Management, the shareholders of the Company, were fully converted into H Shares which were listed on the Hong Kong Stock Exchange. In the same year, the Company issued 279,000,000 H Shares. After the capital increase, the share capital of the Company was changed to RMB6,245.1218 million. In 2020, the Company repurchased and cancelled 34,459,000 shares from H Shares. After the repurchase, the share capital of the Company was changed to RMB6,210.6628 million. In the same year, the Company issued 1,250,899,906 and 249,769,500 Domestic Shares to AVIC and Tianjin Free Trade Zone Investment Company Limited* (天津保稅區投資有限公司) (hereinafter as Tianjin Free Trade Zone Investment Company), respectively. After the targeted issuance of Domestic Shares, the share capital of the Company was changed to RMB7,711.3322 million.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

I. BASIC INFORMATION OF THE COMPANY (Continued)

(II) Nature of business and main business of the enterprise

The Group is principally involved in the research, development, manufacture and sale of aviation products and the delivery of aviation engineering services such as planning, design, consultation, construction and operation.

(III) Name of parent company and group headquarters

The controlling shareholder of the Company is AVIC, and the ultimate controller is the State-owned Assets Supervision and Administration Commission of the State Council. The Company has a Board of Directors, which manages and controls the Company's major decisions and daily operation.

(IV) Approval of financial reports

These financial statements were approved for issue by the Board on 27 August 2021.

II. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The Company has previously adopted the International Financial Report Standards in preparing the financial statements for information disclosure at the Hong Kong Stock Exchange. According to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong published by the Hong Kong Stock Exchange in December 2010, the Company has resolved, starting from the current financial period, to prepare its financial statements for information disclosure at the Hong Kong Stock Exchange pursuant to the Accounting Standard for Business Enterprises issued by the Ministry of Finance of the PRC and other relevant requirements.

The financial statements has been prepared on the going-concern basis and based on the transactions and events actually occurred in accordance with the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the PRC and relevant requirements, as well as based on the accounting policies and accounting estimates as stated in "III. Significant Accounting Policies and Accounting Estimates" under the notes.

During the preparation of the financial statements, the Company has fully evaluated its ability to continue operating in the next 12 months from the balance sheet date. The Company has a record of profitable operation recently and adequate financial resource to support its operation, and considers it is reasonable to prepare the financial statements on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates are formulated by the Group based on actual manufacturing and operating characteristics including business cycle, recognition and measurement of provision for bad debts of accounts receivable, inventory cost flow assumptions, measurement of net realizable value of inventory, classification and depreciation method of fixed assets, amortization of intangible assets, capitalization of research and development expenses, recognition and measurement of revenue, etc.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

1. Declaration on compliance with the accounting standard for business enterprises

The Group complied with the requirements of Accounting Standard for Business Enterprises in preparing its financial statements, which give a true and full view of the financial position, operating results and cash flows of the Company and the Group.

2. Accounting period

The Group's accounting period is from 1 January to 31 December.

3. Business cycle

The business cycle of particular business of the Group exceeds 12 months, and the classification of current and non-current assets and liabilities of the particular business follows the business cycle; otherwise, the Group treats 12 months as a business cycle and the criteria for classifying current and non-current assets and liabilities.

4. Recording currency

Renminbi has been adopted by the Group as its recording currency.

5. Accounting treatments for business combinations involving and not involving entities under common control

Assets and liabilities acquired by the Group, as the combining party, in business combinations involving entities under common control are measured at the carrying amount of the combined party in the consolidated statements of the ultimate controller as at the date of combination. The difference between the carrying amount of the net assets acquired and the carrying amount of the consideration of combination paid shall be adjusted against the capital reserves. If the capital reserves are insufficient to offset the difference, any excess shall be adjusted against the retained earnings.

The identifiable assets, liabilities and contingent liabilities of the acquiree acquired in business combinations not involving entities under common control are measured at fair value as at the acquisition date. The cost of combination is the sum of the fair value of cash or non-cash assets paid, liabilities issued or assumed and equity securities issued by the Group to obtain the control of the acquiree as at the acquisition date, and various directly related expenses incurred in the business combination (for business combination achieved through multiple transactions by phases, the combination cost of which is the sum of the cost of each individual transaction). Where the cost of combination exceeds the fair value attributable to the net identifiable assets of the acquiree acquired in the combination, the difference is recognized as goodwill, where the cost of combination is less than the fair value attributable to the net identifiable assets of the acquiree acquired in the combination, the fair value of each identifiable assets, liabilities and contingent liabilities acquired in the combination and the fair value of the non-cash assets or equity securities issued in the consideration of the combination shall be reassessed first, where the cost of combination is still less than the fair value attributable to the net identifiable assets of the acquiree acquired in the combination after reassessment, the difference is included in the consolidated non-operating income for the current period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparation methods of consolidated financial statements

The Group includes all subsidiaries and structured entities under its control into the consolidated financial statements.

When preparing the consolidated financial statements, if the accounting policies and the accounting period that subsidiaries adopted are inconsistent with the Company, necessary adjustments are made to the financial statements of those subsidiaries according to the accounting policies or accounting period of the Company.

When preparing consolidated financial statements, all significant internal transactions, current balances and unrealised profits within the scope of combination shall be offset. The portion of owner's equity of the subsidiaries which does not belong to the parent company, and the portion of net profit or loss, other comprehensive income and total comprehensive income for the current period which belongs to the equity of minority shareholders, shall be listed under "minority equity, minority profit and loss, other comprehensive income attributable to minority shareholders and total comprehensive income attributable to minority shareholders" items in the consolidated financial statements, respectively.

For subsidiaries acquired through business combinations involving entities under common control, its operating results and cash flows shall be included in the consolidated financial statements since the beginning of the period of combination. When preparing comparative consolidated financial statements, adjustment shall be made to the related items in the financial statements for the last year, as if the reporting subject which was formed after combination had been in existence since the ultimate controlling party gains control.

For shareholding of the investee under common control through different transactions in stages which ultimately results in business combination, when preparing consolidated financial statements, it shall be adjusted as if it had been in existence in the current state since the ultimate controlling party gains control. When preparing comparative financial statements, time limit is the time not earlier than the Group and the combined party are both under the control of the ultimate controlling party, related assets and liabilities of the combined party shall be included into the comparative statements of the consolidated financial statements of the Group, and net assets added due to combination shall be adjusted against the related items under owner's equity in the comparative statements. In order to prevent double calculation of the value of net assets of the combined party, for long-term equity investment held by the Group before combination, from the date of obtaining original shareholding and the date on which the Group and the combined party are under the same ultimate control, whichever is later, to the date of combination, the related profit or loss recognized, other comprehensive income and other changes in net assets, shall be offset against the retained earnings at the beginning of the period and profit or loss for the current period in the comparative statements, respectively.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows shall be included in the consolidated financial statements since the Group obtained its control. When preparing consolidated financial statements, adjustment shall be made to financial statements of the subsidiaries using the fair values of each identifiable assets, liabilities and contingent liabilities as basis, which were determined on date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparation methods of consolidated financial statements (Continued)

For shareholding of the investee not under common control through different transactions in stages which ultimately results in business combination, when preparing consolidated financial statements, shareholding of the acquiree held before the date of acquisition shall be remeasured according to the fair value of such shareholding on the date of acquisition, difference between the fair value and the carrying value shall be included in the investment income for the current period; the relevant shareholding of the acquiree held before the date of acquisition involving other comprehensive income under the equity method as well as changes in other shareholder's equity excluding net profit or loss, other comprehensive income and profits appropriation will be converted to investment profit or loss in the period in which the acquisition date falls, excluding other comprehensive income arising from changes arising from the investee's remeasurement of the net liabilities or net assets in the defined benefit plans.

For disposal of the Group's long-term equity investment in a subsidiary in part without losing control, in the consolidated financial statements, the difference between the disposal consideration and the portion of net assets attributable to the disposed long-term equity investment in the subsidiary as accrued from the date of acquisition or combination, is adjusted against the share capital premium. If the capital reserves are insufficient to offset the difference, any excess shall be adjusted against the retained earnings.

Where control right over the investee is lost due to the disposal of partial equity investment of the Group or other reasons, the residual equity will be re-calculated based on the fair value thereof on the day the control is lost when preparing the consolidated financial statements. The balance from the sum of the consideration obtained from the equity disposal and the fair value of the residual equity minus the net assets of the original subsidiaries calculated continuously in proportion to the original holdings from the date of acquisition or combination shall be recorded into the investment profit or loss of the current period in which the control right is lost, with goodwill written off simultaneously. Other comprehensive income related with the equity investment of the original subsidiaries shall be accounted for on the same basis as the investee's direct disposal of the relevant assets or liabilities when control is lost.

For disposal of the Group's equity investment in a subsidiary realised by two or more transactions until loss of control, if the transactions fall under a package deal, those transactions shall be accounted for as a deal under which the subsidiary is disposed of and control is lost. However, before losing control over the subsidiary, the balance between each disposal consideration and the corresponding share of the subsidiary's net assets entitled from the disposal of the investment shall be recognized as other comprehensive income in the consolidated financial statements and when control is lost, converted into investment profit or loss for the period in which control is lost. Other comprehensive income related with the equity investment of the original subsidiaries shall be accounted for on the same basis as the investee's direct disposal of the relevant assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Classification of joint arrangements and accounting treatment method for joint operations

The joint arrangements of the Group are comprised of joint operations and joint ventures. For joint operation items, the Group, as a joint operator to the joint operation, shall recognize assets held and liabilities assumed individually, and recognize its share of attributable assets held and liabilities assumed and recognize income and expenses on individual basis or in proportion to its attributable share as agreed. For purchase and sale incurred in the joint operation which does not constitute an asset transaction of the operation, only the portion of the profit or loss attributable to the other participating parties of the joint operation arising from such transaction is recognized.

8. Cash and cash equivalents

Cash shown in the cash flow statement of the Group refers to both cash on hand and the deposit held in bank available for payment at any time. Cash equivalent in the cash flow statement refers to the investment with a term not more than 3 months and high liquidity, easily converted to known amounts of cash and subject to insignificant risk of change in value.

9. Foreign currency transactions and translation of foreign currency financial statements

(1) Foreign currency transaction

The amount of the Group's foreign currency transactions shall be translated into that in RMB at the spot exchange rate on the transaction date. On the balance sheet date, monetary items in foreign currency are translated into RMB at spot rate of such date, and translation balance arising from which is directly included in the current profit or loss, except for exchange balances resulting from specific borrowings in foreign currency for purchasing and constructing or producing assets that conforms to capitalization conditions, and such exchange balances shall be treated as per the principles of capitalization.

(2) Translation of foreign currency financial statements

Items in assets and liabilities of balance sheet in foreign currency are translated at the spot rate of the balance sheet date; except for "undistributed profits", items in owner's equity are translated at the spot rate when transactions occur; and income and expenses in income statements are translated at the spot rate of the date when transactions occur. Translation balance in the foreign currency statements arising from above translations shall be presented in items of other comprehensive income. Foreign currency cash flow shall be translated at the spot rate on the date that cash flow occurs. Amount affected by change in exchange rate on cash shall be listed in the cash flow statement separately.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities

The Group will recognize a financial asset or financial liability at the time when it becomes one party to the contract of the financial instruments.

(1) Financial assets

1) Classification, recognition basis and measurement method of financial assets

According to the business mode of financial assets management and the contractual cash flow characteristics of financial assets, the Group classifies financial assets into financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

① Financial assets at amortised cost:

The Group shall classify the financial assets that meet the following conditions simultaneously into the financial assets measured at amortized cost: a. the business mode of the financial assets management takes the collection of contractual cash flow as the objective. b. The contract terms of the financial asset stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount; and the subsequent measurement will be conducted at the amortized cost. The difference between the initial amount and due amount shall be amortized by the effective interest method, unless designated as the hedged items, and the gain or loss arising from its amortization, impairment, exchange gain or loss and derecognition shall be included in the current profit or loss.

② Financial assets at fair value through other comprehensive income

The Group shall classify the financial assets that meet the following conditions simultaneously into the financial assets at fair value through other comprehensive income: a. the business mode of the financial assets management takes the collection of contractual cash flow and disposal of such financial assets as the objective. b. The contract terms of the financial asset stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount. The gains or losses of such financial assets, other than the credit impairment loss or gain, exchange gain or loss and interest of such financial assets calculated by the effective interest method, shall be included in other comprehensive income, unless designated as the hedged items. When the financial assets are derecognized, the accumulative gain or loss previously included in other comprehensive income shall be transferred from other comprehensive income, and included in the current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

1) Classification, recognition basis and measurement method of financial assets (Continued)

② Financial assets at fair value through other comprehensive income (Continued)

The Group recognizes the interest income by the effective interest method. The interest income shall be determined by multiplying the book balance of financial assets by the effective interest rate, except for the following circumstances: a. for the purchased or originated financial assets that the credit impairment has occurred, their interest income shall be determined at their amortized costs and by the credit-adjusted effective interest rate from the initial recognition. b. For purchased or originated financial assets that the credit impairment has not occurred but the credit impairment has occurred in the subsequent period, their interest incomes shall be determined at their amortized costs and by the effective interest rate during the subsequent period.

The Group shall designate the non-trading equity instrument investment as the financial assets at fair value through other comprehensive income. This designation shall not be revoked once made. The non-trading equity instrument investment at fair value through other comprehensive income that the Group designates shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount; and other relevant gains and losses (including the exchange gain or loss) shall be included in other comprehensive income, and shall not be transferred in the current profit or loss subsequently, but the obtained dividends (except for those belonging to the investment cost recovered). When it is derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive incomes and included in retained earnings.

③ Financial assets at fair value through profit or loss

The Group will classify the financial assets other than the above financial assets measured at the amortized cost and the financial assets at fair value through other comprehensive income into the financial assets at fair value through profit or loss. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the current profit or loss directly. The gain or loss of such financial assets shall be included in the current profit or loss.

The financial assets will be classified as the financial assets at fair value through profit or loss if they are recognized by the Group in the business combination not involving entities under common control and constituted by the contingent consideration.

NOTES TO THE FINANCIAL STATEMENTS

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

2) Recognition basis and measurement method of transfer of financial assets

The Group will derecognize the financial assets that meet one of the following conditions: a. the contractual right of collecting the cash flow of such financial assets is terminated; b. the financial assets are transferred, and the Group has transferred almost all risks and rewards related to the ownership of the financial assets; and c. the financial assets are transferred, and the Group neither transfers nor retains almost all risks and rewards related to the ownership of the financial assets, as well as the control over such financial assets.

If the entire transfer of the financial assets meets derecognition conditions, the difference between the book value of transferred financial asset and the sum of consideration received from the transfer and the amount originally included in other comprehensive income directly and the accumulative amount of change in fair value corresponds to the derecognized part (the contract terms involving the transferred financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount) shall be included in the current profit or loss.

If the partial transfer of the financial assets meets derecognition conditions, the entire book value of the transferred financial assets shall be amortized at their own relative fair values between the derecognized part and the underecognized part, and the difference between the sum of consideration received from the transfer and the amount which should be amortized to the derecognized part, originally included in other comprehensive income directly and the accumulative amount of change in fair value corresponds to the derecognized part (the contract terms involving the transferred financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount) and the entire book value of the aforesaid financial assets amortized shall be included in the current profit or loss.

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

3) Expected credit losses

The Group recognizes loss provision on financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income on the basis of expected credit losses.

For accounts receivable arising from transactions regulated by income standards, the Group shall measure the loss provision according to the amount equivalent to the expected credit loss during the whole duration.

For other financial instruments, except for the purchased or generated financial assets with credit impairment, the Group shall evaluate the changes in credit risk of relevant financial instruments since initial recognition on each balance sheet date. If the credit risk of the financial instrument has increased significantly since the initial recognition, the Group shall measure its loss provision according to the amount equivalent to the expected credit loss of the financial instrument in the whole duration; if the credit risk of the financial instrument has not increased significantly since the initial recognition, the Group shall measure its loss provision according to the amount equivalent to the expected credit loss of the financial instrument in the next 12 months. The increase or reversal amount of credit loss provision shall be included in the current profit or loss as impairment losses or gains, except for financial assets classified as measured at fair value through other comprehensive income. For financial assets classified as measured at fair value through other comprehensive income, the Group shall recognize its credit loss provision in other comprehensive income, and include impairment losses or gains in current profit or loss without reducing the carrying value of the financial assets listed in the balance sheet.

In the previous accounting period, the Group has measured the loss provision according to the amount equivalent to the expected credit loss during the whole duration of the financial instruments. But if there is no significantly increased credit risk of the financial instrument since initial recognition at the current balance sheet date, the Group shall measure the loss provision of the financial instruments on the current balance sheet date according to the amount equivalent to the expected credit loss in the next 12 months, and the reversal amount of the loss provision thus formed shall be included in the current profit or loss as impairment gains.

The Group uses reasonable and well-founded prospective information available to determine whether the credit risk of financial instruments has increased significantly since initial recognition by comparing the risk of default on the balance sheet date with the risk of default on the initial recognition date.

In the case of the Group expects the occurrence of one or more events that have a negative effect on the future cash flow of financial assets, such financial assets has undergone credit impairment.

When the Group no longer reasonably expects the contractual cash flow of a financial asset to be fully or partially recovered, the balance of the financial asset shall be directly written down. This write-down constitutes the derecognition of relevant financial assets.

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(2) Financial liabilities

1) Classification, recognition basis and measurement method of financial liabilities

Financial liabilities of the Group are classified, at the time of initial recognition, into financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, the relevant transaction costs are directly included in current profit or loss; for other financial liabilities, the relevant transaction costs are recognized in their initial recognition amount.

① Financial liabilities at fair value through profit or loss

The financial liabilities at fair value through profit or loss, including financial liabilities held for trading and financial liabilities designated at fair value through profit or loss when initially recognizing, are measured subsequently at fair value, the profit or loss occurred from change in the fair value and the relevant dividend and interest expenditure of such financial liability are included in the current profit or loss.

② Other financial liabilities

Other financial liabilities are subsequently measured at the amortized cost according to the effective interest method, with gains or losses arising from derecognition or amortization recorded in profit or loss. Except for the following items, the Group classifies the financial liabilities as the financial liabilities measured at amortized cost: a. financial liabilities at fair value through profit or loss, including the financial liabilities held for trading (including derivative instruments belonging to the financial liabilities) and financial liabilities designated as at fair value through profit or loss. b. Financial liabilities formed by the transfer of financial assets that do not meet the conditions for derecognition or continue to involve in the transferred financial assets. c. Financial guarantee contracts that do not fall under the above circumstances a or b, and loan commitments that do not fall under the above circumstance a and lend at a rate lower than market interest rates.

The financial liabilities recognized by the Group as the acquirer in the business combination not involving entities under common control and constituted by the contingent consideration shall be subjected to the accounting treatment at fair value through profit or loss.

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(2) Financial liabilities (Continued)

2) Derecognition conditions of financial liabilities

Where the current obligation of financial liability has been terminated entirely or partially, the financial liability or obligation that has been terminated shall be derecognized. Where the Group enters into an agreement with a creditor, so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall stop the recognition of the existing financial liability, and shall at the same time recognize the new financial liability. Substantial adjustments by the Group to all or partial terms in contracts related to existing financial liabilities shall be considered as derecognition for all or parts of existing financial liabilities, and such financial liabilities after modification shall be deemed as new financial liabilities.

When a financial liability is derecognized in full or in part, the difference between its carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is included by the Group in profit or loss for the period.

(3) Determination methods for fair values of financial assets and financial liabilities

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. Quoted price in the active market represents quoted price which can be easily obtained periodically from exchange market, brokers, industry associations or pricing services agency, etc., which is the transactions amount in arm's length transactions. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, discounted cash flow analysis and option pricing models, etc. At the time of valuation, the Group adopts valuation techniques that are applicable in the current circumstances and are sufficiently supported by data and other information to select inputs that are consistent with the characteristics of the assets or liabilities that market participants would take into account in a transaction for the asset or liability, and maximises the use of relevant observable inputs. Unobservable inputs shall be used if the relevant observable inputs are not available or are not practicable.

The investment of the Group in the equity investment shall be measured at the fair value. However, under the limited circumstances, if the recent information for determining the fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate for the fair value within this range, such cost could represent its appropriate estimate for the fair value within this distribution range.

NOTES TO THE FINANCIAL STATEMENTS

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(4) *Offsetting of financial assets and financial liabilities*

Financial assets and financial liabilities of the Group shall be presented separately in the balance sheet and be not mutually offset. However, the net amount is presented in the balance sheet after being offset, when the following conditions are met at the same time: 1) The Group has a legal right to offset the recognized amount and that such legal rights are currently enforceable; and 2) The Group plans to settle by the net assets or sell off financial assets and liquidate the financial liabilities at the same time.

(5) *Distinction between financial liabilities and equity instruments and related treatment method*

The Group distinguishes financial liabilities and equity instruments according to the following principles: 1) If the Group fails to unconditionally perform one contractual obligation by delivering cash or other financial assets, the contractual obligation satisfies the definition of financial liability. While some financial instruments do not expressly include the terms and conditions for the obligation to deliver cash or other financial assets, it is possible to form contractual obligations indirectly through other terms and conditions. 2) If one financial instrument must or may be settled by the Group's own equity instrument, the Group's own equity instrument used for settling such instrument shall be considered as an substitute of cash or other financial assets, or as residual equity in the issuer's assets that the instrument holder enjoys after deducting all the liabilities. If it is the former one, this instrument is the financial liability of the issuer. If it is the latter, the instrument is the equity instrument of the issuer. Under certain circumstances, a financial instrument contract requires that the Group must or may settle the financial instrument with its own equity instruments, where the amount of contractual rights or contractual obligations is equal to the number of own equity instruments available or to be delivered multiplied by the fair value upon its settlement. In this case, regardless of whether the amount of the contractual right or obligation is a fixed value or changes based in whole or in part on changes in variables other than the market price of the Group's own equity instrument, the contract is classified as financial liability.

When classifying a financial instrument (or its components) in the consolidated statements, the Group takes into consideration all the terms and conditions agreed between members of the Group and holders of financial instruments. If the Group as a whole has assumed the obligation to deliver cash, other financial assets or settle it by other means of rendering the instrument a financial liability, the instrument should be classified as a financial liability.

Where the financial instruments or their components are classified as financial liabilities, the related interest, stock dividends (or dividends), gains or losses, gains or losses arising from redemption or refinancing, etc., are included in the current profit or loss.

Where the financial instruments or their components are classified as equity instruments, its issue (including refinancing), repurchase, sale or cancellation is treated as a change in equity, and the change in fair value of the equity instrument is not recognized.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Notes receivable

For notes receivable formed by the Group's external sales of goods or provision of labor services specified by the Accounting Standards for Business Enterprises No. 14-Revenue, whether it contains significant financing components, the Group measures loss provision in accordance with the expected credit losses for the entire life period, and the increase or reversal of the loss provision resulting therefrom is included into the current profit or loss as an impairment loss or gain.

Notes receivable are divided into different portfolios and the accounting estimation policies for the expected credit loss thereof are determined by the Group based on the shared characteristics of acceptors' credit risks.

The Group considered its experience of historical credit loss, the current situation and its forecast of the future economic condition in compiling a table which compares the rate of the expected credit loss of the duration to calculate the expected credit loss. Credit losses actually incurred by the Group, and notes receivable not being accepted at maturity are transferred to accounts receivable for disclosure.

12. Accounts receivable

Accounts receivable arising from the Group's external sales of goods or provision of labor services specified by the Accounting Standards for Business Enterprises No. 14-Revenue is initially recognized at the fair value of contract or agreement price receivable from the purchaser. For accounts receivable, whether it contains significant financing components, the Group measures loss provision in accordance with the expected credit losses for the entire life period, and the increase or reversal of the loss provision resulting therefrom is included into the current profit or loss as an impairment loss or gain.

For the accounts receivable with objective evidence of impairment, and other accounts receivable subject to separate assessment, impairment tests are individually conducted by the Group on balance sheet date to recognise the expected credit loss and to provide an individual impairment allowance. For the accounts receivable without objective evidence of impairment or the expected credit loss cannot be estimated for an individual financial asset at a reasonable cost, the Group grouped accounts receivable in accordance with credit risk characteristics and calculated the expected credit loss based on groups.

13. Accounts receivable financing

In managing the liquidity, the Group discounts or endorses part of the notes receivable before their maturity, and derecognises the discounted or endorsed notes receivable when the Group has transferred substantially all the risks and rewards of such notes receivable to relevant counterparty. The Group's business model for the management of notes receivable is aimed at both the collection of contractual cash flow and the sale of the financial assets. Therefore, it is classified as financial assets at fair value through other comprehensive income, which are listed in the accounts receivable financing.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Accounts receivable financing (Continued)

The financial assets at fair value through other comprehensive income, except for credit impairment losses or gains and exchange gains or losses, all other gains or losses generated shall be recorded in other comprehensive income, until the financial assets are derecognized or reclassified.

When the recognition of the financial assets is terminated, the accumulated gains or losses previously recorded in other comprehensive income shall be transferred out from other comprehensive income and recorded in the current profit or loss.

14. Other receivables

The Group shall measure loss provision for other receivables according to the following situations: ① for financial assets whose credit risk has not increased significantly since the initial recognition, the Group shall measure the loss provision according to the amount of the expected credit loss in the next 12 months; ② for financial assets whose credit risk has increased significantly since the initial recognition, the Group shall measure the loss provision according to the amount equivalent to the expected credit loss of the financial instrument in the whole duration; and ③ for the purchased or originated financial assets that have suffered credit impairments, the Group shall measure the loss provision according to the amount equivalent to the expected credit loss in the whole duration.

For other accounts receivable, the Group, in the aspect of individual instrument, cannot obtain sufficient evidence about credit risk increased significantly at a reasonable cost, and it is feasible to assess whether there is a significant increase in credit risk on the basis of portfolio. Therefore, taking financial instrument type, credit risk rating, type of collateral, initial recognition date, remaining contract term, industry of debtors, geographical location of debtors, and the value of collateral relative to financial assets as the common risk characteristics, the Group groups other accounts receivable, considers whether credit risk increases significantly on a portfolio basis, and calculates expected credit losses on a portfolio basis.

On the balance sheet date, the Group calculates the expected credit loss of other receivables. If such expected credit loss is greater than the current book value of the impairment provision for other receivables, the Group recognizes the difference as an impairment loss of other receivables. In contrast, the Group recognizes the difference as impairment gains.

Where the Group actually suffers credit loss, and determines that the relevant other receivables cannot be recovered, the receivables shall be written off.

Based on actual credit losses in previous years, and the prospective information in the current year, the Group calculates the expected credit loss by exposure to default risk and the expected credit loss rate for the next 12 months or the whole life period.

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. Inventories

The Group's inventory mainly includes raw materials, products in progress, finished goods, and turnover materials.

The perpetual inventory system is adopted for inventories. Inventories are valued based on their actual cost when obtained. The raw materials in the entire aircraft business segment are calculated at the planned cost, the difference between the planned cost and the actual cost is calculated through the item of material cost difference, and the cost difference assumed for the inventories will be pay by instalment so as to adjust the planned cost to the actual cost. Other inventories are priced according to the weighted average method when receiving and dispatching. Turnover materials include low-value consumables, packaging materials, and special tooling. Low-value consumables and packaging materials are amortized using the immediate write-off method, and special tooling is amortized in installments according to the output quota.

For the finished goods, products in progress, materials for sale and other merchandise inventories directly for sale, the net realizable values thereof shall be recognized at the balance after the estimated selling price of such inventories deducts the estimated sales expenses and relevant taxes. For the material inventories held for production, the net realizable values thereof shall be recognized at the balance after the estimated selling price of the finished product deducts the estimated costs to be incurred upon completion, estimated sales expenses and related taxes.

16. Contract assets

(1) Recognition methods and standards for contract assets

Contract assets refer to the right of the Group who transferred the commodity to the customer to receive the consideration, and the right depends on other factors excluding the passage of time. If the Group sells two clearly distinguishable commodities to the customer, due to the delivery of one of the commodities, it has the right to receive payment, but the collection of such payment shall also depend on the delivery of the other commodity, and the Group shall have the right to receive such payment as the contractual asset.

(2) Determination method and accounting treatment of expected credit loss of contract assets

In terms of method of determining the expected credit loss of contract assets, for contract assets arising from the normal performance of contracts by the Group, the Group recognises provision for impairment of contract assets at the lifetime expected credit loss of contract assets. The method of determination shall refer to note "III. 12. accounting policies applicable to the impairment of accounts receivable".

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

17. Contract cost

(1) *Determination method of assets related to contract costs*

The Group's assets related to contract costs include contract performance cost and contract acquisition cost.

If the contract performance cost, namely, the cost incurred by the Group for the implementation of the contract, is not in the scope of the accounting standards for other enterprises and simultaneously meets the following conditions, it shall be recognized as an asset as the contract performance cost: the cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing costs, costs clearly borne by the customer, and other costs incurred solely as a result of the contract; the cost increases the Group's resources for future using for performance of obligations; and the cost is expected to be recovered.

If the contract acquisition cost, namely, the incremental cost incurred by the Group for the acquisition of the contract, is expected to be recovered, it shall be recognized as an asset as the contract acquisition cost; and if the amortization period of the asset does not exceed one year, it is included in the current profit and loss when it occurs. Incremental cost refers to the cost that would not have occurred if the Group had not obtained the contract. Other expenses incurred by the Group for the acquisition of the contract, excluding the incremental costs expected to be recovered, include in the current profit and loss when it occurs, however, except costs clearly borne by the customer.

(2) *Amortization of assets related to contract costs*

The assets related to the contract costs of the Group are amortized on the same basis as the recognized sales revenue related to the assets and include in the current profit and loss.

(3) *Impairment of assets related to contract costs*

When determining the impairment losses of assets related to contract costs, the Group shall first determine the impairment losses of other assets related to the contract and recognized in accordance with the accounting standards of other relevant enterprises; and then, according to the difference between the book value and the remaining consideration that the Group is expected to obtain due to the transfer of the commodities related to the asset, and the difference between the book value and the estimated costs due to the transfer of the relevant commodity, the impairment provision shall be made for the excess and recognized as asset impairment loss.

If the factors of impairment in the previous period change later, making the aforesaid difference higher than the book value of the asset, the originally made asset impairment provision shall be reversed and included in the current profit or loss, but the book value of the reversed asset shall not exceed the book value of the asset on the reversal date assuming that no impairment provision is made.

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Long-term equity investments

The long-term equity investment of the Group is mainly aimed to subsidiaries, associates and joint ventures.

The Group judges the common control based on the point that all the participants or group of participants collectively control the arrangement, and that the policies for the activities related to the arrangement must be agreed by participants who collectively control the arrangement.

It is generally considered that the Group, when holding, directly or through subsidiaries, more than 20% (included) but less than 50% of the voting right of the investee, has a significant influence on the investee. When the Company holds less than 20% voting right of the investee, it shall comprehensively consider the facts and conditions that whether a representative has been sent to the board of directors or similar authority body in the investee, or whether participating in formulation of financial and operating policies of the investee, significant transaction happened with the investee, dispatching managers to the investee or providing key technical data to the investee, etc., to judge whether the Company has significant influence to the investee.

The investee under the control of the Group shall be deemed as a subsidiary of the Group. If the long-term equity investment is obtained from the business combinations involving entities under common control, the share of book value of owners' equity of the merged party in consolidated financial statements of the ultimate controlling party on the date of merger shall be deemed as the initial investment cost of the long-term equity investment. If the book value of the net asset of the combined party on the combining date is negative, the cost of long-term equity investment shall be determined as zero.

As to equity of the investee under common control acquired step by step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control right. If the transactions do not belong to a package deal, the share of book value of net asset of the combined party in consolidated financial statements of the ultimate controlling party on the combining date shall be deemed as the initial investment cost of the long-term equity investment. The balance between the initial investment cost and the sum of the book value of long-term equity investment which has reached the amount before the combination and the book value of new payment consideration obtained on the combining date shall be applied to adjust capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be written down.

For long-term equity investment obtained through business combination not involving entities under common control, consolidated cost shall be recognized as initial investment cost.

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Long-term equity investments (Continued)

As to equity of the investee not under common control obtained step by step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control right. If it is not a package deal, the sum of book value of equity investment originally held and new investment cost is taken as the initial investment cost calculated by the cost method. If the equity held before the purchase date is calculated by equity method, other related comprehensive income calculated by the original equity method shall not be adjusted; and the accounting treatment shall be conducted as per the same basis as that of disposing related assets or liabilities of the investee when disposing the investment. Where the equity held before the purchase date is calculated by fair value in other equity instruments, and then accumulative change of the fair value originally included in other comprehensive income shall be transferred into current investment profit or loss on the purchase date.

Except long-term equity investment obtained through business combination, for those obtained by cash, purchase amount actually paid shall be used as the investment cost; for those obtained through issuing equity security, the fair value of equity security issued shall be used as the investment cost; and for those obtained through contribution by the investor, the value agreed as per the investment contract or agreement shall be used as the investment cost; and for those obtained through debt restructuring, non-monetary assets exchange, etc., then investment cost shall be recognized as per related accounting standards for enterprises.

The Group calculates the investment to the subsidiaries by cost method, with equity method adopted for joint ventures and associates.

Long-term equity investment subsequently measured by cost method shall be calculated at fair value of cost paid for the additional investment and book value of the cost of the long-term equity investment added through related transaction fees incurred. Cash dividends or profits that the investee declares to distribute shall be recognized as the current investment profits as per the amount enjoyed.

For long-term equity investment subsequently measured by equity method, the book value of long-term equity investment shall be accordingly increased or decreased as the owner's equity of the investee changes. Wherein, the Group shall, when recognizing the shares of the net losses of the investee that shall be enjoyed by the Group, calculate the portion that belongs to the investing enterprise based on the fair value of each identifiable asset of the investee upon acquisition as well as the Group's accounting policies and accounting period in accordance with the shareholding ratio by offsetting profit or loss of internal transaction incurred between the joint venture and associate, then recognize the net profits of the investee after adjustment.

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Long-term equity investments (Continued)

When disposing of long-term equity investment, the balance between the book value and actual price for acquisition shall be included in the current investment income. If the long-term equity investment calculated by equity method is included in the shareholders' equity due to other change of the owner's equity of the investee other than net profit or loss, the portion previously included in the shareholders' equity shall, when disposing of a long-term equity investment, go through accounting treatment on the same basis on which the investee directly disposes the related assets or liabilities according to a certain proportion.

Where the Company's joint control or significant influence over the investee is lost due to the disposal of partial equity investment, the residual equity after disposal will be calculated as per other equity instruments, the balance between the fair value and book value thereof on the date the joint control or significant influence is lost shall be included in the current profit or loss. Other comprehensive income recognized by calculating original equity investment by equity method shall go through accounting treatment on the same basis on which the investee directly disposes the related assets or liabilities when ceasing to use equity method.

For loss of control in the investee due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the investee after disposal, it shall be accounted for under equity method. Difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment. For remaining shareholding which cannot apply common control or impose significant influence to investee after disposal, it can be accounted as under investment in other equity instruments, and difference between carrying value of equity disposal and the disposal consideration shall be included as investment income, difference between fair value and the carrying value of remaining shareholding on the date loss of control shall be included in the investment profit or loss for such period.

Various transactions of the Group from step-by-step equity disposal to loss of control right do not belong to the package deal, and every transaction is separately subject to accounting treatment. If the transactions belong to "package deal", then the Group shall conduct accounting treatment to the transaction which shall be taken as a transaction for disposing subsidiaries with control right lost; and however, before loss of control right, the balance between each price disposal and the book value of long-term equity investment correspondingly in equity disposed shall be recognized as other comprehensive income and then wholly transferred into the current profit or loss when losing control right. Other comprehensive income related with the equity investment of the original subsidiaries shall go through accounting treatment on the same basis on which the investee directly disposes the related assets or liabilities.

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Investment properties

Investment properties of the Group include plant, buildings and land use rights, which shall be subject to subsequent measurement on a cost basis.

The Group's investment properties shall be depreciated or amortized by the straight-line method. The estimated useful life, net residuals rate and annual rate of depreciation (amortization) of various investment properties are as follows:

Category	Estimated useful life (year)	Estimated net residuals rate (%)	Annual rate of depreciation (amortization) (%)
Land use right	30-50	0	2.00 to 3.33
Plant & buildings	20-45	0 to 5	2.11 to 5.00

At least at the end of each year, the Group reviews the useful life, estimated net residual value, and depreciation or amortization methods of investment properties, and makes adjustments if necessary.

When an investment property is disposed of, or it is expected that no economic benefits will be generated through use or disposal, the investment property shall be derecognised. The disposal income from the sale, transfer, scrapping or destruction of investment properties and the amount deducted from its book value and related taxes are included in the current profit or loss.

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Fixed assets

The fixed assets of the Group feature the following characteristics: tangible assets held for the sake of producing goods, rendering services, renting (excluding rented plant and buildings) or operating management, with a useful life in excess of one year.

No fixed asset may be recognized unless it simultaneously meets the conditions as follows: The economic benefits pertinent to the fixed asset are likely to flow into the Group; and the cost of the fixed asset can be measured reliably. Fixed assets of the Group include plant and buildings, machinery equipment, office facilities, electronic equipment, transportation equipment and other equipment.

Except for the fully depreciated fixed assets that are still in use, all the fixed assets of the Group shall be depreciated. Straight line method shall be adopted for calculating depreciation. The depreciation life by category, estimated net residuals rate and depreciation rate of the fixed assets of the Group are as follows:

No.	Category	Depreciation life (year)	Estimated residuals (%)	Annual depreciation rate (%)
1	Plant & buildings	10-40	0 to 5	2.38 to 5.00
2	Machinery equipment	3-20	0 to 5	4.75 to 33.33
3	Transportation equipment	4-10	0 to 5	9.50 to 25.00
4	Electrical equipment	3-10	0 to 5	9.50 to 33.33
5	Office facilities	3-10	0 to 5	9.50 to 33.33
6	Other equipment	3-30	0 to 5	3.17 to 33.33

The Group will review the estimated useful life, estimated net residual value and depreciation method for fixed assets at the end of each year. In case of change, it shall be treated as change of accounting estimates.

A fixed asset is derecognized on disposal or when no economic benefits are expected from its use or disposal. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and relevant taxes is included in profit or loss for the period.

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Construction in progress

Construction in progress ready for intended use shall be carried over to fixed assets based on the estimated value according to construction budget, project cost or actual project cost. The depreciation shall be drawn from the next month. After going through procedures of completion settlement, the difference of the original value of the fixed assets shall be adjusted.

22. Borrowing costs

Borrowing costs are interest and other related costs arising from the Group's borrowings. Borrowing costs include interest, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

The borrowing costs directly belonging to fixed assets, investment properties and inventories that require more than one year of acquisition or construction to be ready for intended use or selling shall be capitalized when the expenditures of the assets and the borrowing costs incurred and acquisition or construction activities necessary for making the assets be ready for intended use or selling begin. When the assets meeting the capitalization requirements are acquired or constructed to be ready for intended use or selling, the capitalization shall be terminated, and the borrowing costs incurred subsequently shall be included in the current profit or loss. If assets satisfying capitalization conditions are suddenly suspended in acquisition or construction for more than three months continuously, the capitalization of the borrowing costs shall be suspended until the restart of acquisition or construction of the assets.

The actually incurred interest costs of special borrowings in current period shall be capitalized after the interest income from deposits in banks or investment income from temporary investment with the unused borrowings is deducted from it. The capitalized amount of general borrowings shall be obtained by multiplying the weighted average of the excess of the accumulated asset expenditures over the asset expenditures of special borrowings with the capitalization rate of general borrowings used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

23. Right-of-use assets

A right-of-use asset refers to the right of the Group as the lessee to use the leased asset during the lease term.

(1) Initial measurement

At the commencement date of the lease term, the Group initially measures the right-of-use assets at cost. The cost includes the following four items: ① initial measurement amount of lease liabilities; ② deducted amount related to the enjoyed lease incentive if there is a lease incentive for the lease payment made on or before the commencement date of the lease term; ③ initial direct cost incurred, i.e. incremental cost incurred to reach the lease; ④ costs expected to be incurred for dismantling and removing the leased asset, restoring the site where the leased asset is located or restoring the leased asset to the state agreed in the leasing terms, except those incurred for the production of inventory.

(2) Subsequent measurement

After the commencement date of the lease term, the Group uses the cost model to carry out subsequent measurement on the right-of-use asset, i.e. the right-of-use assets is measured by the cost minus accumulated depreciation and accumulated impairment loss.

If the Group remeasures the lease liabilities in accordance with the relevant provisions of the leasing standards, the book value of the right-of-use asset shall be adjusted accordingly.

(3) Depreciation of right-of-use assets

Starting from the commencement date of the lease term, the Group will depreciate the right-of-use asset. The right-to-us asset is usually depreciated from the current month that the lease term starts. The depreciation amount for provision is included in the cost of underlying assets or the current profit or loss according to the use of the right-of-use asset.

When determining the depreciation method for the right-of-use asset, the Group makes a decision based on the expected consumption mode of economic benefits related to the right-of-use asset, and depreciates the right-of-use asset by the straight-line method.

When determining the depreciation life of right-of-use asset, the Group follows the following principles: if the ownership of leased asset can be reasonably confirmed to be acquired at the expiration of lease term, the depreciation shall be carried out within the remaining useful life of leased asset; otherwise, the depreciation shall be carried out within the lease term or the remaining useful life of leased asset, whichever is shorter.

(4) Impairment of right-of-use assets

If the right-of-use asset is impaired, the Group will carry out subsequent depreciation according to the book value of the right-of-use asset after deducting the impairment loss.

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Intangible assets

The intangible assets of the Group include land use right, software, patent right, trademark right, franchise, customer resources, etc., which shall be measured at actual cost when being obtained; for the intangible assets purchased, price actually paid and related other expenditure shall be deemed as actual cost; and for the intangible assets invested by the investor, value agreed in accordance with investment contract or agreement is recognized as actual cost, except value agreed in the contract or agreement is unfair, in such case, the actual cost shall be recognized at fair value. The intangible asset, which is owned by the acquiree in a business combination not involving entities under common control but has not been recognised in its financial statement, shall be recognised as an intangible asset at its fair value upon the initial recognition on the acquiree's assets. The intangible assets contributed by State shareholders at the reorganization of the Company into a corporation entity are recognized based on the revalued amounts approved by the state-owned assets administration department.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

Land use rights that are purchased by the Group are normally accounted for as intangible assets. Self-developed and constructed buildings such as plants, the relevant land use rights and buildings are accounted for as intangible assets and fixed assets, respectively. If the purchase costs of land use rights and buildings located thereon cannot be reliably allocated between the land use rights and buildings, they are all recognised as fixed assets.

Intangible assets with a definite useful life are amortised on a straight-line basis over their useful lives. The Group reviews the useful lives and the amortisation method of intangible assets with finite useful lives, and adjusts if necessary, at least at each year end.

25. Research and development

The Group divides expenses for internal research and development projects into expenses in the research phase and expenses in the development phase. Expenses in the research phase are included in current profit or loss as incurred. Expenses in the development phase may only be capitalized if the following conditions are satisfied simultaneously: the completion of such intangible assets for use or sale is technically feasible; the Company has the intention to use or sell the intangible assets upon completion; the way in which the intangible assets bring economic benefits shows that there exists a consumption market for the products with use of these intangible assets or the intangible assets themselves, or that they are useful in case of internal utilization; the Company has sufficient technological, financial and other resources to complete the development of the intangible assets and the ability to make them available for use or sale; and the expenses attributable to such intangible assets can be measured reliably at the development stage. Development expenses not satisfying all above conditions are included in current profit or loss as incurred.

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Research and development (Continued)

The expenditures in the planned investigation, evaluation and selection phases for researching products are expenditures in the research phase, which are included in the current profit or loss when they occur; before mass production, the expenditures in the design and testing phases for the final application of the product are expenditures in the development phase, and if the following conditions are met at the same time, shall be capitalized:

- (1) The development of the product has been sufficiently proved by the technical team;
- (2) The budget relating to the product development has been approved by the management;
- (3) It can be demonstrated that the products due to development have potential market from previous marketing investigation;
- (4) There are adequate technical and financial resources for the development of products and subsequent large-scale production;
- (5) The expenditure attributable to the product during its development phase can be liable measured.

26. Long-term deferred expenses

Long-term deferred expenses of the Group include renovation costs, leasehold improvements and other expenses. Such expenses shall be equally amortized in the benefit period. If the long-term deferred expenses items will not benefit the future accounting period, the amortized value of unamortized items shall be all transferred to the current profit or loss.

27. Goodwill

Goodwill is the amount at the acquisition date or purchasing date of the investment cost or cost of business combination not involving entities under common control, that exceeds the acquirer's interest in the fair value of the investees' or acquirer's identifiable net assets.

Goodwill related with subsidiaries is presented in consolidated financial statements as a separate item. Goodwill related with joint ventures and associates are included in the carrying amount of long-term equity investment.

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Impairment of non-financial long-term assets

The Company reviews items such as long-term equity investments, investment properties, fixed assets, construction in progress and right-of-use assets measured by the cost model, intangible assets with definite useful life, etc. on each balance sheet date. The Group conducts impairment test when there is any indication of impairment. Goodwill and intangible assets with indefinite useful life are tested at the end of each period for impairment, whether indication of impairment exists or not.

If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset. The recoverable amount shall be the higher of the net amount after deducting the cost of disposal from the fair value of an asset and the present value of the future cash flow of the asset. The Group estimated the recoverable amount on the basis of individual assets. If the recoverable amount of an individual asset is hard to be estimated, the recoverable amount of an asset group shall be determined based on the asset group where the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the purchase date on a reasonable basis, to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Company.

In testing an asset group or a set of asset group to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, calculates the recoverable amount and recognises impairment loss if any. After that, the Group tests the asset group or set of asset groups including goodwill for impairment. The carrying amount of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss shall firstly charge against the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then charge against the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, on a pro rata basis of the carrying amount of each asset.

If the impairment test shows that the book value of the asset is greater than its recoverable amount, the difference between the two is recognized as impairment loss.

Such impairment loss, once recognized, should not be reversed in later accounting period.

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Contract liabilities

The contract liabilities reflect the Group's obligations to transfer commodities to the customer due to customer consideration received or receivable. If the customer has paid the contract consideration or the Group has obtained the right to receive the contract consideration unconditionally before the transfer of the commodities to the customer, the contract liability shall be confirmed according to the amount received or receivable at the earlier of the date of actual payment from the customer and the due date of payment. Contract assets and contract liabilities of same contract are presented in net amount.

30. Employee compensation

Employee compensation of the Group includes short-term compensation, post-resignation welfare, dismissal welfare and other long-term welfares.

Short-term compensation mainly includes employee salary, bonus, allowance and subsidy, employee benefit, social insurance premium, housing provident fund, etc. The Group shall recognize the short-term compensation actually incurred as liability and include it in the current profit or loss or related asset cost based on the beneficiaries during the accounting period when employees provide services.

Post-employment welfare mainly includes basic pension insurance, unemployment insurance, annuity payments, etc., which shall be classified into defined contribution plan and defined benefit plan as per the risk and obligation assumed by the Company. Contribution that paid to individual subject for the services provided by the employees in the accounting period on the balance sheet date as per the defined contribution plan shall be recognized as liabilities, and included in the current profit or loss or related asset cost as per the benefit object. Some subsidiaries of the Group operate a defined benefit pension plan. No funds are injected in the plan. The measurement of the obligations arising from the defined benefit pension plan is estimated with the projected unit credit method, and the vesting period of the related obligations is determined. The actuarial gains or losses arising from the remeasurement of the defined benefit pension plan shall be immediately recognized in the balance sheet, and shall be included in the owner's equity through other comprehensive income during the period of occurrence, and shall not be transferred back to the profit or loss in the subsequent period. The past service cost caused by the modification of the defined benefit pension plan shall be recognized as the current expenses at the earlier of the date when the defined benefit plan is modified by the relevant subsidiary or when the relevant restructuring expenses or the termination benefits are confirmed. The net interest of the defined benefit pension plan is calculated by multiplying the net debt of the defined benefit pension plan by the discount rate. The Group recognizes changes in net liabilities of the defined benefit plan under administrative expenses and finance expenses in the income statement, which include current service cost, past service cost and gains or losses on settlement, and net interest.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

30. Employee compensation (Continued)

Termination benefits are incurred when the Company terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. If the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognized with a corresponding charge to the profit or loss for the period.

Other long-term welfare mainly refers to all employee benefits except for short-term remuneration, post-employment welfare, and dismissal welfare.

31. Lease liabilities

(1) Initial measurement

The Group initially measures the lease liabilities according to the present value of the lease payment which is not made at the commencement of the lease term.

1) Lease payment

Lease payment refers to the amount paid by the Group to the lessor relating to the right to use the leased asset during the lease term, including: ① fixed payment and substantial fixed payment, of which the amount related to lease incentive shall be deducted if there is lease incentive; ② variable lease payment depending on index or ratio, which is determined according to the index or ratio at the commencement date of the lease term during initial measurement; ③ exercise price of purchase option when the Group reasonably determines to exercise purchase option; ④ payment made for exercising the option to terminate the lease when the lease term reflects that the Group exercises such option; and ⑤ amount expected to be paid according to the guaranteed residual value provided by the Group.

2) Discount rate

In calculating the present value of the lease payment, the Group adopts the incremental borrowing rate as the discount rate. The incremental borrowing rate refers to the interest rate that the Group should pay to borrow funds under similar mortgage conditions during a similar period in order to obtain assets with a value close to the value of the right-of-use assets under similar economic circumstances. The interest rate is related to the following matters: ① the Group's own situation, namely, the Group's solvency and credit status; ② term of "borrowing", namely the lease term; ③ the amount of "borrowed" funds, namely, the amount of lease liabilities; ④ "mortgage conditions", namely, the nature and quality of the underlying assets; and ⑤ economic environment, including the jurisdiction where the lessee is located, pricing currency, contract signing time, etc. Based on the Group's the average interest rate of the borrowing rate during the same period, the Group makes adjustment by considering the above factors to obtain the incremental borrowing rate.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

31. Lease liabilities (Continued)

(2) Subsequent measurement

After the commencement date of the lease term, the Group will carry out subsequent measurement of the lease liabilities according to the following principles: ① increase the carrying amount of the lease liabilities when confirming the interest on the lease liabilities; ② reduce the carrying amount of lease liabilities when making the lease payment; ③ remeasure the book value of the lease liabilities when the lease payment changes due to revaluation or lease change.

The interest expenses of the lease liabilities within each lease term shall be calculated according to the fixed periodic rate, and included in the current profit or loss, except for those should be capitalized. Periodic rate refers to the discount rate adopted by the Group when initially measuring the lease liabilities, or the revised discount rate adopted by the Group when the lease liabilities need to be remeasured according to the revised discount rate due to changes in the lease payment or lease changes.

(3) Remeasurement

After the commencement date of the lease term, in case of the following circumstances, the Group shall remeasure the lease liabilities according to the changed lease payment and the present value calculated by the revised discount rate, and adjusts the book value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero, but the lease liabilities still need to be further reduced, the Group shall include the remaining amount in the current profit or loss. ① The substantial fixed payment changes; ② the expected payable amount of the guaranteed residual value changes; ③ the index or ratio used to determine the lease payment changes; ④ the evaluation result of purchase option changes; and ⑤ the evaluation result of renewal option or option to terminate the lease or actual exercise changes.

32. Share-based payment

The share-based payment settled by equity for obtaining services of employees shall be measured according to the fair value on the date when granting the equity instrument to employees. In situations where the amount of fair value is only vested after completing services in waiting period or reaching specific performance conditions, the amount fair value calculated by the method of line based on the optimal estimation of the quantity of vesting equity instruments in waiting period shall be included in relevant cost or expense, with capital reserves increased correspondingly.

Share-based payment settled by cash shall be measured at the fair value of liabilities recognized based on shares or other equity instruments assumed by the Group. For the share-based payment with immediate vesting after it is granted, its relevant cost or expenditure shall be included on the date when it is vested with increasing the liabilities correspondingly; for the share-based payment vesting only after the services in the waiting period is completed or the specified performance conditions are satisfied, the services obtained in the current period shall be recorded into costs or expenditures based on the optimal estimation of the vesting and at the fair value of the liabilities assumed by the Company on each balance sheet date within the waiting period, and the liabilities shall be adjusted correspondingly.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. Share-based payment (Continued)

On each balance sheet date and settlement date before settlement of relevant liabilities, the fair value of liabilities shall be remeasured, and its changes shall be included in the current profit or loss.

If the Group cancels the equity instruments granted in the waiting period (except for those canceled due to failing to meet the vesting conditions), such a cancellation shall be treated as accelerated vesting as that stock payment plan in the remaining waiting period has fully met the vesting conditions; and the Group will recognize all expenses in the remaining waiting period on the current period of canceling vested equity instrument.

33. Estimated liabilities

Where the business related to foreign guarantee, commercial acceptance discount, pending litigations or arbitrations, product quality assurance, etc. meets the following conditions, the Group will recognize it as liabilities: current obligation borne by the Group; great possibility of economic benefit outflow because of performing the obligations; reliable measurement for the amount of the obligations.

Estimated liabilities are initially measured at the best estimate required to be paid when performing relevant current obligations, with comprehensive consideration of such factors as risks, uncertainties and time value of money related to contingencies. On each balance sheet date, the book value of the estimated liabilities shall be reviewed. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

34. Recognition principles and measuring methods of revenue

At the effective date of contract, the Group shall assess the contract, identify each of the performance obligations in the contract, as well as ensure whether each of the performance obligations is to be fulfilled over time or at a particular point in time, and subsequently confirm the revenue accordingly upon the complete fulfilment of each of the performance obligations.

If the contract contains two or more performance obligations, the Group shall, at the beginning of the contract, apportion the transaction price to each performance obligation according to the relative proportion of the individual selling price of the commodities or services promised by each performance obligation, and measure the revenue according to the transaction price apportioned to each performance obligation.

The transaction price is the amount of consideration that the Group is expected to be entitled to receive for the transfer of commodities or services to the customer, excluding payments received on behalf of third parties. The transaction price confirmed by the Group shall not exceed the amount of accumulative confirmed revenue that will most likely not be great reverse when the relevant uncertainty is removed. The amount expected to be refunded to the consumer shall not be included in the transaction price as the liabilities. Where there is a material financing element in the contract, the Group determines the transaction price on the basis of the amount payable in cash assuming that the customer acquired control of the goods or services at the time of acquisition. The difference between the transaction price and the contract consideration shall be amortized over the contract period using the effective interest rate method. By the commence date of the contract, if the Group estimates that the interval between customer's control rights of goods or services and the payments of the customer is not more than one year, the significant financing components existing in the contract shall not be considered.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

34. Recognition principles and measuring methods of revenue (Continued)

In case one of the following conditions is met, the Group will perform the performance obligations within a period of time. Otherwise, it will perform the performance obligations at a time point:

- (1) The customer obtains and consumes the economic benefits brought by the Group while performing the contract;
- (2) The customer can control the goods under construction during the Group's performance;
- (3) The goods generated during the performance of the Group are irreplaceable, and the Group is entitled to collect the amount for the performance accumulatively completed so far throughout the term of the contract.

For the performance obligations performed within a certain period of time, the Group shall confirm the revenue according to the performance progress during that period and determine the performance progress according to the proportion of the cost incurred to the estimated total cost. If the performance progress cannot be reasonably confirmed, and the costs incurred by the Group can be expected to be compensated, the revenue shall be confirmed according to the amount of costs incurred until the performance progress can be reasonably confirmed.

For performance obligations performed at a certain time point, the Group shall confirm the revenue at the time point when the customer gains control rights of the relevant commodities or services. In determining whether a customer has obtained the control rights of the goods or services, the Group shall take the following indications into consideration:

- (1) The Group enjoys the current collection right in regard to such goods or services;
- (2) The Group has transferred the legal ownership of such goods to the customer;
- (3) The Group has transferred the physical goods to the customer;
- (4) The Group has transferred the main risk and rewards of such goods in terms of ownership to the customer;
- (5) The customer has accepted such goods or services, etc;
- (6) Other signs that the customer has obtained control of the product.

The right that the Group has the right to collect the consideration because it has transferred such goods or services to the customer shall be presented as the contractual asset, and the contract assets take the expected credit loss as the base to make the impairment. The Group's unconditional right to collect consideration from customers shall be presented as receivables. The Group's obligations to transfer goods or services to the customer due to customer consideration received or receivable shall be presented as the contract liabilities.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

35. Government grants

The asset-related government grants of the Group refer to those obtained by the Group and used for the acquisition or construction of long-term assets or obtainment of such assets by other forms. The revenue-related government grants refer to those other than the asset-related government grants. If no assistance object is specified in the government documents, the Group shall determine it based on the above identifying principles. For those hard to be identified, the Group classify them totally in the revenue-related government grants.

Where the government grants belong to monetary asset, it shall be measured at the amount actually received; for subsidy granted as per the fixed quota standard, when there are unambiguous evidences showing that related conditions as stipulated in the financial supporting policies are met and it is expected that the financial supporting assets can be obtained, such subsidy shall be measured as per the receivable amount; where the government grants do not belong to non-monetary asset, it shall be measured at the fair value; if the fair value cannot be obtained, then it shall be measured at its nominal amount (RMB1).

The asset-related government subsidies are used to write down the book value of the related assets or recognized as deferred income. Asset-related government subsidies recognized as deferred income are equally charged to profit or loss over the useful life of the relevant asset.

When the related assets are sold, assigned, scraped or damaged before the end of useful life, the balance of undistributed deferred income shall be transferred to the profit or loss of the current period of assets disposal.

Government grants relating to income applied in compensating related costs and expenses or losses in subsequent periods are recognized as deferred income and included in profit or loss or offset against the relevant costs for the current period in which the related costs and expenses or losses are recognized. Government grants, applied in compensating related costs and expenses or losses already incurred, are directly included in profit or loss or offset against the relevant costs for the current period.

Where government grants relate to the daily business operations, such grants shall be included to other gains or offset against the relevant costs and expenses based on the economic business nature. Government grants irrelevant to the daily business operations shall be included to non-operating income and expenses.

The Group accounts for interest subsidies of policy-based preferential loans it obtains on the following principles and under two circumstances:

1. Where the finance allocates the interest subsidy to the lending bank and the lending bank loans to the Group at the policy-based preferential interest rate, the Group records the amount of loan it actually receives as the entry value of the loan, and calculates the related borrowing costs based on the principal amount of the loan and the policy-based preferential interest rate.
2. Where the finance allocates the interest subsidy to the Group directly, the Group offsets the related borrowing costs with the subsidy.

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

35. Government grants (Continued)

When the Group has to return government grants it has already recognised, such grants are accounted for in the period in which they are required to be returned under different circumstances:

- (1) If the carrying value of the related assets is offset upon initial recognition, the carrying value of the assets is adjusted.
- (2) If there is related deferred income, the book balance of deferred income is offset, and the excess is included in the current profit or loss.
- (3) In other cases, the returned grants are directly included in the current profit or loss.

36. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities of the Group shall be calculated and recognized according to the difference (temporary difference) between the tax base and the carrying amount thereof. As to taxable income with deductible loss and tax deduction that can be deducted in the future as specified by tax laws, corresponding deferred income tax assets shall be recognized. For temporary difference from initial recognition of goodwill, relevant deferred tax liabilities will not be recognized. For the temporary difference from initial recognition of assets or liabilities incurred in transaction which is not business combination and the occurrence of which has no impact on the accounting profits and the taxable income (or deductible losses), relevant deferred income tax assets and deferred income tax liabilities will not be recognized. Deferred income tax assets and deferred income tax liabilities shall be measured at applicable tax rate during the anticipated period for recovering such assets or paying off such liabilities on the balance sheet date.

The Group recognizes the deferred income tax assets to the extent of any future taxable income that are likely to be obtained to deduct temporary differences, deductible losses and tax deduction.

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

37. Lease

The leasing business of the Group includes plant and buildings, land use rights, equipment leasing, etc.

(1) Identification of lease

Lease refers to a contract that the lessor transfers the right to use the asset to the lessee for acquiring consideration within a certain period of time. On the commencement date of contract, the Group evaluates whether the contract is a lease or includes a lease. If one party to the contract abalienates the right to control the use of one or more identified assets within a certain period of time in exchange for consideration, the contract is a lease or includes a lease. In order to determine whether one party to the contract has abalienated the right to control the use of the identified assets within a certain period of time, the Group evaluates whether the customers in the contract are entitled to obtain almost all the economic benefits arising from the use of the identified assets during the use period and to dominate the use of the identified assets during the use period.

If the contract contains multiple separate leases at the same time, the Group will split the contract and carry out accounting treatment for each separate lease. If the contract includes both lease and non-lease parts, the Group will split the lease and non-lease parts and then carry out accounting treatment.

(2) The Group as the lessee

1) Initial measurement lease confirmation

At the commencement date of the lease term, the Group recognizes the right-of-use asset and lease liabilities for the lease. The right-of-use asset is initially measured at the cost, including the initial measurement amount of the lease liabilities, the lease payment made at or before the commencement date of the lease term (deducting the amount related to the lease incentive already enjoyed), the initial direct expenses incurred and the costs expected to be incurred for dismantling and removing the leased assets, restoring the site where the leased assets are located or restoring the leased assets to the state agreed in the leasing terms.

The right-of-use asset and lease liabilities are recognized by the Group as lessee.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

37. Lease (Continued)

(2) *The Group as the lessee* (Continued)

2) **Lease change**

Lease change refers to the change of lease scope, lease consideration and lease term beyond the original contract terms, including adding or terminating the right to use one or more leased assets, extending or shortening the lease term stipulated in the contract, etc. The effective date of lease change refers to the date when both parties reach an agreement on lease change.

If the lease changes and meets the following conditions at the same time, the Group will take the lease change as a separate lease for the accounting treatment: ① the lease change expands the lease scope by increasing the right to use one or more leased assets; and ② the increased consideration is equivalent to the amount by adjusting the separate price of the expanded lease scope according to the contract.

If the lease change is not taken as a separate lease for the accounting treatment, the Group will, on the effective date of the lease change, apportion the consideration of the changed contract in accordance with the relevant provisions of the leasing standards, and redetermine the changed lease term; and use the revised discount rate to discount the changed lease payment to remeasure the lease liabilities. In calculating the present value of the changed lease payment, the Group adopts the interest rate implicit in lease in the remaining lease term as the discount rate. If it is impossible to determine the interest rate implicit in lease in the remaining lease term, the Group will adopt the lessee's incremental borrowing rate at the effective date of the lease change as the discount rate. As for the impact of the above adjustment of lease liabilities, the Group carries out the accounting treatment according to the following circumstances: ① if the lease scope is reduced or the lease term is shortened due to the lease change, the lessee shall reduce the book value of the right-of-use asset and include the relevant gains or losses from the partial termination or complete termination of the lease into the current profit or loss. ② If the lease liabilities are remeasured due to the other lease changes, the lessee shall adjust the book value of the right-of-use asset accordingly.

3) **Short-term lease and low-value asset lease**

For the short-term lease with a lease term of not more than 12 months and low-value asset lease with a lower value when a single leased asset is brand new, the Group chooses not to recognize the right-of-use asset and lease liabilities. The Group will include the lease payment for short-term lease and low-value asset lease into the related asset cost or current profit or loss by the straight-line method or other systematic and reasonable methods during each lease term.

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

37. Lease (Continued)

(3) *The Group as the lessor*

On the basis that the contract evaluated is the lease or includes the lease, the Group, as the lessor, divides the lease into financial lease and operating lease on the lease commencement date.

If a lease substantially transfers almost all the risks and rewards related to the ownership of the leased asset, the lessor shall classify the lease as a financial lease and other leases other than the financial lease as an operating lease.

In each lease term, the Group will recognize the lease amount of operating lease as the rental income by the straight-line method.

The fixed assets in the assets under operating lease will be depreciated according to the depreciation policies applied by the Group for similar assets; and other assets under operating lease shall be amortized in a systematic and reasonable way.

The Group's variable lease payment which is related to operating lease and not included in lease receipts is included in the current profit or loss when it is actually occurs.

If there is a change in the operating lease, the Group will take it as a new lease for accounting treatment from the effective date of change, and the lease receipts received in advance or receivable related to the lease before the change will be regarded as the receipts for the new lease.

At the commencement date of the lease term, the Group recognizes the financial lease receivables for financial lease and derecognizes the financial leasing assets. When the Group initially measures the financial lease receivables, the net investment in a lease is taken as the entry value of the financial lease receivables.

38. Held-for-sale

The Group classifies the non-current assets or disposal groups meeting the following conditions as the held-for-sale assets: (1) the non-current assets or disposal groups can be immediately sold under current conditions pursuant to general terms for selling such assets or disposal groups in a similar transaction; and (2) the sales are very likely to occur, i.e., a resolution has been made on a sales plan and a definitive purchase commitment has been obtained, and the sales are expected to be completed within one year. Relevant regulations require that the relevant approval needs to be obtained for those available for sale after approval by relevant authorities or regulators. Before the non-current assets or disposal groups are classified as the held-for-sale assets for the first time, the Group shall measure the book value of each asset and liability in the non-current assets or disposal groups in accordance with the relevant accounting standards. When the non-current assets or disposal groups held for sale are measured initially or remeasured on the balance sheet date, if the book value is higher than the net amount obtained by deducting the selling expenses from the fair value, the book value shall be reduced to the net amount obtained by deducting the selling expenses from the fair value, and the write-down amount shall be recognized as the asset impairment losses and shall be included in the current profits or losses and the impairment provision of held-for-sale assets shall be made at the same time.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

38. Held-for-sale (Continued)

The Group classifies the non-current assets or disposal groups that are acquired exclusively for resale, meet the conditions of “the sales are expected to be completed within one year” on the purchase date and are likely to meet other conditions for held-for-sale assets in a short time (usually three months) as the held-for-sale assets on the purchase date. In the initial measurement, the initial measurement amount assuming they are not classified as the held-for-sale assets and the net amount obtained by deducting the selling expenses from the fair value are compared, whichever is less. Except for the non-current assets or disposal groups acquired in the business merger, the difference arising from the net amount obtained by deducting the selling expenses from the fair value in the non-current assets or disposal groups as the initial measurement amount shall be included in the current profits or losses.

If the Group loses control over its subsidiaries due to the sales of investment in subsidiaries and other reasons, whether the Group reserves some of its equity investments after the sales or not, when the investment in subsidiaries to be sold meets the conditions for the held-for-sale assets, the investment in subsidiaries will be classified as the held-for-sale assets as a whole in the individual financial statements of the parent company and all the assets and liabilities of subsidiaries will be classified as the held-for-sale assets in the consolidated financial statements.

If the net amount obtained by deducting the selling expenses from the fair value of non-current assets held for sale on the subsequent balance sheet date increases, the previous write-down amount shall be recovered and reversed from the asset impairment losses recognized after being classified as the held-for-sale assets, and the reversed amount shall be included in the current profits or losses. The asset impairment losses recognized before being classified as the held-for-sale assets shall not be reversed.

For the asset impairment losses recognized in the disposal group held for sale, the book value of the goodwill in the disposal group shall be deducted, and then the book value shall be deducted proportionately based on the proportion of the book value of each non-current asset.

If the net amount obtained by deducting the selling expenses from the fair value of disposal groups held for sale on the subsequent balance sheet date increases, the previous write-down amount shall be recovered and reversed from the asset impairment losses recognized in the non-current assets applicable to the relevant measurement rules after being classified as the held-for-sale assets, and the reversed amount shall be included in the current profits or losses. The book value of goodwill deducted and the asset impairment losses recognized in the non-current assets before being classified as the held-for-sale assets shall not be reversed.

For the subsequently reversed amount of asset impairment losses recognized in the disposal group held for sale, the book value shall be increased proportionately based on the proportion of the book value of each non-current asset other than the goodwill in the disposal group.

No depreciation or amortization is provided for non-current assets held for sale or non-current assets in the disposal group. The interest of liabilities and other expenses in the disposal group held for sale shall be recognized continuously.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

38. Held-for-sale (Continued)

When the non-current assets or disposal groups held for sale are not further classified as the held-for-sale assets or the non-current assets are removed from the disposal groups held for sale due to failure to meet the conditions for the held-for-sale assets, the measurement shall be conducted based on the lower of the following two: (1) book value before being classified as the held-for-sale assets based on the amount of depreciation, amortization or impairment after adjustment that should be recognized in the case that assuming they are not classified as the held-for-sale assets; (2) recoverable amount.

When the non-current assets or disposal groups held for sale are derecognized, the unrecognized gains or losses shall be included in the current profits or losses.

39. Segment information

The Group determines operating segments based on internal organisational structure, management requirements, and internal reporting systems, and determines reporting segments based on operating segments, and discloses such segment information.

An operating segment is a component of the Company that meets the following conditions simultaneously: (1) the component is able to generate revenues and incur expenses from its ordinary activities; (2) its operating results are regularly evaluated by the Company's management to make decisions about resources to be allocated to the segment and to assess its performance; (3) the accounting information on financial position, operating results and cash flows of the component is available to the Company. Two or more operating segments may be aggregated into a single operating segment if they have similar economic characteristics and meet specified conditions.

40. Discontinued operation

Discontinued operation refers to a constituent part which has been disposed by the Group or is classified as the one held for sale by the Group and can be separately distinguished, and meets one of the following conditions: (1) such constituent part represents an independent main business or a separate main operation region; (2) such constituent part is a part of an associated plan to dispose an independent main business or a separate main operation region; (3) such constituent part is a subsidiary acquired exclusively for resale.

41. Safety production expenses

The safety production expenses drawn by the Group in accordance with national regulations is included in the cost of related products or the current profit or loss, and also included in the special reserve.

When the withdrew safety expenses are being used by the Group, if the expenditure is being expensed, the special reserve shall be directly written off. For fixed assets which have been generated therefrom, the expenses incurred in the collection of the construction-in-progress shall be recognized as fixed assets when the safety project is completed and ready for its intended use; at the same time, the special reserve shall be offset by the cost of forming the fixed assets, and recognise the same amount of accumulated depreciation. Such fixed assets are no longer depreciated in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

42. Explanation of changes in accounting policies and accounting estimates and correction of significant previous errors

(1) *Changes in accounting policies*

There is no change in accounting policies during the reporting period.

(2) *Changes in accounting estimates*

There is no change in accounting estimates during the reporting period.

(3) *Correction of significant previous errors and the effect*

There is no matter of correction of significant previous errors during the reporting period.

IV. TAXES

(I) Main taxes and tax rates

Tax category	Taxation basis	Tax rate
Value-added tax	Taxable sales; revenue from processing and repair, fitting and labour services; revenue from modern service businesses; export revenue from sales	13%, 9%, 6%, 5%, 3%, 0%
City maintenance and construction tax	Actual amount of payable turnover tax	7%, 5%
Education surcharge	Actual amount of payable turnover tax	3%
Local education surcharge	Actual amount of payable turnover tax	2%
Corporate income tax	Taxable income	15%, 16.5%, 20%, 25%
Property tax	Taxable property value, rental income	1.2%, 12%

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

The following financial statement data which disclosed for the six-month period ended 30 June 2020 is unaudited data after restatement, the following financial statement data which disclosed for the six-month period ended 30 June 2021 is unaudited data.

1. Monetary funds

Item	30 June 2021	31 December 2020
Cash on hand	785,156	642,481
Bank deposits	18,531,166,522	24,349,439,260
Other monetary funds	436,130,133	788,407,476
Total	18,968,081,811	25,138,489,217
Including: total amount deposited abroad	282,334,359	427,041,898

Note: There is no limit on the remittance of the Group's overseas deposits.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Financial assets held for trading

Item	30 June 2021	31 December 2020
Financial assets at fair value through profit or loss	2,046,237,633	2,378,749,103
Including: Debt instrument investments		159,001
Equity instrument investments	446,237,633	483,491,092
Bank wealth management and trust products	1,600,000,000	1,895,099,010
Financial assets designated as at fair value through profit or loss		
Including: Debt instrument investments		
Hybrid instruments investments		
Others		
Total	2,046,237,633	2,378,749,103

Note: The Group's debt instrument investments included in financial assets held for trading are mainly bond investments in reverse repurchase and purchase of government bonds, and equity instrument investments are mainly ETF funds and equity investments in other companies.

3. Notes receivable

(1) Classified presentation of notes receivable

Item	30 June 2021	31 December 2020
Banker's acceptance bill	1,107,604,903	3,011,566,610
Commercial acceptance bill	3,856,610,727	5,728,021,718
Total	4,964,215,630	8,739,588,328

(2) Notes receivable pledged

Item	Amount pledged on 30 June 2021
Banker's acceptance bill	260,226,302
Commercial acceptance bill	934,112,617
Total	1,194,338,919

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes receivable (Continued)

(3) Classified presentation by bad debt accrual method

Category	Book balance		30 June 2021 Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision	
				proportion (%)	
Bad debt provision made individually					
Bad debt provision made as per portfolio	4,993,888,350	100.00	29,672,720	0.59	4,964,215,630
Total	4,993,888,350	–	29,672,720	–	4,964,215,630

Category	Book balance		31 December 2020 Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision	
				proportion (%)	
Bad debt provision made individually					
Bad debt provision made as per portfolio	8,770,978,531	100.00	31,390,203	0.36	8,739,588,328
Total	8,770,978,531	–	31,390,203	–	8,739,588,328

1) Bad debt provision of notes receivable made as per portfolio

Name	30 June 2021		
	Book balance	Bad debt provision	Provision proportion (%)
Banker's acceptance bill	1,108,353,888	748,985	0.07
Commercial acceptance bill	3,885,534,462	28,923,735	0.74
Total	4,993,888,350	29,672,720	–

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes receivable (Continued)

(4) Provisions for bad debt accrued, recovered and reversed for notes receivable in the reporting period

Category	31 December 2020	Changes in the reporting period			30 June 2021	
		Accrued	Recovered or reversed	Written back or written off		Decrease due to other reasons
Notes receivable subjected to provision for expected credit losses on portfolio basis	31,390,203	5,354,181	7,026,664		45,000	29,672,720
Total	31,390,203	5,354,181	7,026,664		45,000	29,672,720

Note: The decrease due to other reasons is that Jiangxi Hongdu Aviation Industry Co., Ltd.* (江西洪都航空工業股份有限公司), a subsidiary of the Company, disposed of 50% of the equity of Jiangxi Hongdu International Mechanical & Electrical Co., Ltd.* (江西洪都國際機電有限責任公司), a subsidiary of the Company, which was therefore no longer included in the consolidation at the end of the period, resulting in a reduction of RMB45,000 in bad debt provision for notes receivable.

(5) The Group had no notes receivable that were actually written-off in the reporting period.

4. Accounts receivable

Item	30 June 2021	31 December 2020
Accounts receivable	22,098,155,527	17,288,750,241
Less: Impairment provision	1,092,342,488	918,081,400
Net accounts receivable	21,005,813,039	16,370,668,841

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(1) Classified presentation of accounts receivable by bad debt accrual method

Category of portfolio	Original value	30 June 2021		
		Proportion of bad debt provision (%)	Bad debt provision	Book value
Accounts receivable with bad debt provision made individually	380,815,664	41.21	156,934,304	223,881,360
Accounts receivable with bad debt provision made as per portfolio	21,717,339,863	4.31	935,408,184	20,781,931,679
Including: Accounts receivable whose credit risk has not increased significantly since the initial recognition	21,717,339,863	4.31	935,408,184	20,781,931,679
Total	22,098,155,527	–	1,092,342,488	21,005,813,039

Category of portfolio	Original value	31 December 2020		
		Proportion of bad debt provision (%)	Bad debt provision	Book value
Accounts receivable with bad debt provision made individually	214,849,643	72.38	155,503,719	59,345,924
Accounts receivable with bad debt provision made as per portfolio	17,073,900,598	4.47	762,577,681	16,311,322,917
Including: Accounts receivable whose credit risk has not increased significantly since the initial recognition	17,073,900,598	4.47	762,577,681	16,311,322,917
Total	17,288,750,241	–	918,081,400	16,370,668,841

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(1) Classified presentation of accounts receivable by bad debt accrual method (Continued)

1) Bad debt provision of accounts receivable made individually

Name	Book balance	Bad debt provision	30 June 2021	
			Provision proportion (%)	Reasons for provision
Company 1	44,300,000	17,720,000	40.00	Poor customer business
Company 2	20,260,000	20,260,000	100.00	Unable to recover
Company 3	192,389,753	13,595,424	7.07	Part of it is expected to be difficult to recover
Company 4	12,250,000	12,250,000	100.00	Unable to recover
Company 5	11,701,493	11,701,493	100.00	Poor customer business
Other customers	99,914,418	81,407,387	81.48	Part of it is expected to be unable to recover
Total	380,815,664	156,934,304	-	-

2) Bad debt provision of accounts receivable made by portfolio

Aging	Book balance	30 June 2021	
		Bad debt provision	Provision proportion (%)
Within 1 year (including 1 year)	18,346,641,779	312,346,485	1.70
1-2 years	1,937,701,633	203,680,172	10.51
2-3 years	771,544,996	170,112,684	22.05
Over 3 years	661,451,455	249,268,843	37.69
Total	21,717,339,863	935,408,184	-

Aging	Book balance	31 December 2020	
		Bad debt provision	Provision proportion (%)
Within 1 year (including 1 year)	13,964,230,778	197,701,518	1.42
1-2 years	1,848,811,327	165,545,443	8.95
2-3 years	691,043,630	151,511,047	21.92
Over 3 years	569,814,863	247,819,673	43.49
Total	17,073,900,598	762,577,681	-

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(2) Based on the date of billing, ageing of accounts receivable is as follows

Ageing	30 June 2021		
	Accounts receivable	Bad debt provision	Proportion of bad debt provision (%)
Within 1 year (including 1 year)	18,539,382,081	319,172,380	1.72
1-2 years	1,984,309,840	227,118,135	11.45
2-3 years	817,596,855	202,839,612	24.81
3-4 years	310,286,703	106,245,610	34.24
4-5 years	194,042,395	94,588,964	48.75
Over 5 years	252,537,653	142,377,787	56.38
Total	22,098,155,527	1,092,342,488	–

Ageing	31 December 2020		
	Accounts receivable	Bad debt provision	Proportion of bad debt provision (%)
Within 1 year (including 1 year)	13,976,854,221	204,804,155	1.47
1-2 years	1,894,233,113	186,457,279	9.84
2-3 years	734,065,952	172,806,359	23.54
3-4 years	264,836,067	98,404,978	37.16
4-5 years	161,885,566	99,838,277	61.67
Over 5 years	256,875,322	155,770,352	60.64
Total	17,288,750,241	918,081,400	–

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(3) Bad debt provision of accounts receivable in the current period

Category	31 December 2020	Provision	Amount changed in the current period			30 June 2021
			Accounts recovered or transferred back	Amounts charged or written off	Decrease due to other reasons	
Accounts receivable	918,081,400	209,653,012	33,475,061	1,247	1,915,616	1,092,342,488
Total	918,081,400	209,653,012	33,475,061	1,247	1,915,616	1,092,342,488

Note: The decrease due to other reasons is that Jiangxi Hongdu Aviation Industry Co., Ltd.* (江西洪都航空工業股份有限公司), a subsidiary of the Company, disposed of 50% of the equity of Jiangxi Hongdu International Mechanical & Electrical Co., Ltd.* (江西洪都國際機電有限責任公司), a subsidiary of the Company, which was therefore no longer included in the consolidation at the end of the period, resulting in a reduction of RMB1,915,616 in bad debt provision for accounts receivable.

5. Prepayments

(1) Aging of prepayments

Item	30 June 2021		31 December 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	7,011,699,914	96.51	1,436,985,011	84.92
1-2 years	170,926,575	2.35	140,561,752	8.31
2-3 years	41,876,524	0.58	62,901,360	3.72
Over 3 years	40,420,765	0.56	51,671,332	3.05
Total	7,264,923,778	100.00	1,692,119,455	100.00

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Prepayments (Continued)

(2) Prepayments with significant balances aged over 1 year and reasons of failure of timely settlement

Creditor company	Debtor company	Ending balance	Aging	Reason for being unsettled
China Aviation Planning and Design Institute Co., Ltd.* (中國航空規劃設計研究總院有限公司)	Company 1	40,457,916	Within 1 year and 1-2 years	Undue
China Aviation Planning and Design Institute Co., Ltd.	Company 2	35,905,412	Within 1 year and 1-2 years	Undue
China Aviation Planning and Design Institute Co., Ltd.	Company 3	31,638,000	Within 1 year and 1-2 years	Undue
China Aviation Planning and Design Institute Co., Ltd.	Company 4	10,000,000	Within 1 year and 1-2 years	Undue
Total		118,001,328	–	–

(3) Bad debt provision made, transferred back (or recovered) in the current period

Category	31 December 2020	Amount changed in the current period			30 June 2021
		Provision	Accounts recovered or transferred back	Amounts charged or written off	
Bad debt provision of prepayments	6,505,718				6,505,718
Total	6,505,718				6,505,718

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables

Item	30 June 2021	31 December 2020
Interest receivable		
Dividends receivable	51,611,778	309,300
Other receivables	311,831,760	193,164,546
Total	363,443,538	193,473,846

6.1 Dividends receivable

Investee	30 June 2021	31 December 2020
Hisense Jonhon Optical-Electrical Technologies Co., Ltd.* (中航 海信光電技術有限公司)	49,926,478	
Others	1,685,300	309,300
Total	51,611,778	309,300

6.2 Other receivables

(1) Classification of other receivables by nature

Nature of amount	30 June 2021	31 December 2020
Intercourse funds	100,326,768	67,007,627
Deposit and security	155,009,014	156,428,620
Pretty cash and personal loan	56,500,237	26,725,514
Receivables and payables on behalf of other parties (Funds disbursed for others)	100,144,753	63,825,744
Borrowings	1,687,632	4,650,728
Entrusted fee	25,790,000	
Tax refund and subsidy receivable	3,950,155	3,782,104
Equipment engineering cost	2,000,000	2,000,000
Others	18,717,289	18,618,558
Total	464,125,848	343,038,895

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables (Continued)

6.2 Other receivables (Continued)

(2) Bad debt provision of other receivables

	Stage 1 Expected credit loss in the future 12 months	Stage 2 Expected credit loss within whole duration (no credit impairment occur)	Stage 3 Expected credit loss within whole duration (credit impairment has occurred)	Total
Balance as at 1 January 2021		13,877,440	135,996,909	149,874,349
Book balance of other receivables on 1 January 2021 in the current period				
-Be transferred to Stage 2				
-Be transferred to Stage 3				
-Be transferred back to Stage 2				
-Be transferred back to Stage 1				
Provision made in the current period		2,909,881		2,909,881
Amount transferred back in the current period		476,372		476,372
Amount charged off in the current period				
Amount written off in the current period				
Other changes		13,770		13,770
Balance as at 30 June 2021		16,297,179	135,996,909	152,294,088

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables (Continued)

6.2 Other receivables (Continued)

(3) Other receivables listed as per aging

Aging	30 June 2021	31 December 2020
Within 1 year (including 1 year)	249,146,771	75,357,023
1-2 years	38,843,581	51,663,477
2-3 years	13,656,295	14,327,322
3-4 years	46,192,667	42,759,190
4-5 years	15,151,881	15,627,948
Over 5 years	101,134,653	143,303,935
Subtotal	464,125,848	343,038,895
Less: Bad debt provision	152,294,088	149,874,349
Total	311,831,760	193,164,546

(4) Other receivables with bad debt provision made on the combination of expected credit risk characteristics

Classification	Original book value	30 June 2021		
		Proportion of bad debt provision (%)	Bad debt provision	Book value
Bad debt provision made individually	140,450,607	77.58	108,960,858	31,489,749
Other receivables with bad debt provision made on the combination of credit risk characteristics	323,675,241	13.39	43,333,230	280,342,011
Total	464,125,848	-	152,294,088	311,831,760

Classification	Original book value	31 December 2020		
		Proportion of bad debt provision (%)	Bad debt provision	Book value
Bad debt provision made individually	157,313,970	78.81	123,981,643	33,332,327
Other receivables with bad debt provision made on the combination of credit risk characteristics	185,724,925	13.94	25,892,706	159,832,219
Total	343,038,895	-	149,874,349	193,164,546

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables (Continued)

6.2 Other receivables (Continued)

(4) Other receivables with bad debt provision made on the combination of expected credit risk characteristics (Continued)

1) Amounts tested individually for expected credit losses

Name	Book balance	30 June 2021		
		Bad debt provision	Proportion (%)	Reasons for provision
Company 1	2,658,565	2,658,565	100.00	Counterpart's low willingness to repay
Company 2	1,610,000	1,610,000	100.00	Unable to recover
Company 3	1,552,600	1,552,600	100.00	Counterpart's low willingness to repay
Company 4	1,197,152	1,197,152	100.00	Counterpart's low willingness to repay
Other companies	133,432,290	101,942,541	76.40	Not expected to be fully recoverable
Total	140,450,607	108,960,858	-	-

Note: The other receivables of the Group with bad debt provision made individually in the period were mainly due to financial difficulties or long-aging accounts of the debtor. The management of the Group is expected to be unable to recover them or to recover them in full.

(5) Bad debt provision of other receivables

Category	31 December 2020	Provision	Amount changed in the current period			30 June 2021
			Accounts recovered or transferred back	Amounts charged or written off	Decrease due to other reasons	
Other receivables	149,874,349	2,909,881	476,372		13,770	152,294,088
Total	149,874,349	2,909,881	476,372		13,770	152,294,088

Note: The decrease due to other reasons is mainly due to that Jiangxi Hongdu Aviation Industry Co., Ltd.* (江西洪都航空工業股份有限公司), a subsidiary of the Company, disposed of 50% of the equity of Jiangxi Hongdu International Mechanical & Electrical Co., Ltd.* (江西洪都國際機電有限責任公司), a subsidiary of the Company, which was therefore no longer included in the consolidation at the end of the period, resulting in a reduction of RMB10,541 in bad debt provision for other receivables.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Inventories

Item	Book balance	30 June 2021	
		Inventory falling price reserves/impairment provision of contract performance costs	Book value
Raw materials	10,285,564,619	237,249,155	10,048,315,464
Self made semi-finished goods and products in progress	18,699,570,143	89,188,732	18,610,381,411
Finished goods	4,186,557,786	204,262,792	3,982,294,994
Turnover materials	456,945,584	553,052	456,392,532
Contract performance costs	114,078,716		114,078,716
Others	189,600,825	8,527,423	181,073,402
Total	33,932,317,673	539,781,154	33,392,536,519

Note: No amortization of contract performance costs in this period.

Item	Book balance	31 December 2020	
		Inventory falling price reserves/impairment provision of contract performance costs	Book value
Raw materials	7,595,149,459	219,575,854	7,375,573,605
Self-made semi-finished goods and products in progress	19,098,089,840	78,482,101	19,019,607,739
Finished goods	3,950,694,203	187,711,957	3,762,982,246
Turnover materials	457,560,285		457,560,285
Contract performance costs	29,498,908		29,498,908
Others	76,868,179	9,080,475	67,787,704
Total	31,207,860,874	494,850,387	30,713,010,487

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Contract assets

(1) Contract assets

Item	30 June 2021		
	Book balance	Impairment provision	Book value
Aviation entire aircraft	3,483,837,521	13,138,707	3,470,698,814
Aviation engineering services	3,565,007,393	3,764,163	3,561,243,230
Aviation ancillary system and related business	43,507,503		43,507,503
Total	7,092,352,417	16,902,870	7,075,449,547

Item	31 December 2020		
	Book balance	Impairment provision	Book value
Aviation entire aircraft	2,367,260,032	7,034,677	2,360,225,355
Aviation engineering services	2,157,814,640	3,401,437	2,154,413,203
Aviation ancillary system and related business	28,253,902		28,253,902
Total	4,553,328,574	10,436,114	4,542,892,460

(2) Impairment provision of contract assets in this period

Category	31 December 2020	Provision	Amount changed in the current period			30 June 2021
			Accounts recovered or transferred back	Amounts charged or written off	Decrease for other reasons	
Aviation entire aircraft	7,034,677	6,104,030				13,138,707
Aviation engineering services	3,401,437	362,726				3,764,163
Total	10,436,114	6,466,756				16,902,870

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Long-term equity investments

Investees	31 December 2020	Added investment	Decreased investment	Investment profit or loss recognized under equity method	Movement for the period				30 June 2021	Impairment provision at end of the period
					Adjustment to other comprehensive income	Other changes in equity	Distribution of cash dividend or profit declared	Making for impairment provision		
I. Joint ventures	170,206,246			53,545,175			99,926,478		123,824,943	
Hisense Jonhon Optical- Electrical Technologies Co., Ltd.	144,888,321			52,550,826			99,926,478		97,512,669	
Others	25,317,925			994,349					26,312,274	
II. Associates	1,194,113,856	70,950,000		79,956,100		(57,102)	4,749,850	40,250,000	1,380,463,004	
Schneider Shanghai Low Voltage Terminal Apparatus Co., Ltd.	140,184,033			55,263,767					195,447,800	
Schneider Merlin Gerin Low Voltage (Tianjin) Co., Ltd.* (施耐德梅蘭日蘭低壓(天津) 有限公司)	69,073,014			4,049,969					73,122,983	
AVIC Yuehai Wind Power Generation Company Limited* (中航粵海風力 發電有限公司)	56,423,842			6,110,144					62,533,986	
Jiangxi Hongdu Commercial Aircraft Corporation Limited* (江西洪都商用飛機股份有 限公司)	309,766,322			2,433,267			1,020,000		311,179,589	
AVIC Nanjing Servo Control System Co., Ltd.* (中航工業南 京伺服控制系統有限公司)	162,862,373			10,594,297					173,456,670	
Aviation Gyro (Beijing) PhotoElectricity Technology Co., Ltd.* (中航捷銳(北京) 光電技術有限公司)	77,453,910			5,664,665					83,118,575	
Beijing Hangwei High- Technology Connection Technology Co., Ltd.* (北京航 為高科連接技術有限公司)	96,579,407			1,210,725					97,790,132	
AVIC Air Traffic Management System Equipment Co., Ltd.* (中航空管系統裝備有限公司)	34,867,517	65,000,000		(4,429,782)					95,437,735	
AVIC Rongfu Fund Management (Beijing) Company Limited* (中航融富基金管理(北京) 有限公司)	57,665,206			(2,476,047)					55,189,159	
Others	189,238,232	5,950,000		1,535,095		(57,102)	3,729,850	40,250,000	233,186,375	
III. Share floating right	363,811,841								363,811,841	
Share floating right	363,811,841								363,811,841	
Total	1,728,131,943	70,950,000		133,501,275		(57,102)	104,676,328	40,250,000	1,868,099,788	

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Other equity instrument investments

(1) Information about other equity instrument investments

Item	30 June 2021	31 December 2020
Sichuan Chengfei Integration Technology Corporation Limited	80,101,183	99,262,942
AVIC Industry-Finance Holdings Co., Ltd.* (中航工業產融控股股份有限公司)	150,733,380	162,511,867
Zhonghang Electronic Measuring Instruments Co., Ltd.* (中航電測儀器股份有限公司)	107,062,477	105,301,581
AVIC Heavy Machinery Co., Ltd.	265,533,402	
AVIC Guizhou Anji Aviation Investment Casting Co., Ltd.* (貴州安吉航空精密鑄造有限責任公司)	54,442,939	54,442,939
AVIC Huabei Aircraft Industry Co., Ltd.* (中航通飛華北飛機工業有限公司)	180,240,000	180,240,000
Harbin Hafei Airbus Composite Manufacturing Centre Co., Ltd.	130,792,199	130,792,199
Harbin DongAn Automotive Engine Manufacturing Co., Ltd.	76,650,000	76,650,000
AVIC Cabin System Co., Ltd.* (中航客艙系統有限公司)	523,083,955	528,439,800
Tianjin Zhongtian Aviation Industry Investment Co., Ltd.	117,368,235	117,368,235
Beijing AviChina Phase I Aviation Industrial Investment Fund (Limited Partnership)* (北京中航一期航空工業產業投資基金 (有限合夥))	89,862,224	89,862,224
Others	67,728,016	67,728,016
Total	1,843,598,010	1,612,599,803

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Other equity instrument investments (Continued)

(2) Non-trading equity instrument investment in the period

Item	Dividend income recognized		Amount transferred from other comprehensive income to retained earnings		Reasons for designating at fair value through other comprehensive income	Reasons for transfer from other comprehensive income to retained earnings
	in the current period	Accumulated gains	Accumulated losses	income to retained earnings		
Sichuan Chengfei Integration Technology Corporation Limited	314,264	75,709,883			Non-trading equity investments	
AVIC Industry-Finance Holdings Co., Ltd.			(46,881,792)		Non-trading equity investments	
Zhonghang Electronic Measuring Instruments Co., Ltd.	354,998	48,484,973			Non-trading equity investments	
AVIC Heavy Machinery Co., Ltd.		65,533,409			Non-trading equity investments	
AVIC Guizhou Anji Aviation Investment Casting Co., Ltd.		4,442,939			Non-trading equity investments	
AVIC Huabei Aircraft Industry Co., Ltd.		240,000			Non-trading equity investments	
Harbin Hafei Airbus Composite Manufacturing Centre Co., Ltd.		2,773,642			Non-trading equity investments	
Harbin DongAn Automotive Engine Manufacturing Co., Ltd.		1,650,000			Non-trading equity investments	
AVIC Cabin System Co., Ltd.			(12,685,433)		Non-trading equity investments	
Tianjin Zhongtian Aviation Industry Investment Co., Ltd.		57,368,235			Non-trading equity investments	
Others		4,540,023	(51,130,806)		Non-trading equity investments	
Total	669,262	260,743,104	(110,698,031)			

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Investment properties

(1) Investment properties measured at cost

Item	Plant & buildings	Land use right	Construction in progress	Total
I. Original book value				
1. 31 December 2020	397,365,257	124,598,610		521,963,867
2. Increase in the current period				
3. Decrease in the current period	620,462	18,079,128		18,699,590
4. 30 June 2021	396,744,795	106,519,482		503,264,277
II. Accumulated depreciation and accumulated amortization				
1.31 December 2020	107,766,610	32,712,165		140,478,775
2. Increase in the current period	5,085,051	1,132,971		6,218,022
3. Decrease in the current period	105,942			105,942
4. 30 June 2021	112,745,719	33,845,136		146,590,855
III. Impairment provision				
1. 31 December 2020				
2. Increase in the current period				
3. Decrease in the current period				
4. 30 June 2021				
IV. Book value				
1. 30 June 2021	283,999,076	72,674,346		356,673,422
2. 31 December 2020	289,598,647	91,886,445		381,485,092

12. Fixed assets

Item	Book value on 30 June 2021	Book value on 31 December 2020
Fixed assets	13,467,352,139	13,552,601,492
Disposal of fixed assets	1,370,992	1,381,592
Total	13,468,723,131	13,553,983,084

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Fixed assets (Continued)

12.1 Fixed assets

(1) Details of fixed assets

Item	Plant & buildings	Machinery equipment	Transportation vehicles	Electronic equipment	Office equipment	Others	Total
I. Original book value							
1. 31 December 2020	10,101,617,105	10,266,005,938	166,675,245	2,695,220,371	343,867,066	1,250,463,788	24,823,849,513
2. Increase in the current period	133,173,762	326,024,970	13,020,941	113,490,160	4,243,671	76,061,481	666,014,985
3. Decrease in the current period	2,143,537	128,570,939	6,450,448	39,873,298	1,639,220	11,984,792	190,662,234
4. 30 June 2021	10,232,647,330	10,463,459,969	173,245,738	2,768,837,233	346,471,517	1,314,540,477	25,299,202,264
II. Accumulated depreciation							
1. 31 December 2020	2,739,222,070	5,353,111,829	127,388,572	2,053,765,255	283,514,561	675,845,394	11,232,847,681
2. Increase in the current period	194,024,175	349,809,204	14,823,138	100,841,974	7,211,593	34,340,142	701,050,226
3. Decrease in the current period	195,500	83,420,471	4,759,632	39,788,679	1,493,259	10,790,581	140,448,122
4. 30 June 2021	2,933,050,745	5,619,500,562	137,452,078	2,114,818,550	289,232,895	699,394,955	11,793,449,785
III. Impairment provision							
1. 31 December 2020	3,341,635	34,942,868		115,837			38,400,340
2. Increase in the current period							
3. Decrease in the current period							
4. 30 June 2021	3,341,635	34,942,868		115,837			38,400,340
IV. Book value							
1. 30 June 2021	7,296,254,950	4,809,016,539	35,793,660	653,902,846	57,238,622	615,145,522	13,467,352,139
2. 31 December 2020	7,359,053,400	4,877,951,241	39,286,673	641,339,279	60,352,505	574,618,394	13,552,601,492

12.2 Disposal of fixed assets

Item	30 June 2021	31 December 2020
Plant and buildings	44,893	132,587
Machinery equipment	1,091,058	1,083,596
Transportation vehicles	48,847	
Electronic equipment	73,623	53,549
Office equipment	40,823	40,111
Others	71,748	71,749
Total	1,370,992	1,381,592

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Construction in progress

Item	30 June 2021	31 December 2020
Construction in progress	3,898,825,050	3,233,326,513
Construction materials	1,257,901	1,791,046
Total	3,900,082,951	3,235,117,559

13.1 Construction in progress

(1) Details of construction in progress

Item	30 June 2021			31 December 2020		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Plant construction project in south district of Aviation Town	203,371,005		203,371,005	191,868,292		191,868,292
Convertible bond fundraising project	402,281,266		402,281,266	343,184,000		343,184,000
Infrastructure technical transformation project	861,350,131		861,350,131	801,485,740		801,485,740
Project of Shunyi New District	140,890,970		140,890,970	128,187,325		128,187,325
Aircraft data management construction project	56,044,009		56,044,009	55,764,745		55,764,745
Taihang production and construction guarantee project	32,489,334		32,489,334	31,076,168		31,076,168
New technology industrial base project of AVIC JONHON Optronic				191,325,595		191,325,595
Optoelectronic technology industrial base project (phase II)	275,730,526		275,730,526	146,580,670		146,580,670
Dingkunchi industrial base (phase I)	98,141,689		98,141,689	84,781,569		84,781,569
Dingkunchi industrial base (phase II)	84,435,924		84,435,924	30,789,938		30,789,938
Huiyang technology park	74,668,368		74,668,368	74,440,591		74,440,591
Research construction project 3	32,456,892		32,456,892	37,882,482		37,882,482
Aviation parts industrial park	35,066,003		35,066,003	33,897,062		33,897,062
Tianjin industrial base construction of AVIC Helicopter	20,581,793		20,581,793	20,480,421		20,480,421
Lvmeng sewage treatment station	19,311,028		19,311,028	15,989,378		15,989,378
Baizhang wind farm project in Xiangzhou	354,857,924		354,857,924	322,987,498		322,987,498
Others	1,207,448,188	300,000	1,207,148,188	722,905,039	300,000	722,605,039
Total	3,899,125,050	300,000	3,898,825,050	3,233,626,513	300,000	3,233,326,513

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Construction in progress (Continued)

13.1 Construction in progress (Continued)

(2) Changes of major construction in progress in the current period

Project name	31 December 2020	Increase in the current period	Decrease in the current period		30 June 2021	Budget	Ratio of accumulative investment to budget (%)	Project progress(%)	Accumulated amount of capitalized interest	Including: Amount of capitalized interest in current period	Capitalization rate of interest in current period (%)	Source of funds
			Transferred to fixed assets	Other decreases								
Plant construction project in south district of Aviation Town	191,868,293	11,502,712			203,371,005	901,219,731	83.82	83.82				Self-raised
Convertible bond fundraising project	343,183,999	136,853,564	63,149,638	14,606,659	402,281,266	1,816,000,000	27.10	27.10	32,315,145			Convertible bond
Infrastructure technical transformation project	801,485,741	105,071,780	37,683,257	7,524,133	861,350,131	2,300,694,500	54.38	54.38	9,278,464	377,826	4.35	State funds
Project of Shunyi New District	128,187,326	12,758,594	54,950		140,890,970	250,000,000	56.10	56.10	3,032,437			Self-raised
Aircraft data management construction project	55,764,746	5,485,311	2,892,600	2,313,448	56,044,009	118,200,000	59.26	59.26				State funds
Tailhang production and construction guarantee project	31,076,169	1,413,165			32,489,334	86,900,000	92.30	92.30				State funds
Total	1,551,566,274	273,085,126	103,780,445	24,444,240	1,696,426,715	5,473,014,231	-	-	44,626,046	377,826	-	-

13.2 Construction materials

Item	30 June 2021			31 December 2020		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Special-purpose equipment	1,257,901		1,257,901	1,791,046		1,791,046
Total	1,257,901		1,257,901	1,791,046		1,791,046

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Right-of-use assets

Item	Plant & buildings	Machinery equipment	Others	Total
I. Original book value				
1. 31 December 2020	184,704,821	631,513,314	13,428,064	829,646,199
2. Increase in the current period	22,151,431			22,151,431
3. Decrease in the current period	2,354,306	5,117,187		7,471,493
4. 30 June 2021	204,501,946	626,396,127	13,428,064	844,326,137
II. Accumulated depreciation				
1. 31 December 2020	77,745,732	67,083,626	3,898,798	148,728,156
2. Increase in the current period	16,083,921	32,214,007	368,092	48,666,020
3. Decrease in the current period	705,825	1,792,437		2,498,262
4. 30 June 2021	93,123,828	97,505,196	4,266,890	194,895,914
III. Impairment provision				
1. 31 December 2020				
2. Increase in the current period				
3. Decrease in the current period				
4. 30 June 2021				
IV. Book value				
1. 30 June 2021	111,378,118	528,890,931	9,161,174	649,430,223
2. 31 December 2020	106,959,089	564,429,688	9,529,266	680,918,043

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Intangible assets

Item	Land use		Trademark		Software	Customer resources and sales channel	Total
	right	Patent right	right	Concession			
I. Original book value							
1. 31 December 2020	2,476,320,071	175,324,437	8,241,300	594,588,260	1,217,956,091	19,302,200	4,491,732,359
2. Increase in the current period	18,162,977				58,180,380		76,343,357
3. Decrease in the current period					14,919,048		14,919,048
4. 30 June 2021	2,494,483,048	175,324,437	8,241,300	594,588,260	1,261,217,423	19,302,200	4,553,156,668
II. Accumulated amortization							
1. 31 December 2020	573,584,038	154,285,299	8,228,759	119,714,911	809,556,607	17,291,554	1,682,661,168
2. Increase in the current period	26,112,740	2,682,793	3,420	11,901,702	65,069,791	968,097	106,738,543
3. Decrease in the current period					14,919,048		14,919,048
4. 30 June 2021	599,696,778	156,968,092	8,232,179	131,616,613	859,707,350	18,259,651	1,774,480,663
III. Impairment provision							
1. 31 December 2020		275,000		41,028,500	519,208		41,822,708
2. Increase in the current period							
3. Decrease in the current period							
4. 30 June 2021		275,000		41,028,500	519,208		41,822,708
IV. Book value							
1. 30 June 2021	1,894,786,270	18,081,345	9,121	421,943,147	400,990,865	1,042,549	2,736,853,297
2. 31 December 2020	1,902,736,033	20,764,138	12,541	433,844,849	407,880,276	2,010,646	2,767,248,483

There are no intangible assets formed through internal R&D in the Company at the end of the period.

16. Short-term borrowings

Category	30 June	31 December
	2021	2020
Secured borrowings	3,116,823	12,053,616
Guaranteed borrowings	160,164,444	165,120,831
Credit borrowings	3,665,440,594	4,203,220,466
Total	3,828,721,861	4,380,394,913

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From 1 January 2021 to 30 June 2021

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V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Notes payable

Category	30 June 2021	31 December 2020
Banker's acceptance bill	2,557,500,694	3,199,148,001
Commercial acceptance bill	3,929,878,155	5,325,689,418
Total	6,487,378,849	8,524,837,419

At the end of the period, the total amount of outstanding notes payable was RMB89,617,648.

18. Accounts payable

(1) Presentation of accounts payable

Item	30 June 2021	31 December 2020
Materials costs payable	20,862,963,484	18,029,855,583
Construction costs payable	3,747,230,960	4,040,587,703
Equipment costs payable	433,018,612	690,923,256
Retention payables	61,044,087	41,860,388
Others	898,487,383	740,570,420
Total	26,002,744,526	23,543,797,350

(2) The ageing of accounts payable based on their recording dates is analyzed as below

Aging	30 June 2021	31 December 2020
Within 1 year (including 1 year)	19,394,896,570	18,810,204,504
1-2 years	3,357,439,517	2,332,144,625
2-3 years	1,859,788,448	968,723,841
Over 3 years	1,390,619,991	1,432,724,380
Total	26,002,744,526	23,543,797,350

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V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Contract liabilities

(1) Details of contract liabilities

Item	30 June 2021	31 December 2020
Aviation entire aircraft	18,599,250,243	15,080,307,481
Aviation engineering services	1,847,555,640	1,581,581,151
Aviation ancillary system and related business	2,667,199,672	474,297,281
Total	23,114,005,555	17,136,185,913

(2) Significant change in book value of contract liabilities in the current period

Item	Amount changed	Reasons for change
Aviation entire aircraft	3,518,942,762	The increase of orders in hand and increase in customer prepayments
Aviation engineering services	265,974,489	
Aviation ancillary system and related business	2,192,902,391	
Total	5,977,819,642	–

20. Long-term borrowings

Category	30 June 2021	31 December 2020
Secured borrowings	418,558,922	428,092,242
Guaranteed borrowings	433,451,000	652,947,000
Credit borrowings	2,569,290,034	2,517,391,805
Total	3,421,299,956	3,598,431,047

Note: The interest rate of long-term borrowings of the Group at the end of the period ranges from 1.08% to 4.99% (1.08% to 5.00% at the beginning of the year).

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Lease liabilities

Item	30 June 2021	31 December 2020
Lease payment	845,350,688	876,919,755
Including: Unrecognized financing costs	(125,466,515)	(135,735,862)
Reclassification to non-current liabilities due within one year	(69,912,911)	(104,809,104)
Total	649,971,262	636,374,789

22. Share capital

Item	31 December 2020	Increase and decrease (+, -) in change				Subtotal	30 June 2021
		Issuance of new shares	Bonus issue	Conversion from reserves	Other		
Total shares	7,711,332,242					7,711,332,242	

23. Operating income and operating costs

Item	January to June 2021		January to June 2020	
	Income	Cost	Income	Cost
Main businesses	27,420,939,343	21,510,664,479	20,544,007,954	16,348,602,279
Other businesses	472,059,092	371,732,266	419,004,289	299,629,424
Total	27,892,998,435	21,882,396,745	20,963,012,243	16,648,231,703

24. Selling expenses

Item	January to June 2021	January to June 2020
Employee compensation	152,676,888	124,952,847
After-sales service charges	38,970,923	19,215,106
Business travel costs	32,214,826	21,375,482
Transportation costs	27,803,939	20,750,458
Three guarantees loss	24,128,684	12,649,504
Advertising and publicity expenses	9,054,619	2,152,018
Packing charges	5,177,369	1,780,018
Exhibition fees	3,031,576	1,984,188
Depreciation and amortization costs	1,178,996	1,316,694
Others	20,387,448	21,823,258
Total	314,625,268	227,999,573

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Administrative expenses

Item	January to June 2021	January to June 2020
Employee compensation	879,077,055	837,668,940
Depreciation and amortization costs	171,754,792	164,920,705
Amortization of equity incentives	84,074,527	78,800,168
Maintenance and repair costs	64,751,500	33,853,944
Business entertainment expenses	27,506,041	12,353,866
Labor protection costs	27,170,848	18,169,765
Business travel costs	23,606,945	9,512,980
Professional service fees	20,362,379	8,060,048
Office fees	19,549,457	16,899,516
Power and fuel expenses	16,300,618	15,704,588
Afforestation fees	13,910,192	12,748,405
Rental	13,201,009	12,730,400
Insurance premium	10,730,879	7,161,851
Audit fee	7,920,130	3,664,109
Conference expenses	7,483,802	3,743,057
Property charges	7,237,597	10,619,508
Transportation fee	4,744,527	3,205,257
Publicity expenses	4,078,758	
Material amortization and consumption of low-value consumables	3,718,908	3,469,876
Others	70,956,420	50,133,010
Total	1,478,136,384	1,303,419,993

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Research and development expenses

Item	January to June 2021	January to June 2020
Employee compensation	579,501,963	411,546,832
Materials expenses	433,079,547	281,753,518
Special fees	86,228,633	7,445,269
External negotiation fee	54,043,947	97,914,443
Depreciation and amortization costs	45,903,920	36,832,215
Business travel costs	22,826,575	16,071,246
Administrative expense	18,671,262	13,655,081
Experimental expenses	16,653,240	18,707,376
Sampling inspection fee	10,247,199	
Design fee	5,787,509	6,951,383
Power and fuel expenses	3,864,215	3,499,069
Others	70,615,576	37,199,486
Total	1,347,423,586	931,575,918

27. Finance costs

Item	January to June 2021	January to June 2020
Interest expenses	206,485,783	277,669,666
Less: Interest incomes	157,520,223	237,679,552
Less: Capitalized interest	12,252,528	39,763,946
Add: Exchange losses	27,465,791	(26,508,862)
Add: Other expenditures	3,807,758	4,637,311
Total	67,986,581	(21,645,383)

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Other income

Sources of other income	January to June 2021	January to June 2020
Employment subsidy	54,436,765	9,934,043
Subsidies for other projects	42,180,644	42,922,773
Government relocation compensation	8,757,740	12,255,227
Refund of individual tax handling fee	2,686,771	9,243,275
Subsidies for research and development and industrialization project of a connector	2,569,855	876,123
High-tech allowance	1,750,000	8,820,000
Input value-added tax surplus deduction	87,174	136,278
Instant value-added tax refund	38,926	153,172
Total	112,507,875	84,340,891

29. Investment income

Item	January to June 2021	January to June 2020
Long-term equity investment incomes calculated at equity method	133,501,275	62,075,022
Investment income from disposal of long-term equity investments	6,591,790	(25,206)
Investment income from holding financial assets held for trading	27,784,008	198,383
Investment income from disposal of financial assets held for trading	15,426,100	37,895,830
Investment income from holding other equity instrument investments	2,217,792	272,881
Investment income from disposal of financial liabilities held for trading	3,409,755	
Gain on revaluation of remaining equity at fair value after losing control	3,082,789	
Others	(1,175,536)	(681,161)
Total	190,837,973	99,735,749

30. Income from changes in fair value

Source of income from changes in fair value	January to June 2021	January to June 2020
Financial assets held for trading	(41,862,948)	41,988,359
Including: Gain from changes in fair value of derivative financial instruments		
Financial liabilities held for trading	(80,492)	
Total	(41,943,440)	41,988,359

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Credit impairment loss

Item	January to June 2021	January to June 2020
Loss on bad debts of accounts receivable	(176,177,951)	(169,847,678)
Loss on bad debts of notes receivable	1,672,483	2,551,166
Loss on bad debts of other receivables	(2,433,509)	(3,431,524)
Total	(176,938,977)	(170,728,036)

32. Assets impairment loss

Item	January to June 2021	January to June 2020
Inventory depreciation loss and contract performance cost impairment losses	(58,386,902)	(10,339,334)
Contract asset impairment losses	(6,466,756)	(6,404,779)
Loss from fixed assets impairment		(29,595,542)
Prepayments impairment losses		24,358
Total	(64,853,658)	(46,315,297)

33. Income tax expenses

Item	January to June 2021	January to June 2020
Income tax expenses in the current period	409,301,366	246,849,710
Deferred income tax expenses	(69,711,963)	(36,502,150)
Total	339,589,403	210,347,560

34. Dividends

Item	January to June 2021	January to June 2020
Recognised as the dividend to be distributed as the 2020 final dividend: RMB0.05 per share (2019 final dividend: RMB0.03 per share)	385,566,612	187,353,655

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. Earnings per share

Based on the provisions in Preparation Rules for Information Disclosures by Companies Offering Shares to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (revised in 2010) issued by China Securities Regulatory Commission, the basic earnings per share and diluted earnings per share of the Group from January to June 2021 are listed below:

Profit for the reporting period	Earnings per share	
	Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the parent company	0.1555	0.1555
Net profit attributable to shareholders of the parent company after deduction of non-recurring profit or loss	0.1389	0.1389

VI. CHANGES IN CONSOLIDATION SCOPE

1. Business combination not involving entities under common control

None.

2. Business combinations involving entities under common control

None.

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. CHANGES IN CONSOLIDATION SCOPE (Continued)

3. Disposal of subsidiaries

Name of subsidiary	Price of equity disposal	Proportion of equity disposed (%)	Method of equity disposal	Timing of control loss	Basis to determine the timing of control loss	Difference between the disposal price and the share in net assets of the subsidiary in consolidated financial statements corresponding to the investment disposed	Proportion of the residual equity on the date of losing the control right	Book value of the residual equity on the date of losing the control right	Fair value of the residual equity on the date of losing the control right	Losses arising from the re-measurement of residual equity at fair value	Gains or losses arising from the re-determine and major assumptions of the fair value of residual equity on the date of losing the control	Amount of other comprehensive income related to the original subsidiary's equity investment transferred to investment gains or losses
Jiangxi Hongdu International Mechanical & Electrical Co., Ltd* (江西洪都國際機電有限公司) ("International M&E")	57,500,000	50%	Disposal	2021-6-1	The purchaser has actually controlled the financial and business policies of International M&E, and enjoys corresponding interests and bears corresponding risks and bears corresponding risks	4,403,983	35%	37,167,211	40,250,000	3,082,789	Recent trading price of the equity of International M&E	

4. Changes in consolidation scope for other reasons

On 15 January 2021, the ninth meeting of the sixth session of the board of directors of JONHON Optronic, a subsidiary of the Company, considered and approved the "Proposal on the Implementation of the Huanan Industry Base Project". According to the strategic plan, in combination with the development opportunities of electronic industry, such as 5G and data center, and the actual operation of the company, JONHON Optronic intended to implement the Huanan Industry Base Project and planned to purchase 133,000 square meters of land (approximately 200 Mu) in Hualong Town, Panyu District, Guangzhou City, Guangdong Province to implement the Huanan Industry Base Project. The project is implemented by the newly established wholly-owned subsidiary, AVIC Optoelectronics (Guangdong) Co., Ltd. (中航光電(廣東)有限公司) (the final name is subject to the industrial and commercial registration). On 19 February 2021, AVIC Optoelectronics (Guangdong) Co., Ltd. (中航光電(廣東)有限公司), a wholly-owned subsidiary, was formally established with registered capital of RMB100 million and registered address of Hualong Town, Panyu District, Guangzhou City. Its business scope includes manufacturing of general purpose equipment.

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(The notes to the financial statements are presented in RMB, except as otherwise noted)

VII. DISCLOSURE OF FAIR VALUE

1. The fair value of assets and liabilities measured at fair value at the end of the period

Item	Fair value at the end of the period			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Continuous fair value measurement				
(I) Financial assets held for trading				
1. Financial assets at fair value through profit or loss				
(1) Equity instrument investments	391,510,101	54,727,532		446,237,633
(2) Others		1,600,000,000		1,600,000,000
(II) Other equity instrument investments	604,505,634	1,239,092,376		1,843,598,010
(III) Receivables financing		11,446,354		11,446,354
Total assets continuously measured at fair value	996,015,735	2,905,266,262		3,901,281,997
(IV) Financial liabilities held for trading				
1. Financial liabilities at fair value through profit or loss				
				9,144,585
Total liabilities continuously measured at fair value				9,144,585
II. Non-continuous fair value measurement				
(I) Held-for-sale assets		380,948,770		380,948,770
Total assets not continuously measured at fair value		380,948,770		380,948,770

2. Basis for determining the market price of items continuously and not continuously measured with fair value at level 1

The fair value of ETF funds and listed company stocks held in financial assets for trading shall be confirmed at the end of the period at the market quotation. For equity instruments listed in other equity instrument investments, the fair value is determined at the quoted market price. For the gold forward contracts generated by the gold leasing business of AVIC JONHON Optronics Technology Co., Ltd.* (中航光电科技股份有限公司) at the end of the period in financial liabilities held for trading, the fair value is confirmed at the open market price of gold.

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VII. DISCLOSURE OF FAIR VALUE (Continued)

3. For items continuously and not continuously measured with fair value at level 2, qualitative and quantitative information on valuation technique and important parameters used

Financial assets held for trading, share of equity in non-listed companies held in other equity instrument investments are classified as level 2 fair value measurement items at the end of the period, and the ending fair value is measured in accordance with the assessment report at the end of 2020. Bank financial management and trust products have observable inputs such as interest rate and maturity, and are therefore classified as level 2 fair value measurement items. The ending balance of receivables financing is the bank acceptance bills with high credit rating held, because the term of these bills is 1 year, and the acceptor has relatively high credit, and has no risk of default and dishonor. It is estimated that the recovery of cash flows in the future is equal to the carrying amount, and therefore the fair value is judged to be consistent with the carrying amount.

4. For items continuously and not continuously measured with fair value at level 3, qualitative and quantitative information on valuation technique and important parameters used

The equity investment of Shenyang Xinghua AERO-ELECTRIC APPLIANCE Corp. Ltd (瀋陽興華航空電器有限責任公司), a subsidiary of AVIC JONHON Optronics Technology Co., Ltd.* (中航光電科技股份有限公司), in Jinan Qingqi Motorcycle Co.,Ltd. is classified as financial assets at fair value through other comprehensive income, and represented as investment in other equity instruments. As impairment provision has been fully made for the equity investment in Jinan Qingqi Motorcycle Co.,Ltd., the fair value of the equity investment is identified as 0.

5. The Group has no assets and liabilities that are not measured at fair value but disclosed at fair value.

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Relationship of related parties

1. Controlling shareholder and ultimate controlling party

(1) Controlling shareholder and ultimate controlling party

Name of controlling shareholder and ultimate controlling party	Registration place	Nature of business	Registered capital	Shareholding proportion to the Company (%)	Proportion of voting right to the Company (%)
AVIC	Beijing	Development, production and sales of aircraft and related engines, airborne equipment and other aviation products	64,000,000,000	61.60	61.60

(2) Registered capital of controlling shareholder and the changes

Controlling shareholder	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
AVIC	64,000,000,000			64,000,000,000

(3) Shareholding or equity of controlling shareholder and the changes

Controlling shareholder	Amount of shareholding		Shareholding proportion (%)	
	30 June 2021	31 December 2020	Ending proportion	Beginning proportion
AVIC (directly holding)	4,548,680,808	4,548,680,808	58.99	58.99
AVIC (indirectly holding)	201,750,667	201,750,667	2.61	2.61
Total	4,750,431,475	4,750,431,475	61.60	61.60

NOTES TO THE FINANCIAL STATEMENTS

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Relationship of related parties (Continued)

2. Subsidiaries

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding proportion (%)		Acquisition method
				Direct	Indirect	
Harbin Aviation Industry (Group) Co., Ltd.* (哈爾濱航空工業(集團)有限公司) ("Harbin Aviation Group")	Harbin	Harbin	Manufacturing	100.00		Invest to establish
Jiangxi Hongdu Aviation Industry Co., Ltd. ("Hongdu Aviation")	Nanchang	Nanchang	Manufacturing	43.77		Invest to establish
AviChina Hong Kong Limited* (中航科工香港有限公司)	Hong Kong	Hong Kong	Assets management	100.00		Invest to establish
China Avionics Systems Co., Ltd.* (中航航空電子系統股份有限公司) ("AVIC Avionics")	Shanghai, Chengdu, etc.	Jingdezhen	Manufacturing	39.43		Business combinations involving entities under common control
AVIC JONHON Optronic Technology Co., Ltd. ("JONHON Optronic")	Luoyang	Luoyang	Manufacturing	38.71		Business combinations involving entities under common control
Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空機電有限公司)	Tianjin	Tianjin	Manufacturing	100.00		Business combinations involving entities under common control
AVICOPTER PLC (中航直升機股份有限公司) ("AVICOPTER")	Harbin	Harbin	Manufacturing	6.56	44.24	Business combinations involving entities under common control
China Aviation Planning and Design Institute Co., Ltd.	Beijing	Beijing	Construction	100.00		Business combinations involving entities under common control
AviChina Industrial Investment Co., Ltd.* (中航科工產業投資有限責任公司)	Shanghai	Shanghai	Assets management	100.00		Invest to establish
AVIC Helicopter Co., Ltd.* (中航直升機有限責任公司)	Harbin, Jingdezhen, etc.	Tianjin	Manufacturing	100.00		Business combinations involving entities under common control

3. Joint ventures and associates

Please refer to note V.9. Long-term equity investments for details of Joint ventures and associates.

4. Other related parties

Other related parties of the Group are other members of AVIC.

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From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions

1. Related party transactions of purchasing or selling goods, rendering and receiving services

(1) Purchasing goods/receiving services

Related party	Content of related transactions	January to June 2021	January to June 2020
Subsidiaries of AVIC	Purchasing goods	5,194,274,049	6,547,739,921
Associates of the Group	Purchasing goods	15,185,042	29,597,216
Joint ventures of the Group	Purchasing goods	232,495,855	87,828,506
Associates of AVIC	Purchasing goods	310,227,877	
AVIC	Receiving services	960,000	
Subsidiaries of AVIC	Receiving services	154,157,501	54,305,774
Associates of the Group	Receiving services	8,128,269	
Associates of AVIC	Receiving services	4,907,188	
Total		5,920,335,781	6,719,471,417

(2) Selling goods/rendering services

Related party	Content of related transactions	January to June 2021	January to June 2020
Subsidiaries of AVIC	Sales of goods	6,284,860,190	5,268,279,698
Associates of the Group	Sales of goods	57,574,567	21,139,577
Joint ventures of the Group	Sales of goods	2,324,768	698,673
Associates of AVIC	Sales of goods	19,207,583	
AVIC	Rendering services	408,611	26,436
Subsidiaries of AVIC	Rendering services	1,097,246,883	242,607,059
Associates of the Group	Rendering services	356,546	463,420
Joint ventures of the Group	Rendering services		28,302
Total		7,461,979,148	5,533,243,165

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

2. Related lease

(1) Lease

Type of related parties	January to June 2021		January to June 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Subsidiaries of AVIC	2,568,524	42.76	10,641,743	97.94
Associates of the Group	3,438,942	57.24	223,506	2.06
Total	6,007,466	100.00	10,865,249	100.00

(2) Leasing conditions

Type of related parties	January to June 2021		January to June 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Subsidiaries of AVIC	3,683,854	100.00	3,559,010	100.00
Total	3,683,854	100.00	3,559,010	100.00

3. Related party guarantees

(1) As the guarantor

Guarantor	Guaranteed party	Guaranteed amount	Starting date of guarantee	Due date of guarantee	Has the guarantee been fulfilled
China Aviation Industry Renewable Energy Corporation* (中國航空工業新能源投資有限公司)	AVIC Heavy Machinery Company Limited* (中航重機股份有限公司)	51,212,700	2016-3-31	2031-2-1	No

(2) As the guaranteed party

Guarantor	Guaranteed party	Guaranteed amount	Starting date of guarantee	Due date of guarantee	Has the guarantee been fulfilled
AVIC Heavy Machinery Company Limited* (中航重機股份有限公司)	Jinzhou (Baotou) Renewable Energy Co., Ltd.* (金州(包頭)可再生能源有限公司)	51,212,700	2016-3-31	2031-2-1	No

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

4. Other financial services

(1) Interest income

Type of related parties	January to June 2021	January to June 2020
Subsidiaries of AVIC	78,242,016	97,434,206

(2) Interest expense

Type of related parties	January to June 2021	January to June 2020
Subsidiaries of AVIC	67,671,127	88,345,112

(3) Discount of notes receivable

Related party	January to June 2021		January to June 2020	
	Discount amount	Discount interest	Discount amount	Discount interest
AVIC Finance Co., Ltd.			56,187,208	962,504

(4) Factored accounts receivable

Type of related parties	January to June 2021	January to June 2020
Subsidiaries of AVIC	999,282,478	344,439,380

(5) Acquisition of wealth management products

Appointer	Trustee	30 June 2021	31 December 2020
AviChina Industrial Investment Co., Ltd. (中航科工產業投資有限責任公司)	AVIC Trust Co., Ltd* (中航信託股份有限公司)		70,000,000
AviChina Industry & Technology Company Limited	AVIC Trust Co., Ltd* (中航信託股份有限公司)	1,080,000,000	1,030,000,000

5. Other related party transactions

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Balance of intercourse funds among related parties

1. Receivables

Item name	Related party	30 June 2021	31 December 2020
		Book balance	Book balance
Notes receivable	Subsidiaries of AVIC	1,773,354,309	4,582,708,377
Notes receivable	Associates of the Group	58,000,000	60,000,000
Notes receivable	Joint ventures of the Group	328,718	2,851,343
Notes receivable	Associates of AVIC	22,698,181	51,819,440
Accounts receivable	AVIC	330,382	330,382
Accounts receivable	Subsidiaries of AVIC	11,115,465,436	7,865,694,613
Accounts receivable	Associates of the Group	113,618,885	52,213,678
Accounts receivable	Joint ventures of the Group	1,332,540	447,421
Accounts receivable	Associates of AVIC	33,522,825	246,019,083
Accounts receivable	Joint ventures of AVIC	175,334,894	23,417,144
Prepayments	AVIC	27,000	283,500
Prepayments	Subsidiaries of AVIC	1,118,452,768	385,724,266
Prepayments	Associates of AVIC	3,001,235	324,050
Prepayments	Joint ventures of AVIC	21,092	8,746
Other receivables	AVIC	311,519	511,519
Other receivables	Subsidiaries of AVIC	20,988,953	23,930,378
Other receivables	Associates of the Group	448,524	1,186,104
Other receivables	Joint ventures of the Group	103,117	103,117
Other current assets	Subsidiaries of AVIC	7,428,363	4,256,371
Contract assets	AVIC	8,827	8,827
Contract assets	Subsidiaries of AVIC	1,322,722,605	1,368,657,563
Contract assets	Associates of AVIC	4,904,580	808,305
Contract assets	Joint ventures of AVIC	76,339,614	77,853,564
Long-term receivables	Subsidiaries of AVIC	9,150,720	
Bad debt provision of receivables	–	238,764,543	174,340,367

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Balance of intercourse funds among related parties (Continued)

2. Payables

Item name	Related party	30 June 2021	31 December 2020
		Book balance	Book balance
Notes payable	Subsidiaries of AVIC	1,221,728,653	1,541,136,055
Notes payable	Associates of the Group	11,282,633	12,489,206
Notes payable	Joint ventures of the Group	174,050,668	106,484,086
Notes payable	Associates of AVIC	8,494,087	3,213,824
Accounts payable	AVIC	23,038	23,038
Accounts payable	Subsidiaries of AVIC	5,853,622,246	5,121,304,899
Accounts payable	Associates of the Group	74,892,352	157,363,414
Accounts payable	Joint ventures of the Group	161,946,357	113,678,743
Accounts payable	Associates of AVIC	265,155,437	287,593,060
Accounts payable	Joint ventures of AVIC	1,770,000	
Advance receipts	Subsidiaries of AVIC	1,385,960	
Contract liabilities	AVIC		565,246
Contract liabilities	Subsidiaries of AVIC	8,152,139,129	896,713,445
Contract liabilities	Associates of the Group	629,672	888,258
Contract liabilities	Associates of AVIC	11,556,210	11,391,937
Contract liabilities	Joint ventures of AVIC	5,119,466	
Other payables	AVIC		2,307,297
Other payables	Subsidiaries of AVIC	113,194,360	31,110,746
Other payables	Associates of the Group	11,915	
Other payables	Associates of AVIC	3,236,049	2,391,980
Dividends payable	Subsidiaries of AVIC	1,791,449	353,062,070
Long-term payables	Subsidiaries of AVIC	251,772,606	239,286,883
Special payables	Subsidiaries of AVIC	30,000,000	

(IV) Commitment of related parties

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Director, supervisor and employee compensation

Compensation for key managers (including the amount which has been paid and shall be paid to directors, supervisors and senior management) is shown as follows:

Item	January to June 2021	January to June 2020
Salaries and allowances	2,643,669	2,116,871
Social insurance, housing fund and related pension costs	227,731	171,427
Total	2,871,400	2,288,298

(VI) Loan of related party

Related party	January to June 2021	January to June 2020
AVIC	2,198,500,000	328,000,000
Subsidiaries of AVIC	3,418,652,250	4,172,661,325
Total	5,617,152,250	4,500,661,325

(VII) Others

Cash on hand and at bank placed in related parties

Related part (item)	30 June 2021	31 December 2020
AVIC Finance Co., Ltd.	12,083,871,342	16,578,429,048
Total	12,083,871,342	16,578,429,048

IX. CONTINGENCIES

As at 30 June 2021, the Group had no significant contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

X. COMMITMENTS

1. Capital commitments

Item	30 June 2021	31 December 2020
Fixed assets	323,969	323,969
Construction in progress	53,819,749	65,933,381
Total	54,143,718	66,257,350

XI. EVENTS AFTER THE BALANCE SHEET DATE

The Group has no significant events to be disclosed after the balance sheet date.

XII. OTHER SIGNIFICANT MATTERS

1. Segment information

Financial information of the report segment in the period

January to June 2021	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Offset	Total
Revenue from external transactions	9,754,911,932	14,515,422,046	3,622,664,457		27,892,998,435
Revenue from inter-segment transactions	8,000,719,038	570,908,075	144,138,536	(8,715,765,649)	
Investment income from associates and joint ventures	4,947,960	121,332,293	7,221,022		133,501,275
Asset impairment losses and credit impairment losses	15,185,408	187,973,885	38,633,342		241,792,635
Depreciation and amortization costs	357,673,649	360,931,984	150,437,803		869,043,436
Total profit	728,855,730	2,478,656,220	156,564,270	(581,648,163)	2,782,428,057
Income tax expense	115,845,623	209,874,895	13,868,885		339,589,403
Net profit	613,010,107	2,268,781,325	142,695,385	(581,648,163)	2,442,838,654
Total assets	64,090,284,605	68,490,452,119	13,231,024,033	(24,054,487,368)	121,757,273,389
Total liabilities	45,877,169,367	28,539,088,932	10,334,763,591	(10,962,078,360)	73,788,943,530
Other non-cash expenses other than depreciation and amortization costs and asset impairment losses	94,917,599	71,073,336			165,990,935
Long-term equity investment in associates and joint ventures	428,483,398	984,287,556	91,516,993		1,504,287,947
Increase in other non-current assets other than long-term equity investments	44,317,420	799,293,221	(146,299,173)		697,311,468

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(The notes to the financial statements are presented in RMB, except as otherwise noted)

XII. OTHER SIGNIFICANT MATTERS (Continued)

1. Segment information (Continued)

Financial information of the report segment in the period (Continued)

January to June 2020	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Offset	Total
Revenue from external transactions	8,126,184,725	9,819,665,968	3,017,161,550		20,963,012,243
Revenue from inter-segment transactions	7,146,253,454	447,803,932	77,582,727	(7,671,640,113)	
Investment income from associates and joint ventures	3,069,068	59,010,031	(4,077)		62,075,022
Asset impairment losses and credit impairment losses	54,906,376	126,046,765	36,090,192		217,043,333
Depreciation and amortization costs	393,812,429	337,130,180	98,968,860		829,911,469
Total profit	512,033,142	1,553,904,075	91,054,728	(326,182,528)	1,830,809,417
Income tax expense	58,723,245	133,429,617	18,194,698		210,347,560
Net profit	453,309,897	1,420,474,458	72,860,030	(326,182,528)	1,620,461,857
Total assets	51,552,151,178	64,552,011,771	15,379,256,839	(15,896,873,171)	115,586,546,617
Total liabilities	36,694,024,334	25,132,978,554	10,504,335,337	(2,848,670,344)	69,482,667,881
Other non-cash expenses other than depreciation and amortization costs and asset impairment losses	88,924,080	78,800,168			167,724,248
Long-term equity investment in associates and joint ventures	365,213,936	895,670,245	103,435,921		1,364,320,102
Increase in other non-current assets other than long-term equity investments	(116,265,660)	839,038,203	(551,852,716)		170,919,827

Supplementary Information on Financial Statements

1. THE EXPLANATION FOR ADJUSTMENT FOR THE DIFFERENCES OF OPENING BALANCE

According to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong published by the Hong Kong Stock Exchange in December 2010, the Group resolved on the board meeting on 30 March 2021 and which passed at the general meeting of the Company convened on 28 May 2021, starting from the financial year, the Company decided to prepare its financial statements in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and relevant requirements. The effects of differences in applicable standards on shareholders' equity of the Group on 31 December 2020 and its net profit are as following:

Item	Net profit (RMB0,000)	Net assets (RMB0,000)
Under International Financial Reporting Standards	389,121	4,570,902
Adjustment for differences		
1. Adjustment for safety production fee – withdrawal of special reserves	(8,126)	
2. Reversal of the impact of historical fixed assets and intangible assets appraisal appreciation	(130)	1,394
3. Offsetting the undistributed profit at the beginning of the period with the share floating right under the domestic standard – the headquarter holding Hongdu Aviation and AVIC Avionics		19,322
4. Offsetting the undistributed profit at the beginning of the period with the share floating right under the domestic standard – Harbin Aviation Group holding AVICOPTER		17,325
5. Other adjustments	(1,100)	1,445
Under the Accounting Standards for Business Enterprises	379,765	4,610,388

AviChina Industry & Technology Company Limited

27 August 2021

* For identification purpose only

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director (Chairman)	Wang Xuejun
Executive Director	Zhao Hongwei
Non-executive Director	Lian Dawei
Non-executive Director	Li Xichuan
Non-executive Director	Xu Gang
Non-executive Director	Wang Jun
Independent Non-executive Director	Liu Weiwu
Independent Non-executive Director	Mao Fugen
Independent Non-executive Director	Lin Guiping

SUPERVISORY COMMITTEE

Chairman	Zheng Qiang
Supervisor	Guo Guangxin
Supervisor	Zhao Zhuo

SENIOR MANAGEMENT

General Manager	Zhao Hongwei
Deputy General Manager & Chief Financial Officer	Tao Guofei
Deputy General Manager	Liu Wanming
Board Secretary	Xu Bin

COMPANY SECRETARY

Xu Bin

THE NAME OF THE COMPANY

中國航空科技工業股份有限公司
AviChina Industry & Technology Company Limited
Abbreviation name in Chinese: 中航科工
Abbreviation name in English: AVICHINA
Legal representative: Wang Xuejun

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AUTHORISED REPRESENTATIVES

Wang Xuejun Xu Bin

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Bank of Communications Co., Ltd.
No. 188, Yin Cheng Zhong Road, Pudong New District,
Shanghai, the PRC

China Minsheng Banking Corp., Ltd.
No. 2 Fuxingmennei Street, Xicheng District, Beijing, the PRC

Bank of China Limited
No.1 Fuxingmennei Street, Xicheng District, Beijing, the PRC

PLACE OF LISTING, STOCK NAME AND STOCK CODE

Main Board of The Stock Exchange of Hong Kong Limited
(H Share)

Stock name: AVICHINA

Stock code: 02357

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