中國航空科技工業股份有限公司

AviChina Industry & Technology Company Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited ability)

(Stock Code: 2357)

Announcement on the annual results for the year ended 31 December 2011

Financial Highlights

- Revenue of the comprehensive business (including continuing operations and discontinued operations) of the Group for the year 2011 amounted to RMB13,765 million, among which the revenue of continuing operations amounted to RMB12, 901 million.

- Profit from the comprehensive business attributable to the equity holders of the Company for the year 2011 amounted to RMB403 million, among which, profit from the continuing operations attributable to the equity holders of the Company amounted to RMB348 million.

- The Board recommended the payment of a final dividend for the year 2011 in an aggregate amount of RMB54,744,291.67, representing a dividend of RMB0.01 per share (RMB0.01 per share for the year 2010), based on existing number of total issued shares of 5,474,429,167 shares as at the date of this announcement.

ANNUAL RESULTS

The board of directors (the "**Board**") of AviChina Industry & Technology Company Limited (the "**Company**") announces the audited consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") prepared in accordance with the International Financial Reporting Standards for the year ended 31 December 2011, together with the comparative figures for the year 2010, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Group 2011 RMB'000	Group 2010 RMB'000 (Restated)
Continuing operations			
Revenue	3	12,900,623	10,973,380
Cost of sales		(10,327,348)	(8,486,550)
Gross profit		2,573,275	2,486,830
Other income	4	64,941	40,180
Other gains, net	5	65,102	96,042
Selling and distribution expenses		(267,092)	(227,727)
General and administrative expenses		(1,444,904)	(1,270,021)
Operating profit		991,322	1,125,304
Finance income	7	103,552	80,630
Finance costs	7	(140,870)	(133,484)
Finance costs, net		(37,318)	(52,854)
Share of results of associates		(29,140)	31,508
Profit before income tax		924,864	1,103,958
Income tax expense	8	(142,674)	(145,055)
Profit for the year from continuing operations		782,190	958,903
Discontinued operations			
Profit for the year from discontinued operations	9	145,317	1,023,604
Profit for the year		927,507	1,982,507
Attributable to:			
Equity holders of the Company		403,063	884,802
Non-controlling interests		524,444	1,097,705
		927,507	1,982,507

CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Group 2011 RMB'000	2010 RMB'000 (Restated)
Profit attributable to equity holders of the Company from:			
- continuing operations		348,286	503,371
- discontinued operations		54,777	381,431
		403,063	884,802
Earnings per share for profit attributable to equity holders of the Company during the year			
		RMB	RMB
Basic			
- continuing operations	11	0.071	0.103
- discontinued operations	11	0.011	0.078
Diluted			
- continuing operations	11	0.071	0.103
- discontinued operations	11	0.011	0.078
		RMB'000	RMB'000
Dividend	12	54,744	49,490

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Group 2011 RMB'000	Group 2010 RMB'000 (Restated)
Profit for the year	927,507	1,982,507
Other comprehensive (expenses)/income, net of tax		
Change in fair value of available-for-sale financial assets	(118,286)	247,803
Transfer from available-for-sale financial assets reserve to income statement upon disposal of available-for-sale financial assets	(28,896)	(76,916)
	(147,182)	170,887
Total comprehensive income for the year	780,325	2,153,394
Attributable to:		
Equity holders of the Company	340,787	995,294
Non-controlling interests	439,538	1,158,100
	780,325	2,153,394
Total comprehensive income attributable to equity holders of the Company from:		
- continuing operations	286,010	613,863
- discontinued operations	54,777	381,431
	340,787	995,294

BALANCE SHEETS
AS AT 31 DECEMBER 2011

	Note	Group 2011 RMB'000	Group 2010 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		4,165,930	4,004,352
Investment properties		28,046	52,147
Land use rights		572,762	487,210
Intangible assets		50,873	246,595
Interests in associates		937,484	848,236
Available-for-sale financial assets		625,096	715,398
Deferred income tax assets		66,254	49,541
Total non-current assets		6,446,445	6,403,479
Current assets			
Accounts receivable	13	4,229,958	3,568,898
Advances to suppliers		820,044	522,261
Other receivables and prepayments		959,527	912,726
Inventories		7,995,740	5,679,356
Pledged deposits		624,554	153,209
Term deposits with initial term of over three months		2,313,969	2,692,307
Cash and cash equivalents		6,187,823	6,417,910
		23,131,615	19,946,667
Assets classified as held for sale	9	-	7,685,263
Total current assets		23,131,615	27,631,930
Total assets		29,578,060	34,035,409

BALANCE SHEETS (CONTINUED)
AS AT 31 DECEMBER 2011

	Note	Group 2011 RMB'000	Group 2010 RMB'000 (Restated)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		4,949,025	4,949,025
Reserves		1,823,352	3,466,773
		6,772,377	8,415,798
Non-controlling interests		6,404,946	8,352,680
Total equity		13,177,323	16,768,478
LIABILITIES			
Non-current liabilities			
Long-term borrowings		1,171,080	957,080
Deferred income from government grants		252,632	278,290
Deferred income tax liabilities		10,221	60,300
Total non-current liabilities		1,433,933	1,295,670
Current liabilities			
Accounts payable	14	6,780,522	5,490,094
Advances from customers		3,935,809	2,396,932
Other payables and accruals		1,729,013	1,595,514
Amounts payable to ultimate holding company		466,379	1,279,185
Current portion of long-term borrowings		251,000	551,000
Short-term borrowings		1,636,304	1,522,300
Current income tax liabilities		167,777	161,163
		14,966,804	12,996,188
Liabilities directly associated with assets classified as held for sale	9	-	2,975,073
Total current liabilities		14,966,804	15,971,261
Total liabilities		16,400,737	17,266,931
Total equity and liabilities		29,578,060	34,035,409
Net current assets		8,164,811	11,660,669
Total assets less current liabilities		14,611,256	18,064,148

NOTES TO THE FINANCIAL STATEMENTS

1 Organisation and principal activities

AviChina Industry & Technology Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 30 April 2003 as a joint stock company with limited liability under the PRC laws as a result of a group reorganisation of China Aviation Industry Corporation II ("AVIC II"). AVIC II merged with China Aviation Industry Corporation I ("AVIC I") to form Aviation Industry Corporation of China ("AVIC") on 6 November 2008. The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") on 30 October 2003. The address of its registered office is 8th Floor, Tower 2, No. 5A Rongchang East Street, Beijing Economic Technological Development Area, Beijing, the PRC.

The Company and its subsidiaries are collectively referred to as the "Group". The Group is principally engaged in the research, development, manufacture and sale of aviation and automobile products.

The Company's directors regard AVIC, a company established in the PRC, as being the ultimate holding company of the Company. AVIC, AVIC I and AVIC II are all state-owned enterprises under control of the State Council of the PRC government.

These consolidated financial statements have been presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and is approved for issue by the Board of Directors ("Board") on 27 March 2012.

Reorganisation and change of structure of the Group

(a) On 17 March 2011, the Company distributed to AVIC its entire 54.51% equity interests in Harbin Dongan Auto Engine Co., Ltd. ("Dongan Motor") which had been valued at approximately RMB 2.4 billion.

This consideration was satisfied by AVIC by:

(i) transferring its entire 43.34% equity interests in China Aviation Optical-Electrical Technology Co., Ltd. ("JONHON Optronic") being valued at approximately RMB 1.8 billion to the Company; and

(ii) settling approximately RMB 0.6 billion in cash.

(b) On 26 May 2011, China AVIC Avionics Equipment Co., Ltd. ("AVIC Avionics", a subsidiary of the Company) issued and the Company subscribed approximately 124 million new shares of AVIC Avionics (equivalent to approximately RMB 0.9 billion). The share issuance was satisfied by the Company by transferring its entire 100% and 86.74% equity interests in Lanzhou Flight Control Co., Ltd. ("AVIC Lanfei") and Chengdu CAIC Electronics Co., Ltd. ("AVIC Kaitian") respectively, being valued at an aggregate of approximately RMB 0.9 billion, to AVIC Avionics.

Upon this share issuance, the equity interests held by the Company in AVIC Avionics increased from 49.93% to 60.13% with the Company's effective interests in AVIC Lanfei and AVIC Kaitian being diluted to 60.13% to 52.16% respectively.

(c) On 26 May 2011, AVIC Avionics issued and AVIC and certain of its other subsidiaries subscribed an aggregate of approximately 213 million new shares of AVIC Avionics (equivalent to approximately RMB 1.6 billion). The share issuance was satisfied by AVIC and certain of its other subsidiaries by transferring their entire 100%, 100%, 80% and 100% equity interests in Shaanxi Baocheng Aviation Instrument Co., Ltd. ("Shaanxi Baocheng''), AVIC Taiyuan Aviation Instrument Co., Ltd. ("Taiyuan Instrument"), AVIC Shaanxi Huayan Aero-Instrument Co., Ltd. ("Shaanxi Huayan") and AVIC Shaanxi Qianshan Avionics Co., Ltd. ("Qianshan Avionics'') respectively, being valued at an aggregate of approximately RMB1.6 billion, to AVIC Avionics.

Upon this share issuance, the equity interests held by the Company in AVIC Avionics was diluted to 44.49%. The Company, AVIC and certain of its other subsidiaries had entered into an agreement that upon the above mentioned share issuance, AVIC and certain of its other subsidiaries would undertake to exercise their then entire 35% voting rights in AVIC Avionics in accordance with the instructions of the Company. Accordingly, although the Company holds less than 50% equity interests in AVIC Avionics, AVIC Avionics remains as a subsidiary of the Company due to such agreement.

2 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets held for trading, as appropriate.

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

(a) Restatement of prior year's financial statements due to business combinations under common control

Prior to the equity swap transaction in Note 1(a), AVIC held 43.34% equity interests and had de facto control over JONHON Optronic. The Company continued to have de facto control over JONHON Optronic after the acquisition of JONHON Optronic from AVIC. Accordingly, the acquisition was accounted for using merger accounting given that the Company and JONHON Optronic are under common control of AVIC before and after the acquisition.

Corresponding to Note 1(c), given that AVIC Avionics, Shaanxi Baocheng, Taiyuan Instrument, Shaanxi Huayan and Qianshan Avionics are all under common control of AVIC immediately before and after the business combination, the Company applied the principles of merger accounting in preparing these consolidated financial statements of the Group.

By applying the principles of merger accounting, these consolidated financial statements of the Group also includes the financial positions, results and cash flows of JONHON Optronic, Shaanxi Baocheng, Taiyuan Instrument, Shaanxi Huayan and Qianshan Avionics as if they had been combined with the Group throughout the year ended 31 December 2011. Comparative figures as at 31 December 2010 and for the year then ended have been restated as a result of such.

During the year ended 31 December 2010, JONHON Optronic and Taiyuan Instrument made cash distributions to AVIC and certain of its other subsidiaries amounting to an aggregate of approximately RMB6,421,000, which were accounted for as distributions to previous shareholders.

The following are reconciliations of the effects arising from the above mentioned common control combinations on the consolidated balance sheet as at 31

December 2010, consolidated income statement and consolidated cash flow statement for the year ended 31 December 2010.

(i) The consolidated balance sheet as at 31 December 2010:

	Balances as previously reported RMB'000	Merger of JONHON Optronic RMB'000	Merger of Shaanxi Baocheng, Taiyuan Instrument, Shaanxi Huayan and Qianshan Avionics RMB'000	Elimination of inter-company balances RMB'000	Balances as restated RMB'000
Total non-current assets	4,647,343	798,346	957,790	-	6,403,479
Total current assets	23,667,016	1,945,795	2,119,739	(100,620)	27,631,930
Total non-current liabilities	614,541	440,918	240,211	-	1,295,670
Total current liabilities	13,618,446	928,298	1,525,137	(100,620)	15,971,261
Total equity	14,081,372	1,374,925	1,312,181	-	16,768,478

(ii) The consolidated income statement for the year ended 31 December 2010:

	Balances as previously reported RMB'000	Merger of JONHON Optronic RMB'000	Merger of Shaanxi Baocheng, Taiyuan Instrument, Shaanxi Huayan and Qianshan Avionics RMB'000	Elimination of inter-company balances RMB'000	Balances as restated RMB'000
Continuing operations					
Revenues	8,013,319	1,461,541	1,701,436	(202,916)	10,973,380
Profit for the year from continuing operations	622,973	160,504	175,426	-	958,903
Discontinued operations					
Profit for the year from discontinued operations	1,023,604	-	-	-	1,023,604
Profit for the year	1,646,577	160,504	175,426	-	1,982,507

(b) New/revised standards, amendments to standards and interpretations

The following new/revised standards, amendments to standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2011:

IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendment)	Classification of Rights Issue
IFRS 1 (Amendment)	Limited exemption from comparative IFRS 7 disclosures for first-time adopters
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above does not have any significant impact to the results and financial position of the Group for the year ended 31 December 2011, except for IAS 24 (Revised) which the Group has early adopted since 2009. It introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship, the nature and amount of any individually-significant transactions, and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party.

In addition, the IASB also issued a number of amendments to existing standards and interpretations of IAS 1, IAS 27, IAS 34, IFRS 1, IFRS 3, IFRS 7 and IFRIC 13 effective for the first time for the year commencing on 1 January 2011 under its annual improvement project. These improvements also do not have any significant impact to the results and financial position of the Group.

The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning 1 January 2011 and have not been early adopted:

		Effective for accounting periods beginning on or after
IAS 1 (Amendment)	Presentation of financial statements	1 July 2012
IAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
IAS 19 (Amendment)	Employee benefits	1 January 2013
IAS 27 (revised 2011)	Separate financial statements	1 January 2013
IAS 28 (Amendment)	Associates and joint ventures	1 January 2013
IFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
IFRS 7 (Amendment)	Disclosures – Transfers of financial assets	1 July 2011
IFRS 9	Financial instruments	1 January 2015
IFRS 7 and IFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurements	1 January 2013

Management is in the process of assessing their related impacts to the Group.

3 Segment information

The chief operating decision-maker has been identified as the Board of Directors which reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board of Directors considers the business from a product perspective:

- Aviation - manufacturing, assembly, sales and servicing of helicopters, trainers and other aircrafts ("entire aircrafts")

- Aviation – manufacturing and sales of aviation parts and components ("aviation parts & components")

- Automobiles - manufacturing, assembly, sales and servicing of automobile engines

The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the consolidated income statement. Performance of operating segments is assessed based on a measure of earnings before tax, finance income and corporate overheads.

The Group is domiciled in the PRC from where all of its revenue from external customers is derived and in where all of its assets are located.

	(Continuing operations)			(Discontinued operations)
	Aviation-entire aircrafts	**Aviation-parts & components**	**Total**	**Automobiles**
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2011				
Total segment revenue	6,555,030	7,152,757	13,707,787	864,457
Inter-segment revenue	-	(807,164)	(807,164)	-
Revenue (from external customers)	6,555,030	6,345,593	12,900,623	864,457
Segment results	189,453	697,467	886,920	169,554
Depreciation and amortisation	185,098	252,789	437,887	-
Provision for impairments	1,539	9,304	10,843	8,372
Finance costs	81,352	59,518	140,870	3,277
Share of results of associates	(28,720)	(420)	(29,140)	4,061
Income tax expense	38,620	104,054	142,674	25,529
For the year ended 31 December 2010 (restated)				
Total segment revenue	5,268,174	6,166,215	11,434,389	6,351,052
Inter-segment revenue	-	(461,009)	(461,009)	-
Revenue (from external customers)	5,268,174	5,705,206	10,973,380	6,351,052
Segment results	300,683	758,661	1,059,344	1,093,667
Depreciation and amortisation	141,957	247,773	389,730	-
Provision for impairments	5,122	15,220	20,342	13,745
Finance costs	88,841	44,643	133,484	54,163
Share of results of associates	36,155	(4,647)	31,508	5,383
Income tax expense	42,365	102,690	145,055	129,853

Reconciliation of segment results to profit for the year:

	2011 RMB'000	2010 RMB'000 (Restated)
Segment result for entire aircrafts and aviation components & parts	886,920	1,059,344
Finance income	103,552	80,630
Corporate overheads	(65,608)	(36,016)
Profit before income tax for continuing operations	924,864	1,103,958
Income tax expense	(142,674)	(145,055)
Profit for the year from continuing operations	782,190	958,903
Segment result for automobiles	169,554	1,093,667
Finance income	1,292	59,790
Profit before income tax for discontinued operations	170,846	1,153,457
Income tax expense	(25,529)	(129,853)
Profit for the year from discontinued operations	145,317	1,023,604

4 Other income

	2011 RMB'000	2010 RMB'000 (Restated)
Rental income	21,652	19,262
Profit from sale of scrap materials	10,282	10,002
Income from rendering of maintenance and other services	12,562	4,798
Dividend income from available-for-sale financial assets	20,445	6,118
	64,941	40,180

5 Other gains, net

	2011 RMB'000	2010 RMB'000 (Restated)
Gain/(loss) on disposal of:		
- Property, plant and equipment	26,280	(872)
- Available-for-sale financial assets	30,482	90,491
- Financial assets held for trading	8,340	6,423
	65,102	96,042

6 Expenses by nature

	2011 RMB'000	2010 RMB'000 (Restated)
Advertising costs	4,421	4,132
Amortisation on:		
- Intangible assets	3,613	3,285
- Land use rights	12,855	10,698
Auditors' remuneration	11,074	10,880
Raw materials and consumables used	4,274,329	2,881,407
Changes in inventories of finished goods and work-in-progress	(1,361,791)	(876,078)
Contract costs incurred	4,326,669	3,995,842
Depreciation on:		
- Investment properties	1,430	1,659
- Property, plant and equipment	419,989	374,088
Less: amortisation of deferred income from government grants	(20,437)	(19,177)
	400,982	356,570
Fuel	253,147	232,615
Insurance	13,187	13,153
Operating lease rentals	66,561	33,134
Provision/(reversal of provision) for impairment:		
- Available-for-sale financial assets	-	142
- Inventories	(627)	22,719
- Receivables	11,470	(2,519)
Repairs and maintenance expense	167,639	120,496
Research expenditures and development costs	528,927	505,422
Staff costs, including directors' emoluments	2,290,368	1,832,730
Sub-contracting charges	307,745	266,521
Sundries	579,421	444,197
Transportation expenses	56,912	48,586
Travelling	92,442	80,366
Total cost of sales, selling and distribution expenses, and general and administrative expenses	12,039,344	9,984,298

7 Finance costs, net

	2011 RMB'000	2010 RMB'000 (Restated)
Finance income:		
Interest income on bank balances and deposits	103,552	80,630
Finance costs:		
Interest expense on bank borrowings		
- Wholly repayable within 5 years	95,725	106,410
- Not wholly repayable within 5 years	6,295	6,400
Interest expense on other borrowings		
- Wholly repayable within 5 years	28,161	3,624
- Not wholly repayable within 5 years	16,035	17,715
	146,216	134,149
Less: Amount capitalised in property, plant and equipment	(19,452)	(4,790)
	126,764	129,359
Other finance costs	14,106	4,125
	140,870	133,484
	37,318	52,854

8 Income tax expense

	2011 RMB'000	2010 RMB'000 (Restated)
Current income tax	183,493	148,696
Deferred income tax	(40,819)	(3,641)
	142,674	145,055

Notes:

Except for certain subsidiaries which are taxed at a preferential rate of 15% (2010:15%), in accordance with the relevant PRC enterprise income tax rules and regulations, provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 25% (2010: 25%) on the assessable income of the Group.

9 Assets held for sale and discontinued operations

The aggregate results of the discontinued operations related to Dongan Motor before being distributed to AVIC during the year (Note 1(a)) were as follows:

	2011	2010
	RMB'000	RMB'000
Revenue	864,457	6,351,052
Expenses	(693,611)	(5,197,595)
Profit before income tax	170,846	1,153,457
Income tax expense	(25,529)	(129,853)
Profit from discontinued operations	145,317	1,023,604

The assets/liabilities held for sale as at 31 December related to the distribution of Dongan Motor set out in note 1(a) were as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Assets classified as held for sale		
Property, plant and equipment	-	1,911,952
Land use rights	-	62,276
Interests in associates	-	26,838
Deferred income tax assets	-	72,670
Accounts receivable	-	1,863,260
Advances to suppliers	-	18,118
Other receivables and prepayments	-	42,140
Inventories	-	776,057
Pledged deposits	-	55,469
Term deposits with initial term of over three months	-	2,375,000
Cash and cash equivalents	-	481,483
	-	7,685,263
Liabilities directly associated with assets classified as held for sale		
Long-term borrowings	-	200,000
Accounts payable	-	1,470,661
Advances from customers	-	135,792
Other payables and accruals	-	940,607
Short-term borrowings	-	198,526
Current income tax liabilities	-	29,487
	-	2,975,073

10 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB54,671,000 (2010: RMB 589,182,000).

11 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding shares held for the restricted share incentive scheme.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares issued under the restricted share incentive scheme. A calculation is done to determine the number of shares that could have been converted at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding unvested awarded shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the conversion of the restricted shares, with the difference being adjusted in arriving at the weighted average number of shares for diluted earnings per shares, of which details are as follows:

	2011 RMB'000	2010 RMB'000 (Restated)
Profit attributable to equity holders of the Company from		
- continuing operations	348,286	503,371
- discontinued operations	54,777	381,431
	403,063	884,802
Weighted average number of ordinary shares in issue less shares held for restricted share scheme for calculating basic earnings per share (thousands)	4,921,265	4,891,289
Potential dilutive effect arising from restricted shares(thousands)	9,620	-
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	4,930,885	4,891,289

12 Dividend

	2011 RMB'000	2010 RMB'000
Final dividend, proposed of RMB0.01 (2010: RMB0.01) per share	54,744	49,490

This final dividend is proposed by the directors at a meeting held on the date of approval of these financial statements, which is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2012.

13 Accounts receivable

	Group	
	2011 RMB'000	2010 RMB'000 (Restated)
Trade receivables, gross (note (a))		
- Fellow subsidiaries	2,523,760	1,711,836
- Others	1,243,945	1,144,004
	3,767,705	2,855,840
Less: provision for impairment of receivables	(176,592)	(165,122)
	3,591,113	2,690,718
Notes receivable (note (b))		
- Fellow subsidiaries	370,095	584,328
- Others	268,750	293,852
	638,845	878,180
	4,229,958	3,568,898

Notes:

(a) Certain of the Group's sales were on advance payment or documents against payment. Sales to small, new or short-term customers are normally expected to be settled shortly after delivery. A credit period of up to six months may be granted in respect of sales to customers with good credit history and long-established relationship with the Group. Terms offered to related parties are similar to those offered to third parties. Aging analysis of trade receivables is as follows:

	Group 2011 RMB'000	Group 2010 RMB'000 (Restated)
Current to 1 year	3,400,400	2,476,825
1 year to 2 years	252,465	190,323
Over 2 years	114,840	188,692
	3,767,705	2,855,840

The credit quality of accounts receivable that are neither past due nor impaired can be assessed by reference to the historical information about counter parties default rates. The existing counter parties do not have significant default in the past.

(b) Substantially all of the notes receivable are bank acceptance notes with averagematurity period of within six months.

14 Accounts payable

	Group 2011 RMB'000	Group 2010 RMB'000 (Restated)
Trade payables (note (a))		
- Fellow subsidiaries	1,299,519	907,714
- Others	3,711,119	3,426,704
	5,010,638	4,334,418
Notes payable (note (b))		
- Fellow subsidiaries	873,076	555,126
- Others	896,808	600,550
	1,769,884	1,155,676
	6,780,522	5,490,094

Notes:

(a) The normal credit period for trade payables generally ranges from 0 to 6 months. Ageing analysis of trade payables is as follows:

	Group	
	2011 RMB'000	2010 RMB'000 (Restated)
Current to 1 year	4,239,376	3,444,045
1 year to 2 years	421,840	564,554
2 years to 3 years	90,902	132,944
Over 3 years	258,520	192,875
	5,010,638	4,334,418

(b) Substantially all of the notes payable are bank acceptance notes with average maturity period of within six months. As at 31 December 2011, notes payable of RMB1,359,060,000 (2010: RMB696,436,000 as restated) were secured by pledged deposits to the extent of RMB624,554,000 (2010: RMB153,209,000 as restated).

MANAGEMENT DISCUSSION AND ANALYSIS SUMMARY

During the year of 2011, the Group continued to carry out business reorganization according to its strategic objective. In March 2011,the equity swap of the Company's equity interest in Dongan Motor for equity interest in JONHON Optronic held by AVIC was completed, which marked the completion of the disposal of the Group's automobile business. In June 2011, the assets reorganization of AVIC Avionics involving the acquisition of avionics business was also completed. As the registration procedures for the share transfer of Dongan Motor and JONHON Optronic was completed in March 2011, the business of the Group during the reporting period still included the aviation segment ("**continuing operations**") and automobile segment business (for two months only, **"discontinued operations"**).

For the year ended 31 December 2011, the continuing operations of the Group recorded a revenue of RMB12, 901 million, representing an increase of 17.57% as compared with that in 2010. Profit from the continuing operations attributable to the equity holders of the Company amounted to RMB348 million, representing a decrease of 30.82% as compared with RMB 503 million in the corresponding period of the preceding year.

For the year ended 31 December 2011, revenue from the discontinued operations amounted to RMB864 million and profit from the discontinued operations attributable to the equity holders of the Company amounted to RMB55 million. Due to the completion of the disposal of automobile engine business, the scope of consolidation of financial results changed accordingly, so that the discontinued operations only consolidated the results of the automobile engine business for the two months before the completion of reorganization of such business. Therefore, such results are not comparable with those in the preceding year.

CONSOLIDATED OPERATING RESULTS

1 Composition of revenue

Comprehensive business

The revenue of the comprehensive business of the Group for 2011 was RMB13,765 million, representing a decrease of 20.54% as compared with RMB17,324 million in 2010. This is mainly attributable to the change in the scope of the consolidation of the financial results of the Group which only included the results for two months before the completion of reorganization of automobile engine business following disposal of the Group's automobile engine business.

Continuing operations

The revenue of the Group's continuing operations in 2011 was RMB12,901 million, representing an increase of 17.57% as compared to RMB10,973 million in 2010. Among that, the revenue of the Group's entire aircraft business amounted to RMB6,555 million, representing an increase of RMB1,287 million, or 24.43% as compared with RMB 5,268 million in the preceding year and accounting for 50.81% of the total revenue of the aviation business segment which is mainly due to the rapid increase of helicopter business. The revenue of the Group's aviation parts and components business amounted to RMB6,346 million, representing an increase of RMB 641 million, or 11.24% as compared with RMB 5,705 million in the preceding year and accounting for 49.19% of the total revenue of the aviation business segment which is mainly due to the increase in the avionics business.

The Group mainly conducts its business in the mainland China where its revenue is generated.

2 Sales and distribution expenses (continuing operations)

The Group's sales and distribution expenses for its continuing operations for 2011 amounted to RMB267 million, representing an increase of RMB39 million, or 17.11% as compared with RMB228 million recorded in 2010. Such increase is mainly attributable to the increase of transportation expenses and salary of sales personnel with the growth of the sales revenue. The sales and distribution expenses accounted for 2.07% of the revenue for the year 2011, which is similar to that in 2010.

3 General and administrative expenses (continuing operations)

The Group's general and administrative expenses for its continuing operations for 2011 amounted to RMB1,445 million, representing an increase of RMB175 million, or 13.78% as compared with RMB1,270 million recorded in 2010. This is mainly attributable to the increase in labor costs and research and development expenses. The general and administrative expenses for the year 2011 accounted for 11.20% of the total revenue, representing a decrease of 0.37 percentage points as compared with 11.57% in 2010.

4 Operating profit (continuing operations)

The operating profit derived from the continuing operations of the Group for 2011 amounted to RMB991 million, representing a decrease of RMB134 million, or 11.91% as compared to that of RMB1,125 million in 2010. This is mainly attributable to the growth in the labor costs, costs of raw materials and research and development expenses incurred during the year.

5 Net finance costs (continuing operations)

The Group's net finance costs for its continuing operations in 2011 amounted to RMB37 million, representing a decrease of RMB16 million, or 30.19% as compared with that of RMB53 million in 2010. This is mainly attributable to the increase in interest income as a result of the increase in the total amount of bank deposits.

6 Income tax expense (continuing operations)

The Group's income tax for its continuing operations in 2011 was RMB143 million, representing a decrease of RMB2 million, or 1.38% from RMB145 million in 2010 which is similar to that in the preceding year.

7 Net profit attributable to equity holders of the Company

Comprehensive business

The comprehensive business of the Group recorded a profit attributable to the equity holders of the Company of RMB403 million in 2011, representing a decrease of RMB482 million over RMB885 million recorded in 2010. The main reason is ① the change in the scope of the consolidation of the financial results of the Group which only included the results for two months before the completion of reorganization of automobile engine business following disposal of the Group's automobile engine business resulted the decrease of the profit from discontinued operations attributable to the equity holders of the Company; ② profit from continued operations attributable to the equity holders of the Company also decreased as compared with that in the corresponding period of the preceding year.

Continuing operations

The continuing operations of the Group recorded a profit attributable to the equity holders of the Company of RMB348 million in 2011, representing a decrease of RMB155 million, or 30.82% as compared with RMB503 million recorded in 2010. The main reasons include ①trainer aircraft business of the Group saw a decrease in profit during the transition period where the demand for existing products appeared to be decreasing while new upgraded products have not achieved mass production; ② the increase of the costs(such as price for raw materials and labor costs) resulted in the decrease in the comprehensive gross profit margin; and ③Harbin Embraer Aircraft Industry Co.,Ltd.(**"Harbin Embraer"**), an associated company of the Group suffered a loss due to its lack of orders for its existing product ERJ145 while its planned executive jet failed to be put into production.

SEGMENT INFORMATION

The Group's principal operations used to comprise two segments, namely the aviation segment and the automobile segment, whereby the automobile segment of the Group was disposed in March 2011 and will not be covered in the analysis and discussion during this reporting period.

The Group's aviation segment can be divided into the entire aircraft business and aviation parts and components business.

AVIATION SEGMENT (CONTINUING OPERATIONS)

THE ENTIRE AIRCRAFT BUSINESS

Revenue

The Group's revenue derived from entire aircraft products for 2011 was RMB6,555 million, representing an increase of 24.43% over that of 2010 which was mainly attributable to the increase in helicopter business. The revenue derived from helicopter business amounted to RMB 5,557 million representing an increase of RMB1,160 million, or 26.38% compared to that of the corresponding period in 2010 and accounting for 84.77% of the total revenue deriving from the entire aircraft business.

The revenue from the entire aircraft products of the Group in 2011 accounted for 50.81% of the total revenue from aviation business, representing an increase of 2.8 percentage points as compared with that in the corresponding period of the preceding year.

Gross Margin

Gross margin of the Group's entire aircraft business for 2011 was 8.38%, representing a decrease of 3.89 percentage points as compared to that in 2010. This was mainly attributable to the factors including the shift in products sale structure, rise in raw materials prices and labor costs.

AVIATION PARTS AND COMPONENTS BUSINESS

Revenue

The Group's revenue derived from aviation parts and components for 2011 was RMB6,346 million, representing an increase of 11.24% over that of 2010 which was mainly attributable to the increase in avionics products. Among the revenue derived from aviation parts and components, revenue derived from avionics products amounted to RMB 4,810 million, representing an increase of RMB 536 million, or 12.54% compared to that of the corresponding period in 2010 and accounting for 75.80% of the total revenue from aviation parts and components.

The revenue derived from aviation parts and components products for 2011 accounted for 49.19% of the total revenue from aviation products which is 2.8 percentage points lower than that in the corresponding period of the preceding year.

Gross Margin

Gross margin of the Group's aviation parts and components business for 2011 was 32%, which is similar to that in 2010.

Business Review and Outlook

Global economy growth slowed down in 2011. At the beginning year of "China's Economic and Social Development in the 12th Five-year Plan" (the **"Twelfth Five-year Plan"**), the PRC government managed to adjust and improve the economic development measures and launched macro-control policies to control inflation in a timely manner. China's aviation industry, being one of the strategic emerging industries recognized by the PRC government in the Twelfth Five-year Plan, actively carried out integrations and developments. The development pattern of the industry featured "completed industry chain" and "completed value chain" has been largely formed. AVIC，the controlling shareholder of the Company, ranked Fortune Global 500 for the third consecutive year.

As a flagship manufacturer in China's aviation industry with its shares listed overseas, the Company was enrolled in the constituent stock of MSCI China Index of MSCI Global Standard Indices by Morgan Stanley Capital International. This has further enhanced the Company's position in the international capital market.

In 2011, the Company continued to adhere to the strategic objective formulated by the Board, actively pushed forward business reorganization and capital operations. The equity swap of the Company's equity interest in Dongan Motor for equity interest of AVIC in JONHON Optronic was completed, following which the Company has disposed of its automobile business and will focus on the development of its aviation business.

The issue of new shares and the acquisition of avionics assets of AVIC Avionics were also completed in the first half of 2011 and the issue of new domestic shares to acquire Tianjin Aviation Mechanical and Electrical Co., Ltd. (**"Tianjin Aviation"**) has also been completed as of the date of this announcement, following which the Company's business expanded to include aviation mechanical and electrical business. The industry chain of the aviation parts and components business expects to achieve further perfection and optimization.

In order to deepen the reform of the Company's remuneration system, to maximize the initiative of the senior management and key employees, and to support the realization of the Company's strategies and sustainable development, the Company, as one of the first batch of pilot H-Share enterprises approved to implement the restricted share incentive scheme, implemented the initial grant of the restricted share incentive scheme by granting 37,013,900 restricted shares to 149 scheme participants in March 2011.

In the first half of 2011, the Group continued to expand its market. The 49th

International Paris Air Show was successfully held and AVIC participated in the exhibition with the theme of "Integration into the International Aviation Industry Chain". AVIC presented the improvement of China aviation industry in its whole strength in technology innovation and demonstrated the latest achievements in its integration into the international aviation industry chain. During the year, the 12th Dubai Airshow, the 14th Beijing Aviation Expo, the 1st Tianjin Helicopter Exposition and the 10th Moscow International Aviation and Space Salon were held in succession with various products of the Group exhibited which expanded the market influence of the products of the Group and laid the foundation for further expansion into the global market.

During the year, the Group persisted in boosting the research, development and manufacture of helicopter products. The sales volume of helicopter steadily increased during the reporting period. In May 2011, Hafei Aviation Industry Co., Ltd. (**"Hafei Aviation"**) entered into an agreement with China National Aero-Technology Import & Export Corporation for the purchase of Z9 series helicopters, pursuant to which the sales and export of 30 Z9 series helicopters will be completed in the coming 5 years. Also benefiting from the rapid development of general aviation, helicopter orders have also demonstrated a growth.

The Company continued to strengthen the development of trainer aircraft products to consolidate its market position as a manufacturer of trainer aircraft products in China. During the year, the structure design of the 6th L15 advanced trainer aircraft was successfully completed. K8 trainer successfully made its test flight in plateau demonstrating good flight performance in plateau area. The flight tests of 10 K8 trainers of Jiangxi Hongdu Aviation Industry Co., Ltd. (**"Hongdu Aviation"**) for export were also completed. New model of primary trainer, of which the Group participated in the research and manufacturing, has received the Certificate of Airworthiness granted by Civil Aviation Administration of China.

Research, development and manufacturing of general purpose aircraft of the Company also made progress. During the year, new model of Y-12 aircraft entered into final assembly manufacturing process. Delivery of Y-12E was smoothly made to Seychelles, Namibia and other domestic customers. Research, development and manufacturing of N-5 series agriculture-forestry aircraft also made smooth progress.

In 2011, the Company actively promoted international cooperation projects. AVIC and Embraer S.A. entered into a framework cooperation agreement, pursuant to which Harbin Embraer, a company in which the Group has investment, will provide plant, equipment and staff for the assembling and manufacturing of the executive jet Legacy 600/650. In addition, Harbin Hafei Airbus Composite Materials Manufacture Centre Company Limited, a company in which the Group has investment, also completed the plant establishment during the first half of 2011 and signed an agreement with Airbus, following which, the production volume of Airbus A320 series aircraft rudders will gradually increase. In July 2011, Harbin Hafei Airbus Composite Materials Manufacture Centre Company Limited was awarded supplier certification for rudder of single aisle aircraft and delivered first rudder to Airbus. A350XWB workpakage have been launched to preparing stage for production.

During 2011, overseas products deliveries went on smoothly. Hafei Aviation delivered wing-body fairing and its accessories for Boeing 787 to Boeing and cooperative production of EC-120 was also completed as planned. Hongdu Aviation was officially granted a new certification for special handicraft of manufacturing of parts and components from Boeing.

With the injection and integration of avionics business into the Group, research and development on avionics products had made breakthroughs getting batch orders in fields of aviation and aerospace. International cooperation in respect of avionics was carried out continuously including cooperative manufacture of world top-level sensors and air data system and instrument. Through participating in the joint design of C919 project of Commercial Aircraft Corporation of China, Ltd., system integration products of JONHON Optronic was included in the supplier list approved by Final Assembly Manufacturing Center of Commercial Aircraft Corporation of China, Ltd. and becoming one of the ancillary research and manufacturing companies for state-produced large scale aircraft.

In 2012, facing the risk of global economy set-back and volatility and the increasing pressure in domestic economy, China aviation industry is still believed to be in the period of fast growth with strategical opportunities. Under the circumstance with both opportunities and challenges domestically and overseas, the Group will seize the opportunities and face the challenges by actively adopting the following plans:

1. To consolidate current market share of helicopters, general-purpose aircraft, trainers and aviation parts and components and to actively penetrate the new products market in light of the new market application;
2. To improve products quality, innovate systematical procedure and raise economic efficiency;
3. To strengthen the technical level through international cooperation to achieve the integration with world-class technologies, procedures, standards and business model;
4. To enhance research and development capabilities to develop new series products to push the development of new aviation technologies application;
5. To quickly perfect products marketing and react-and-respond capability in customer services;

6. To improve the management level to gradually achieve an operation with balanced production, high-efficiency output and low-costs capabilities;
7. To continue the Group's strategic plan in utilizing proceeds from fund raising activities to acquire aviation businesses, accelerate the industrial development of completed industry chain and completed value chain, boost the synergy effect of industrial development and create significant development strength and competitive advantages.

CASH FLOW AND FINANCIAL RESOURCES

1. Liquidity and capital resources

As at 31 December 2011, the Group's net cash and cash equivalents amounted to RMB6, 188 million which was mainly derived from the following sources:

- cash and bank deposits at the beginning of the year;
- proceeds raised from issuing of shares; and
- funds generated from its operations;

The Group's cash flow for each of the year 2011 and 2010 were as follows:

Unit: RMB million (except percentage)

Main items of cash flow	2011	2010 (restated)	Changes (amount)	Changes (percentage)
Net cash generated from operating activities	93	3,470	(3,377)	(97.32%)
of which: Net cash generated from continuing operations	229	2,471	(2,242)	(90.73%)
Net cash used in investing activities	(604)	(3,921)	3,317	(84.60%)
of which: Net cash used in continuing operations	(652)	(2,555)	1,903	(74.48%)
Net cash(used in) /generated from financing activities	(201)	2,449	(2,650)	N/A
of which: Net cash (used in) /generated from continuing operations	(150)	3,004	(3,154)	N/A
Net (decrease)/increase in cash and cash equivalents	(712)	1,998	(2,710)	N/A

2. Operating, investing and financing activities

Net cash inflows generated from operating activities of the comprehensive operations of the Group for the year 2011 decreased by RMB3,377 million or 97.32% as compared with that of 2010, among which, net cash inflows generated from the continuing operations for the year 2011 decreased by RMB2,242 million as compared with that of 2010, which was mainly due to the increase in inventories and receivables as at the ending of the reporting period.

Net cash outflows used in investing activities of the comprehensive operations of the Group for the year 2011 decreased by RMB3,317 million or 84.60% as compared with that of 2010, among which, net cash outflows used in investing activities of continuing operations for the year decreased by RMB1,903 million, which was mainly attributable to the return of part of the term deposits with an initial term of over three months in 2010 during the reporting period.

Net cash inflows generated from financing activities of the comprehensive operations of the Group for the year 2011 decreased by RMB2,650 million as compared with that in 2010, among which, net cash inflows generated from financing activities of continuing operations decreased by RMB3,154 million as compared with that of 2010. The main reason was the inflows from the placing of new shares by the Company and the fund raising proceeds through the issuance of shares by subsidiaries of the Company in 2010 as compared to none in the reporting period.

As at 31 December 2011, the total borrowings of the Group amounted to RMB3,058 million, of which the short-term borrowings, current portion of long-term borrowings and non-current portion of long-term borrowings amounted to RMB1,636 million, RMB251 million and RMB1,171 million, respectively.

The Group's long-term borrowings are repayable as follows:

Maturity	RMB million
Within one year	251
In the second year	573
In the third to fifth year	215
After the fifth year	383
Total	1422

As at 31 December 2011, the Group's bank borrowings amounted to RMB1,770 million with an average interest rate of 6% per annum, accounting for 57.88% of the total borrowings. Other borrowings amounted to RMB1,288 million with a weighted average interest rate of 4%, accounting for 42.12% of the total borrowings.

As at 31 December 2011, there were no borrowings denominated in foreign currencies.

GEARING RATIO

As at 31 December 2011, the Group's gearing ratio was 10.34% (31 December 2010: 8.90% as restated), which was arrived at by dividing the total borrowings by total assets as at 31 December 2011.

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2011, the Group had not provided any guarantees in favor of any third party nor were there any significant contingent liabilities.

DESIGNATED DEPOSITS AND OVERDUE BUT UNRECOVERABLE FIXED DEPOSITS

As at 31 December 2011, there was no designated deposit or overdue fixed deposit placed by the Group that could not be collected upon maturity.

GUARANTEED AND SECURED LOANS

As at 31 December 2011, the Group's total borrowings amounted to RMB3,058 million, of which RMB231 million was secured by receivables with a net book value of RMB320 million.

Borrowings placed under guarantees amounted to RMB779 million, of which RMB750 million represented guarantees amongst the members of the Group and RMB29 million represented guarantees provided by AVIC and its subsidiaries.

EXCHANGE RATE RISKS

The Group mainly operates in the PRC with most of its transactions settled in RMB. The exposure to foreign currencies exchange risks mainly arise from transactions involving assets, liabilities, and operating activities of the Group and are primarily associated with United States Dollar, Euro and Hong Kong Dollar.

In addition, the Company has some deposits in Hong Kong Dollar, being part of the proceeds raised from the previous fund raising activities. The directors are of the opinion that the exchange rate risks to the Group are low and will not have any material adverse impact on the Group's financial results.

USE OF PROCEEDS

Up to 31 December 2011, a total of RMB2,067 million of the proceeds raised from the fund raising activities (including the proceeds raised from the placing conducted in March 2010) has been used in the manufacturing, research and development of advanced trainers, helicopters and aviation composite materials as well as the acquisition of aviation assets and equity investment. The remaining balance was deposited in banks in the PRC as short term deposits.

EMPLOYEES

As of 31 December 2011, the Group had 34,142 employees. The Group has provided appropriate emoluments, benefits and training to its employees.

The remuneration of the employees of the Group is determined based on the principle of fair and reasonable and with reference to comparable market standards. Remuneration of employees comprises basic salary, contribution to a public housing fund and contributions to pension plans. The Group also pay discretionary bonus to its employees based on their individual performance. The Group also provided various professional skill and management skill trainings to various departments of the headquarters of the Group and that of the subsidiaries. New-joiner trainings which cover corporate culture, management concepts and standardized management are also provided to new employees.

Employees breakdown (by business segments)

	Number of employees	**Percentage to total number of employees (%)**
Aviation	33,103	96.96
Entire Aircraft business	17,112	50.12
Parts and components business	15,991	46.84
Other businesses	1,039	3.04
Total	34,142	100

For the year ended 31 December 2011, total employee costs amounted to RMB2,290 million, representing an increase of RMB457 million as compared to that of RMB1,833 million (as restated) in 2010.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company for the year ended 31 December 2011.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES DURING THE REPORTING PERIOD

1. On 25 January 2011, the Company entered into the Acquisition Agreement with AVIC Electromechanical Systems Company Limited(“**AMES**”) pursuant to which, AMES agreed to sell and the Company agreed to purchase, subject to certain conditions, the entire equity interest in Tianjin Aviation for a consideration of approximately RMB768,278,300, among which (i) as to 25% of the consideration, being approximately RMB192,069,575 will be satisfied by way of cash payable by the Company; and (ii) as to 75% of the consideration, being approximately RMB576,208,725 will be satisfied by the Company by way of issuing to AMES certain number of domestic share（the **"Consideration Shares"**）at the Issue Price of HK$3.734 (equivalent to approximately RMB3.16) per Consideration Share upon completion（the **"Tianjin Aviation Acquisition"**）.

   Pursuant to Chapters 14 and 14A of the Hong Kong Listing Rules, the Tianjin Aviation Acquisition constituted discloseable and connected transactions of the Company. The transactions contemplated under the Tianjin Aviation Acquisition were approved by the independent shareholders of the Company at the extraordinary general meeting held on 29 March 2011. On 18 January 2012, all of the conditions precedent to the Tianjin Aviation Acquisition have been satisfied, and the Consideration Shares involving 183,404,667 new domestic shares were issued to AMES by the Company. Details of the transactions can be referred to in the announcement of the Company dated 25 January 2011, the circular of the Company dated 21 February 2011 and the announcement dated 18 January 2012.

2. During the reporting period, the disposal of the automobile engine business of the Group was completed. On 17 March 2011, 174,052,911 shares in JONHON Optronic previously held by AVIC had been transferred to the Company and 251,893,000 shares in Dongan Motor previously held by the Company had been transferred to AVIC. After completion of such share transfers, the Company holds 174,052,911 shares in JONHON Optronic, which represents 43.34% of the total issued share capital of JONHON Optronic, and becomes a controlling shareholder of JONHON Optronic. The Company no longer holds any equity interest in Dongan Motor. For details of the transactions, please refer to the announcement of the Company dated 4 November 2009 and the circular of the Company dated 25 November 2009, as well as various voluntary announcements subsequently published by the Company on 14 December 2009, 9 December 2010, 28 January 2011, 2 March 2011 and 18 March 2011 respectively.

3. During the reporting period, the assets reorganization in relation to AVIC Avionics was completed. On 23 June 2011, the Board announced that the relevant share transfer registrations and the relevant changes of business registrations for the assets reorganization of AVIC Avionics had been duly completed. For details of the transactions, please refer to the announcements of the Company dated 2 June 2010, 19 April 2011 and 23 June 2011 respectively and the circular of the Company dated 12 July 2010.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

1. On 18 January 2012, the company completed the issuance of 183,404,667 domestic shares to AMES. Upon completion of such issuance, the total number of domestic shares of the company has increased from 2,934,590,598 domestic shares to 3,117,995,265 domestic shares.the total number of issued shares of the company has increased from 4,949,024,500 shares to 5,132,429,167 shares. Details of the transactions can be referred to in the announcement of the Company dated 25 January 2011, the circular of the Company dated 21 February 2011 and the announcement on 18 January 2012.

2. On 31 January 2012, AviChina Industry and Technology Company Limited Jingdezhen Helicopter research and development branch(**"Jingdezhen Helicopter"**) and China Helicopter Research and Development Institute(**"Helicopter R&D Institute"**) entered into the project investment agreement pursuant to which, Jingdezhen Helicopter agreed to make an investment of RMB20 million to participate in the U8 Unmanned Helicopter Project. Jingdezhen Helicopter is a branch of the Company and Helicopter R&D Institute is a wholly-owned entity of AVIC.

   The entering into the project investment agreement by Jingdezhen Helicopter and Helicopter R&D Institute constituted a connected transaction of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules which is subject to reporting and announcement requirements but exempted from the requirement of Independent Shareholders' approval. For details of the transaction, please refer to the announcement of the Company dated 31 January 2012.

3. On 2 March 2012, the Company completed the placing of 342,000,000 H Shares (the "**Placing Shares**").Upon completion of the placing, the number of issued H Shares of the Company increased from 2,014,433,902 H Shares to 2,356,433,902 H Shares. The total number of issued Shares of the Company increased from 5,132,429,167 Shares to 5,474,429,167 Shares. For details of the transaction, please refer to the announcements of the Company dated 26 February 2012 and 2 March 2012 respectively.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

1. On 21 January 2011,the Company obtained the approval for the proposed share incentive scheme of the Company (the**"Scheme"**) from the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China. On 30 March 2011,the Board approved an initial grant of restricted shares under the Scheme, pursuant to which approximately 37,013,900 restricted shares, representing approximately 0.748% of the issued share capital of the Company as at 30 March 2011, were granted to 149 selected Scheme Participants at the grant price of HKD4.15 per restricted share. For details of the transaction, please refer to the announcement of the Company on the Scheme dated 23 February 2011, the circular dated 24 February 2011 and the poll result announcement of the general meeting dated 29 March 2011.

2. On 8 November 2011, the board of directors of AVIC Avionics resolved to place not more than 123,833,819 new AVIC Avionics shares for subscription by not more than 10 independent qualified institutional investors. Upon completion, due to the increase of total issued share capital of AVIC Avionics, the equity interest held by the Company in AVIC Avionics was diluted by approximately 5.83% from 44.49% to approximately 38.66%. Such dilution constituted a deemed disposal by the Company of its equity interest in AVIC Avionics. For details of the transaction, please refer to the announcements of the Company dated 27 October 2011 and 2 November 2011 respectively.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 30 December 2011, Mr. Li Yuhai and Mr. Tang Jianguo resigned from their positions as the employee representative supervisors of the Company due to their respective work reallocations.

Saved as disclosed above, for the year ended 31 December 2011, there was no other change of directors, supervisors or senior management of the Company.

FINAL DIVIDEND

The Board recommended the payment of a final dividend for the year 2011 in an aggregate amount of RMB54,744,291.67, representing a dividend of RMB0.01 per share (2010: RMB0.01 per share), based on the existing number of total issued shares of 5,474,429,167 shares as at the date of this announcement, which is subject to adjustment based on the number of the total issued shares of the Company as at the Record Date (as defined below).

The final dividend will be paid to those shareholders whose names appear on the Company's register of members at the close of business on 8 June 2012 (the **"Record Date"**). To determine the identity of the shareholders entitled to receive the final dividend, the Company's register of members will be closed from 3 June 2012 to 8 June 2012 (both days inclusive), during which period no transfer of H Shares will be registered. In order to be entitled to receive the final dividend, all transfer instruments accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's H shares registrar, by not later than 4:30 p.m. on 1 June 2012.

In accordance with Article 149 of the Articles of Association, the dividend will be declared in RMB to the shareholders. The dividend payable to holders of the domestic shares will be paid in RMB within three months after the dividend declaration date. The dividend payable to H shareholders is calculated and declared in RMB and will be paid in Hong Kong dollars within three months after the dividend declaration date. The amount to be paid in Hong Kong dollars will be converted based on the average closing exchange rate between RMB and Hong Kong dollars issued by the People's Bank of China for the five working days prior to the declaration of dividends at the annual general meeting of the Company to be held on 25 May 2012.

AUDIT COMMITTEE

The Board has established an audit committee and set out the terms of reference of the audit committee in accordance with the "Guide for the Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and other regulations.

The audit committee had reviewed the Group's annual results and consolidated financial statements for the year ended 31 December 2011.

CORPORATE GORVENANCE

The Company has strictly complied with the applicable laws and regulations and the Articles of Association to standardize its operations. The Board reviewed the corporate governance practices adopted by the Company for the year ended 31 December 2011 and is of the view that the Company has been in compliance with principles and code provisions set out in the applicable Code on Corporate Governance Practices under the Hong Kong Listing Rules.

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 Hong Kong Listing Rules as its own guidelines for securities transactions by directors and supervisors of the Company. Upon specific enquiries with directors and supervisors, the Board confirms that all directors and supervisors of the Company have complied with the Model Code under the Hong Kong Listing Rules for the year ended 31 December 2011.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2011 will be dispatched to the shareholders of the Company and published on the websites of the Hong Kong Stock Exchange and the Company (http://www. avichina.com) in due course.

By order of the Board
AviChina Industry & Technology Company Limited*
Lin Zuoming
Chairman

Beijing, 27 March 2012

As at the date of this announcement, the Board comprises executive directors Mr. Lin Zuoming, Mr. Tan Ruisong and Mr. Wu Xiandong and non-executive directors Mr. Gu Huizhong, Mr. Xu Zhanbin, Mr. Geng Ruguang, Mr. Zhang Xinguo, Mr. Gao Jianshe, Mr. Li Fangyong, Mr. Chen Yuanxian, Mr. Wang Yong, Mr. Maurice Savart as well as independent non-executive directors Mr. Guo Chongqing, Mr. Li Xianzong and Mr. Lau Chung Man, Louis.

** For identification purpose only.*