

# AviChina

AviChina Industry & Technology Company Limited

中國航空科技工業股份有限公司

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





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## Highlights of Interim Results

The board of directors (the "Board") of AviChina Industry & Technology Company Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009 prepared under International Financial Reporting Standards.

### Revenue

— comprehensive business (Continuing operations and Discontinued operations )	RMB8,996 million
— continuing operations	RMB7,884 million

### Net loss/profit attributable to the equity holders of the Company

— net loss of comprehensive business (Continuing operations and Discontinued operations )	RMB20 million
— net profit of continuing operations	RMB7 million

### Loss per share, basic and diluted

— net loss of comprehensive business (Continuing operations and Discontinued operations )	RMB0.004
— net profit of continuing operations	RMB0.001

Equity attributable to the equity holders of the Company	RMB2,800 million
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## INTERIM DIVIDEND

The Board proposes that no interim dividend be paid for the six months ended 30 June 2009.



## BUSINESS REVIEW

The Group is mainly engaged in aviation and automobile business. During the first half of 2009, the domestic economy was still at the depressing stage. Most of the state-owned enterprises did not perform well and presented a drop as compared to the corresponding period of last year. The operation of the Group sailed against the stream and the continuing operations business showed a turn from loss into profit during the period under review. Upon the reorganization of the PRC aviation industry in November 2008, based on the development strategy formulated by the new session of the Board, the Company will concentrate on becoming a flagship manufacturer in China aviation industry for civil aviation products with a completed value chain and a platform for overseas financing, merger and acquisition. The Group made remarkable performance in business reorganization during the first half of the year. As the disposal of the entire vehicle business of Jiangxi Changhe Automobile Co., Ltd. ("Changhe Auto") which suffered a loss had been completed by the end of April and the performance of aviation business had a steady increase due to the gradually improved profitabilities during the first half of 2009, the result of the Company made a sharp increase.

For the six months ended 30 June 2009, the comprehensive business (Continuing operations and Discontinued operations) of the Group recorded a revenue of RMB8,996 million, representing an increase of 8.78% over that of the corresponding period in 2008. The comprehensive business resulted in a net loss of RMB20 million attributable to equity holders of the Company for the first half of 2009, representing a decrease of RMB435 million, or 95.6% compared with the loss in the corresponding period of last year.

The continuing operations business of the Group recorded a revenue of RMB7,884 million, representing an increase of 11.77% over that of the corresponding period in 2008. The continuing operations business resulted in a net profit of RMB7 million attributable to equity holders of the Company for the first half of 2009 showing a turn from loss to profit during the period under review compared with the loss of RMB301 million in the corresponding period of last year (Details are set out in Note 11 to the condensed consolidated interim financial information).

### Aviation Business:

For the first half of 2009, despite the continuous impact of international financial crisis, the stimulating policy of the government "propel domestic demands and stimulate consumption" gradually improved the domestic macro economic environment. At the same time the national economy and social demands are growing rapidly. All the factors provide great opportunities to the development of the China aviation industry and the expansion of aviation business of the Company. The aviation business of the Group made a steady increase and the continuous promotion of the balance product mix was effective.

For the first half of 2009, the Group recorded a sales revenue of RMB2,030 million in its aviation products, representing an increase by 15.02% as compared to that of the corresponding period in 2008, out of that, the Group's helicopter business recorded a sales revenue of RMB1,144 million, representing an increase by 56.75% as compared to that of the corresponding period in 2008.

Upon the reorganization of automobile business, aviation electrical business was injected. The Group delivered products for various models of aircraft and satisfied the demands of the customers. The striving for research and manufacture of aircraft model project also made great achievement.



## Management Discussion and Analysis

During the first half of 2009, the Group further explored the market. On 15 June 2009, the 48th session of Paris Aviation Exhibition was inaugurated. Products of the Company such as H425 civil helicopter, Z11 multi-purpose light helicopter and L15 advanced trainer, of which the Group has participated in its investment and development were displayed in the Paris Aviation Exhibition which attracted the attention of international aviation industry.

In May 2009, Hafei Aviation Industry Co., Ltd., and AVIC International Leasing Co., Ltd entered into a purchasing agreement for one Y12 aircraft.

On 8 June 2009, the 05 prototype of L15 advanced trainer, of which the Group has participated in its investment and development, successfully had its debut flight.

On 23 June 2009, Airbus (Tianjin) Assembly Company, a joint venture which had been invested and set up by the Company inaugurated the A320 display and delivery ceremony. On the next day, the first A320 flew from Chengdu to Beijing successfully and completed its first commercial journey.

On 30 June 2009, Hafei Airbus Composite Material Manufacture center, a joint venture which was invested directly by the Group, made the groundbreaking.

### **Automobile Business:**

During the six months ended at 30 June 2009, the total sales volume of the entire vehicle automobile products of the Group's comprehensive business (Continuing operations and Discontinued operations) amounted to 174,000 units, an increase of 4.87% as compared to the corresponding period of last year, out of which, the sales volume of sedans was 51,600 units; and the sales volume of mini-vans and trucks reached 122,400 units. The sales revenue of the Group's automobile products (Continuing operations and Discontinued operations) amounted to RMB6,966 million in the first half of 2009, representing an increase of 7.09% compared to the corresponding period last year; out of which, the sales revenue of the Group's entire vehicle automobile products amounted to RMB4,364 million, representing an increase of 3.99% as compared to the corresponding period of last year. The sales revenue of engines and automobile parts and components sold to external parties of the Group was RMB2,602 million, representing an increase of 12.68% as compared to the corresponding period of last year.

In the first half of 2009, the Group completed the reorganization of Changhe Auto which made continuous losses.

During the first half year of 2009, with the promotion of the preferential policies such as the reduction of the Vehicle Purchase Tax and the China's Car Subsidy Program for Rural Areas, the domestic sales volume of the entire automobile showed a great increase as compared to the corresponding period of last year. At the same time, the influence of the financial crises on international automobile market still exists, the export of automobiles presented a further drop.

For the first half of the year, Changhe "Beidouxing" and Hafei "Minyi" was still on hot sale. The sales of Changhe "Furuida" series model also showed a rapid increase. The research of new engine programme of Harbin Dongan Auto Engine Co., Ltd. was still ongoing.



## FUTURE OUTLOOK

### Aviation Business:

The government puts great emphasis on the aviation industry in respect of defence and economy. The strategy of rapid promotion of the development of aviation industry was set up, strict air control began to be released and the low altitude airspace will be gradually opened. The government's investment of RMB4,000 billion promoted the civil aviation airport construction and further improved the basic facilities for helicopter general aviation service. The development and special subsidy policies of general aviation industry are under research. The pace of developing helicopter applicable to the China market is also speeding up. All these provide the Group with opportunities of continuous development.

The Company entered into the aviation electrical area through swapping assets. As an important subsystem of aviation manufacture, the aviation electrical manufacturing will benefit from the development of the entire aviation manufacturing industry. The launching of the large scale aircraft program will promote the aviation electrical business of the Group.

In the second half of 2009 the Group will grasp the opportunities to promote the research and development of products, enhance the training of employees and ensure the completion on the order for products. With the advantage of technology, equipment, talents and capital to explore the market, being familiar with the market and accurately positioned. The Group will also perfect the supervision system, strengthen the management, regulate the operation, improve the efficiency and give reward to the shareholders. At the same time the technology and management will also be continuously enhanced through international cooperation, the capital strength will be extended and the market value scale will be enlarged through international capital operation. These will further consolidate the market leading position of the Company in helicopter, trainers, regional jet, and general purpose aircraft industry and finally create the Company as a flagship manufacturer in China aviation industry for civil aviation products with a completed value chain.

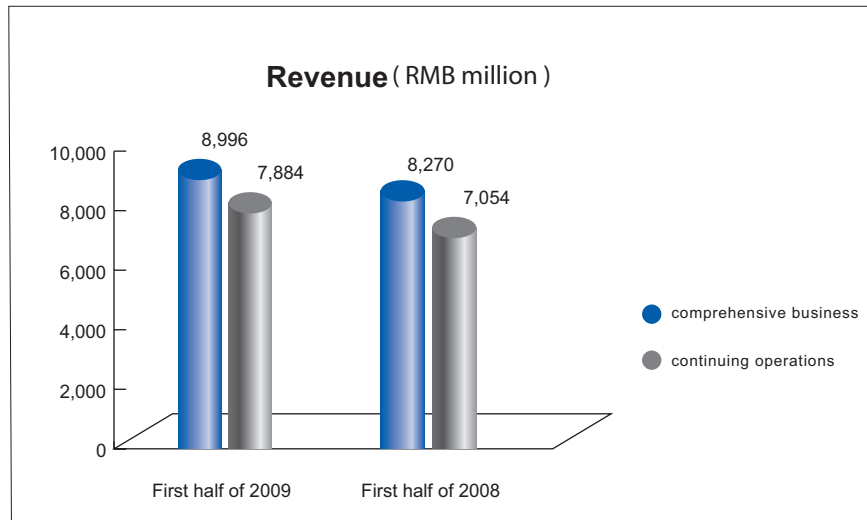
### Automobile Business:

In the second half of 2009, the Group will put cost cutting as the emphasis and set the goal of enhancing the customers' satisfaction to improve the efficiency. The Group will also reform the marketing strategy and enlarge the market share. According to the strategy arrangement, the reorganization of automobile business will be continuously promoted including the completion of the disposal of automobile assets which is suffering a loss such as Hafei auto business, and the consideration of further reorganization of the automobile engines business of the Group.



## FINANCIAL REVIEW

### Revenue



#### *Comprehensive business (Continuing operations and Discontinued operations)*

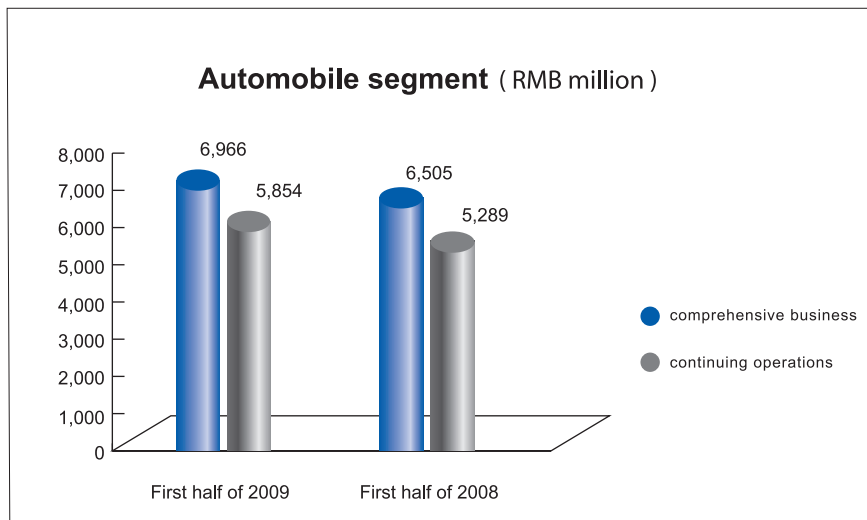
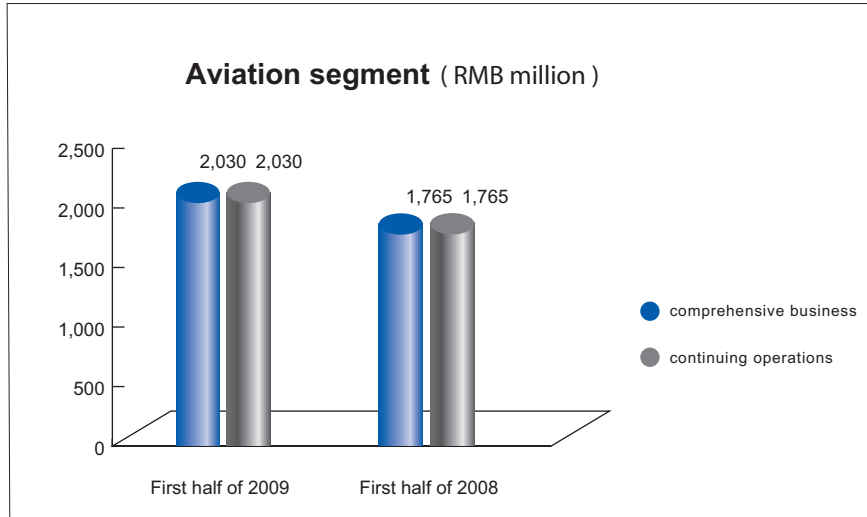
For the six months ended 30 June 2009, the comprehensive business (Continuing operations and Discontinued operations) of the Group achieved a revenue of RMB8,996 million, representing an increase of RMB726 million, or 8.78%, as compared to RMB8,270 million for the corresponding period in 2008.

#### *Continuing operations*

For the six months ended 30 June 2009, the continuing operations of the Group achieved a revenue of RMB7,884 million, representing an increase of RMB830 million, or 11.77%, as compared to RMB7,054 million for the corresponding period in 2008. This is mainly contributed by the comprehensive impact of the balance product mix of aviation business and the supportive policy of the government on the automobile industry.



Segment Information



*Comprehensive business*

For the six months ended 30 June 2009, the revenue of the aviation segment of the comprehensive business of the Group, amounted to RMB2,030 million, representing an increase of 15.02% as compared to the corresponding period in 2008 and accounting for 22.57% of the total revenue. The revenue of the automobile segment of the comprehensive business amounted to RMB6,966 million, representing an increase of 7.09% as compared to the corresponding period in 2008 and accounting for 77.43% of the total revenue.





# Management Discussion and Analysis

## *Continuing operations*

For the six months ended 30 June 2009, the revenue of the aviation segment of the continuing operations amounted to RMB2,030 million, representing an increase of 15.02% as compared to the corresponding period in 2008 and accounting for 25.75% of the total revenue which is mainly attributable to the effect of balance product mix of aviation products. The revenue of the automobile segment amounted to RMB5,854 million, representing an increase of 10.69% as compared to the corresponding period in 2008 and accounting for 74.25% of the total revenue. During the period, due to the benefits derived from the supportive policy of the government on the automobile industry and the further expansion of marketing of the Group, there were increases in both the sales volume of the entire vehicles and the auto engines sold to parties outside the Group.

## **Gross profit**

### *Comprehensive business*

For the six months ended 30 June 2009, the comprehensive business of the Group achieved a gross profit of RMB1,382 million, representing an increase of RMB453 million, or 48.79%, as compared to RMB929 million for the corresponding period in 2008, out of which the gross profit of aviation segment of the Group amounted to RMB379 million, representing an increase of 15.68% as compared to that of the corresponding period in 2008. The increase was mainly attributable to the growth in the gross profit of helicopter. The gross profit of automobile segment amounted to RMB1,003 million, representing an increase of 66.86% as compared to that of the corresponding period in 2008. This is mainly attributable to the positive progress of the results and significant rising of the gross profit of the entire automobile business and the continuous increase of the gross profit of automobile engines sold to external parties of the Group.

### *Continuing operations*

For the six months ended 30 June 2009, the continuing operations of the Group achieved a gross profit of RMB1,311 million, representing an increase of RMB326 million, or 33.13%, as compared to RMB985 million for the corresponding period in 2008. Out of which, the gross profit of aviation segment of the Group amounted to RMB379 million, representing an increase of 15.68% as compared to that of the corresponding period in 2008. The gross profit of automobile segment amounted to RMB932 million, representing an increase of 41.84% as compared to that of the corresponding period in 2008.

## **Selling and distribution expenses (Continuing operations)**

For the six months ended 30 June 2009, the selling and distribution expenses of the Group's continuing operations amounted to RMB401 million, representing an increase of RMB94 million, or 30.62%, as compared to RMB307 million for the corresponding period in 2008. The increase was mainly attributable to the increase of the sales volume of the automobile products.

## **General and administrative expenses (Continuing operations)**

For the six months ended 30 June 2009, the general and administrative expenses of the Group's continuing operations amounted to RMB525 million, representing an increase of RMB119 million, or 29.31%, as compared to RMB406 million of the corresponding period in 2008. The rise was mainly attributable to the increase in the research and development expense of automobile engines.



### Finance costs, net (Continuing operations)

For the six months ended 30 June 2009, the Group's net finance costs of the continuing operations amounted to RMB79 million, representing a decrease of RMB64 million, or 44.76%, as compared to that of the corresponding period in 2008. The decrease was attributable to the drop of the interest rate of the borrowings.

### Net loss/profit attributable to equity holders of the Company

#### *Comprehensive business*

For the six months ended 30 June 2009, the comprehensive business of the Group suffered a net loss of RMB20 million attributable to the equity holders of the Company, which was RMB435 million or 95.6% less than the loss of RMB455 million for the corresponding period in 2008.

#### *Continuing operations*

For the six months ended 30 June 2009, the continuing operations of the Group made a net profit of RMB7 million attributable to the equity holders of the Company, which showed a turn from loss to profit compared with the loss of RMB301 million for the corresponding period in 2008. This is mainly because of the gradual increase of the profitability of the aviation product and the result of aviation business in this period. The reorganization of part of the automobile assets was completed and aviation assets were injected. Further, the loss of the entire vehicles results comparing to that of the corresponding period of last year was greatly reduced due to the support of the government to the automobile industry and the cost-controlling measures adopted by the management of the Group.

### Liquidity and Financial Resources

As at 30 June 2009, the Group's net cash and cash equivalents amounted to RMB2,281 million. Cash and cash equivalents were mainly derived from cash and bank deposits at the beginning of 2009 and funds generated from its operations during this period.

As at 30 June 2009, the Group's total borrowings amounted to RMB5,774 million, out of which short-term borrowings amounted to RMB4,073 million, current portion of long-term borrowings amounted to RMB303 million and non-current portion of long-term borrowings amounted to RMB1,398 million.

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

	RMB million
Within one year	303
In the second year	473
In the third to fifth year	597
After the fifth year	328
	<hr/>
Total	1,701
	<hr/> <hr/>



## Management Discussion and Analysis

As at 30 June 2009, the Group's bank borrowings amounted to RMB5,496 million with an average interest rate of 4.93% per annum, representing a decrease of RMB536 million as compared to that at the beginning of 2009; and other borrowings amounted to RMB278 million with an average interest rate of 2.23% per annum, representing a decrease of RMB319 million as compared to that at the beginning of 2009.

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

### CAPITAL STRUCTURE

As at 30 June 2009, the Group's borrowings were mainly denominated in Renminbi whilst cash and cash equivalents were mainly denominated in Renminbi, Hong Kong dollars and United States dollars.

### PLEDGE ON ASSETS

As at 30 June 2009, the Group's borrowings secured by assets amounted to RMB200 million, representing a decrease of RMB1 million as compared to RMB201 million at the beginning of 2009. These borrowings were secured by real estate properties with a book value of RMB265 million.

### GEARING RATIO

As at 30 June 2009, the Group's gearing ratio was 26.75% (31 December 2008: 28.47%), which was derived from dividing the total borrowings by total assets.

### EXCHANGE RISKS

Due to business operational needs, the Group has taken out some loans denominated in United States dollars. In addition, the Company has kept some deposits in Hong Kong dollars raised from the public offering. The Group was exposed to exchange risks as a result of fluctuation in exchange rates during the period under review.

### CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2009, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.



## MATERIAL ACQUISITION AND DISPOSAL

On 16 April 2009, the Company and AVIC Automobile Industry Co., Ltd. (“AVIC Automobile”) entered into the Share Transfer Agreements, pursuant to which the Company conditionally agreed to sell and AVIC Automobile conditionally agreed to purchase from the Company 100% equity interest in Harbin Hafei Automobile Industry Group Co., Ltd. (“Harbin Automobile Group”) and 10% equity interest in Jiangxi Changhe Suzuki Automobile Co., Ltd. (“Changhe Suzuki”) for an aggregate consideration of RMB110.4 million, which would be satisfied by AVIC Automobile in cash. The transactions have not yet been completed up to this moment. Upon completion, Harbin Automobile Group will no longer be a subsidiary of the Company and the Company will no longer have any equity interest in Changhe Suzuki. The transactions contemplated under the Share Transfer Agreements constitute a major transaction pursuant to Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and connected transactions pursuant to Chapter 14A of the Listing Rules. The transactions were approved by the independent shareholders of the Company at the annual general meeting of the Company held on 9 June 2009. Details of the transactions can be referred to in the announcement and circular of the Company dated 16 April 2009 and 6 May 2009 respectively.

## USE OF PROCEEDS

Pursuant to the plan on use of proceeds, as at 30 June 2009, a total of RMB955 million had been invested, of which RMB700 million had been invested in automobile products for research, development and technical upgrade of new vehicle models and new engine models, while RMB255 million had been invested in aviation products mainly for research and development of new advanced trainer models and helicopters. The rest of the proceeds has been placed in short term deposits in banks in the PRC. The Company will utilize the rest of the proceeds in accordance with the specific plan of use of proceeds.

## EMPLOYEES

As at 30 June 2009, the Group had 23,033 employees. The Group’s staff costs amounted to RMB566 million for the six months ended 30 June 2009 representing an increase of RMB57 million compared with RMB509 million of the corresponding period of last year.



## Disclosure of Interests and Other Information

### CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

At the Board meeting convened on 9 June 2009, Mr. Lin Zuoming was appointed as the chairman of the third session of the Board and Mr. Tan Ruisong was appointed as the vice chairman of the third session of the Board. After the conclusion of the annual general meeting ("AGM") and the Board meeting, the third session of the Board comprises the following members:

Mr. Lin Zuoming (chairman and executive director), Mr. Tan Ruisong (vice chairman, executive director and general manager), Mr. Wu Xiandong (executive director), Mr. Gu Huizhong (non-executive director), Mr. Xu Zhanbin (non-executive director), Mr. Geng Ruguang (non-executive director), Mr. Zhang Xinguo (non-executive director), Mr. Gao Jianshe (non-executive director), Mr. Li Fangyong (non-executive director), Mr. Chen Yuanxian (non-executive director), Mr. Wang Yong (non-executive director), Mr. Maurice Savart (non-executive director), Mr. Guo Chongqing (independent non-executive director), Mr. Li Xianzong (independent non-executive director) and Mr. Lau Chung Man, Louis (independent non-executive director).

At the Supervisory Committee meeting convened on 9 June 2009, Mr. Li Yuhai was appointed as the chairman of the third session of the Supervisory Committee. After the conclusion of the AGM and the Supervisory Committee meeting, the third session of the Supervisory Committee comprises the following members:

Mr. Li Yuhai (chairman of the Supervisory Committee and supervisor representing the employees of the Company), Mr. Tang Jianguo (supervisor representing the employees of the Company), Ms. Bai Ping (supervisor representing Shareholders), Mr. Wang Yuming (supervisor representing Shareholders) and Mr. Yu Guanghai (supervisor representing Shareholders).

At the Board meeting convened on 9 June 2009, Mr. Tan Ruisong was appointed as the general manager of the Company. Mr. Li Yao, Mr. Ni Xianping, Mr. Liu Chunhui, Mr. Zheng Qiang and Mr. Tian Xueying were appointed as the vice general managers of the Company. Mr. Li Yao was appointed as the chief financial officer of the Company. Mr. Yan Lingxi was appointed as the Board secretary of the third session of the Board. The Board further announces that Mr. Ip Kun Wan, Kiril resigned from the office of joint company secretary of the Company with effect from 9 June 2009 due to his personal work arrangements.

### 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 Listing Rules as its code for securities transacted by its directors and supervisors. The Board has also confirmed that, having made specific enquiry of all directors and supervisors, all the directors and supervisors of the Company have complied with the required standards set out in the Model Code for the six months ended 30 June 2009.



## THE INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SECURITIES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2009, none of the directors, supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (“SFO")), which are required to be notified to the Company and the Stock Exchange pursuant to Part XV, Part 7 and Part 8 of the SFO, or required to be recorded and kept in the register by the Company pursuant to Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, pursuant to the register kept under Section 336 of the SFO, shareholders holding more than 5% equity interests in the Company and its associated corporations were as follows:

Name of Shareholders	Class of shares	Capacity	Number of shares	Approximate percentage of shareholdings to the same class of shares	Approximate percentage of shareholdings to share capital in issue	Nature of shares held
AVIC	Domestic Shares	Beneficial owner	2,835,305,636	95.66%	61.06%	Long position
European Aeronautic Defence and Space Company — EADS N.V.	H Shares	Interests of a party to an agreement to acquire interests in a listed corporation under s.317(1)(a) and s.318	232,180,425	13.82%	5%	Long position
The Hamon Investment Group Pte Limited	H Shares	Investment manager	164,278,000 (Note)	9.78%	3.54%	Long position
The Dreyfus Corporation	H Shares	Investment manager	105,226,000	6.26%	2.27%	Long position

Note:

These shares are held directly by various controlled corporations of The Hamon Investment Group Pte Limited, of which 35,572,000 shares were held by Hamon Asset Management Limited, 101,690,000 shares were held by Hamon U.S. Investment Advisors Limited and 27,016,000 shares were held by Hamon Investment Management Limited.

Save as disclosed above, as at 30 June 2009, the Company had not been notified of any interests and short positions in 5% or more than 5% of shares and underlying shares of the Company which had been recorded in the register kept by the Company under section 336 of the SFO.



## Disclosure of Interests and Other Information

### AUDIT COMMITTEE

The Board has established an audit committee and set out the Terms of Reference of the Audit Committee in accordance with "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. The audit committee had reviewed the Company's unaudited condensed consolidated interim financial information for the six months ended 30 June 2009.

### CORPORATE GOVERNANCE

The Company has strictly complied with and has operated according to applicable laws, and regulations as well as its Articles of Association. The Company has also established an Internal Audit Department to enhance the monitoring of the Group's continuing connected transactions. After reviewing the Company's arrangements on corporate governance, the Board is of the view that the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2009.

### OTHER MAJOR EVENTS

1. On 30 January 2009, the Company entered into the Joint Venture Agreement, pursuant to which Harbin Aircraft Industry Group Co., Ltd., Airbus China Limited, the Company, Hafei Aviation Industry Co., Ltd. ("Hafei Aviation") and Harbin Development Zone Heli Infrastructure Development Co., Ltd. agreed to establish a joint venture company in China to engage in the business of manufacturing of composite material parts and components for the Airbus A350 XWB and Airbus A320 aircraft series. The total capital contribution of the Group (including the capital commitment of the Company and Hafei Aviation) in respect of the joint venture company amounts to USD 30,000,000, representing 20% equity interest in the joint venture company. The transactions contemplated under the Joint Venture Agreement constitute a connected transaction pursuant to Chapter 14A of the Listing Rules. The transactions were approved by independent shareholders of the Company at the extraordinary general meeting of the Company held on 9 April 2009. Details of the transaction can be referred to in the announcement and circular of the Company dated 3 February 2009 and 20 February 2009, respectively.
2. On 9 October 2008, Changhe Auto, a non wholly-owned subsidiary of the Company and Aviation Industry Corporation of China ("AVIC") entered into the acquisition agreement in relation to the acquisition of aviation assets by Changhe Auto from AVIC, and the disposal of automobile assets and issuance of consideration shares by Changhe Auto to AVIC. Details of the Transaction can be referred to in the announcement and circular of the Company dated 13 October 2008 and 3 November 2008, respectively.



### PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

### PURCHASE, SALE AND REDEMPTION OF SECURITIES

For the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

**Lin Zuoming**

Chairman

Beijing, 24 August 2009

*As at the date of this report, the board of directors 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.*





# Condensed Consolidated Income Statement

For the six months ended 30th June 2009

		For the six months ended 30th June	
		2009	2008
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Restated)
		Note	
<b>Continuing operations</b>			
Revenue	3	7,883,883	7,053,637
Cost of sales		<u>(6,572,723)</u>	<u>(6,068,747)</u>
Gross profit		1,311,160	984,890
Other income	4	19,265	20,998
Other gains, net	5	26,749	32,094
Selling and distribution expenses		(401,391)	(306,570)
General and administrative expenses		<u>(525,208)</u>	<u>(405,736)</u>
Operating profit		430,575	325,676
Finance income	7	45,022	39,113
Finance costs	7	<u>(124,072)</u>	<u>(182,602)</u>
Finance costs, net		(79,050)	(143,489)
Share of results of associates		<u>9,900</u>	<u>30,422</u>
Profit before income tax		361,425	212,609
Income tax expense	8	<u>(90,554)</u>	<u>(179,148)</u>
Profit for the period from continuing operations		270,871	33,461
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	9	<u>(46,231)</u>	<u>(241,173)</u>
<b>Profit/(loss) for the period</b>		<u><u>224,640</u></u>	<u><u>(207,712)</u></u>
<b>Attributable to:</b>			
Equity holders of the Company		(20,443)	(454,528)
Non-controlling interests		<u>245,083</u>	<u>246,816</u>
		<u><u>224,640</u></u>	<u><u>(207,712)</u></u>
Basic and diluted earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company during the period from:			
- continuing operations	11	RMB0.001	RMB(0.065)
- discontinued operations	11	<u>RMB(0.006)</u>	<u>RMB(0.033)</u>

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 th June 2009



	For the six months ended 30th June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
<b>Profit/(loss) for the period</b>	<b>224,640</b>	<b>(207,712)</b>
<b>Other comprehensive income/(expenses), net of tax</b>		
Gain on partial disposal of interests in a subsidiary	—	152,948
Change in fair value of available-for-sale financial assets	<b>108,719</b>	(194,628)
Realisation of gain on available-for-sale financial assets in income statement upon disposal	<b>(4,673)</b>	(27,085)
Others	<b>(1,122)</b>	3,958
	<b>102,924</b>	<b>(64,807)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>327,564</b>	<b>(272,519)</b>
<b>Attributable to:</b>		
Equity holders of the Company	<b>36,479</b>	(433,997)
Non-controlling interests	<b>291,085</b>	161,478
	<b>327,564</b>	<b>(272,519)</b>



# Condensed Consolidated Balance Sheet

As at 30th June 2009

	Note	30th June 2009 RMB'000 (Unaudited)	31st December 2008 RMB'000 (Unaudited) (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	5,645,815	7,065,810
Investment properties	12	48,720	49,535
Land use rights	12	260,440	283,928
Intangible assets	12	222,516	240,814
Interests in associates		332,779	330,968
Available-for-sale financial assets		433,628	232,136
Deferred income tax assets		86,332	98,464
		<u>7,030,230</u>	<u>8,301,655</u>
<b>Current assets</b>			
Accounts receivable	13	3,268,455	3,910,196
Advances to suppliers		552,392	332,568
Other receivables and prepayments	14	1,500,251	1,196,042
Inventories		4,633,119	5,264,624
Financial assets held for trading		3,183	11,488
Pledged deposits		407,408	536,605
Term deposits with initial term of over three months		1,903,891	1,317,062
Cash and cash equivalents		2,281,492	2,418,654
		<u>14,550,191</u>	<u>14,987,239</u>
<b>Total assets</b>		<u><u>21,580,421</u></u>	<u><u>23,288,894</u></u>

# Condensed Consolidated Balance Sheet



As at 30th June 2009

	Note	30th June 2009 RMB'000 (Unaudited)	31st December 2008 RMB'000 (Unaudited) (Restated)
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		4,643,609	4,643,609
Reserves		(1,843,351)	(1,983,936)
		<b>2,800,258</b>	2,659,673
Non-controlling interests		3,748,423	3,471,203
<b>Total equity</b>		<b>6,548,681</b>	6,130,876
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	18	1,397,855	948,691
Deferred income from government grants		176,734	188,038
Deferred income tax liabilities		44,339	36,949
		<b>1,618,928</b>	1,173,678
<b>Current liabilities</b>			
Accounts payable	15	5,989,427	7,262,075
Advances from customers		904,673	695,445
Other payables and accruals	16	1,511,692	1,471,526
Amounts payable to ultimate holding company	17	370,524	520,524
Provisions		178,279	205,645
Current portion of long-term borrowings	18	303,000	728,000
Short-term borrowings	18	4,072,810	4,953,404
Current income tax liabilities		82,407	147,721
		<b>13,412,812</b>	15,984,340
<b>Total liabilities</b>		<b>15,031,740</b>	17,158,018
<b>Total equity and liabilities</b>		<b>21,580,421</b>	23,288,894
<b>Net current assets/(liabilities)</b>		<b>1,137,379</b>	(997,101)
<b>Total assets less current liabilities</b>		<b>8,167,609</b>	7,304,554



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2009

	Attributable to equity holders of the Company							
	Share capital	Capital reserve	Available-for-sale financial assets reserve	Statutory surplus reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>For the six months ended 30th June 2009</b>								
Balance at 1st January 2009, as restated	4,643,609	383,371	47,172	31,178	(2,445,657)	2,659,673	3,471,203	6,130,876
(Loss)/profit for the period	—	—	—	—	(20,443)	(20,443)	245,083	224,640
Other comprehensive income/(expenses), net of tax								
– Change in fair value of available-for-sale financial assets	—	—	60,076	—	—	60,076	48,643	108,719
– Realisation of gain on available-for-sale financial assets in income statement upon disposal	—	—	(2,584)	—	—	(2,584)	(2,089)	(4,673)
– Others	—	(570)	—	—	—	(570)	(552)	(1,122)
Total comprehensive (loss)/income for the period	—	(570)	57,492	—	(20,443)	36,479	291,085	327,564
Distribution of net liabilities of automobile business to holding company (Note 2(a))	—	104,106	—	—	—	104,106	64,904	169,010
Contribution from minority shareholder of a subsidiary	—	—	—	—	—	—	1,440	1,440
Dividend to minority shareholders of subsidiaries	—	—	—	—	—	—	(80,209)	(80,209)
Balance at 30th June 2009	4,643,609	486,907	104,664	31,178	(2,466,100)	2,800,258	3,748,423	6,548,681

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2009



Attributable to equity holders of the Company

	Share capital RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Available- for-sale financial assets reserve RMB'000 (Unaudited)	Statutory surplus reserve RMB'000 (Unaudited)	Accumulated losses RMB'000 (Unaudited)	Non-controlling Subtotal RMB'000 (Unaudited)	interests RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
For the six months ended 30th June 2008								
Balance at 1st January 2008, as restated	4,643,609	243,466	189,771	31,178	(1,382,973)	3,725,051	3,410,549	7,135,600
(Loss)/profit for the period	—	—	—	—	(454,528)	(454,528)	246,816	(207,712)
Other comprehensive income/(expenses), net of tax								
- Gain on partial disposal of interests in a subsidiary	—	140,332	—	—	—	140,332	12,616	152,948
- Change in fair value of available-for-sale financial assets	—	—	(107,214)	—	—	(107,214)	(87,414)	(194,628)
- Realisation of gain on available-for-sale financial assets in income statement upon disposal	—	—	(14,975)	—	—	(14,975)	(12,110)	(27,085)
- Others	—	(985)	3,373	—	—	2,388	1,570	3,958
Total comprehensive income/(loss) for the period	—	139,347	(118,816)	—	(454,528)	(433,997)	161,478	(272,519)
Disposal of certain interests in subsidiaries	—	—	—	—	—	—	13,930	13,930
Dividend to minority shareholders of subsidiaries	—	—	—	—	—	—	(72,389)	(72,389)
Balance at 30th June 2008	4,643,609	382,813	70,955	31,178	(1,837,501)	3,291,054	3,513,568	6,804,622



# Condensed Consolidated Cash Flow Statement

For the six months ended 30th June 2009

	For the six months ended 30th June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited) (Restated)
Net cash generated from/(used in) operating activities		
- continuing operations	154,516	(125,505)
- discontinued operations (Note 9)	156,349	(15,973)
	310,865	(141,478)
Net cash used in investing activities		
- continuing operations	(714,332)	(860,906)
- discontinued operations (Note 9)	(44,827)	(30,826)
	(759,159)	(891,732)
Net cash generated from/(used in) financing activities		
- continuing operations	310,168	633,227
- discontinued operations (Note 9)	964	(50,007)
	311,132	583,220
Net decrease in cash and cash equivalents	(137,162)	(449,990)
Cash and cash equivalents at 1st January	2,418,654	2,604,330
Cash and cash equivalents at 30th June	2,281,492	2,154,340
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	2,281,492	2,154,340



## 1 ORGANISATION AND PRINCIPAL ACTIVITIES

AviChina Industry & Technology Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 30th April 2003 as a joint stock company with limited liability under the PRC laws as a result of a group reorganisation (the "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 6th November 2008. The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 30th October 2003.

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.

This condensed consolidated interim financial information is presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information (the "Condensed Financial Information") has been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board ("IASB") and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This Condensed Financial Information should be read in conjunction with the 2008 annual financial statements.

(a) On 30th April 2009, Jiangxi Changhe Automobile Co., Ltd. ("Changhe Automobile"), a subsidiary of the Company, acquired from AVIC the entire equity interests in Shanghai Aviation Electric Co., Ltd. ("Shanghai Aviation") and Lanzhou Wanli Aviation Electrical Co., Ltd. ("Lanzhou Aviation") which had been valued at an aggregated sum of approximately RMB793,177,000 (the "consideration").

The consideration was satisfied by Changhe Automobile:

- distributing its entire assets and liabilities being valued at approximately RMB406,619,000 to AVIC; and
- issuing 74,625,174 shares (equivalent to approximately RMB386,558,000) to AVIC, whereby diluting the equity interests held by the Company in Changhe Automobile from 59.02% to 49.93% (collectively the "Swap Transaction").

On the same day, the Company and AVIC entered into an agreement that upon the abovementioned share issuance, AVIC undertakes to exercise its then entire 15.40% voting rights in Changhe Automobile in accordance with the instructions of the Company. Accordingly Changhe Automobile remains as a subsidiary of the Company.





## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The principal activities of Shanghai Aviation and Lanzhou Aviation are manufacturing and sale of aviation electrical engineering products and accessories. Changhe Automobile was engaged in the research, development, manufacture and sale of automobiles before the Swap Transaction.

Given that Changhe Automobile, Shanghai Aviation and Lanzhou Aviation are all under common control of AVIC before and after the business combinations, the Company applied the principles of merger accounting in preparing this Condensed Financial Information of the Group.

By applying the principles of merger accounting, this Condensed Financial Information of the Group also includes the financial positions, results and cash flows of Shanghai Aviation and Lanzhou Aviation as if they had been combined with the Group throughout the six months ended 30th June 2009. Comparative figures as at 31st December 2008 and for the six months ended 30th June 2008 have been re-presented on the same basis.

This Condensed Financial Information of the Group includes the results of the previous automobile business of Changhe Automobile up to 30th April 2009 when Changhe Automobile distributed its entire then existing assets and liabilities to AVIC. Changhe Automotive was in a net liability position upon distribution and therefore it was recognised as a credit amounting to RMB169,010,000 to the equity of the Group during the six months period.

In accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”, the results and cash flows of the previous automobile business of Changhe Automobile have been presented as discontinued operations upon completion of the distribution as set out in note 9.

The following are reconciliations of the effects arising from the common control combination and the distribution of the entire automobile business of Changhe Automobile on the condensed consolidated balance sheet as at 31st December 2008, condensed consolidated income statement and condensed consolidated cash flow statement for the six months ended 30th June 2008.



## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(i) The condensed consolidated balance sheet as at 31st December 2008:

	Balances as previously reported RMB'000 (Audited)	Merger of Shanghai Aviation and Lanzhou Aviation RMB'000	Elimination of inter- company balances RMB'000	Balances as restated RMB'000 (Unaudited)
Total non-current assts	7,946,626	355,029	—	8,301,655
Total current assets	14,498,005	510,474	(21,240)	14,987,239
Total non-current liabilities	1,106,498	67,180	—	1,173,678
Total current liabilities	15,764,595	240,985	(21,240)	15,984,340
Total equity	5,573,538	557,338	—	6,130,876

(ii) The condensed consolidated income statement for the six months ended 30th June 2008:

	Balances as previously reported RMB'000 (Unaudited)	Merger of Shanghai Aviation and Lanzhou Aviation RMB'000	Elimination of inter-company balances RMB'000	Disposal of automobile business of Changhe Automobile RMB'000	Balances as restated RMB'000 (Unaudited)
<b>Continuing operations</b>					
Revenues	8,078,733	242,038	(50,339)	(1,216,795)	7,053,637
(Loss)/profit for the period from continuing operations	(285,786)	78,074	—	241,173	33,461
<b>Discontinued operations</b>					
Loss for the period from discontinued operations (Note 9)	—	—	—	(241,173)	(241,173)
(Loss)/profit for the period	(285,786)	78,074	—	—	(207,712)



# Notes to the Condensed Consolidated Interim Financial Information

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) The condensed consolidated cash flow statement for the six months ended 30th June 2008:

	<b>Balances as previously reported</b>	<b>Merger of Shanghai Aviation and Lanzhou Aviation</b>	<b>Balances as restated</b>
	RMB'000	RMB'000	RMB'000
	(Unaudited)		(Unaudited)
Net cash used in operating activities	(126,044)	(15,434)	(141,478)
Net cash used in investing activities	(884,781)	(6,951)	(891,732)
Net cash generated from financing activities	564,808	18,412	583,220

(b) Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new/revised standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2009:

IAS 1 (Revised)	Presentation of financial statements
IAS 23 (Revised)	Borrowing Costs
IAS 32 (Amendment)	Financial Instruments: Presentation
IAS 39 (Amendment)	Financial Instruments: Recognition and measurement
IFRS 2 (Amendment)	Share-based Payment
IFRS 7 (Amendment)	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRIC 9 (Amendment)	Reassessment of Embedded Derivatives
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation



## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Except for certain presentational changes as described below, the adoption of the above new/revised standards, amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The Condensed Financial Information has been prepared under the revised disclosure requirements.

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors that makes strategic decisions.

In addition, the IASB also published a number of amendments for existing standards effective 1st January 2009 under its annual improvement project. These amendments do not have any significant impact to the results and financial position of the Group.

In 2009, the Group early adopts IAS 27 (revised), 'Consolidated and Separate Financial Statements' and IFRS 3 (revised) 'Business Combinations' which are effective for annual periods beginning on or after 1st July 2009.

Under these revised standards, total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

There are no other impacts to the results and financial position of the Group on the adoption of IAS 27 (revised) and IFRS 3 (revised) as there are no non-common control business combinations during the six months ended 30th June 2009 and it is the Group's existing policy to record the effects of all transactions with non-controlling interests in equity if there is no change in control.



## Notes to the Condensed Consolidated Interim Financial Information

### 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.
- Automobiles - manufacturing, assembly, sales and servicing of automobiles.

Turnover consists of sales from aviation and automobile segments, which are RMB2,030,075,000 and RMB5,853,808,000 for the six months ended 30th June 2009 and RMB1,764,961,000 and RMB5,288,676,000 for the six months ended 30th June 2008 respectively.

There are no material sales between segments. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the condensed consolidated income statement.

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.

	<b>Aviation</b>	<b>Automobiles</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
<b>For the six months ended 30th June 2009</b>			
Segment revenue	2,030,075	5,853,808	7,883,883
Segment result	146,550	205,402	351,952
Depreciation and amortisation	70,551	366,227	436,778
Provision for impairments	5,581	9,051	14,632
Finance costs	52,457	71,615	124,072
Share of results of associates	8,682	1,218	9,900
Income tax expense	8,427	82,127	90,554



### 3 SEGMENT INFORMATION (continued)

	<b>Aviation</b> RMB'000 (Unaudited)	<b>Automobiles</b> RMB'000 (Unaudited)	<b>Total</b> RMB'000 (Unaudited)
<b>For the six months ended 30th June 2008</b>			
Segment revenue	1,764,961	5,288,676	7,053,637
Segment result	91,097	105,218	196,315
Depreciation and amortisation	65,264	375,832	441,096
(Reversal of provision)/provision for impairments	(2,769)	32,165	29,396
Finance costs	56,567	126,035	182,602
Share of results of associates	29,582	840	30,422
Income tax expense	24,994	154,154	179,148
<b>As at 30th June 2009</b>			
Segment assets	9,954,187	10,666,420	20,620,607
<i>including:</i>			
– Interests in associates	310,746	22,033	332,779
– Additions to non-current assets (other than financial instruments and deferred tax assets)	68,290	340,612	408,902
<b>As at 31st December 2008</b>			
Segment assets	9,977,435	12,371,845	22,349,280
<i>including:</i>			
– Interests in associates	303,749	27,219	330,968
– Additions to non-current assets (other than financial instruments and deferred tax assets)	374,698	765,773	1,140,471



# Notes to the Condensed Consolidated Interim Financial Information

## 3 SEGMENT INFORMATION (continued)

Reconciliation of segment result to profit before income tax and discontinued operations:

	For the six months ended 30th June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Segment result for reportable segments	351,952	196,315
Finance income	45,022	39,113
Corporate overheads	(35,549)	(22,819)
Profit before income tax and discontinued operations	<u>361,425</u>	<u>212,609</u>

Reconciliation of segment assets to total assets:

	30th June 2009 RMB'000 (Unaudited)	31st December 2008 RMB'000 (Unaudited)
	Segment assets for reportable segments	20,620,607
Corporate assets	959,814	939,614
Total assets	<u>21,580,421</u>	<u>23,288,894</u>



#### 4 OTHER INCOME

	For the six months ended 30th June	
	2009	2008
	RMB'000	RMB'000 (Restated)
Rental income	5,025	6,810
Income from government grants	3,737	150
Amortisation of deferred income relating to government grants	7,942	7,741
Profit from sale of scrap materials	1,253	4,018
Income from rendering of other services	593	1,976
Dividend income from available-for-sale financial assets	715	303
	<u>19,265</u>	<u>20,998</u>

#### 5 OTHER GAINS, NET

	For the six months ended 30th June	
	2009	2008
	RMB'000	RMB'000 (Restated)
Fair value loss on financial assets at fair value through profit or loss	(141)	(3,244)
Gain/(loss) on disposal of:		
- Property, plant and equipment	2,450	(2,007)
- Associates	—	(3)
- Available-for-sale financial assets	12,753	42,775
- Financial assets held for trading	11,687	(5,427)
	<u>26,749</u>	<u>32,094</u>





## Notes to the Condensed Consolidated Interim Financial Information

### 6 EXPENSES BY NATURE

	For the six months ended 30th June	
	2009 RMB'000	2008 RMB'000 (Restated)
Advertising costs	64,295	54,572
Amortisation:		
– Land use rights	6,643	5,675
– Intangible assets	3,262	26,785
Auditors' remuneration	3,145	3,261
Changes in inventories of finished goods and work-in-progress	(97,069)	(71,569)
Contract costs incurred	934,169	561,474
Depreciation:		
– Property, plant and equipment	426,058	407,739
– Investment properties	815	897
Fuel	222,301	205,893
Insurance	5,859	6,137
Operating lease rentals	9,386	18,928
Provision/(reversal of provision) for impairment:		
– Available-for-sale financial assets	9,075	—
– Inventories	(859)	9,969
– Receivables	6,416	19,427
Raw materials and consumables used	4,505,595	4,354,914
Repairs and maintenance expense	80,908	92,632
Research expenditures and development costs	148,369	78,111
Staff costs	565,980	509,272
Sub-contracting charges	68,512	82,232
Sundries	230,847	146,596
Transportation expenses	158,273	159,672
Travelling	20,633	20,951
Warranty expenses	126,709	87,485
Total cost of sales, selling and distribution expenses, and general and administrative expenses	<b>7,499,322</b>	<b>6,781,053</b>



## 7 FINANCE COSTS, NET

	For the six months ended 30th June	
	2009 RMB'000	2008 RMB'000 (Restated)
Finance income:		
Interest income on bank balances and deposits	45,022	39,113
Finance costs:		
Interest expense on bank borrowings		
- Wholly repayable within 5 years	138,986	179,242
- Not wholly repayable within 5 years	7,702	11,898
Interest expense on other borrowings		
- Not wholly repayable within 5 years	—	48
	146,688	191,188
Less: Amount capitalised in property, plant and equipment	(8,806)	(13,126)
Government interest subsidies	(12,193)	(5,873)
	125,689	172,189
Exchange (gains)/losses	(5,000)	3,124
Other finance costs	3,383	7,289
	124,072	182,602
	79,050	143,489



## 8 INCOME TAX EXPENSE

	For the six months ended 30th June	
	2009 RMB'000	2008 RMB'000 (Restated)
PRC enterprise income tax	89,794	125,223
Deferred income taxes	760	53,925
	<u>90,554</u>	<u>179,148</u>

Except for certain subsidiaries which are taxed at a preferential rate of 15% (2008: 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% (2008: 25%) on the assessable income of the companies within the Group.



## 9 DISCONTINUED OPERATIONS

On 30th April 2009, the Group distributed its entire automobile business of Changhe Automobile to AVIC (Note 2(a)). The losses of the disposed business for the six months ended 30th June 2008 and for the four months ended 30th April 2009 amounted to approximately RMB241,173,000 and RMB46,231,000, respectively, have been presented as loss from discontinued operations of the Group.

The results of the discontinued operations were as follows:

	<b>For the four months ended 30th April 2009 RMB'000</b>	For the six months ended 30th June 2008 RMB'000
Revenue	1,111,651	1,216,795
Expenses	<u>(1,157,734)</u>	<u>(1,458,835)</u>
Loss before income tax	<b>(46,083)</b>	(242,040)
Income tax (expense)/credit	<u>(148)</u>	<u>867</u>
Loss from discontinued operations	<b><u>(46,231)</u></b>	<b><u>(241,173)</u></b>

The cash flows of the discontinued operations were as follows:

	<b>For the four months ended 30th April 2009 RMB'000</b>	For the six months ended 30th June 2008 RMB'000
Net cash generated from/(used in) operating activities	156,349	(15,973)
Net cash used in investing activities	<b>(44,827)</b>	(30,826)
Net cash generated from/(used in) financing activities	<u>964</u>	<u>(50,007)</u>
Net cash inflows/(outflows)	<b><u>112,486</u></b>	<b><u>(96,806)</u></b>



## Notes to the Condensed Consolidated Interim Financial Information

### 10 DIVIDENDS

The Board of Directors of the Company does not recommend the payment of any interim dividend for the six months ended 30th June 2009 (six months ended 30th June 2008: Nil).

### 11 EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30th June	
	2009	2008
	RMB'000	RMB'000 (Restated)
Profit/(loss) attributable to equity holders of the Company from		
- continuing operations	6,796	(300,698)
- discontinued operations	(27,239)	(153,830)
	<u>(20,443)</u>	<u>(454,528)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>4,643,609</u>	<u>4,643,609</u>

There was no dilution effect on the basic earnings/(loss) per share for the six months ended 30th June 2008 and 2009 as there were no potential dilutive shares outstanding during the six months ended 30th June 2008 and 2009.



## 12 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, LAND USE RIGHTS AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets (note) RMB'000	Total RMB'000
<b>Cost</b>					
As at 1st January 2009, as restated	13,454,175	55,495	337,185	645,315	14,492,170
Additions	399,880	—	895	8,127	408,902
Disposals	(59,674)	—	—	—	(59,674)
Distribution of automobile business (Note 2(a))	(2,436,612)	—	(19,142)	(32,983)	(2,488,737)
As at 30th June 2009	11,357,769	55,495	318,938	620,459	12,352,661
<b>Accumulated depreciation/amortisation and impairment</b>					
As at 1st January 2009, as restated	6,388,365	5,960	53,257	404,501	6,852,083
Depreciation/amortisation	485,147	815	6,868	4,912	497,742
Disposals	(29,255)	—	—	—	(29,255)
Distribution of automobile business (Note 2(a))	(1,132,303)	—	(1,627)	(11,470)	(1,145,400)
As at 30th June 2009	5,711,954	6,775	58,498	397,943	6,175,170
<b>Net book value</b>					
As at 30th June 2009	5,645,815	48,720	260,440	222,516	6,177,491



**12 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, LAND USE RIGHTS AND INTANGIBLE ASSETS** (continued)

	Property, plant and equipment RMB'000 (Restated)	Investment properties RMB'000 (Restated)	Land use rights RMB'000 (Restated)	Intangible assets (note) RMB'000 (Restated)	Total RMB'000 (Restated)
<b>Cost</b>					
As at 1st January 2008	12,883,761	60,960	220,576	815,362	13,980,659
Additions	556,176	—	103,290	2,483	661,949
Disposals	(131,407)	(5,465)	—	—	(136,872)
As at 30th June 2008	<u>13,308,530</u>	<u>55,495</u>	<u>323,866</u>	<u>817,845</u>	<u>14,505,736</u>
<b>Accumulated depreciation/amortisation and impairment</b>					
As at 1st January 2008	5,384,782	5,581	40,925	482,998	5,914,286
Depreciation/amortisation	516,750	897	5,871	28,761	552,279
Impairment	25,500	—	—	—	25,500
Disposals	(23,527)	(1,416)	—	—	(24,943)
As at 30th June 2008	<u>5,903,505</u>	<u>5,062</u>	<u>46,796</u>	<u>511,759</u>	<u>6,467,122</u>
<b>Net book value</b>					
As at 30th June 2008	<u>7,405,025</u>	<u>50,433</u>	<u>277,070</u>	<u>306,086</u>	<u>8,038,614</u>

Note:

Intangible assets principally represent development costs capitalised in accordance with the Group's accounting policies.



### 13 ACCOUNTS RECEIVABLE

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
Trade receivables, gross (note (a))		
– Related parties (note (b))	<b>1,653,276</b>	1,824,538
– Third parties	<b>884,839</b>	1,081,871
	<b>2,538,115</b>	2,906,409
Less: Provision for impairment of receivables	<b>(187,501)</b>	(217,284)
	<b>2,350,614</b>	2,689,125
Notes receivable (note (c))		
– Related parties (Note 20(b))	<b>234,099</b>	548,415
– Third parties	<b>683,742</b>	672,656
	<b>917,841</b>	1,221,071
	<b>3,268,455</b>	3,910,196





# Notes to the Condensed Consolidated Interim Financial Information

## 13 ACCOUNTS RECEIVABLE (continued)

Notes:

- (a) Certain of the Group's sales were on advance 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. Ageing analysis of trade receivables is as follows:

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
Current to 1 year	<b>2,283,530</b>	2,649,567
1 year to 2 years	<b>68,520</b>	48,750
2 years to 3 years	<b>12,521</b>	11,643
Over 3 years	<b>173,544</b>	196,449
	<b>2,538,115</b>	2,906,409

- (b) Trade receivables from related parties are unsecured, non-interest bearing and are repayable in accordance with the relevant trading terms. Details of the balances with these related parties are disclosed in Note 20(b).
- (c) Substantially all of the notes receivable are bank acceptance notes with average maturity period of within six months.
- (d) Substantially all of the accounts receivable are denominated in RMB and the carrying amounts of accounts receivable approximate their fair values.

## 14 OTHER RECEIVABLES AND PREPAYMENTS

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
Amounts due from customers for contract work	<b>581,111</b>	367,843
Other advances from related parties (note)	<b>485,046</b>	341,807
Other receivables	<b>291,789</b>	295,973
Prepayments and deposits	<b>62,578</b>	73,098
Other current assets	<b>79,727</b>	117,321
	<b>1,500,251</b>	1,196,042

Note:

Other advances mainly represent current account balances with the respective related parties which are unsecured, non-interest bearing and are repayable on demand. Details of the balances with these related parties are disclosed in Note 20(b).



## 15 ACCOUNTS PAYABLE

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
Trade payables (note (a))		
– Related parties (note (b))	<b>998,545</b>	1,324,370
– Third parties	<b>3,669,951</b>	4,124,405
	<b>4,668,496</b>	5,448,775
Notes payable (note (c))		
– Related parties (Note 20(b))	<b>349,290</b>	739,883
– Third parties	<b>971,641</b>	1,073,417
	<b>1,320,931</b>	1,813,300
	<b>5,989,427</b>	7,262,075

Notes:

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

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
Current to 1 year	<b>3,966,256</b>	4,937,086
1 year to 2 years	<b>617,584</b>	452,813
2 years to 3 years	<b>33,552</b>	6,281
Over 3 years	<b>51,104</b>	52,595
	<b>4,668,496</b>	5,448,775

(b) Trade payables to related parties are unsecured, non-interest bearing and will be settled in accordance with the relevant trading terms. Details of the balances with these related parties are disclosed in Note 20(b).

(c) Substantially all of the notes payable are bank acceptance notes with average maturity period of within six months. As at 30th June 2009, notes payable of RMB968,606,000 (31st December 2008: RMB1,460,105,000) were secured by pledged deposits to the extent of RMB407,408,000 (31st December 2008: RMB536,605,000).

(d) The carrying amounts of accounts payable approximate their fair values.



## 16 OTHER PAYABLES AND ACCRUALS

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
Payable for property, plant and equipment		
– Fellow subsidiaries (note (a))	<b>37,533</b>	6,992
– Others	<b>164,448</b>	117,801
Wages, salaries and bonuses payables	<b>244,299</b>	303,481
Accrued expenses	<b>277,677</b>	330,951
Deferred income from government grants	<b>211,721</b>	85,457
Consumption tax, business tax and other taxes payable	<b>47,971</b>	30,625
Other advances (note (b))		
– Fellow subsidiaries	<b>155,357</b>	303,144
– Other related parties	<b>15,273</b>	19,356
Other current liabilities	<b>357,413</b>	273,719
	<b>1,511,692</b>	1,471,526

Notes:

- (a) Payable for property, plant and equipment is unsecured, non-interest bearing and will be settled in accordance with the relevant trading terms.
- (b) Other advances mainly represent current account balances with the respective related parties which are unsecured, non-interest bearing and are repayable on demand.

Details of the balances with these related parties are disclosed in Note 20(b).



## 17 AMOUNTS PAYABLE TO ULTIMATE HOLDING COMPANY

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
Supplementary pension subsidies	<b>314,298</b>	464,298
One-off housing benefit	<b>56,226</b>	56,226
	<b>370,524</b>	520,524

Note:

The amounts represent supplementary pension and housing subsidies payable to certain of the Group's former employees assumed by the ultimate holding company pursuant to the Reorganisation and upon the establishment of the Company. The Group is not obliged to any further liabilities to these former employees thereafter. These amounts due to ultimate holding company are unsecured, non-interest bearing and with no fixed repayment terms.



# Notes to the Condensed Consolidated Interim Financial Information

## 18 BORROWINGS

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
<b>Short-term borrowings</b>		
Bank borrowings		
– Secured (note (h))	<b>2,682,870</b>	3,423,774
– Unsecured	<b>1,261,940</b>	1,091,630
	<b>3,944,810</b>	4,515,404
Other short-term borrowings		
– Secured (notes (c)(i) and (h))	<b>100,000</b>	100,000
– Unsecured (note (c)(ii))	<b>28,000</b>	338,000
	<b>4,072,810</b>	4,953,404
Current portion of long-term borrowings	<b>303,000</b>	728,000
	<b>4,375,810</b>	5,681,404
<b>Long-term borrowings</b>		
Bank borrowings		
– Secured (note (h))	<b>1,550,855</b>	1,457,390
– Unsecured	<b>—</b>	60,000
	<b>1,550,855</b>	1,517,390
Other long-term borrowings		
– Secured (note (h))	<b>—</b>	9,301
– Unsecured (note (d))	<b>150,000</b>	150,000
	<b>150,000</b>	159,301
	<b>1,700,855</b>	1,676,691
Less: Current portion of long-term borrowings	<b>(303,000)</b>	(728,000)
	<b>1,397,855</b>	948,691
<b>Total borrowings</b>	<b>5,773,665</b>	6,630,095



## 18 BORROWINGS (continued)

Notes:

(a) The long-term borrowings are analysed as follows:

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
Wholly repayable within five years		
– Bank borrowings	1,223,000	1,231,500
– Other borrowings	150,000	150,000
	<u>1,373,000</u>	<u>1,381,500</u>
Not wholly repayable within five years		
– Bank borrowings	327,855	285,890
– Other borrowings	—	9,301
	<u>327,855</u>	<u>295,191</u>
	<u><u>1,700,855</u></u>	<u><u>1,676,691</u></u>

(b) The long-term borrowings are repayable as follows:

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
Bank borrowings:		
– Within one year	153,000	578,000
– In the second year	473,000	374,500
– In the third to fifth years	597,000	279,000
– After the fifth years	327,855	285,890
	<u>1,550,855</u>	<u>1,517,390</u>
Other borrowings:		
– Within one year	150,000	150,000
– After the fifth year	—	9,301
	<u>150,000</u>	<u>159,301</u>
	<u><u>1,700,855</u></u>	<u><u>1,676,691</u></u>



# Notes to the Condensed Consolidated Interim Financial Information

## 18 BORROWINGS (continued)

Notes: (continued)

- (c) (i) As at 30th June 2009 and 31st December 2008, other short-term secured borrowings represented a loan granted by a fellow subsidiary of the Group which bears interest at 5.045% per annum and is repayable in full in 2009;
- (ii) As at 30th June 2009, other short-term unsecured borrowings represented:
- a loan of RMB18,000,000 (31st December 2008: RMB18,000,000) granted by a fellow subsidiary of the Group which bears interest at 4.78% per annum and are repayable in full in 2010; and
  - a loan of RMB10,000,000 (31st December 2008: RMB10,000,000) granted by Shenzhen Finance Bureau to a subsidiary of the Group which is non-interest bearing and is repayable on demand.

(d) Other long-term borrowings

Other long-term unsecured borrowings represent a loan granted by Shenzhen Finance Bureau to a subsidiary of the Group which is non-interest bearing and is repayable on demand.

(e) The annual effective interest rates of long-term and short-term borrowings at balance sheet date were as follows:

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
Weighted average effective interest rates		
- Bank borrowings	<b>4.93%</b>	6.13%
- Other borrowings	<b>2.23%</b>	3.24%

(f) The carrying amounts of long-term and short-term borrowings are denominated in the following currencies:

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
Currency		
Renminbi	<b>5,687,560</b>	6,343,099
United States Dollar	<b>8,965</b>	139,751
Euro	—	48,295
Others	<b>77,140</b>	98,950
	<b>5,773,665</b>	6,630,095



## 18 BORROWINGS (continued)

Notes: (continued)

(g) The carrying amount and fair value of non-current portion of long-term borrowings are as follows:

	Carrying amount		Fair value	
	30th June 2009 RMB'000	31st December 2008 RMB'000 (Restated)	30th June 2009 RMB'000	31st December 2008 RMB'000 (Restated)
Bank borrowings	1,397,855	939,390	1,360,213	932,790
Other borrowings	—	9,301	—	5,582
	<u>1,397,855</u>	<u>948,691</u>	<u>1,360,213</u>	<u>938,372</u>

The fair values are based on discounted cash flows using applicable discount rates based upon the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics as at the balance sheet dates. Such discount rates ranged from 5.40% to 5.94% as at 30th June 2009 (31st December 2008: 5.40% to 5.94%), depending on the type of the debt.

(h) The Group's long-term and short-term borrowings are secured as follows:

	30th June 2009 RMB'000	31st December 2008 RMB'000 (Restated)
Securities over the Group's assets, at carrying value:		
– Property, plant and equipment, at net book value	<u>265,246</u>	<u>507,134</u>
Guarantees provided by:		
– Related parties (Note 20(c))	<u>1,412,855</u>	<u>2,001,345</u>
– Subsidiaries within the Group (cross guarantees)	<u>2,620,870</u>	<u>2,788,120</u>





## Notes to the Condensed Consolidated Interim Financial Information

### 19 CAPITAL COMMITMENTS

The Group had the following capital commitments not provided for as at 30th June 2009:

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
Acquisition of property, plant and equipment:		
– Authorised but not contracted for	<b>175,414</b>	998,476
– Contracted but not provided for	<b>546,180</b>	313,690
	<b>721,594</b>	1,312,166
Construction commitments:		
– Authorised but not contracted for	<b>9,500</b>	30,000
– Contracted but not provided for	<b>48,533</b>	13,012
	<b>58,033</b>	43,012
Investment in an associate:		
– Contracted but not provided for	<b>230,957</b>	34,000
	<b>1,010,584</b>	1,389,178

### 20 SIGNIFICANT RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions in addition to the related party information shown elsewhere in the Condensed Financial Information. Management of the Group are of the opinion that meaningful information relating to related party disclosures has been adequately disclosed.



## 20 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

### (a) Significant transactions with related parties:

	For the six months ended 30th June	
	2009 RMB'000	2008 RMB'000 (Restated)
<b>Income:</b>		
Revenue from sale of goods and materials		
– Fellow subsidiaries	1,588,649	1,612,277
– Other related parties	—	78,248
– Other state-owned enterprises	335,739	631,053
Rendering of services		
– Fellow subsidiaries	40,903	10,714
– Other state-owned enterprises	1,148	1,008
<b>Expenses:</b>		
Purchase of goods and raw materials		
– Fellow subsidiaries	1,254,910	885,907
– Other related parties	60,734	126,092
– Other state-owned enterprises	202,417	912,129
Service fees payable		
– Fellow subsidiaries	13,684	75,397
– Other related parties	—	11,257
– Other state-owned enterprises	—	29,027
Rental expenses		
– Fellow subsidiaries	8,341	9,196
Interest expense		
– Other state-owned enterprises	128,736	163,128
Key management compensations		
– Salaries, bonuses and other welfares	1,387	1,315

In the opinion of the directors of the Company, the above transactions were carried out in the ordinary course of the Group's business and were determined based on mutually agreed terms.



# Notes to the Condensed Consolidated Interim Financial Information

## 20 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

### (b) Significant balances with related parties:

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
<b>Assets:</b>		
Trade receivables		
– Fellow subsidiaries	<b>1,601,871</b>	1,486,269
– A jointly controlled entity	—	266,370
– Other related parties	<b>15,586</b>	862
– Other state-owned enterprises	<b>35,819</b>	71,037
Notes receivable		
– Fellow subsidiaries	<b>234,099</b>	548,415
Advance to suppliers		
– Fellow subsidiaries	<b>163,478</b>	72,073
– A jointly controlled entity	—	904
– Other related parties	<b>2,422</b>	14,283
– Other state-owned enterprises	<b>13,096</b>	258
Other receivables and prepayments		
– Ultimate holding company	<b>13,304</b>	13,322
– Fellow subsidiaries	<b>350,469</b>	189,812
– A jointly controlled entity	—	50,028
– Other related parties	<b>118,373</b>	18,084
– Other state-owned enterprises	<b>2,900</b>	70,561
Pledged deposits		
– Other state-owned enterprises	<b>407,408</b>	536,605
Term deposits with initial term of over three months		
– Other state-owned enterprises	<b>1,710,891</b>	1,159,062
Cash and cash equivalents deposited with		
– Other state-owned enterprises	<b>2,278,854</b>	2,349,289



## 20 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

### (b) Significant balances with related parties: (continued)

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
<b>Liabilities:</b>		
Trade payable		
– Fellow subsidiaries	<b>640,501</b>	937,953
– A jointly controlled entity	—	17,565
– Other related parties	<b>15,371</b>	15,523
– Other state-owned enterprises	<b>342,673</b>	353,329
Notes payable		
– Fellow subsidiaries	<b>313,674</b>	470,726
– Other state-owned enterprises	<b>35,616</b>	269,157
Advance from customers		
– Fellow subsidiaries	<b>518,858</b>	359,672
– Other state-owned enterprises	<b>10,518</b>	22,253
Other payables and accruals		
– Ultimate holding company	<b>7,361</b>	2,940
– Fellow subsidiaries	<b>192,890</b>	310,136
– Other related parties	<b>5,867</b>	16,073
– Other state-owned enterprises	<b>2,045</b>	343
Amounts payable to ultimate holding company	<b>370,524</b>	520,524
Bank borrowings		
– Other state-owned enterprises	<b>5,373,665</b>	5,042,641



## 20 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

### (c) Other items:

	<b>30th June 2009 RMB'000</b>	31st December 2008 RMB'000 (Restated)
Guarantees on bank loans granted to the Group from		
– Ultimate holding company	<b>1,103,890</b>	1,167,590
– Fellow subsidiaries	<b>308,965</b>	594,301
– Other related parties	<b>—</b>	239,454
	<b>1,412,855</b>	1,991,345

In addition, certain of the Group's property, plant and equipment with carrying value of approximately RMB265,246,000 at 30th June 2009 (31st December 2008: RMB617,960,000) were situated on leasehold land in the PRC which are granted by AVIC for the Group's use at no cost or have been leased from certain fellow subsidiaries under long-term leases (Note 20(a): Rental expenses).

- (d) Whilst other state-owned enterprises are related parties of the Group as defined under IAS 24, the directors are of the opinion that each party is operating independently; and the above balances are arising in the ordinary course of the Group's businesses.

## 21 SUBSEQUENT EVENTS

On 16th April 2009, the Company entered into certain share transfer agreements with AVIC Automobile Industry Co., Ltd. ("AVIC Automobile"), a wholly-owned subsidiary of AVIC, pursuant to which the Company will dispose its entire 100% equity interests in a subsidiary, Harbin Hafei Automobile Industry Group Co., Ltd. ("Hafei Automobile") and its remaining 10% equity interests in Jiangxi Changhe Suzuki Automobile Co., Ltd. to AVIC Automobile for a cash consideration of approximately RMB0.1 billion.

The proposed transaction was approved by the independent shareholders of the Company on 9th June 2009. Up to the date of this report, completion of the transaction is conditional upon, among other things, the fulfilment of several conditions including the approval by the State-Owned Assets Supervision and Administration Commission.

Hafei Automobile had total assets of approximately RMB4.8 billion as at 30 June 2009, and recorded a revenue and net loss of approximately RMB3.3 billion and RMB0.3 billion for the six months then ended. It is expected that Hafei Automobile will be in a net liability position upon disposal, therefore similar to the distribution of Changhe Automobile's automobile business as mentioned in note 2(a), it will be recognised as a credit to the equity of the Group.



## BOARD OF DIRECTORS

Chairman, Executive Director	Lin Zuoming
Vice Chairman, Executive Director	Tan Ruisong
Executive Director	Wu Xiandong
Non-Executive Director	Gu Huizhong
Non-Executive Director	Xu Zhanbin
Non-Executive Director	Geng Ruguang
Non-Executive Director	Zhang Xinguo
Non-Executive Director	Gao Jianshe
Non-Executive Director	Li Fangyong
Non-Executive Director	Chen Yuanxian
Non-Executive Director	Wang Yong
Non-Executive Director	Maurice Savart
Independent Non-Executive Director	Guo Chongqing
Independent Non-Executive Director	Li Xianzong
Independent Non-Executive Director	Lau Chung Man, Louis

## SUPERVISORY COMMITTEE

Chairman	Li Yuhai
Supervisors	Tang Jianguo
	Bai Ping
	Wang Yuming
	Yu Guanghai

## SENIOR MANAGEMENT

President	Tan Ruisong
Vice Presidents	Li Yao
	Ni Xianping
	Liu Chunhui
	Zheng Qiang
	Tian Xueying
Company Secretary	Yan Lingxi

## THE LEGAL 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:	Lin Zuoming

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 15/F, United Center, Queensway 95, Hong Kong

## AUTHORISED REPRESENTATIVE

Wu Xiandong  
Yan Lingxi

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited  
No.55 Fuxingmen nei Street, Xicheng District,  
Beijing, the PRC

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

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

Shanghai Pudong Development Bank Limited  
No.500, Pudong South Road, Pudong New District,  
Shanghai, the PRC

## PLACE OF LISTING, STOCK NAME AND STOCK CODE

Main Board of the Stock Exchange of  
Hong Kong Limited (H Shares)

Stock name: AviChina

Stock code: 2357

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