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**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 liability)*

**(Stock Code: 2357)**

**Announcement on the Annual Results for the Year Ended**

**31 December 2015;**

**Proposed Change of Non-executive Director; and**

**Change of Agent for the Service of Process in Hong Kong**

**Financial Highlights**

- Revenue of the Group for the year 2015 amounted to RMB26,408 million, representing an increase of 2.71% as compared with that in the corresponding period of the preceding year.
- Profit attributable to owners of the Company for the year 2015 amounted to RMB863 million, representing an increase of 10.50% as compared with that in the corresponding period of the preceding year.
- The Board recommended the payment of a final dividend for the year 2015 in an aggregate amount of RMB109,488,583.34, representing a dividend of RMB0.02 per share (RMB0.02 per share for the year 2014), calculated based on the existing number of the total issued shares of 5,474,429,167 shares as at the date of this announcement, subject to adjustment based on the number of total issued shares as at the Record Date.

## 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 2015, together with the comparative figures for the year 2014, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Group	
		2015 RMB'000	2014 RMB'000
REVENUE	4	26,408,437	25,710,377
Cost of sales		(20,408,071)	(20,811,590)
Gross profit		6,000,366	4,898,787
Other income and gains	4	392,250	319,351
Other expenses		(80,321)	(3,038)
Other income and gains, net		311,929	316,313
Selling and distribution expenses		(523,661)	(470,346)
Administrative expenses		(3,365,924)	(2,749,702)
OPERATING PROFIT		2,422,710	1,995,052
Finance income		220,548	233,385
Finance costs		(464,571)	(369,131)
Finance costs, net	6	(244,023)	(135,746)
Share of profits and losses of:			
A joint venture		20,789	15,792
Associates		127,451	127,921
PROFIT BEFORE TAX	5	2,326,927	2,003,019
Income tax expense	7	(389,170)	(267,298)
PROFIT FOR THE YEAR		1,937,757	1,735,721
Attributable to:			
Owners of the Company		862,537	781,298
Non-controlling interests		1,075,220	954,423
		1,937,757	1,735,721

EARNINGS PER SHARE  
ATTRIBUTABLE TO ORDINARY  
EQUITY HOLDERS OF THE COMPANY

Basic			
-For profit for the year	9	<u>RMB0.158</u>	<u>RMB0.143</u>
Diluted			
-For profit for the year	9	<u>RMB0.158</u>	<u>RMB0.143</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Group	
	2015	2014
	RMB'000	RMB'000
PROFIT FOR THE YEAR	1,937,757	1,735,721
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	557,974	218,140
Reclassification adjustments for gains included in the consolidated statement of profit or loss		
-gain on disposal	(28,992)	(47,147)
Income tax effect	(79,347)	(25,649)
	<u>449,635</u>	<u>145,344</u>
Exchange differences on translation of a foreign operation	10,413	(12,348)
	<u>460,048</u>	<u>132,996</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	460,048	132,996
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Loss on defined benefit scheme	(74,616)	-
	<u>(74,616)</u>	<u>-</u>
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	(74,616)	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	385,432	132,996
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>2,323,189</u>	<u>1,868,717</u>
Attributable to:		
Owners of the Company	1,110,071	828,213
Non-controlling interests	1,213,118	1,040,504
	<u>2,323,189</u>	<u>1,868,717</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2015**

	Note	Group	
		2015 RMB'000	2014 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		10,809,236	10,441,149
Investment properties		342,860	39,406
Land use rights		1,379,547	1,451,166
Goodwill		69,188	62,145
Other intangible assets		138,928	156,422
Investments in a joint venture		67,612	52,508
Investments in associates		838,494	823,955
Available-for-sale investments		1,949,518	1,238,288
Deferred tax assets		181,781	169,839
Prepayments, deposits and other receivables		317,514	251,851
		<hr/>	<hr/>
Total non-current assets		16,094,678	14,686,729
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		18,056,272	16,593,469
Accounts and notes receivable	10	13,235,354	10,973,833
Prepayments, deposits and other receivables		2,219,151	2,820,833
Financial assets held for trading		38,530	307
Pledged deposits		1,699,479	986,192
Term deposits with initial term of over three months		367,818	2,862,484
Cash and cash equivalents		8,938,422	5,797,986
		<hr/>	<hr/>
Total current assets		44,555,026	40,035,104
		<hr/> <hr/>	<hr/> <hr/>
<b>TOTAL ASSETS</b>		<b>60,649,704</b>	<b>54,721,833</b>
		<hr/> <hr/>	<hr/> <hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2015**

		<u>Group</u>	
	Note	2015	2014
		RMB'000	RMB'000
<b>CURRENT LIABILITIES</b>			
Accounts and notes payable	11	16,583,990	15,049,990
Other payables and accruals		9,153,487	7,844,479
Interest-bearing bank and other loans		4,621,612	5,633,359
Tax payable		252,237	193,303
		<hr/>	<hr/>
Total current liabilities		30,611,326	28,721,131
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		13,943,700	11,313,973
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		30,038,378	26,000,702
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other loans		3,233,391	1,784,728
Deferred income from government grants		849,189	831,608
Deferred tax liabilities		184,504	51,682
Other payables and accruals		12,240	31,325
		<hr/>	<hr/>
Total non-current liabilities		4,279,324	2,699,343
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		34,890,650	31,420,474
		<hr/> <hr/>	<hr/> <hr/>
Net assets		25,759,054	23,301,359
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		5,474,429	5,474,429
Reserves		6,526,575	5,341,005
		<hr/>	<hr/>
		12,001,004	10,815,434
		<hr/>	<hr/>
Non-controlling interests		13,758,050	12,485,925
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		25,759,054	23,301,359
		<hr/> <hr/>	<hr/> <hr/>

## **SCOPE OF WORK OF ERNST & YOUNG**

The financial information in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 CORPORATE AND GROUP INFORMATION**

AviChina Industry & Technology Company Limited 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, and as a result AVIC became the holding company of the Company thereafter. 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.

During the year, the Company and its subsidiaries (the "Group") were principally involved in the research, development, manufacture and sale of aviation products.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is AVIC, which is a state-owned enterprise under control of the State Council of the PRC government.

#### **2.1 BASIS OF PREPARATION**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for available-for-sale investments and financial assets held for trading which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

*Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*  
*Annual Improvements 2010-2012 Cycle*  
*Annual Improvements 2011-2013 Cycle*

The adoption of the above revised standard has had no significant financial effect on the financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap.622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

## 2.3 ISSUED BUT NOT EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements.

IFRS 9	<i>Financial Instruments</i> <sup>3</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>6</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the consolidation Exception</i> <sup>1</sup>
Amendments to IFRS 11	<i>Joint Arrangements: Accounting for Acquisitions of Interests</i> <sup>1</sup>
IFRS 14	<i>Regulatory Deferral Accounts</i> <sup>5</sup>
IFRS 15	<i>Revenue from Contracts with Customers</i> <sup>3</sup>
IFRS 16	<i>Leases</i> <sup>4</sup>
Amendments to IAS 1	<i>Disclosure Initiative</i> <sup>1</sup>
Amendments to IAS 7	<i>Disclosure Initiative</i> <sup>2</sup>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unreleased Losses</i> <sup>2</sup>



Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation<sup>1</sup></i>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants<sup>1</sup></i>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements<sup>1</sup></i>
Annual Improvements 2012-2014 Cycle	<i>Amendments to a number of IFRSs<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>5</sup> Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

<sup>6</sup> No mandatory effective date yet determined

The Group is in the process of determining whether these new and revised IFRSs will have any material impact on the Group's results of operations and financial position.

### **3 OPERATING SEGMENT INFORMATION**

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

The Executive Directors classify the business into two reportable segments:

- Manufacturing, assembly, sales and servicing of helicopters, trainers and other aircraft ( "Aviation entire aircraft" ).
- Manufacturing and sales of aviation parts and components ( "Aviation parts & components" ).

The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statement. Segment results are defined based on profit before income tax excluding interest income, dividend income and unallocated gains, finance costs and corporate and other unallocated expenses.

### 3 OPERATING SEGMENT INFORMATION (continued)

<b>Year ended 31 December 2015</b>	Aviation entire aircraft RMB'000	Aviation parts& components RMB'000	Total RMB'000
<b>Segment Revenue:</b>			
Sales to external customer	11,573,420	14,835,017	26,408,437
intersegment sales	-	1,707,144	1,707,144
	-----	-----	-----
	11,573,420	16,542,161	28,115,581
<u>Reconciliation:</u>			
Elimination of intersegment operations			(1,707,144)
			-----
Revenue			26,408,437
			=====
<b>Segment results</b>	563,370	1,847,833	2,411,203
<u>Reconciliation:</u>			
Interest income			220,548
Dividend income and unallocated gains			202,118
Corporate and other unallocated expenses			(42,371)
Finance costs			(464,571)
			-----
Profit before tax			2,326,927
			=====
<b>Segment assets</b>	31,108,056	30,645,284	61,753,340
<u>Reconciliation:</u>			
Elimination of intersegment receivables			(1,103,636)
			-----
Total assets			60,649,704
			=====
<b>Segment liabilities</b>	19,161,470	16,832,816	35,994,286
<u>Reconciliation:</u>			
Elimination of intersegment payables			(1,103,636)
			-----
Total liabilities			34,890,650
			=====

**Other segment information:**

Share of profit and losses of :

A joint venture	-	20,789	20,789
Associates	(445)	127,896	127,451
Impairment losses recognized in the statement of profit or loss	147,183	122,440	269,623
Other non-cash expenses	272,211	124,714	396,925
Depreciation and amortisation	319,680	600,333	920,013
Investments in associates	493,900	344,594	838,494
Investments in a joint venture	-	67,612	67,612
Capital expenditure*	643,602	1,035,419	1,679,021

\*Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of a subsidiary.

### 3 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014	Aviation entire aircraft RMB'000	Aviation parts & components RMB'000	Total RMB'000
<b>Segment Revenue:</b>			
Sales to external customer	11,274,859	14,435,518	25,710,377
intersegment sales	-	1,411,529	1,411,529
	<hr/>	<hr/>	<hr/>
	11,274,859	15,847,047	27,121,906
<u>Reconciliation:</u>			
Elimination of intersegment operations			(1,411,529)
			<hr/>
Revenue			25,710,377
			<hr/> <hr/>
<b>Segment results</b>	368,378	1,680,301	2,048,679
<u>Reconciliation:</u>			
Interest income			233,385
Dividend income and unallocated gains			135,746
Corporate and other unallocated expenses			(45,660)
Finance costs			(369,131)
			<hr/>
Profit before tax			2,003,019
			<hr/> <hr/>
<b>Segment assets</b>	28,398,538	27,145,113	55,543,651
<u>Reconciliation:</u>			
Elimination of intersegment receivables			(821,818)
			<hr/>
Total assets			54,721,833
			<hr/> <hr/>
<b>Segment liabilities</b>	17,512,665	14,729,627	32,242,292
<u>Reconciliation:</u>			
Elimination of intersegment payables			(821,818)
			<hr/>
Total liabilities			31,420,474
			<hr/> <hr/>

**Other segment information:**

Share of profit and losses of :

A joint venture	-	15,972	15,972
Associates	(10,241)	138,162	127,921
Impairment losses recognized in the statement of profit or loss	25,847	103,792	129,639
Other non-cash expenses	22,972	190,754	213,726
Depreciation and amortisation	355,732	463,781	819,513
Investments in associates	554,325	269,630	823,955
Investments in a joint venture	-	52,508	52,508
Capital expenditure*	1,072,635	1,108,252	2,180,887

\*Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of a subsidiary.

#### 4 REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	2015 RMB'000	2014 RMB'000
<u>Revenue</u>		
Sale of goods	25,827,489	25,198,837
Rendering of services	580,948	511,540
	<u>26,408,437</u>	<u>25,710,377</u>
<u>Other income</u>		
Income from sale of materials	292,408	259,271
Cost from sale of materials	(265,409)	(202,976)
Profit from sale of materials	26,999	56,295
Income from rendering of maintenance and other services	99,775	4,278
Dividend income	28,333	39,990
Net rental income	9,243	12,562
	<u>164,350</u>	<u>113,125</u>
<u>Gains</u>		
Gain on disposal of		
Available-for-sale financial assets	185,778	92,033
Interests in associates	-	25,615
Financial assets held for trading	6,425	5,197
A subsidiary	7,368	-
Investment properties	-	83,321
Others	28,329	60
	<u>392,250</u>	<u>319,351</u>
Other income and gains	<u>26,800,687</u>	<u>26,029,728</u>

## 5 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2015 RMB'000	2014 RMB'000
Cost of inventories sold	19,815,410	20,222,334
Cost of services provided	504,455	537,694
Depreciation		
Investment properties	2,937	881
Property, plant and equipment	863,478	762,580
Less: Amortisation of deferred income from government grants	<u>(39,691)</u>	<u>(37,050)</u>
	826,724	726,411
Amortisation		
Land use right	26,136	33,845
Intangible assets	27,462	22,207
Research and development costs		
Current year expenditure	1,944,823	1,807,277
Less: Government grants released*	<u>(663,514)</u>	<u>(826,131)</u>
	1,281,309	981,146
Auditors' remuneration	9,823	10,368
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages, salaries, housing benefits and other allowances	3,143,058	2,978,951
Share-based payment expense	1,429	8,072
Pension scheme contributions	480,549	441,704
Foreign exchange differences, net	(7,398)	6,924
Impairment of		
An investment in associate	467	-
Available-for-sale investments	10,153	-
Accounts and notes receivables and prepayments, deposits and other receivables	118,206	43,509
Property, plant and equipment	12,899	-
Write-down of inventories to net realizable value	127,898	86,130

\*Various government grants have been received for setting up research activities in Mainland China. The government grants received have been deducted from the research and development costs to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

## 6 FINANCE COSTS, NET

	2015 RMB'000	2014 RMB'000
Finance income:		
Bank interest income	209,047	222,808
Other interest income	11,501	10,577
	<u>220,548</u>	<u>233,385</u>
Finance costs:		
Interest on bank loans and other loans	432,972	391,439
Interest on finance leases	368	474
Total interest expense	<u>433,340</u>	<u>391,913</u>
Less: Interest capitalized	(32,480)	(39,525)
Other financial costs:	63,711	16,743
	<u>464,571</u>	<u>369,131</u>
Finance costs, net	<u>(244,023)</u>	<u>(135,746)</u>



## 7 INCOME TAX

Except for certain subsidiaries which are taxed at a preferential rate of 15% (2014:15%), 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% (2014: 25%) on the assessable income of respective entities in the Group.

	2015 RMB'000	2014 RMB'000
Current income tax	381,389	266,162
Deferred income tax	7,781	1,136
Total tax charge for the year	<u>389,170</u>	<u>267,298</u>

The reconciliation between the Group's actual tax charge and the amount which is calculated based on the statutory tax rate of 25% in the PRC is as follows:

	2015 RMB'000	2014 RMB'000
Profit before tax	2,326,927	2,003,019
Tax at the statutory tax rate of 25%	581,732	500,755
Lower tax rate(s) for specific provinces or enacted by local authority	(199,081)	(229,085)
Profits and losses attributable to a joint venture and associates	(36,181)	(35,928)
Income not subject to tax	(17,871)	(9,995)
Expenses not deductible for tax	41,849	17,691
Tax losses utilized from previous periods	(392)	(2,851)
Tax losses not recognized	12,252	26,711
Others	6,862	-
Tax charge at the Group's effective rate	<u>389,170</u>	<u>267,298</u>

## 8 DIVIDENDS

	2015	2014
	RMB'000	RMB'000
Proposed:		
Final dividend, proposed of RMB0.02 (2014: RMB0.02) per share	109,489	109,489

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the following annual general meeting.

## 9 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 5,471,565,545 (2014: 5,459,988,425) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2015	2014
	RMB'000	RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	862,537	781,298
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (thousands)	5,471,566	5,459,988
Potential dilutive effect arising from restricted shares (thousands)	1,672	7,084
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation (thousands)	5,473,238	5,467,072

## 10 ACCOUNTS AND NOTES RECEIVABLE

	31 December 2015	31 December 2014
	RMB'000	RMB'000
Accounts receivable		
– Ultimate holding company	5,519	-
– Fellow subsidiaries	6,121,898	4,748,990
– A joint venture	94	164
– Associates	36,395	3,886
– Other related party	2,766	-
– Others	4,823,554	4,168,716
	<hr/>	<hr/>
Accounts receivable, gross	10,990,226	8,921,756
Provision for impairment	(416,321)	(290,650)
	<hr/>	<hr/>
Accounts receivable, net	10,573,905	8,631,106
Notes receivable		
– Fellow subsidiaries	1,442,568	1,421,873
– A joint venture	950	-
– Others	1,217,931	920,854
	<hr/>	<hr/>
	2,661,449	2,342,727
Accounts and notes receivable	<u>13,235,354</u>	<u>10,973,833</u>

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 to twelve 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. Accounts and notes receivable from those related parties are unsecured, non-interest bearing and are repayable in accordance with the relevant trading terms.

An aged analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	31 December 2015	31 December 2014
	RMB'000	RMB'000
Within 1 year	9,213,029	7,739,696
1 to 2 years	1,126,865	653,375
2 to 3 years	152,115	191,730
Over 3 years	81,896	46,305
	<hr/>	<hr/>
	<u>10,573,905</u>	<u>8,631,106</u>

## 11 ACCOUNTS AND NOTES PAYABLE

	31 December 2015 RMB'000	31 December 2014 RMB'000
Accounts payable (Note (a))		
-Ultimate holding company	341	-
-Fellow subsidiaries	4,465,632	2,495,861
-A joint venture	12,231	-
-Associates	6,664	-
-Others	7,086,812	7,894,358
	<u>11,571,680</u>	<u>10,390,219</u>
Notes payable (Note (b))		
-Fellow subsidiaries	2,404,922	2,649,640
-A joint venture	12,247	-
-Others	2,595,141	2,010,131
	<u>5,012,310</u>	<u>4,659,771</u>
	<u>16,583,990</u>	<u>15,049,990</u>

Notes:

(a) An aging analysis of the accounts payable as at 31 December 2014 and 2015, based on the invoice date, is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within 1 year	9,238,832	9,124,298
1 to 2 years	1,798,188	879,629
2 to 3 years	315,312	214,708
Over 3 years	219,348	171,584
	<u>11,571,680</u>	<u>10,390,219</u>

The accounts payable are non-interest-bearing and are normally settled within 0 to 6 months.

(b) The notes payable are with average maturity period of within six months. As at 31 December 2015, notes payable of RMB3,262,196,438 (31 December 2014: RMB2,938,413,170) were secured by pledged deposits to the extent of RMB1,671,851,283 (31 December 2014: RMB968,604,659).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the year ended 31 December 2015, the Group recorded a revenue of RMB26,408 million, representing an increase of 2.71% as compared with that of RMB25,710 million in the corresponding period of the preceding year. Profit attributable to owners of the Company amounted to RMB863 million, representing an increase of 10.50% as compared with that of RMB781 million in the corresponding period of the preceding year.

### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

#### **1 Composition of revenue**

The revenue of the Group for 2015 was RMB26,408 million, representing an increase of 2.71% as compared with a revenue of RMB25,710 million in the corresponding period of the preceding year. Both the aviation entire aircraft business and the aviation parts and components business presented growth.

The revenue of the Group's aviation entire aircraft business for 2015 amounted to RMB11,573 million, representing an increase of RMB298 million, or 2.64% as compared with that of RMB11,275 million in the corresponding period of the preceding year. Such revenue accounted for 43.82% of the total revenue, representing a decrease of 0.03 percentage point as compared with that in the corresponding period of the preceding year.

The revenue of the Group's aviation parts and components business amounted to RMB14,835 million, representing an increase of RMB400 million, or 2.77% as compared with that of RMB14,435 million in the corresponding period of the preceding year. Such revenue accounted for 56.18% of the total revenue, representing an increase of 0.03 percentage point as compared with that in the corresponding period of the preceding year.

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

#### **2. Selling and distribution expenses**

The Group's selling and distribution expenses for 2015 amounted to RMB524 million, representing an increase of RMB54 million, or 11.49% as compared with that of RMB470 million in the corresponding period of the preceding year. Such increase was mainly attributable to the increase in sales commission and after-sales service expenses. In 2015, the selling and distribution expenses accounted for 1.98% of the revenue for the year 2015, representing an increase of 0.15 percentage point as compared with that in the corresponding period of the preceding year.

### **3 Administrative expenses**

The Group's administrative expenses for 2015 amounted to RMB3,366 million, representing an increase of RMB616 million, or 22.40% as compared with that of RMB2,750 million in the corresponding period of the preceding year. This was mainly attributable to the increase in the investment in research and development and costs of certain management staff. In 2015, the administrative expenses accounted for 12.75% of the revenue, representing an increase of 2.05 percentage points as compared with that in the corresponding period of the preceding year.

### **4 Operating profit**

The operating profit of the Group for 2015 amounted to RMB2,423 million, representing an increase of RMB428 million, or 21.45% as compared with that of RMB1,995 million in the corresponding period of the preceding year. This was mainly attributable to the increase in gross profit driven by the growth of comprehensive gross profit margin as compared with that in the corresponding period of the preceding year.

### **5 Finance costs, net**

The Group's net finance costs in 2015 amounted to RMB244 million, representing an increase of RMB108 million, or 79.41% as compared with that of RMB136 million in the corresponding period of the preceding year. This was mainly influenced by factors such as the increase in bank and other loans of certain subsidiaries and discount expenses of employees defined benefit scheme during the period.

### **6 Income tax expense**

The Group's income tax expense in 2015 was RMB389 million, representing an increase of RMB122 million, or 45.69% as compared with that of RMB267 million in the corresponding period of the preceding year. This was mainly attributable to the increase in current income tax expense driven by the growth of the taxable profit.

### **7 Profit attributable to owners of the Company**

The profit attributable to owners of the Company amounted to RMB863 million in 2015, representing an increase of RMB82 million, or 10.50% as compared with that of RMB781 million in the corresponding period of the preceding year. This was mainly attributable to an increase of RMB1,102 million, or 22.49% in gross profit, which was resulted from the growth in comprehensive gross profit margin as compared with that in the corresponding period of the preceding year.

## **SEGMENT INFORMATION**

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

### **THE AVIATION ENTIRE AIRCRAFT BUSINESS**

#### **Revenue**

The Group's revenue derived from the aviation entire aircraft business for 2015 was RMB11,573 million, representing an increase of 2.64% as compared with that in the corresponding period of the preceding year. The above revenue includes: (1) the revenue derived from the helicopter business which represented almost the same helicopter sales volume as compared with last year and amounted to RMB10,588 million, representing an increase of RMB672 million, or 6.78% as compared with that in the corresponding period of the preceding year, and accounting for 91.49% of the total revenue of the aviation entire aircraft business; (2) the revenue from the trainer aircraft business which represented a decrease in the sales volume of the trainer aircraft and amounted to RMB762 million, representing a decrease of RMB189 million, or 19.87% as compared with that in the corresponding period of the preceding year, and accounting for 6.58% of the total revenue of the aviation entire aircraft business; and (3) the revenue derived from the general purpose aircraft which represented a decrease in the sales volume of general purpose aircraft and amounted to RMB223 million, representing a decrease of RMB185 million, or 45.34% as compared with that in the corresponding period of the preceding year, and accounting for 1.93% of the total revenue of the aviation entire aircraft business.

The revenue of the aviation entire aircraft business of the Group in 2015 accounted for 43.82% of the Group's total revenue, representing a decrease of 0.03 percentage point as compared with that in the corresponding period of the preceding year.

#### **Gross Profit Margin**

The gross profit margin of the Group's aviation entire aircraft business for 2015 was 12.02%, representing an increase of 3.99 percentage points as compared with that in the corresponding period of the preceding year, which was mainly due to the adjustment on the product structure and the price of certain products during the period.

## **THE AVIATION PARTS AND COMPONENTS BUSINESS**

### **Revenue**

The Group's revenue derived from the aviation parts and components business for 2015 was RMB14,835 million, representing an increase of 2.77% as compared with that in the corresponding period of the preceding year. The revenue derived from the avionics business during the reporting period amounted to RMB10,435 million, representing an increase of RMB1,509 million, or 16.91% as compared with that in the corresponding period of the preceding year and accounting for 70.34% of the total revenue of the aviation parts and components business.

The revenue derived from the aviation parts and components business for 2015 accounted for 56.18% of the Group's total revenue, representing an increase of 0.03 percentage point as compared with that in the corresponding period of the preceding year.

### **Gross Profit Margin**

The gross profit margin of the Group's aviation parts and components business for 2015 was 31.07%, representing an increase of 3.40 percentage points as compared with that in the corresponding period of the preceding year. The increase in the entire gross profit margin of aviation parts and components was mainly attributable to the increase in revenue derived from the avionics products with higher gross profit margin and its proportion in total revenue.



## **BUSINESS REVIEW AND OUTLOOK**

In 2015, due to fluctuation in the international financial market and the shrinking of global trading volume, the Chinese economy faced a larger downward pressure. Facing such complicated global environment and the arduous domestic quest for reforms and development, and guided by market demand, Aviation Industry Corporation of China (“AVIC”), the controlling shareholder of the Company, implemented the strategy of innovation-driven development. As such, its competitiveness and market influence have been continuously improved, and its comprehensive strength has been steadily enhanced. AVIC was listed in the Fortune Global 500 for the seventh consecutive year, rising from 426th to 159th, representing a cumulative advancement of 267 in ranking. It was elected as the China’s 500 Most Valuable Brands for the fourth consecutive year ranking the 25th, with a brand value of RMB100.8 billion. It was the first time that AVIC’s brand value exceeded one hundred billion RMB.

In 2015, the Group steadily yet firmly promoted the overall implementation of our development strategy. Through persistent implementation of our international merger and acquisition strategy, the Group actively participated in the global competition and cooperation, seeking new momentum for growth. The Group enhanced the market influence of the aviation products of the Group by actively participating in various international air shows with an aim to further explore the market. The Group also continued to improve our corporate governance, so as to increase our credibility and recognition in the international capital market.

Mr. Lin Zuoming, the Chairman of the Board, was listed as one of “China’s Most Influential Business Leaders for Listed Companies” by Fortune China for the fifth time, and was awarded the “Most Influential Leader” by China Securities Golden Bauhinia Awards. The Company won the “Best Investment Value Award” at the ceremony for “2015 China Financial Market Award for Listed Companies” hosted by the Hong Kong Chinese Enterprises Association.

The research and development work and the airworthiness certificate application for the helicopters produced by the Company have made positive progress. AC-series helicopters have completed flight test in cold and high plateau area, and have tapped the domestic market in various professional fields. Several series of helicopters were exhibited in the Paris Air Show and the Helicopter Exhibition in USA hosted by International Helicopter Association.

Y12 series aircraft made satisfactory achievements in both international and domestic market promotion. Y12F obtained type certificate issued by CAAC (Civil Aviation Administration of China) and FAA (Federal Aviation Administration). This marks a significant milestone in the promotion of China-made civil aircraft in the international market competition and influence.

C919, the first large commercial jet independently developed by China, successfully rolled off the line. The relevant parts and components of C919 jet manufactured by Jiangxi Hongdu Aviation Industry Co., Ltd. (“**Hongdu Aviation**”), AVICOPTER PLC (“**AVICOPTER**”), China Avionics Systems Co., Ltd. (“**AVIC Avionics**”) and Tianjin Aviation Mechanical and Electrical Co., Ltd. were smoothly delivered.

The L15 advanced trainer manufactured by Hongdu Aviation was put in exhibition in the Paris Air Show. It subsequently successfully completed the acceptance flight test conducted by the first overseas customer. In the field of intelligent products, Hongdu Aviation has stepped into the phase of industrialization from the phase of research and development through the strategic deployment of coordination of manufacture, study, research, utility, independent development and capital operation.

China Aviation Optical-Electrical Technology Co., Ltd. (“**JONHON Optronic**”) implemented the strategy driven innovation to speed up the transformation, upgrading and leap-forward development. The connector project of JONHON Optronic successfully entered the first “Transformation List of Intelligent Property Rights for National Defense Industry”. Meanwhile, products and solutions of JONHON Optronic have been exhibited in the 40th American Optical Fiber Communication Exposition, the 18th New Electronics Exhibition in Russian and the European Conference on Optical Communication respectively. JONHON Optronic entered into a strategic cooperation agreement with China Electronics Standardization Institute. This signing of such agreement represented the establishment of formal strategic cooperation relationship between the largest connector R&D company in China and the most prestigious Chinese standardization institute.

In the defense avionics realm, AVIC Avionics enlarged its investment in developing new technology and new products, and sought advantageous market position of its core products. In civil avionics realm, AVIC Avionics vigorously explored the market for general aviation, helicopter, engine and international subcontracting, and provided full support for the final assembly and delivery of key civil aircraft program. In non-aviation realm, AVIC Avionics greatly pushed forward the conversion and application of avionics technology in non-aviation sectors.

The international cooperation projects of the Group progressed smoothly. The first nacelle fan cowl of the international subcontracting project HTF7500E undertaken by AVICOPTER with the cooperation of U.K. GKN AEROSPACE SERVICES was delivered successfully. The first product of the Yinguan Project, with the cooperation of Aircelle, also achieved delivery. During the reporting period, two large executive jets (Legacy 650), manufactured by Harbin Embraer Aircraft Industry Co., Ltd., and the working pack for A320 aircraft manufactured by Harbin Hafei Airbus Composite Materials Manufacture Center Co.,Ltd. were also successfully delivered to customers.

Meanwhile, the Company launched the acquisition of the 100% equity interest in China Aviation Planning and Design Institute Co., Ltd. (“**AVIC Planning**”), with an aim to extend its businesses to the front-end services of aviation manufacturing industry, such as planning, designing and consultation of engineering. The Group invested in a professional company, AVIC Hubei Ali-Jiatai Aircraft Equipment Co., Ltd. (“**Ali-Jiatai**”), which is a manufacturer of commercial aircraft seats. It participated in the investment and establishment of AVIC Nanjing Servo Control Systems Co., Ltd. (“**Nanjing Servo Control**”) and AVIC Nanjing Electromechanical Technology Co., Ltd. (“**Nanjing Electromechanical**”), with an aim to extend its civil aviation industrial chain. The Group proposed to participate in the capital increase of AVIC Shenyang Aircraft Industrial (Group) Co., Ltd. (“**Shenyang Aircraft Group**”) and AVIC Chengdu Aircraft Industrial (Group) Co., Ltd. (“**Chengdu Aircraft Group**”), so as to extend the industrial chain to defense realm.

Looking forward into 2016, the global economy may continue its adjustment and correction and is expected to struggle to recover. Meanwhile, 2016 marks the beginning of the decisive phase in the national effort to build China into a comprehensive moderately prosperous society, and also a crucial year for pushing forward the structural reform. Facing more severe difficulties and challenges, the Company will endeavor to further optimize the strategic deployment, improve qualities and efficiencies, and increase the overall results of the Company, in the following manners:

1. To implement the new development concept of innovation, harmonization, green, openness and sharing, and enlarge the investment in technology innovation.
2. To proactively adapt to the policies for state-owned enterprises reform, adjust structure, and promote the industry innovation and upgrading to enforce core competitiveness.
3. To complete the acquisition of the 100% equity interest in AVIC Planning, so as to increase the revenue and profit of the Company.
4. To continue pushing forward both the domestic and overseas merger and acquisition, forming a diversified industrial layout; to speed up breeding new development momentum, meanwhile, promote the implementation of several investment plans.
5. To continue to improve the corporate governance, to strictly stick to the strategy of “Rule of Law” and to operate by rules.
6. To proactively fulfill social responsibilities, adhere to the concept for developing green aviation, and follow a win-win path for both economy development and environment improvement.

## CASH FLOW AND FINANCIAL RESOURCES

### 1 Liquidity and capital resources

As at 31 December 2015, the Group's cash and cash equivalents amounted to RMB 8,938 million which was mainly derived from the following sources:

- cash and bank deposits at the beginning of the year; and
- funds generated from its operations.

The Group's cash flow for each of the years 2015 and 2014 were as follows:

Unit: RMB million (except for percentage)

Main items of cash flow	2015	2014	Changes (amount)	Changes (percentage)
Net cash flows from/ (used in) operating activities	1,617	(392)	2,009	N/A
Net cash flows from/ (used in) investing activities	1,368	(1,470)	2,838	N/A
Net cash flows from financing activities	156	907	(751)	-82.80%

### 2 Operating, investing and financing activities

Net cash inflows from operating activities of the Group for the year 2015 amounted to RMB1,617 million, representing an increase of RMB2,009 million as compared with the net cash outflows in the corresponding period of the preceding year. This was mainly due to the improved condition of fund collection in sales of products and rendering of services.

Net cash inflows from investing activities of the Group for the year 2015 amounted to RMB1,368 million, representing an increase of RMB2,838 million as compared with the net cash outflows in the corresponding period of the preceding year, which was mainly attributable to the significant decrease in term deposits with an initial term of over three months as a result of the investment funds arrangement during the period.

Net cash inflows from financing activities of the Group for the year 2015 amounted to RMB156 million, representing a decrease of RMB751 million or 82.80% as compared with that in the corresponding period of the preceding year, which was mainly attributable to the significant drop of net cash inflow of newly increasing borrowings.

As at 31 December 2015, the Group's total borrowings amounted to RMB7,855 million, of which the short-term borrowings, current portion of long-term borrowings and non-current portion of long-term borrowings amounted to RMB4,175 million, RMB447 million and RMB3,233 million, respectively.

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

Maturity	RMB million
Within one year	447
In the second year	979
In the third to fifth year	1,786
After the fifth year	468
Total	3,680

As at 31 December 2015, the Group's bank borrowings amounted to RMB3,564 million with a weighted average interest rate of 4% per annum, accounting for 45.37% of the total borrowings. Other borrowings amounted to RMB4,291 million with a weighted average interest rate of 5% per annum, accounting for 54.63% of the total borrowings.

As at 31 December 2015, there was no significant balance of borrowings denominated in foreign currencies.

## **GEARING RATIO**

As at 31 December 2015, the Group's gearing ratio was 12.95% (as at 31 December 2014: 13.56%), which was arrived at by dividing the total borrowings by the total assets as at 31 December 2015.

## **CONTINGENT LIABILITIES AND GUARANTEES**

As at 31 December 2015, the Group had not provided any guarantees in favor of any third party nor were there any significant contingent liabilities.

## **DESIGNATED DEPOSITS AND OVERDUE FIXED DEPOSITS**

As at 31 December 2015, there was no designated deposit or overdue fixed deposit placed by the Group that could not be collected by the Group upon maturity.

## **GUARANTEED AND SECURED LOANS**

As at 31 December 2015, the Group's total borrowings amounted to RMB7,855 million, of which RMB649 million was secured by buildings, notes receivable and accounts receivable with a net book value of approximately RMB717 million.

Borrowings placed under guarantees amounted to RMB891 million, of which RMB500 million represented guarantees amongst the members of the Group and RMB391 million represented guarantees provided by fellow 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. The directors of the Company (the “**Director**”) are of the opinion that the exchange rate risks to the Group will not have any material adverse impact on the Group's financial results.

## **USE OF PROCEEDS**

Up to 31 December 2015, a total of RMB3,436 million of the proceeds raised by the Company from the fund raising activities had 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 at 31 December 2015, the Group had 47,974 employees. The Group has provided appropriate emoluments, benefits and training to its employees.

### Employees breakdown (by business segments)

	Number of employees	Percentage to total number of employees (%)
Aviation	47,845	99.73
Entire aircraft business	20,993	43.76
Parts and components business	26,852	55.97
Other businesses	129	0.27
Total :	47,974	100

For the year ended 31 December 2015, the total staff costs of the Group amounted to RMB3,625 million, representing an increase of RMB196 million or 5.72% as compared with that of RMB3,429 million in the corresponding period of the preceding year.

## PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares for the year ended 31 December 2015.

## MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES DURING THE REPORTING YEAR

1. On 28 January 2015, JONHON Optronics proposed to jointly set up a new project company with Shenzhen Xindayitong Precision Electric Co., Ltd. JONHON Optronics proposed to contribute RMB25.50 million in cash through its own capital resource, representing 51% of the registered capital of the new project company. For details, please refer to the overseas regulatory announcement of the Company dated 28 January 2015.

2. On 30 March 2015, the Company entered into a capital contribution agreement with China Aviation Industry Corporation Jincheng Nanjing Mechanics-electronics-hydraulics Research Center ("AVIC Jincheng") in relation to the establishment of Nanjing Servo Control, pursuant to which the Company proposed to contribute RMB140 million in cash in the establishment of Nanjing Servo Control. Upon establishment of Nanjing Servo Control, the Company and AVIC Jincheng would hold 46.67% and 53.33% of the equity interests in Nanjing Servo Control, respectively. Meanwhile, the Company entered into a capital contribution agreement in relation to the establishment of Nanjing Electromechanical with AVIC Jincheng

and AVIC Electromechanical Systems Co., Ltd. (“**AMES**”), pursuant to which the Company proposed to contribute RMB30 million in cash in the establishment of Nanjing Electromechanical. Upon establishment of Nanjing Electromechanical, the Company, AVIC Jincheng and AMES would hold 10%, 56.67% and 33.33% of the equity interests in Nanjing Electromechanical, respectively. The entering into of the abovementioned capital contribution agreements constituted connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”). As the highest of the applicable size test percentage ratios in respect of the transactions contemplated under the abovementioned capital contribution agreements on an aggregate basis was more than 0.1% but less than 5%, the entering into of the abovementioned capital contribution agreements was subject to reporting and announcement requirements but was exempt from the independent shareholders’ approval requirement. Please refer to the announcement of the Company dated 30 March 2015 for details.

3. On 18 August 2015, the Company, AVIC Capital Co., Ltd.(“**AVIC Capital**”), AVIC Avionics, AVIC Aircraft Co., Ltd. (“**AVIC Aircraft**”), AVIC Electromechanical Systems Co., Ltd. PLC (together with the Company, AVIC Capital, AVIC Avionics and AVIC Aircraft referred to as the “**Capital Increase Participants**”) as the capital increase participants, and Shenyang Aircraft Group and Chengdu Aircraft Group as the capital increase targets, entered into a framework agreement on capital increases (the “**Framework Agreement**”). Pursuant to the Framework Agreement, the Capital Increase Participants proposed to participate in the capital contribution in Shenyang Aircraft Group and Chengdu Aircraft Group in cash. As at the date of this announcement, no formal capital contribution agreement has been signed in this regard. For details, please refer to the announcement of the Company dated 18 August 2015.

4. On 27 August 2015, the Company entered into a capital increase agreement with AVIC Aerospace Life-Support Industries, Ltd. (“**AVIC Life-Support**”), AVIC International Aero-Development Corporation (“**AVIC International Development**”), Ali-Jiatai and the individual shareholders, pursuant to which, the Company and AVIC International Development proposed to participate in the capital increase of an aggregate of RMB32 million in the registered capital of Ali-Jiatai in cash. Upon completion of the proposed capital increase, the Company and AVIC International Development would hold 24.78% and 10% equity interest in Ali-Jiatai, respectively. The entering into of the abovementioned capital increase agreement constituted a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable size test percentage ratios in respect of the transactions contemplated under the abovementioned capital increase agreement was more than 0.1% but less than 5%, the entering into the abovementioned capital increase agreement was subject to the reporting and announcement requirements only, and was exempt from the independent shareholders’ approval requirement. For details, please refer to the announcement of the Company dated 27 August 2015.



5. On 30 September 2015, the Company entered into an equity acquisition and share issuance agreement with AVIC. Pursuant to this agreement, the Company conditionally agreed to acquire and AVIC conditionally agreed to sell the 100% equity interest held by AVIC in AVIC Planning, the consideration for which was to be satisfied by the issuance of approximately 489,592,000 domestic shares of the Company to AVIC (the “**Acquisition and the Issuance**”). The issue price for each consideration share was RMB4.42 (equivalent to approximately HK\$5.39). The consideration shares, being all domestic shares, represented approximately 15.70% and 8.94% of the existing total issued domestic shares and existing total issued share capital of the Company, respectively, and approximately 13.57% of the total issued domestic shares and approximately 8.21% of the total issued share capital of the Company as enlarged by the issuance upon completion. As the highest of the applicable size test percentage ratios in relation to the Acquisition and the Issuance was over 5% but less than 25%, the Acquisition and the Issuance both constituted discloseable and connected transactions respectively under the Hong Kong Listing Rules, and as the equity acquisition involves the issuance of domestic shares as consideration, both the Acquisition and the Issuance were subject to the reporting, announcement and the independent shareholders’ approval requirements. For details, please refer to the announcements of the Company dated 30 September 2015, 10 March 2016 and 11 March 2016.

## **OTHER SIGNIFICANT EVENTS**

1. On 30 March 2015, the Board resolved that, according to the conditions of the restricted share incentive scheme of the Company, the last one-third of the restricted shares granted to the eligible scheme participants under the initial grant should be unlocked on 31 March 2015. Please refer to the announcement of the Company dated 30 March 2015 for details.

2. On 8 July 2015, AVIC, through China Aviation Industry (Hong Kong) Company Limited, one of its subsidiaries, purchased 13,076,000 H shares of the Company on the trading system of The Stock Exchange of Hong Kong Limited, for an aggregate amount of approximately HK\$59,898,900 and the average price per H share was HK\$4.58. Upon completion of the purchase, the aggregate number of shares held by AVIC and its subsidiaries in the Company was 3,002,568,900, representing 54.85% of the then total issued share capital of the Company. Please refer to the announcement of the Company dated 8 July 2015 for details.

3. On 9 July 2015, the Company purchased 1,000,084 shares of Hongdu Aviation, a subsidiary of the Company, on the Shanghai Stock Exchange, representing approximately 0.14% of the then total share capital of Hongdu Aviation in issue. Upon completion of purchase, the number of shares in Hongdu Aviation held by the Company was 313,883,294, and the shareholding percentage held by the Company in Hongdu Aviation over the then total issued share capital of Hongdu Aviation changed from 43.63% to 43.77%. Please refer to the announcement of the Company dated 9 July 2015 for details.

4. In June 2015, Harbin Aviation Industry (Group) Co., Ltd. (“**Harbin Aviation Group**”) disposed of 2,585,721 shares of AVICOPTER on the Shanghai Stock Exchange. Upon completion of the disposal, the Company held 166,270,802 shares in AVICOPTER through Harbin Aviation Group, representing approximately 28.21% of the then total issued share capital of AVICOPTER. On 15 July 2015, the Company purchased 622,800 shares of AVICOPTER on the Shanghai Stock Exchange through a targeted asset management plan at an average price of RMB50.33 per share and a total amount of approximately RMB31,345,500. Please refer to the announcement of the Company dated 15 July 2015 for details.

5. On 3 February 2016, AVIC Forstar S&T Co., Ltd. (“**AVIC Forstar**”), a subsidiary of JONHON Optronics, quoted on the National Equities Exchange and Quotations. The stock name of AVIC Forstar is “Forstar” and the stock code is “835640”. Please refer to the announcements of the Company dated 26 August 2015, 13 January 2016, 3 February 2016 and 5 February 2016 for details.

## **CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

At the annual general meeting convened on 12 June 2015, as the term of office for all the Directors of the fourth session of the Board and supervisors (the “**Supervisors**”) of the fourth session of the supervisory committee of the Company (the “**Supervisory Committee**”) had expired, the Company elected the Directors of the fifth session of the Board and the shareholder representative Supervisors of the fifth session of the Supervisory Committee.

At the Board meeting convened on 12 June 2015, Mr. Lin Zuoming was appointed as the Chairman of the fifth session of the Board, and Mr. Tan Ruisong was appointed as the Vice Chairman of the fifth session of the Board. At the same time, Mr. Tan Ruisong was appointed as the President of the Company. Mr. Chen Yuanxian, Mr. Zhang Kunhui and Mr. Lv Jie were appointed as the vice presidents of the Company. Mr. Chen Yuanxian was appointed as the CFO of the Company and Mr. Yan Lingxi was appointed as the company secretary of the Company. Upon conclusion of the aforementioned annual general meeting and Board meeting, the fifth session of the Board comprises Mr. Lin Zuoming (Chairman, executive Director), Mr. Tan Ruisong (Vice Chairman, executive Director, President), Mr. Gu Huizhong (non-executive Director), Mr. Gao Jianshe (non-executive Director), Mr. Guo Chongqing (non-executive Director) and Mr. Maurice Savart (non-executive Director) as well as Mr. Lau Chung Man, Louis (independent non-executive Director), Mr. Liu Renhuai (independent non-executive Director) and Mr. Yeung Jason Chi Wai (independent non-executive Director).

At the Supervisory Committee meeting convened on 12 June 2015, Mr. Chen Guanjun was appointed as the Chairman of the fifth session of the Supervisory Committee. Upon conclusion of the aforementioned annual general meeting and the Supervisory Committee meeting, the fifth session of the Supervisory Committee comprises Mr. Chen Guanjun (Chairman of the Supervisory Committee, shareholder representative Supervisor), Mr. Liu Fumin (shareholder representative Supervisor) and Ms. Li Jing (employee representative Supervisor).

## **FINAL DIVIDEND**

The Board recommended the payment of a final dividend for the year 2015 in an aggregate amount of RMB109,488,583.34, representing a dividend of RMB0.02 per share (2014: RMB0.02 per share), calculated based on the existing number of total issued shares of 5,474,429,167 shares as at the date of this announcement, subject to adjustment based on the number of 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 2016 (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 2016 to 8 June 2016 (both days inclusive), during which period no transfer of H shares of the Company 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 2 June 2016.

In accordance with Article 151 of the Articles of Association, the dividend will be declared in RMB to the shareholders. The dividend payable to shareholders 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 27 May 2016 (the "**AGM**"). Subject to the approval of the Company's shareholders at the AGM, the aforementioned dividend is expected to be paid by the Company before 28 August 2016.

## **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 2015.

## **CORPORATE GOVERNANCE**

The Company has strictly complied with the applicable laws, rules and regulations and the Articles of Association to standardize its operation. The Board has reviewed the corporate governance practices adopted by the Company for the year ended 31 December 2015 and is of the view that the Company has been in compliance with the principles and code provisions set out in the Corporate Governance Code 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 and the Shares Trading Management Rules of the Company 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 had complied with the Model Code under the Hong Kong Listing Rules for the year ended 31 December 2015.

## **THE ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2015 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.

## **PROPOSED CHANGE OF NON-EXECUTIVE DIRECTOR**

Due to other work commitments, Mr. Maurice Savart has applied to the Board for the resignation from his position as a non-executive Director. According to Article 89 of the Articles of Association in relation to the composition of the Board, the Board shall consist of nine Directors. Accordingly, the Company proposed that, a new non-executive Director who would fill his vacancy shall be elected at the AGM in accordance with the requirement with respect to the composition of the Board as provided in the Articles of Association. Mr. Maurice Savart's term of office will not be terminated until the appointment of the candidate for a new non-executive Director has been approved at the AGM.

Mr. Maurice Savart has confirmed to the Company that he has no disagreement with the Board and there are no matters that need to be brought to the attention of the shareholders of the Company in connection with his resignation as a non-executive Director.

The Board takes this opportunity to express sincere gratitude for the contributions Mr. Maurice Savart has made for the Company during his term of service.

Mr. Kiran Rao has been nominated as the new non-executive Director with a term of office commencing from the date on which his proposed appointment has been approved at the AGM until the date on which the resolution relating to the election of the sixth session of the Board will be considered at the annual general meeting to be convened in 2018. The salary of Mr. Kiran Rao will be determined by the Remuneration Committee of the Company by reference to his qualifications, experience and the prevailing market conditions, subject to the authorization of the AGM. As at the date of this announcement, no service contract has been entered into between Mr. Kiran Rao and the Company.

The biographical details of Kiran Rao are set out as follows:

Mr. Kiran Rao, 53 years old, graduated from City University of London with a bachelor degree in aeronautical engineering in 1985 and a Ph.D in transonic aerodynamics in 1988.

Mr. Kiran Rao began his professional career in the Aerodynamics Department of British Aerospace from 1988 to 1989, working on flight-control systems. Mr. Kiran Rao then joined British Aerospace's Marketing Group, working on sales campaigns in India, the Middle East and Southeast Asia. He joined Airbus in December 1992 as Airline Marketing Manager. In August 1994, he was promoted as Director of Airline Marketing for Airbus Industrie of North America; Mr. Kiran Rao was appointed as President of Airbus Industry India in April 1996; then promoted as Vice President of Sales for South Asia and Africa in September 2000. He was the Senior Vice President

Marketing & Pricing Policies from October 2004, and the Executive Vice President (“EVP”) Marketing and Contracts from January 2006. Since 1 November 2012, Mr. Kiran Rao has been appointed as EVP Strategy and Future Programmes of Airbus, and maintained his current role of EVP Sales and Marketing.

As far as the Directors are aware, save as disclosed above, as at the date of this announcement, Mr. Kiran Rao did not hold any directorships in other public listed companies nor did he hold any position with the Company or other members of the Group in the last three years. Mr. Kiran Rao does not have any relationship with any Director, Supervisor, senior management or substantial or controlling shareholders of the Company, and does not have any interests in the shares of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules nor are there any matters that need to be brought to the attention of the shareholders of the Company in relation to the proposed appointment of Mr. Kiran Rao.

#### **CHANGE OF AGENT FOR THE SERVICE OF PROCESS IN HONG KONG**

The Board would like to announce that with effect from 29 March 2016, the Company’s authorized representative for the acceptance of service of process in Hong Kong as required under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) has been changed to Ms. LEUNG Wing Han Sharon.

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

Beijing, 29 March 2016

*As at the date of this announcement, the board of directors comprises executive Directors Mr. Lin Zuoming and Mr. Tan Ruisong and non-executive Directors Mr. Gu Huizhong, Mr. Gao Jianshe, Mr. Guo Chongqing and Mr. Maurice Savart as well as independent non-executive Directors Mr. Lau Chung Man, Louis, Mr. Liu Renhuai and Mr. Yeung Jason Chi Wai.*

*\*For identification purposes only.*