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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 2021; and Change of Authorised Representative

Financial Highlights

The Board is pleased to announce that, the revenue of the Group, the net profit attributable to the owners of the parent company and the recommended final dividend all made good growth in the year 2021.

- For the year ended 31 December 2021, the Group recorded a revenue of RMB60,296 million, representing an increase of RMB9,366 million or 18.39% as compared with that of RMB50,930 million (as restated) in the corresponding period of the preceding year.
- For the year ended 31 December 2021, the net profit attributable to the owners of the parent company amounted to RMB2,369 million, representing an increase of RMB436 million or 22.56% as compared with that of RMB1,933 million (as restated) in the corresponding period of the preceding year.
- The Board recommended the payment of a final dividend for the year 2021 in an aggregate amount of RMB616,906,579.36 representing a dividend of RMB0.08 per share (2020: RMB0.05 per share), calculated based on the number of the existing total issued shares of the Company of 7,711,332,242 shares as at the date of this announcement.

ANNUAL RESULTS

The board of directors (the “**Board**”) of AviChina Industry & Technology Company Limited* (the “**Company**” or “**AviChina**”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) prepared in accordance with the China Accounting Standards for Business Enterprises for the year ended 31 December 2021 (the “**Reporting Period**”), together with the comparative figures for the year 2020, as follows:

Consolidated Income Statement

For the year ended 31 December 2021

Unit: RMB

Items	Note	2021 (Audited)	2020 (Audited) (Restated)
I. Total operating income		60,296,284,748	50,929,902,192
Including: Operating revenue	3	60,296,284,748	50,929,902,192
Interest income			
Earned premium			
Fee and commission income			
II. Total operating cost		55,635,785,241	47,579,968,621
Including: Operating cost	3	47,597,965,155	40,495,253,493
Interest expenses			
Fee and commission expenses			
Cash surrender amount			
Net expenses of claim settlement			
Net provision for insurance contract reserves			
Policyholder dividend expenses			
Reinsurance expenses			
Taxes and surcharges		137,635,434	110,069,382
Selling expenses	5	688,394,493	635,471,196
Administrative expenses	6	3,594,423,526	3,123,393,220
Research and development expenses	7	3,452,213,026	3,001,818,101
Finance costs	8	165,153,607	213,963,229
Including: Interest expense		397,113,009	517,544,968
Interest income		306,481,532	441,436,281
Add: Other income	9	275,272,348	267,592,474
Investment income (loss to be listed with “-”)	10	474,448,476	522,785,647
Including: Income from investment in associates and joint ventures		265,683,437	162,129,849
Derecognition income of financial assets at amortised cost		-9,653,445	-12,776,437
Exchange gain (loss to be listed with “-”)			
Net exposure hedging income (loss to be listed with “-”)			
Income from changes in fair value (loss to be listed with “-”)	11	5,024,934	184,726,192
Credit impairment loss (loss to be listed with “-”)	12	-41,426,128	-4,163,885

Consolidated Income Statement (Continued)

For the year ended 31 December 2021

Unit: RMB

Items	Note	2021 (Audited)	2020 (Audited) (Restated)
Asset impairment loss (loss to be listed with “-”)	13	-187,793,184	-167,989,243
Income from assets disposal (loss to be listed with “-”)	14	76,297,341	120,004,337
III. Operating profit (loss to be listed with “-”)		5,262,323,294	4,272,889,093
Add: Non-operating income	15	90,308,664	46,659,301
Less: Non-operating expenses	16	37,732,376	51,060,028
IV. Profit before tax (loss before tax to be listed with “-”)		5,314,899,582	4,268,488,366
Less: income tax expenses	17	480,004,533	470,226,251
V. Net profit (net loss to be listed with “-”)		4,834,895,049	3,798,262,115
(I) Classified according to operating continuity			
1. Net profit from continuing operations (net loss to be listed with “-”)		4,834,895,049	3,798,262,115
2. Net profit from discontinuing operations (net loss to be listed with “-”)			
(II) Classified according to attribution of the ownership			
1. Net profit attributable to the owners of the parent company (net loss to be listed with “-”)		2,369,276,265	1,932,994,008
2. Minority profit and loss (net loss to be listed with “-”)		2,465,618,784	1,865,268,107

Consolidated Income Statement (Continued)

For the year ended 31 December 2021

Unit: RMB

Items	Note	2021 (Audited)	2020 (Audited) (Restated)
VI. Net of tax of other comprehensive income		540,232,266	-89,831,396
Net of tax of other comprehensive income attributable to the owner of the parent company		538,717,219	-135,152,254
(I) Other comprehensive income that cannot be reclassified into profit or loss		538,886,088	-105,002,447
1. Changes arising from re-measurement of the defined benefit plan		-17,794,276	-147,803,957
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		320,660	
3. Changes in fair value of other equity instrument investments		556,359,704	42,801,510
4. Changes in fair value of the enterprise's credit risk			
5. Others			
(II) Other comprehensive income that can be reclassified into profit or loss		-168,869	-30,149,807
1. Other comprehensive income that can be reclassified into profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amount charged into other comprehensive income arising from reclassification of financial assets			
4. Provision for credit impairment of other debt investments			
5. Reserves for cash flow hedge (effective parts of cash flow hedge profit or loss)			
6. Translation difference of foreign currency financial statements		-168,869	-30,149,807
7. Others			
Net of tax of other comprehensive income attributable to minority shareholders		1,515,047	45,320,858

Consolidated Income Statement (Continued)

For the year ended 31 December 2021

Unit: RMB

Items	Note	2021 (Audited)	2020 (Audited) (Restated)
VII. Total comprehensive income		5,375,127,315	3,708,430,719
Total comprehensive income attributable to shareholders of the parent company		2,907,993,484	1,797,841,754
Total comprehensive income attributable to minority shareholders		2,467,133,831	1,910,588,965
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	19	0.307	0.250
(II) Diluted earnings per share (RMB/share)	19	0.307	0.250

Consolidated Balance Sheet

As at 31 December 2021

Unit: RMB

Items	Note	31 December 2021 (Audited)	31 December 2020 (Audited) (Restated)
Current assets:			
Monetary funds		25,361,499,508	25,165,841,253
Settlement reserve			
Loans to banks and other financial institutions			
Financial assets held for trading		1,244,823,022	2,378,749,103
Derivative financial assets			
Notes receivable	20	9,929,754,416	8,739,588,328
Accounts receivable	21	21,321,031,800	16,370,626,796
Receivables financing		4,291,292	28,095,202
Prepayments		8,562,458,424	1,692,119,455
Premium receivable			
Reinsurance premium receivable			
Reinsurance contract provision receivable			
Other receivables		202,072,117	193,472,916
Including: Interest receivable			
Dividends receivable		37,500,000	309,300
Financial assets purchased under agreements to resell			
Inventories		32,374,764,020	30,713,010,487
Contract assets		5,149,456,300	4,542,892,460
Held-for-sale assets		48,656,246	57,424,372
Non-current assets due within one year		202,290,896	
Other current assets		711,173,574	703,181,566
Total current assets		105,112,271,615	90,585,001,938

Consolidated Balance Sheet (Continued)

As at 31 December 2021

Unit: RMB

Items	Note	31 December 2021 (Audited)	31 December 2020 (Audited) (Restated)
Non-current assets:			
Loans and advances			
Debt investment			
Other debt investment			
Long-term receivables		6,134,844	1,566,033
Long-term equity investments		1,923,474,669	1,728,131,943
Other equity instrument investments		2,696,553,640	1,612,599,803
Other non-current financial assets		600,000,000	
Investment properties		346,546,113	385,773,505
Fixed assets		15,125,713,170	13,561,385,326
Construction-in-progress		3,023,560,156	3,235,117,559
Bearer biological assets			
Oil and gas assets			
Right-of-use assets		599,491,919	680,918,043
Intangible assets		3,235,508,206	2,788,721,640
Development expenditure			
Goodwill		69,121,895	69,121,895
Long-term deferred expenses		71,629,850	69,656,436
Deferred income tax assets		416,013,126	374,585,733
Other non-current assets		663,115,937	556,008,639
Total non-current assets		28,776,863,525	25,063,586,555
Total assets		133,889,135,140	115,648,588,493

Consolidated Balance Sheet (Continued)

As at 31 December 2021

Unit: RMB

Items	Note	31 December 2021 (Audited)	31 December 2020 (Audited) (Restated)
Current Liabilities:			
Short-term borrowings		3,057,762,250	4,380,394,913
Borrowings from the central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading		18,196,239	20,416,526
Derivative financial liabilities			
Notes payable	22	11,633,186,116	8,524,837,419
Accounts payable	23	27,365,848,151	23,543,839,392
Advances		10,260,976	1,376,814
Contract liabilities		21,306,958,451	17,136,185,913
Financial assets sold under agreements to repurchase			
Deposits and placements from other financial institutions			
Securities brokering			
Securities underwriting			
Employee benefits payable		2,002,883,877	1,758,896,280
Tax payable		454,114,039	348,306,952
Other payables		1,886,338,410	2,320,396,194
Including: Interest payable			
Dividends payable		6,194,055	362,540,213
Fees and commissions payable			
Reinsurance amounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		1,225,299,857	1,563,839,121
Other current liabilities		622,306,803	786,182,362
Total current liabilities		69,583,155,169	60,384,671,886

Consolidated Balance Sheet (Continued)

As at 31 December 2021

Unit: RMB

Items	Note	31 December 2021 (Audited)	31 December 2020 (Audited) (Restated)
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings		4,284,761,981	3,598,431,047
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		559,212,830	636,374,789
Long-term payables		-548,941,454	-23,867,989
Long-term employee benefits payable		1,523,783,896	1,610,495,015
Estimated liabilities		645,506,219	574,768,260
Deferred income		846,324,736	792,831,734
Deferred income tax liabilities		351,913,854	146,758,508
Other non-current liabilities		1,876,914,653	1,778,121,661
Total non-current liabilities		9,539,476,715	9,113,913,025
Total liabilities		79,122,631,884	69,498,584,911
Shareholders' equity:			
Share capital		7,711,332,242	7,711,332,242
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves		12,974,963,414	11,625,507,285
Less: treasury shares			
Other comprehensive income		112,507,999	-445,009,828
Special reserves		503,687,704	437,521,387
Surplus reserves		308,138,730	248,737,213
General risk reserve			
Undistributed profits		5,296,679,064	3,398,501,345
Total share holders' equity attributable to parent company		26,907,309,153	22,976,589,644
Minority equity		27,859,194,103	23,173,413,938
Total share holders' equity		54,766,503,256	46,150,003,582
Total liabilities and shareholders' equity		133,889,135,140	115,648,588,493

NOTES:

1. Information of the Company

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

As of 31 December 2021, the Group is principally involved in the research, development, manufacture and sale of aviation products and the delivery of aviation engineering services such as planning, design, consultation, construction and operation.

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

These financial statements were approved for issue by the Board on 30 March 2022.

The data of the following financial statements for the year ended 31 December 2020 is audited and has been restated.

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

2. Basis for Preparation of Financial Statements

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

3. Operating revenue and operating costs

(1) Operating revenue and operating costs

Item	January to December 2021		January to December 2020	
	Revenue	Cost	Revenue	Cost
Main businesses	59,187,308,556	46,639,856,553	50,152,146,372	39,832,635,611
Other businesses	1,108,976,192	958,108,602	777,755,820	662,617,882
Total	60,296,284,748	47,597,965,155	50,929,902,192	40,495,253,493

(2) Revenue from contracts

Contract classification	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Total
By operation region				
Including: Mainland China	20,388,178,726	32,122,619,371	6,719,681,637	59,230,479,734
Other region		1,058,197,968	7,607,046	1,065,805,014
By contract type				
Including: Sales contract	20,388,178,726	32,794,724,631	1,826,263,984	55,009,167,341
Service contract		386,092,708	4,901,024,699	5,287,117,407
By time of goods transfer				
Including: Performance in a period of time	20,172,543,295	185,746,219	4,585,377,838	24,943,667,352
Performance at a point in time	215,635,431	32,995,071,120	2,141,910,845	35,352,617,396
Total	20,388,178,726	33,180,817,339	6,727,288,683	60,296,284,748

4. 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 three reportable segments:

1. Aviation entire aircraft - Manufacturing, assembly, sales and servicing of helicopters, trainers and other aircraft;
2. Aviation ancillary system and related business - Manufacturing and sale of aviation ancillary system and related business; and
3. Aviation engineering services - Delivery of aviation engineering services such as planning, design, consultation, construction and operation.

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

January to December 2021/31 December 2021	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Offset	Total
Revenue from external transactions	20,388,178,726	33,180,817,339	6,727,288,683		60,296,284,748
Revenue from inter-segment transactions		4,882,314,638	335,159,139	-5,217,473,777	
Investment income from associates and joint ventures	5,509,984	257,121,788	3,051,665		265,683,437
Asset impairment losses and credit impairment losses	37,252,452	187,066,176	10,960,877	-6,060,193	229,219,312
Depreciation and amortization costs	654,140,027	850,429,158	239,236,436		1,743,805,621
Total profit	852,102,938	4,440,888,758	233,533,513	-211,625,627	5,314,899,582
Income tax expense	117,414,231	285,982,940	74,972,349	1,635,013	480,004,533
Net profit	734,688,707	4,154,905,818	158,561,164	-213,260,640	4,834,895,049
Total assets	58,685,251,572	75,554,896,154	16,110,365,105	-16,461,377,691	133,889,135,140
Total liabilities	41,594,474,167	30,034,187,576	10,192,614,812	-2,698,644,671	79,122,631,884
Other non-cash expenses other than depreciation and amortization costs and asset impairment losses	70,737,959	169,771,576			240,509,535
Long-term equity investment in associates and joint ventures	430,413,692	1,052,138,256	86,182,836		1,568,734,784
Increase in other non-current assets other than long-term equity investments	690,373,433	2,601,416,582	-175,265,038	-335,526,474	2,780,998,503

(Continued)

January to December 2020/31 December 2020	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Offset	Total
Revenue from external transactions	19,060,951,853	24,939,041,282	6,929,909,057		50,929,902,192
Revenue from inter-segment transactions		3,137,813,775	73,552,080	-3,211,365,855	
Investment income from associates and joint ventures	-10,900,784	172,402,730	627,903		162,129,849
Asset impairment losses and credit impairment losses	-3,594,034	167,191,644	8,555,518		172,153,128
Depreciation and amortization costs	688,554,542	650,483,382	288,604,709		1,627,642,633
Total profit	1,280,164,897	3,097,974,239	166,167,626	-275,818,396	4,268,488,366
Income tax expense	150,770,416	271,287,596	48,168,239		470,226,251
Net profit	1,129,394,481	2,826,686,643	117,999,387	-275,818,396	3,798,262,115
Total assets	51,552,151,178	64,552,011,771	15,441,341,689	-15,896,916,145	115,648,588,493
Total liabilities	36,694,024,334	25,132,978,554	10,520,295,341	-2,848,713,318	69,498,584,911
Other non-cash expenses other than depreciation and amortization costs and asset impairment losses	28,798,619	163,177,062			191,975,681
Long-term equity investment in associates and joint ventures	384,305,437	901,668,696	78,345,970		1,364,320,103
Increase in other non-current assets other than long-term equity investments	-116,265,660	1,184,656,826	-517,309,135	28,722,451	579,804,482

5. Selling expenses

Item	Amount for the current year	Amount for the previous year
Employee compensation	352,654,045	304,361,004
After-sales service charges	91,266,381	82,188,920
Business travel costs	77,728,058	67,511,249
Three guarantees loss and quality claim fees	56,672,889	30,331,657
Advertising and publicity expenses	10,870,981	8,940,783
Office fees	7,939,850	5,654,576
Packing charges	7,180,789	6,536,155
Transportation costs	6,584,382	52,904,624
Exhibition fees	5,303,627	4,686,993
Sample and product losses	5,212,253	8,791,537
Depreciation and amortization costs	2,494,380	2,360,420
Others	64,486,858	61,203,278
Total	688,394,493	635,471,196

6. Administrative expenses

Item	Amount for the current year	Amount for the previous year
Employee compensation	2,117,502,717	1,730,481,223
Depreciation and amortization costs	360,461,250	332,306,133
Maintenance and repair costs	211,345,147	247,286,394
Amortization of equity incentives in the current period	169,771,576	163,177,062
Property afforestation fees	71,439,402	73,783,385
Office fees	70,446,863	47,069,987
Business entertainment expenses	69,673,480	50,030,609
Labor protection costs	53,605,835	50,104,353
Business travel costs	52,889,886	36,810,963
Professional service fees	45,764,489	27,407,944
Power and fuel expenses	27,315,449	35,655,059
Rental	23,898,841	23,980,511
Audit fee	16,772,666	11,664,936
Including: Auditor's fees for the annual report	2,800,000	2,800,000
Other audit fees	13,972,666	8,864,936
Publicity expenses	11,947,094	13,126,567
Conference expenses	11,189,836	10,303,469
Insurance premium	8,583,900	14,502,208
Others	271,815,095	255,702,417
Total	3,594,423,526	3,123,393,220

7. Research and development expenses

Item	Amount for the current year	Amount for the previous year
Employee compensation	1,391,259,913	1,174,507,989
Materials expenses	1,114,770,211	1,029,083,282
Experimental and special fees	404,869,073	412,048,748
External negotiation fee	123,757,214	88,949,410
Depreciation and amortization costs	105,701,268	106,384,143
Transportation and business travel costs	59,576,677	43,566,532
Administrative expense	50,653,952	43,435,023
Power and fuel expenses	20,948,492	10,215,390
Design fee	15,886,364	28,158,593
Others	164,789,862	65,468,991
Total	3,452,213,026	3,001,818,101

8. Finance costs

Item	Amount for the current year	Amount for the previous year
Interest expenses	397,113,009	517,544,968
Less: Interest incomes	306,481,532	441,436,281
Add: Exchange losses	63,834,931	119,814,122
Add: Other expenditures	10,687,199	18,040,420
Total	165,153,607	213,963,229

9. Other income

Sources of other income	Amount for the current year	Amount for the previous year
Employment subsidy	61,106,115	26,949,524
High-tech allowance	30,529,250	29,081,293
National major science and technology project	29,400,320	17,170,289
Subsidies for research and development	21,522,706	13,456,038
Government relocation compensation	17,480,481	22,700,460
Instant value-added tax refund	12,327,575	14,007,006
Subsidies for research and development and industrialization project of a connector	9,424,689	2,142,699
Science and technology innovation awards for enterprise	8,981,150	2,435,000
Special subsidies for scientific research funds	5,262,418	5,095,004
MIIT project	5,085,297	4,153,979
Refund of individual tax handling fee	3,517,123	6,550,172
Training subsidies	2,353,845	6,169,800
Land compensation	2,217,728	2,217,728
Technical transformation	2,124,267	2,699,167
Financial allocations	2,030,000	3,178,200
Subsidies of boiler retrofitting	1,075,000	4,195,000
Subsidies for other projects	60,834,384	105,391,115
Total	275,272,348	267,592,474

10. Investment income

Item	Amount for the current year	Amount for the previous year
Long-term equity investment incomes calculated at equity method	265,683,437	162,129,849
Investment income from disposal of long-term equity investments	6,591,790	498,169
Investment income from holding financial assets held for trading	10,172,114	11,927,647
Investment income from disposal of financial assets held for trading	109,397,630	225,831,033
Dividend income from holding other equity instrument investments	43,873,347	109,517,639
Gain on revaluation of remaining equity at fair value after losing control	3,082,789	-1,088
Gain on debt restructuring	12,698,213	-224,003
Investment income from holding other non-current financial assets	32,465,753	25,068,493
Investment income from disposal of financial liabilities held for trading		2,199,233
Gain on derecognition of financial assets measured at amortized cost	-9,653,445	-12,776,437
Others	136,848	-1,384,888
Total	474,448,476	522,785,647

11. Income from changes in fair value

Source of income from changes in fair value	Amount for the current year	Amount for the previous year
Financial assets held for trading	179,821	184,680,281
Including: Gain from changes in fair value of derivative financial instruments		
Financial liabilities held for trading	4,845,113	45,911
Total	5,024,934	184,726,192

12. Credit impairment loss

Item	Amount for the current year	Amount for the previous year
Loss on bad debts of accounts receivable	-7,679,063	-10,875,221
Loss on bad debts of notes receivable	-36,447,195	-25,593,485
Loss on bad debts of other receivables	3,060,963	17,206,242
Others	-360,833	15,098,579
Total	-41,426,128	-4,163,885

13. Assets impairment loss

Item	Amount for the current year	Amount for the previous year
Inventory depreciation loss and contract performance cost impairment losses	-184,610,914	-128,100,133
Contract asset impairment losses	-3,182,270	-10,436,114
Loss from fixed assets impairment		-29,595,540
Loss from intangible assets impairment		-275,000
Prepayments impairment losses		417,544
Total	-187,793,184	-167,989,243

14. Income from assets disposal

Item	Amount for the current year	Amount for the previous year	Amount included in non-recurring profit or loss for the current period
Income from disposal of non-current assets	76,297,341	120,004,337	76,297,341
Including: Income from disposal of non-current assets classified as held-for-sale	74,239,175	114,149,532	74,239,175
Including: Income from disposal of fixed assets	74,239,175	114,149,532	74,239,175
Income from disposal of non-current assets not classified as held-for-sale	2,058,166	5,854,805	2,058,166
Including: Income from disposal of fixed assets	2,058,166	5,568,315	2,058,166
Income from disposal of intangible assets		286,490	
Total	76,297,341	120,004,337	76,297,341

15. Non-operating income

Item	Amount for the current year	Amount for the previous year	Amount included in non-recurring profit or loss for the current period
Gains on damaged and retired assets	1,245,925	2,277,430	1,245,925
Government grants irrelevant to the daily business operations	1,909,551	1,721,889	1,909,551
Unpayable payments	19,039,805	6,336,000	19,039,805
Income from compensation, liquidated damages and fines	38,477,377	27,301,918	38,477,377
Policy-based relocation income		2,797,618	
Liquidation income	25,160,946		25,160,946
Others	4,475,060	6,224,446	4,475,060
Total	90,308,664	46,659,301	90,308,664

16. Non-operating expenses

Item	Amount for the current year	Amount for the previous year	Amount included in non-recurring profit or loss for the current period
Losses on damaged and retired assets	24,862,835	20,999,889	24,862,835
External donation expenditure	3,845,278	5,322,216	3,845,278
Obsolescence losses of inventories	1,789,467	11,656,377	1,789,467
Expenses on compensation, liquidated damages and fines	3,511,767	1,441,183	3,511,767
Relocation expenses		964,796	
Others	3,723,029	10,675,567	3,723,029
Total	37,732,376	51,060,028	37,732,376

17. Income tax expenses

(1) Income tax expenses

Item	Amount for the current year	Amount for the previous year
Current income tax calculated in accordance with tax laws and related regulations	504,780,520	435,259,547
Deferred income tax expenses	-24,775,987	34,966,704
Total	480,004,533	470,226,251

(2) Adjustment process of accounting profits and income tax expenses

Item	Amount for the current year
Total consolidated profit before tax for the year	5,314,899,582
Income tax expenses at statutory/applicable rates	1,328,724,895
The impact of different tax rates applied to subsidiaries	-371,135,483
The impact of adjustments to income taxes in previous periods	-4,417,890
The impact of non-taxable revenue	-93,168,692
The impact of non-deductible costs, expenses and losses	48,472,977
The impact of deductible losses on the use of deferred income tax assets not recognized in previous periods	-125,548,825
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current year	85,718,794
Tax effect of surplus deduction	-388,477,866
Others	-163,377
Income tax expenses	480,004,533

18. Dividends

Item	Amount for the current year	Amount for the previous year
Proposed: Final dividend per share: RMB0.08 (2020: RMB0.05)	616,906,579	385,566,612

The proposed final dividend is proposed by the Board at the meeting held on the date of approval of these financial statements and is subject to approval by the Company's shareholders at the annual general meeting.

19. Earnings per share

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

Profit for the reporting period	The weighted average return on net assets (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the parent company	9.50	0.307	0.307
Net profit attributable to ordinary shareholders of the parent company after deduction of non-recurring profit or loss	8.37	0.271	0.271

20. Notes receivable

(1) Classified presentation of notes receivable

Item	Closing balance	Opening balance
Banker's acceptance bill	3,667,548,775	3,011,566,610
Commercial acceptance bill	6,262,205,641	5,728,021,718

Item	Closing balance	Opening balance
Total	9,929,754,416	8,739,588,328

(2) Notes receivable pledged

Item	Amount pledged at the end of the year
Banker's acceptance bill	273,457,320
Commercial acceptance bill	1,632,449,651
Total	1,905,906,971

(3) Classified presentation by bad debt accrual method

Category	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Bad debt provision made individually					
Bad debt provision made as per portfolio	9,997,546,814	100.00	67,792,398	0.68	9,929,754,416
Including:					
Banker's acceptance bill	3,668,053,656	36.69	504,881	0.01	3,667,548,775
Commercial acceptance bill	6,329,493,158	63.31	67,287,517	1.06	6,262,205,641
Total	9,997,546,814	100.00	67,792,398	0.68	9,929,754,416

(Continued)

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Bad debt provision made individually					
Bad debt provision made as per portfolio	8,770,978,531	100.00	31,390,203	0.36	8,739,588,328
Including: Banker's acceptance bill	3,012,018,167	34.34	451,557	0.01	3,011,566,610
Commercial acceptance bill	5,758,960,364	65.66	30,938,646	0.54	5,728,021,718
Total	8,770,978,531	100.00	31,390,203	0.36	8,739,588,328

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

Name	Closing balance		
	Book balance	Bad debt provision	Provision proportion (%)
Banker's acceptance bill	3,668,053,656	504,881	0.01
Commercial acceptance bill	6,329,493,158	67,287,517	1.06
Total	9,997,546,814	67,792,398	—

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

Category	Opening balance	Changes in the current year				Closing balance
		Accrued	Recovered or reversed	Written back or written off	Other decrease	
Notes receivable subjected to provision for expected credit losses on portfolio basis	31,390,203	56,887,143	20,439,948		45,000	67,792,398
Total	31,390,203	56,887,143	20,439,948		45,000	67,792,398

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

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

(6) The ageing of the notes receivable at the end of the year

The ageing of the Group's notes receivable at the end of the year mentioned above is within 365 days.

21. Accounts receivable

Item	Closing balance	Opening balance
Accounts receivable	22,233,218,824	17,289,290,092
Less: Impairment provision	912,187,024	918,663,296
Net accounts receivable	21,321,031,800	16,370,626,796

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

Category of portfolio	Closing balance			Book value
	Original value	Proportion of bad debt provision (%)	Bad debt provision	
Accounts receivable with bad debt provision made individually	178,874,498	91.74	164,107,133	14,767,365
Accounts receivable with bad debt provision made as per portfolio	22,054,344,326	3.39	748,079,891	21,306,264,435
Including: Accounts receivable whose credit risk has not increased significantly since the initial recognition	22,054,344,326	3.39	748,079,891	21,306,264,435
Total	22,233,218,824	-	912,187,024	21,321,031,800

(Continued)

Category of portfolio	Opening balance			Book value
	Original value	Proportion of bad debt provision (%)	Bad debt provision	
Bad debt provision made individually	215,006,331	72.40	155,660,407	59,345,924
Bad debt provision made as per portfolio	17,074,283,761	4.47	763,002,889	16,311,280,872
Including: Accounts receivable whose credit risk has not increased significantly since the initial recognition	17,074,283,761	4.47	763,002,889	16,311,280,872
Total	17,289,290,092	-	918,663,296	16,370,626,796

1) Bad debt provision of accounts receivable made individually

Name	Closing balance			Reasons for provision
	Book balance	Bad debt provision	Provision proportion (%)	
Company 1	24,600,000	9,840,000	40.00	Part of it is expected to be unable to recover
Company 2	20,260,000	20,260,000	100.00	Expected to be unable to recover due to project termination
Company 3	13,595,425	13,595,425	100.00	The payments is expected to be unable to recover
Company 4	12,250,000	12,250,000	100.00	Unable to recover due to termination of cooperation
Company 5	11,701,493	11,701,493	100.00	Expected to be unable to recover
Other customers	96,467,580	96,460,215	99.99	Part of it is expected to be unable to recover
Total	178,874,498	164,107,133	—	—

2) Bad debt provision of accounts receivable made by portfolio

Aging	Closing balance		
	Book balance	Bad debt provision	Provision proportion (%)
Within 1 year	18,299,091,896	117,205,896	0.64
1-2 years	2,513,719,375	198,893,725	7.91
2-3 years	587,159,715	130,927,847	22.30
3-4 years	256,210,467	101,034,117	39.43
4-5 years	135,802,758	56,632,268	41.70
Over 5 years	262,360,115	143,386,038	54.65
Total	22,054,344,326	748,079,891	—

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

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of bad debt provision (%)
Within 1 year	18,311,199,040	132,044,973	0.72
1-2 years	2,522,703,932	204,764,940	8.12
2-3 years	624,533,148	153,385,668	24.56
3-4 years	282,860,997	129,976,917	45.95
4-5 years	168,079,959	86,514,337	51.47
Over 5 years	323,841,748	205,500,189	63.46
Total	22,233,218,824	912,187,024	4.10

(Continued)

Aging	Opening balance		
	Accounts receivable	Bad debt provision	Proportion of bad debt provision (%)
Within 1 year	13,976,812,177	204,804,157	1.47
1-2 years	1,894,233,113	186,457,279	9.84
2-3 years	734,222,640	172,963,047	23.56
3-4 years	264,836,067	98,830,184	37.32
4-5 years	161,885,566	99,838,277	61.67
Over 5 years	257,300,529	155,770,352	60.54
Total	17,289,290,092	918,663,296	5.31

A portion of the Group's domestic sales are made on a pre-payment basis, while the remaining sales are paid by letters of credit or banker's acceptances or customers are granted a credit period of 180-360 days.

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

Category	Opening balance	Amount changed in the current year				Closing balance
		Provision	Accounts recovered or transferred back	Amounts charged or written off	Other decrease	
Bad debt provision made individually	155,660,407	21,770,133	8,199,454	1,630,497	3,493,456	164,107,133
Bad debts provision based on group of credit risk characteristics	763,002,889	-3,806,219	2,085,397	7,115,766	1,915,616	748,079,891
Total	918,663,296	17,963,914	10,284,851	8,746,263	5,409,072	912,187,024

Note: The reasons for other decrease are that ① a subsidiary of the Company, AVIC JONHON Optronic Technology Co., Ltd.* (中航光電科技股份有限公司), entered into a debt restructuring agreement with a customer with a single accrual for expected credit losses at the end of the year, which agreed to accept the financial assets held for trading and derecognised the carrying amount of accounts receivable, resulting in a decrease of RMB3,493,456 in the bad debt provision for accounts receivable; ② Jiangxi Hongdu Aviation Industry Co., Ltd.* (江西洪都航空工業股份有限公司), a subsidiary of the Company, disposed of 50% of the equity of Jiangxi Hongdu International Mechanical & Electrical Co., Ltd.* (江西洪都國際機電有限責任公司), a subsidiary of the company, which was therefore no longer included in the consolidation at the end of the year, resulting in a reduction of RMB1,915,616 in bad debt provision for accounts receivable.

22. Notes payable

(1) Classification of notes payable

Category	Closing balance	Opening balance
Banker's acceptance bill	6,201,218,821	3,199,148,001
Commercial acceptance bill	5,431,967,295	5,325,689,418
Total	11,633,186,116	8,524,837,419

(2) Ageing of notes payable

The ageing of the above-mentioned notes payable of the Group at the end of the year ranges from 20 days to 354 days.

23. Accounts payable

(1) Presentation of accounts payable

Item	Closing balance	Opening balance
Materials costs payable	22,246,824,882	16,782,771,879
Construction costs payable	3,811,330,908	3,723,584,847
Equipment costs payable	244,268,241	208,540,458
Others	1,063,424,120	2,828,942,208
Total	27,365,848,151	23,543,839,392

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

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	22,122,950,520	18,810,244,837
1-2 years (including 2 years)	2,826,862,697	2,332,144,625
2-3 years (including 3 years)	1,068,400,209	968,725,550
Over 3 years	1,347,634,725	1,432,724,380
Total	27,365,848,151	23,543,839,392

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, the businesses of the Group were divided into aviation entire aircraft segment, aviation ancillary system and related business segment, and aviation engineering services segment. The revenue, gross profit margin and other key financial performance indicators of these segments are analyzed in this report to demonstrate their operation and development.

Due to the acquisition of Beijing Yinyan Enterprise Co., Ltd.* (北京銀燕實業有限公司) (“**Beijing Yinyan**”) by China Aviation Planning and Design Institute Co., Ltd.* (中國航空規劃設計研究總院有限公司) (“**AVIC CAPDI**”, a wholly-owned subsidiary of the Company) in 2021, the financial data of the Group in the corresponding period of the preceding year was restated pursuant to the relevant regulations and requirements. Unless otherwise stated, the financial data in the corresponding period of the preceding year referred in this announcement has been restated.

For the year ended 31 December 2021, the Group had made good growths in both revenue and profit, recording a revenue of RMB60,296 million, representing an increase of RMB9,366 million or 18.39% as compared with that of RMB50,930 million in the corresponding period of the preceding year. The net profit attributable to the owners of the parent company amounted to RMB2,369 million, representing an increase of RMB436 million or 22.56% as compared with that of RMB1,933 million in the corresponding period of the preceding year.

CONSOLIDATED OPERATING RESULTS

1 Composition of revenue

The revenue of the Group for the year 2021 was RMB60,296 million, representing an increase of 18.39% as compared with that of RMB50,930 million in the corresponding period of the preceding year. During the period, each of the Group’s business segments recorded revenue increase to different extent.

The revenue of the Group’s aviation entire aircraft business for the year 2021 amounted to RMB20,388 million, representing an increase of RMB1,329 million or 6.97% as compared with that of RMB19,059 million in the corresponding period of the preceding year, which was mainly attributable to the increase of sales volume of helicopter, advanced trainer and general-purpose aircraft products. The revenue of the aviation entire aircraft business for the year 2021 accounted for 33.81% of the total revenue of the Group, representing a decrease of 3.61 percentage points as compared with that in the corresponding period of the preceding year.

The revenue of the Group's aviation ancillary system and related business for the year 2021 amounted to RMB33,181 million, representing an increase of RMB7,658 million or 30.00% as compared with that of RMB25,523 million in the corresponding period of the preceding year, which was mainly attributable to the increase of sales volume of avionics and aviation parts and components products. The revenue of the aviation ancillary system and related business for the year 2021 accounted for 55.03% of the total revenue of the Group, representing an increase of 4.92 percentage points as compared with that in the corresponding period of the preceding year.

The revenue of the Group's aviation engineering services business for the year 2021 amounted to RMB6,727 million, representing an increase of RMB379 million or 5.97% as compared with that of RMB6,348 million in the corresponding period of the preceding year, which was mainly attributable to the increase in sales from engineering projects. The revenue of the aviation engineering services business for the year 2021 accounted for 11.16% of the total revenue of the Group, representing a decrease of 1.31 percentage points as compared with that in the corresponding period of the preceding year.

The Group mainly conducts its business in Mainland China and its revenue is mainly generated from Mainland China as well.

2. Selling expenses

The Group's selling expenses for the year 2021 amounted to RMB688 million, representing an increase of RMB53 million or 8.35% as compared with that of RMB635 million in the corresponding period of the preceding year, which was mainly attributable to increase in labor cost of sales persons, sales service expense and travelling expenses incurred by certain subsidiaries of the Group in the course of marketing. In 2021, the selling expenses accounted for 1.14% of the revenue of the Group, representing a decrease of 0.11 percentage points as compared with that in the corresponding period of the preceding year.

3. Administrative expenses

The Group's administrative expenses for the year 2021 amounted to RMB3,594 million, representing an increase of RMB471 million or 15.08% as compared with that of RMB3,123 million in the corresponding period of the preceding year, which was mainly attributable to the increase in staff cost and the Group no longer benefits from the inclusive policy of social security relief in the corresponding period of last year. In 2021, the administrative expenses accounted for 5.96% of the revenue of the Group, representing a decrease of 0.17 percentage points as compared with that in the corresponding period of the preceding year.

4. Research and development expenses

The research and development (“**R&D**”) expenses of the Group for the year 2021 amounted to RMB3,452 million, representing an increase of RMB450 million or 14.99% as compared with that of RMB3,002 million in the corresponding period of the preceding year. Such increase was mainly attributable to enhanced R&D input by the Group during the Reporting Period. In 2021, the research and development expenses accounted for 5.73% of the revenue of the Group, representing a decrease of 0.17 percentage points as compared with that in the corresponding period of the preceding year.

5. Finance costs

The Group’s finance costs in 2021 amounted to RMB165 million, representing a decrease of RMB49 million or 22.90% as compared with that of RMB214 million in the corresponding period of the preceding year, which is mainly attributable to the decrease in interest expense and exchange loss of certain subsidiaries. Please refer to Note 8 to the financial statements for details.

6. Operating profit

The Group’s operating profit in 2021 was RMB5,262 million, representing an increase of RMB989 million or 23.15% as compared with that of RMB4,273 million in the corresponding period of the preceding year. The increase of revenue and the growth of gross profit led to the increase in the operating profit.

7. Income tax expenses

The Group’s income tax expenses in 2021 was RMB480 million, representing an increase of RMB10 million or 2.13% as compared with that of RMB470 million in the corresponding period of the preceding year. Please refer to Note 17 to the financial statements for details.

8. Net profit attributable to the owners of the parent company

The profit attributable to equity holders of the parent company for the year 2021 amounted to RMB2,369 million, representing an increase of RMB436 million or 22.56% as compared with that of RMB1,933 million in the corresponding period of the preceding year, which was mainly attributable to the increase of revenue and the growth of gross profit.

SEGMENT INFORMATION

The Group's business is divided into three segments, namely the aviation entire aircraft business, the aviation ancillary system and related business and the aviation engineering services business.

THE AVIATION ENTIRE AIRCRAFT BUSINESS

Revenue

The Group's revenue derived from the aviation entire aircraft business for 2021 was RMB20,388 million, representing an increase of 6.97% 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 amounted to RMB17,666 million, representing an increase of RMB667 million or 3.92% as compared with that in the corresponding period of the preceding year, and accounted for 86.65% of the total revenue of the aviation entire aircraft business as the sales volume of helicopters increased; (2) the revenue derived from the trainer aircraft business, which amounted to RMB2,381 million, representing an increase of RMB357 million or 17.64% as compared with that in the corresponding period of the preceding year, and accounted for 11.68% of the total revenue of the aviation entire aircraft business; (3) the revenue derived from the general purpose aircraft business, which amounted to RMB341 million, representing an increase of RMB305 million or 856.66% as compared with that in the corresponding period of the preceding year, and accounted for 1.67% of the total revenue of the aviation entire aircraft business.

The revenue of the aviation entire aircraft business of the Group for the year 2021 accounted for 33.81% of the Group's total revenue, representing a decrease of 3.61 percentage points 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 the year 2021 was 6.98%, representing a decrease of 2.09 percentage points as compared with that in the corresponding period of the preceding year. Such decrease was mainly attributable to the change in the product mix of the entire aircraft products.

THE AVIATION ANCILLARY SYSTEM AND REALATED BUSINESS

Revenue

The Group's revenue derived from the aviation ancillary system and related business for the year 2021 was RMB33,181 million, representing an increase of 30.00% as compared with that in the corresponding period of the preceding year. Among the above revenue, the revenue derived from avionics business amounted to RMB21,547 million, representing an increase of RMB3,545 million or 19.69% as compared with that in the corresponding period of the preceding year, and accounted for 64.94% of the total revenue of the aviation ancillary system and related business.

The revenue derived from the aviation ancillary system and related business for the year 2021 accounted for 55.03% of the Group's total revenue, representing an increase of 4.92 percentage points as compared with that in the corresponding period of the preceding year.

Gross Profit Margin

The gross profit margin of the Group's aviation ancillary system and related business for the year 2021 was 30.87%, representing an increase of 0.36 percentage points as compared with that in the corresponding period of the preceding year.

THE AVIATION ENGINEERING SERVICES BUSINESS

Revenue

The Group's revenue derived from the aviation engineering services business for the year 2021 was RMB6,727 million, representing an increase of 5.97% as compared with that in the corresponding period of the preceding year, which was mainly attributable to the increase in sales from engineering projects. The revenue derived from the aviation engineering services business in 2021 accounted for 11.16% of the Group's total revenue, representing a decrease of 1.31 percentage points as compared with that in the corresponding period of the preceding year.

Gross Profit Margin

The gross profit margin of the Group's aviation engineering services business for the year 2021 was 15.36%, representing an increase of 0.86 percentage points as compared with that in the corresponding period of the preceding year.

BUSINESS REVIEW AND OUTLOOK

In 2021, Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司) (“**AVIC**”), the controlling shareholder of the Company, overcame the reoccurring outbreak of the COVID-19 Pandemic and the complicated international environment, achieved fruitful development of aviation equipment, expanded scientific and technological innovation, and made new breakthroughs in reform, realizing a steady and good beginning of the 14th Five-Year Plan.

In 2021, the Company was committed to becoming a flagship company to provide high-tech aviation products and services for both military and civil purposes, grasping the new development stage, overcoming impact of the COVID-19 Pandemic and made significant achievements in many aspects of our work by solidly promoting our strategic deployment, forging ahead, and being down-to-earth, achieving fruitful technical innovative achievements and growth in business results.

In 2021, the Group continued to deepen its reform and promote the positive interaction between capital and industry. AVICOPTER PLC* (中航直升機股份有限公司) (“**AVICOPTER**”) completed the capital increase to Harbin Hafei Aviation Industry Co., Ltd.* (哈爾濱哈飛航空工業有限責任公司) (“**Hafei Aviation**”) and Jiangxi Changhe Aviation Industry Co., Ltd.* (江西昌河航空工業有限公司), which promoted the industrialization of civil helicopters. Jiangxi Hongdu Aviation Industry Co., Ltd.* (江西洪都航空工業股份有限公司) (“**Hongdu Aviation**”) transferred the equity of a subsidiary to focus on its principal business and effectively optimized the allocation of resources. AVIC JONHON Optronics Technology Co., Ltd.* (中航光電科技股份有限公司) (“**JONHON Optronics**”) completed the non-public issuance of A shares on 13 January 2022, and raised approximately RMB3,393 million. AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司) (“**AVIC Forstar**”) became one of the first batch of companies and the first central state-owned enterprise to be listed on the Beijing Stock Exchange, leveraging on the capital market to continue to enhance its development momentum.

In 2021, the Group's helicopter products showed excellent performance in various activities, which demonstrated its core competitiveness. 10 ton medium general purpose helicopter debuted in the 13th China International Aviation & Aerospace Exhibition, showing the results of the development of new generation. Z-8 helicopters were equipped with modified medical cabin, creating the new innovative model of "helicopter + paramedic" emergency rescue, escorting the Beijing 2022 Winter Olympics; Z-8A helicopters were chosen for the Beijing 2022 Winter Olympics security mission, which completed air patrol, forest fire prevention and fire fighting in Chongli that was the core area of Beijing 2022 Winter Olympics, Winter Olympics security and other aviation rescue work; AC series helicopter debuted in the 13th

China International Aviation & Aerospace Exhibition, showing the results of the development of domestic aviation emergency rescue equipment system. Advanced twin-engine multi-purpose helicopter AC332 commenced assembly in Tianjin, accelerating the comprehensive development of the Tianjin Civil Helicopter Industrial Base. AC352 helicopter completed the sub-altitude test flight, making a new breakthrough in airworthiness verification; training course for customer of AC311 helicopter for police aviation purposes was successfully completed, continuing to promote the civil aircraft operation support system and after-sales service capacity building. The scientific research project of "Helicopter Rope-Landing Operation Standard Verification Flight" carried out by AC311A helicopters completed the land subject verification flight, providing data support for the formation and improvement of domestic helicopter aviation emergency rescue capabilities.

In 2021, the market influence of the Group's trainer jet business continued to increase. The L15 advanced trainer jet was presented at the 17th Dubai International Airshow and the 15th International Defence Exhibition and Conference, attracting widespread attention for its excellent flight performance. Hongdu Aviation was selected as the training base for aircraft maintenance projects in the 46th World Skills Competition, which was conducive to extending the connotation of trainer business, and exploring the path from the sales of trainers to the sales of integrated systems and services.

In 2021, the Group's general-purpose aircraft business was steadily developing. The test flight of the Y-12F time-domain aircraft was completed, fully verifying the capability of aero-geophysical survey. Y-12E flew the "Tongren-Zhangjiajie" route, marking the official opening of the first inter-provincial short-distance transportation route between Guizhou and Hunan.

In 2021, the Group further enhanced the industrial competitiveness of aviation ancillary systems and related businesses by adhering to technological innovation. JONHON Optronic's independently developed project of nuclear grade connector components passed the appraisal, ushering in a broad market prospect under the trend of energy restructuring. The Group has integrated into the "Yangtze River Delta Aviation Industry Cluster" and established AVIC Optoelectronics (Shanghai) Co., Ltd. (中航光電(上海)有限公司) to undertake pre-research of cutting-edge technologies, specialized R&D and high-end industrial incubation in the interconnection field. AVIC JONHON Optronic (Germany) GmbH (中航光電(德國)有限責任公司) was established in response to "The Belt and Road" to expand the European market and implement the global development strategy. The construction of JONHON Optronic Huanan Industrial Base (中航光電華南產業基地) progressed in full speed, which is rooted in the Greater Bay Area and aims to support the country's high-end manufacturing. The train protection recorder developed by AVIC Shaanxi Qianshan Avionics Co., Ltd.* (陝西千山航空電子有限責任公司) ("**Qianshan Avionics**") has

completed the full series of IEC6265-A test, reached the international standard and was exported to Europe. Qianshan Avionics also completed the development of water floating recorder simulation training system software, taking an important step in the development of virtual reality applications. AVIC Shaanxi Huayan Aero-Instrument Co., Ltd.* (陝西華燕航空儀錶有限公司) (“**Shaanxi Huayan**”) enhanced its R&D investment and achieved breakthrough in key technologies for the development of high-precision fiber optic inertial navigation system. Tianjin Aviation Mechanical and Electrical Co., Ltd.* (天津航空機電有限公司) (“**Tianjin Aviation**”) delivered the physical fire test verification platform for aircraft, consolidating the position and technical advantages of the professional system-level supplier of fire prevention. The air pressure altitude signal device developed by Chengdu CAIC Electronics Co., Ltd.* (成都凱天電子股份有限公司) (“**AVIC Kaitian**”) guarantees the safe and smooth return of Shenzhou XII return capsule and helps Shenzhou XII manned mission to achieve complete success. Lanzhou Flight Control Co., Ltd.* (蘭州飛行控制有限責任公司) (“**AVIC Lanfei**”) passed the process standard of "hexagonal slab pavement" and the appraisal of the first article inspection, and actively explored the market.

In 2021, the Group accelerated the transformation and upgrades in the field of aviation engineering service and achieved stable development in market operation. AVIC CAPDI continued to strengthen its high-end consulting capability and undertook the successive top-level planning tasks of the MIIT and COMAC's large aircraft special projects. The Group made steady progress in the market of principal aviation business, and undertook a number of key construction projects such as the Huanan Industrial Base of JONHON Optronic. The Group continued to expand the civil aviation market and was awarded nearly 20 projects of airport navigation service study and airport fuel supply; contacted design projects of Shenzhen Airport East Integrated Transportation Hub and Taiyuan Wusu Airport T3, achieving an important breakthrough in large-scale terminal building projects. The Group made new breakthroughs in developing the market related to aviation industry and undertook the first domestic aviation aircraft composite material automation production line project. The Group made new market development in emerging industries and successively obtained a series of COVID-19 vaccine plant design tasks for Sinopharm and Sinovac, and undertook COVID-19 vaccine construction projects in the United Arab Emirates.

In 2021, the Group adhered to the integration of economic responsibility, social responsibility and environmental responsibility, and maintained a high level of corporate governance. Fighting against the epidemic and resume production, alleviating poverty through aviation, highlighting aviation speed and strength, improving systems and compliance operations, and promoting the integration of legal work into all aspects of production and operation, saving energy and enhancing environmental protection, carrying out emergency drills to establish a sound production safety responsibility system, focusing on the market and enhance image so

as to continue to enhance the brand value of the Company.

In 2022, amid the impact of the COVID-19 Pandemic, global economic growth is facing downside risks. The external environment becomes more complex and severe, but the basic trend of China's long-term economic growth has not changed and the PRC government has put forward the goal of achieving stable progress and driving the economy to achieve a steady improvement in quality and reasonable growth in quantity. AVIC will take the theme of "innovative year", and strive to overcome the difficulties of more uncertain and unstable factors in the global economy and maintain the smooth operation of the economy, strongly promote the development of aviation equipment, continue to build leading innovation power, promote the "14th Five-Year Plan" and medium and long-term development plans, and implement a comprehensive quality improvement project to ensure sustainable, stable and healthy development. The Group will focus on the development strategy of the aviation industry, strive to build a new type of modern aviation high-technology industry group, and lead the integrated development of aviation technology industry:

1. will give full play to its advantages in the aviation high-tech industry, enhance the technological innovation of helicopters, trainers and aviation parts, and further promote the Company's hard technology advantages by increasing investment through coordinating direct investment with industrial funds;
2. will closely follow the 14th Five-Year Plan for National Emergency Rescue and increase the R&D and production of emergency rescue equipment in response to the demand for aviation emergency rescue equipment, continuously promote the optimization of the industrial layout and structural adjustment of the helicopter business, advance the industrialization process of civil helicopters and comprehensively promote the construction of Tianjin Helicopter Base;
3. continue to optimize the industrial structure, promote the investment and integration of aviation ancillary systems, research M&A targets around the high-end manufacturing industry group chain in the aviation industry, and enhance competitiveness, innovation, control, influence and risk resistance;
4. insist on the professional development of connector business, specialize and strengthen the main business, stick to international development and continuously expand the market application scope of new energy field;
5. will consolidate and enhance the emerging aviation civil market position for aviation engineering services, comprehensively improve the whole value chain services of civil aviation, and actively expand the market direction of emerging fields;

6. will actively strengthen exchanges with global institutional investors and domestic investment institutions, establish a market image of the high-end equipment as core assets of the Company, enhance investment institutions' knowledge about the Company, enhance the Company's brand value; and
7. actively fulfill its social responsibilities, improve governance capabilities, sound governance structure, prevent operational risks, and improve capital control system.

CASH FLOW AND FINANCIAL RESOURCES

1 Liquidity and Capital Resources

As at 31 December 2021, the Group's cash and cash equivalents amounted to RMB23,539 million, which was mainly derived from the following sources:

- cash and bank deposits at the beginning of the year;
- funds generated from its operations; and
- funds generated from non-public issuance of A shares by a subsidiary.

The Group's cash flow for each of the years 2021 and 2020 were as follows:

Main items of cash flow	<i>Unit: RMB million (except for percentage)</i>			
	2021	2020 (restated)	Changes (amount)	Changes rate (percentage)
Net cash flows from operating activities	2,245	861	1,384	160.74%
Net cash flows (used in) from investing activities	(1,942)	2,328	(4,270)	-183.42%
Net cash flows from financing activities	424	1,190	(766)	-64.37%

2 Operating, Investing and Financing Activities

Net cash inflows from operating activities of the Group for 2021 amounted to RMB2,245 million, representing an increase of net inflows by RMB1,384 million as compared with the net cash inflows of RMB861 million in the corresponding period of the preceding year. It was mainly attributable to increases in collection of receivables and prepayments by customers during the Reporting Period.

Net cash outflows from investing activities of the Group for 2021 amounted to RMB1,942 million, representing a decrease of net inflows by RMB4,270 million as compared with the net cash inflows of RMB2,328 million in the corresponding period of the preceding year. The main reason was that, on one hand, the recovery of investment in time deposits for more than three months decreased during the Reporting Period, on the other hand, Hongdu Aviation received consideration for assets replacement in the corresponding period of the preceding year.

Net cash inflows from financing activities of the Group for the year 2021 amounted to RMB424 million, representing a decrease of net inflows by RMB766 million as compared with the net cash inflows of RMB1,190 million in the corresponding period

of the preceding year. The main reason was that borrowings made by certain subsidiaries of the Group decreased and payment of dividends increased during the Reporting Period.

As at 31 December 2021, the Group's total borrowings amounted to RMB10,579 million, of which the short-term borrowings, the current portion of long-term borrowings and the non-current portion of long-term borrowings amounted to RMB3,315 million, RMB1,124 million and RMB6,140 million, respectively.

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

Maturity	<i>RMB million</i>
Within one year	1,124
In the second year	2,968
In the third to fifth year	2,305
After the fifth year	867
Total	7,264

As at 31 December 2021, the Group's bank borrowings amounted to RMB4,266 million with a weighted average interest rate of 4% per annum, accounting for 40.33% of the total borrowings. Other borrowings amounted to RMB6,313 million with a weighted average interest rate of 3% per annum, accounting for 59.67% of the total borrowings.

As at 31 December 2021, there was no significant balance of borrowings denominated in foreign currencies.

GEARING RATIO

As at 31 December 2021, the Group's gearing ratio was 7.90% (as at 31 December 2020: 10.09% (as restated)), which was arrived at by dividing the total borrowings by the total assets as at 31 December 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no significant contingent liabilities.

DESIGNATED DEPOSITS AND OVERDUE FIXED DEPOSITS

As at 31 December 2021, 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 2021, the Group's total secured borrowings amounted to RMB524 million, of which RMB68 million was secured by house buildings with a net book value of RMB8 million; RMB105 million was secured by notes receivables and accounts receivables with a net book value of approximately RMB218 million; RMB351 million was secured by future receivable rights.

Borrowings placed under guarantees amounted to RMB511 million, of which RMB464 million represented guarantees amongst the members of the Group, RMB42 million represented guarantees provided by fellow subsidiaries and RMB5 million represented guarantees provided by non-connected parties.

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 arising from transactions involving assets, liabilities and operating activities of the Group are primarily associated with United States Dollar, Euro and Hong Kong Dollar. The Directors consider that the exchange rate risks to the Group will not have any material adverse impact on the Group's financial results.

USE OF PROCEEDS

As at 31 December 2021, a total of RMB5,521 million of the proceeds raised by the Company had been used in the manufacturing and R&D of advanced trainer aircraft, helicopters and aviation composite materials as well as the acquisition of aviation assets and the equity investments. In the end of 2018, the net proceeds raised by the Company through H share placing were approximately HK\$1,346 million. Up to the date of this announcement, an amount of RMB963 million had been used to invest in the aviation business such as aviation cabin interior trimming business and military-civilian fund for aviation industry. As at 31 December 2021, the remaining balance of the proceeds amounted to approximately RMB212 million. In the next year, the Company proposes to use such proceeds for investment in aviation businesses, the industrialization projects of aviation research institutes and industry investment fund for aviation business, the funding of acquisitions of aviation equity interest or aviation assets and for general corporate purposes.

EMPLOYEES

As at 31 December 2021, the Group had 46,428 employees. The Group has provided appropriate emoluments, benefits and trainings to its employees.

Employees Breakdown (by business segments)	Number of employees	Percentage to total number of employees (%)
Aviation entire aircraft business	14,500	31.23
Aviation ancillary system and related business	29,015	62.49
Aviation engineering services business and others	2,913	6.28
Total	46,428	100.00

For the year ended 31 December 2021, the total staff costs of the Group amounted to RMB11,180 million, representing an increase of RMB1,802 million or 19.22% as compared with those of RMB9,378 million in the corresponding period of the preceding year.

PURCHASE, SALE AND REDEMPTION OF LISTED SHARES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2021.

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

1. On 10 May 2021, AVIC CAPDI entered into an equity transfer agreement with AVIC Construction and Development (Beijing) Technology Co., Ltd.* (中航建發(北京) 科技有限公司) (“**AVIC Construction and Development Technology**”), pursuant to which, AVIC Construction and Development Technology agreed to sell, and AVIC CAPDI agreed to acquire, 100% equity interest in Beijing Yinyan at the consideration of RMB68,361,300. Upon completion of the transfer, AVIC CAPDI will hold 100% equity interest in Beijing Yinyan and AVIC Construction and Development Technology will no longer hold any equity interest in Beijing Yinyan. As at the date of the equity transfer agreement, AVIC CAPDI is a wholly-owned subsidiary of the Company and AVIC is the controlling Shareholder of the Company. AVIC Construction and Development Technology is a wholly-owned subsidiary of AVIC and is therefore a connected person of the Company. The acquisition of 100%

equity interest in Beijing Yinyan by AVIC CAPDI from AVIC Construction and Development contemplated under the equity transfer agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 10 May 2021.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies during the Reporting Period.

OTHER SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

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

Save as disclosed above, there is no other significant events occurred during the Reporting Period.

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

As the term of all Directors of the sixth session of the Board and all Supervisors of the sixth session of the Supervisory Committee expired at the annual general meeting held on 28 May 2021 (“**2020 AGM**”), members of the seventh session of the Board and the seventh session of the Supervisory Committee (with respect to shareholder representative Supervisors) were elected at the 2020 AGM. The employee representative Supervisor had been elected separately by the employee representative general meeting of the Company. The term of the Directors of the seventh session of the Board and the Supervisors of the seventh session of the Supervisory Committee is three years, commencing from the date of establishment of the seventh session of the Board of Directors and the seventh session of the Supervisory Committee, which is the date of the 2020 AGM.

At the 2020 AGM, certain members of the sixth session of the Board of the Company, namely Mr. Wang Xuejun (executive director), Mr. Zhao Hongwei (executive director), Mr. Lian Dawei (non-executive director), Mr. Xu Gang (non-executive director) and Mr. Liu Weiwu (independent non-executive director) participated in the

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

After the conclusion of the 2020 AGM, the seventh session of the Board consists of the following members: Mr. Wang Xuejun (executive Director), Mr. Zhao Hongwei (executive Director), Mr. Lian Dawei (non-executive Director), Mr. Li Xichuan (non-executive Director), Mr. Xu Gang (non-executive Director), Mr. Wang Jun (non-executive Director), Mr. Liu Weiwu (independent non-executive Director), Mr. Mao Fugen (independent non-executive Director) and Mr. Lin Guiping (independent non-executive Director).

At the Board meeting convened following the 2020 AGM on the same date, Mr. Wang Xuejun was elected as the chairman of the Board of the Company.

At the 2020 AGM, Mr. Zheng Qiang and Mr. Guo Guangxin, members of the sixth session of the Supervisory Committee, participated in the re-election as shareholder representative supervisor of the seventh session of the Supervisory Committee and were re-elected as shareholder representative supervisors. Meanwhile, Mr. Zhao Zhuo was re-elected as the employee representative supervisor of the seventh session of the Supervisory Committee.

After the conclusion of the 2020 AGM, the seventh session of the Supervisory Committee consists of the following members: Mr. Zheng Qiang (shareholder representative supervisor), Mr. Guo Guangxin (shareholder representative supervisor) and Mr. Zhao Zhuo (employee representative supervisor).

At the Supervisory Committee meeting of the Company convened following the 2020 AGM on the same date, Mr. Zheng Qiang was elected as the chairman of the Supervisory Committee of the Company. For further details, please refer to the announcements of the Company dated 20 April 2021, 29 April 2021 and 28 May 2020, and the circular of the Company dated 27 April 2021.

Due to change in work arrangement, on 16 September 2021, Mr. Tao Guofei applied to the Board for resignation as the deputy general manager and chief financial officer of the Company. At the Board meeting held 23 December 2021, the Board considered and approved the resolution in relation to the appointment of Mr. Wang Jingmin as the chief financial officer of the Company, with his term of office commencing from the date of approval of such resolution at the Board meeting to the date on which the term of office of the seventh session of the Board expires.

Due to change in work arrangement, on 5 November 2021, Mr. Zhao Hongwei applied to the Board for resignation from his position as the executive Director and general manager of the Company. At the Board meeting held 3 December 2021, the Board considered and approved the resolution in relation to the appointment of Mr. Yan Lingxi as the general manager of the Company, with his term of office commencing from the date of approval of such resolution at the Board meeting to the date on which the term of office of the seventh session of the Board expires. At the extraordinary general meeting held on 18 January 2022, the Shareholders in attendance considered and approved the resolution in relation to the appointment of Mr. Yan Lingxi as an executive Director of the Company with a term of office commencing from the approval at the extraordinary general meeting until the date on which the resolution relating to the election of the new session of the Board will be considered at the annual general meeting to be convened in 2024. At the Board meeting on the same date, Mr. Yan Lingxi was elected as the member of the Development and Strategy Committee.

Due to change in work arrangement, on 3 December 2021, Mr. Wang Xuejun applied to the Board for resignation from his position as the Chairman, executive Director, chairman of the Development and Strategy Committee and chairman of the Nomination Committee of the Company. At the extraordinary general meeting held on 18 January 2022, the Shareholders in attendance considered and approved the resolution in relation to the appointment of Mr. Zhang Minsheng as an executive Director of the Company with a term of office commencing from the approval at the extraordinary general meeting until the date on which the resolution relating to the 50th election of the new session of the Board will be considered at the annual general meeting to be convened in 2024. At the Board meeting on the same date, Mr. Zhang Minsheng was elected as the Chairman, chairman of the Development and Strategy Committee and chairman of the Nomination Committee of the Company. For further details, please refer to the announcements of the Company dated 3 December 2021 and 23 December 2021, and the circular of the Company dated 18 January 2022.

EVENTS AFTER THE REPORTING PERIOD

On 21 March 2022, AVIC and AVIC CAPDI, as vendors, are planning to enter into an equity transfer agreement at the same time with (i) Beijing Xuneng Development Technology Co., Ltd.* (北京旭能發展科技有限責任公司) (“**Xuneng Development**”); (ii) Jilin Zhongkai New Energy Development and Utilization Co., Ltd.*(吉林省中愷新能源開發利用有限責任公司); and (iii) Anhui Zhongcheng Dadi Energy Development Co., Ltd.* (安徽中城大地能源發展有限公司) (“**Anhui Zhongcheng**”), pursuant to which AVIC agreed to transfer its 30.70% equity interest in AVIC Renewable Energy, and AVIC CAPDI agreed to transfer its 21.30% equity interest in AVIC Renewable Energy at a total consideration not less than RMB383.89 million (the “**Disposal**”). As at the date of this announcement, the above matters have been approved by the Board, and the abovementioned parties have yet to finalise and sign the equity transfer agreement.

Xuneng Development is a company owned as to 50% by AVIC Trust and 50% by Anhui Zhongcheng, respectively. AVIC Trust is owned as to approximately 73.56% by AVIC Industry-Finance, which is a non-wholly owned subsidiary of AVIC, a controlling shareholder of the Company. Therefore, Xuneng Development is a connected person to the Company pursuant to Chapter 14A of the Listing Rules and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) for the Disposal is more than 0.1% but less than 5%, it is expected that the Disposal is subject to the reporting and announcement requirements, but is exempt from the circular and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 21 March 2022.

Save as disclosed above, no other significant events of the Group occurred after the Reporting Period.

CHANGE OF AUTHORISED REPRESENTATIVE UNDER THE COMPANIES ORDINANCE OF HONG KONG (CAP. 622)

The Company announces that Ms. Wong Wailing has been appointed as the authorised representative of the Company under the Company Ordinance of Hong Kong (Cap. 622) authorised to accept on the Company's behalf service of any process or notice required to be served on the Company to replace Ms. Leung Wing Han Sharon with effect from 30 March 2022.

RESULTS, DIVIDEND AND DIVIDEND POLICY

The Board recommended the payment of a final dividend for the year 2021 in an aggregate amount of RMB616,906,579.36 , representing a dividend of RMB0.08 per share (2020: RMB0.05 per share), calculated based on the existing number of total issued shares of 7,711,332,242 shares of the Company as at the date of this announcement, subject to adjustment (if any) based on the number of total issued shares 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 Friday, 10 June 2022 (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 Monday, 6 June 2022 to Friday, 10 June 2022 (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 Thursday, 2 June 2022.

In accordance with Article 152 of the Articles of Association of the Company, the dividend will be declared in RMB to the shareholders. The dividend payable to domestic shareholders will be paid in RMB within three months after the dividend declaration date, the dividend payable to H Shares shareholders will be denominated and declared in RMB and paid in Hong Kong Dollars within three months after the dividend declaration date. The dividend 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 business days prior to the declaration of dividends at the annual general meeting of the Company to be held on Friday, 27 May 2022 (the "**2021 AGM**"). Subject to the approval of the Company's

shareholders at the 2021 AGM, the aforementioned dividend is expected to be paid by the Company on or before 18 August 2022.

The 2021 AGM will be held on Friday, 27 May 2022. The H share register of members of the Company will be closed from Saturday, 7 May 2022 to Friday, 27 May 2022 (both days inclusive), during which period no transfer of H shares will be registered. Holders of the Company's H shares whose names appear on the Company's register of members at the opening of business on Friday, 27 May 2022 are entitled to attend and vote at the 2021 AGM. In order to be eligible to attend and vote at the 2021 AGM, holders of the Company's H shares shall lodge all transfer instruments together with the relevant share certificates with Computershare Hong Kong Investor Services Limited, the Company's H shares register, not later than 4:30 pm on Friday, 6 May 2022.

According to the Company Law of the People's Republic of China, relevant laws and regulations, and the Articles of Association, the profits after payment of the relevant taxation shall be distributed in the following order:

(1) make up of losses; (2) transfer to statutory common reserve fund; (3) transfer to discretionary common reserve fund; (4) payment of dividends to ordinary shares.

The determination to pay such dividends will be made at the discretion of the Board and will be based upon the operating results, cash flows, financial positions, capital requirements and other relevant circumstances that the Board deems relevant and proposed at the general meeting for shareholders' approval.

AUDIT AND RISK MANAGEMENT COMMITTEE

As at the date of the announcement, the Audit and Risk Management Committee of the Company comprises the Directors, namely Mr. Mao Fugen, Mr. Wang Jun, Mr. Liu Weiwu and Mr. Lin Guiping. Mr. Mao Fugen is the chairman of the Audit and Risk Management Committee.

In order to strengthen the integration and coordination of the compliance management system, risk management and internal control system, and continuously improve the effective operation of the Company's management and control systems, the seventh session of the Board changed the former Audit Committee into the Audit and Risk Management Committee on 28 May 2021 to continuously carrying out the duty of assisting the Board and independently monitoring the financial operation, audit procedures and the risk management operation of the Company; and as considered and approved by the meeting of the Board of the Company held on 27 August 2021, the Terms of Reference of the Audit and Risk Management Committee were amended

in accordance with the actual situation of the Company and the Guide for the Effective Audit Committee issued by the Hong Kong Institute of Certified Public Accountants and the provisions of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules (as amended from time to time).

The Audit and Risk Management Committee is responsible for monitoring the financial operation and audit procedures of the Company, assessing effectiveness of the internal control and risk management systems of the Company, performing its internal audit function, reviewing and supervising the performance of the corporate governance responsibilities of the Company as well as performing other duties and responsibilities assigned by the Board, and maintaining effective communication with the management, internal audit institution and external auditors of the Company.

The Audit and Risk Committee had reviewed the Group's annual results and consolidated financial statements for the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Company strictly complied with various applicable laws, rules and regulations as well as the Articles of Association of the Company to standardize its operation. The Board reviewed the corporate governance practices adopted by the Company for the year ended 31 December 2021 and was of the view that the Company had complied 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 for Directors, Supervisors, Senior Management and Employees of the Company as its own guidelines for securities transactions by Directors, supervisors and relevant employees 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 standards for securities transactions under the Model Code for the year ended 31 December 2021.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2021 will be despatched to the shareholders of the Company and will be published on the websites of The Stock Exchange of Hong Kong and of the Company (<http://www.avichina.com>) in due course.

By order of the Board
AviChina Industry & Technology Company Limited*
Zhang Minsheng
Chairman

Beijing, 30 March 2022

As at the date of this announcement, the Board comprises executive Directors Mr. Zhang Minsheng and Mr. Yan Lingxi, non-executive Directors Mr. Lian Dawei, Mr. Li Xichuan, Mr. Xu Gang and Mr. Wang Jun as well as independent non-executive Directors Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping.

** For identification purpose only*