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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)**

### **(1)2022 INTERIM RESULTS ANNOUNCEMENT; AND (2)PROPOSED CHANGE OF DIRECTOR**

#### **Financial Highlights**

- For the six months ended 30 June 2022, mainly affected by the adjustment of helicopter products structure, the Group recorded a revenue of RMB25,813 million, representing a decrease of RMB2,084 million or 7.47% as compared with that of RMB27,897 million(as restated) in the corresponding period of last year.
- For the six months ended 30 June 2022, the net profit attributable to the owners of the parent company amounted to RM1,154 million, representing a decrease of RMB45 million or 3.75% as compared with that of RMB1,199 million(as restated) in the corresponding period of last year.

The board of directors (the “**Board**”) of AviChina Industry & Technology Company Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 prepared according to the China Accounting Standards for Business Enterprises as follows:

**INTERIM CONSOLIDATED INCOME STATEMENT**

FOR THE SIX MONTHS ENDED 30 JUNE 2022

UNIT: RMB

Items	Note	January - June 2022 (Unaudited)	January - June 2021 (Unaudited) (Restated)
<b>1. Total operating income</b>		<b>25,812,630,147</b>	<b>27,897,387,059</b>
Including: Operating revenue	3	25,812,630,147	27,897,387,059
Interest income			
Earned premium			
Fee and commission income			
<b>2. Total operating cost</b>		<b>23,078,649,700</b>	<b>25,154,862,224</b>
Including: Operating cost	3	19,704,195,121	21,881,436,067
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		71,496,640	60,734,462
Selling expenses	5	336,599,890	314,625,268
Administrative expenses	6	1,589,242,446	1,482,677,051
Research and development expenses	7	1,468,935,031	1,347,423,586
Finance cost	8	-91,819,428	67,965,790
Including: Interest expense		175,046,322	194,233,255
Interest income		170,414,213	157,541,014
Add: Other income	9	110,623,463	112,507,875
Investment income (loss to be listed with “-”)	10	181,198,993	190,837,973
Including: Income from investment in associates and joint ventures		115,404,831	133,501,275
Derecognition income of financial assets at amortised cost		-4,548,495	-2,316,162
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	5,298,206	-41,943,440
Credit impairment loss (loss to be listed with “-”)	12	-77,732,258	-176,938,977
Asset impairment loss (loss to be listed with “-”)	13	-109,214,975	-64,853,658
Income from assets disposal (loss to be listed with “-”)		2,707,679	52,035
<b>3. Operating profit (loss to be listed with “-”)</b>		<b>2,846,861,555</b>	<b>2,762,186,643</b>
Add: Non-operating income		29,712,049	27,427,376
Less: non-operating expenses		5,204,730	7,131,212

<b>4. Total profit (total loss to be listed with “-”)</b>		<b>2,871,368,874</b>	<b>2,782,482,807</b>
Less: income tax expenses	14	300,838,460	339,841,237
<b>5. Net profit (net loss to be listed with “-”)</b>		<b>2,570,530,414</b>	<b>2,442,641,570</b>
<b>(I) Classified according to operating continuity</b>			
1. Net profit from continuing operations (net loss to be listed with “-”)		2,570,530,414	2,442,641,570
2. Net profit from discontinuing operations (net loss to be listed with “-”)			
<b>(II) Classified according to attribution of the ownership</b>			
1. Net profit attributable to the owners of the parent company (net loss to be listed with “-”)		1,153,506,784	1,199,152,587
2. Minority profit and loss (net loss to be listed with “-”)		1,417,023,630	1,243,488,983
<b>6. Net of tax of other comprehensive income</b>		<b>-482,323,177</b>	<b>14,247,404</b>
Net of tax of other comprehensive income attributable to the owner of the parent company		-477,174,048	31,389,328
<b>(I) Other comprehensive income that cannot be reclassified into profit or loss</b>		<b>-474,207,039</b>	<b>36,638,451</b>
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments		-474,207,039	36,638,451
4. Changes in fair value of the enterprise’s credit risk			
5. Others			
<b>(II) Other comprehensive income reclassified into the profit or loss</b>		<b>-2,967,009</b>	<b>-5,249,123</b>
1. Other comprehensive income that can be reclassified into profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Reserves for cash flow hedge (effective parts of cash flow hedge profit or loss)			
6. Translation difference of foreign currency financial statements		-2,967,009	-5,249,123
7. Others			
Net of tax of other comprehensive income attributable to minority shareholders		-5,149,129	-17,141,924
<b>7. Total comprehensive income</b>		<b>2,088,207,237</b>	<b>2,456,888,974</b>
Total comprehensive income attributable to shareholders of the parent company		676,332,736	1,230,541,915
Total comprehensive income attributable to minority shareholders		1,411,874,501	1,226,347,059
<b>8. Earnings per share:</b>			
(1) Basic earnings per share (RMB/share)	16	0.150	0.156
(2) Diluted earnings per share (RMB/share)	16	0.150	0.156

## INTERIM CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2022

UNIT: RMB

Items	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>Current assets:</b>			
Monetary funds		16,021,102,190	25,361,499,508
Settlement reserve			
Loans to banks and other financial institutions			
Financial assets held for trading		1,327,706,120	1,244,823,022
Derivative financial assets			
Notes receivables	17	6,202,122,354	9,929,754,416
Accounts receivables	18	27,950,872,600	21,321,031,800
Receivables financing		2,254,540	4,291,292
Prepayments		8,296,757,364	8,562,458,424
Premiums receivable			
Reinsurance premium receivable			
Reinsurance contract provision receivable			
Other receivables		364,784,756	202,072,117
Including: Interest receivable			
Dividends receivable		12,134,192	37,500,000
Financial assets purchased under agreements to resell			
Inventories		36,475,349,927	32,374,764,020
Contract assets		8,671,385,112	5,149,456,300
Held-for-sale assets		48,656,246	48,656,246
Non-current assets due within one year		300,000,000	202,290,896
Other current assets		665,156,286	711,173,574
<b>Total current assets</b>		<b>106,326,147,495</b>	<b>105,112,271,615</b>
<b>Non-current assets:</b>			
Loans and advances			
Debt investment			
Other debt investment			
Long-term receivables		6,134,844	6,134,844
Long-term equity investments		2,038,732,977	1,923,474,669
Other equity instrument investments		2,374,006,614	2,696,553,640
Other non-current financial assets		400,000,000	600,000,000
Investment properties		337,124,934	346,546,113
Fixed assets		15,471,569,372	15,125,713,170
Construction-in-progress		2,724,161,720	3,023,560,156
Bearer biological assets			
Oil and gas assets			
Right-of-use assets		587,962,933	599,491,919
Intangible assets		3,200,179,385	3,235,508,206
Development expenditure			
Goodwill		69,121,895	69,121,895
Long-term deferred expenses		65,987,442	71,629,850
Deferred income tax assets		446,790,690	416,013,126
Other non-current assets		450,279,545	663,115,937
<b>Total non-current assets</b>		<b>28,172,052,351</b>	<b>28,776,863,525</b>
<b>Total assets</b>		<b>134,498,199,846</b>	<b>133,889,135,140</b>

**INTERIM CONSOLIDATED BALANCE SHEET (Continued)**

AS AT 30 JUNE 2022

UNIT: RMB

Items	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>Current Liabilities:</b>			
Short-term borrowings		4,775,951,275	3,057,762,250
Borrowings from the central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading		65,598,075	18,196,239
Derivative financial liabilities			
Notes payables	19	9,843,626,970	11,633,186,116
Accounts payables	20	30,941,890,340	27,365,848,151
Advances		4,164,258	10,260,976
Contract liabilities		17,985,073,361	21,306,958,451
Financial assets sold under agreements to repurchase			
Deposits and placements from other financial institutions			
Securities brokering			
Securities underwriting			
Employee benefits payable		1,311,601,674	2,002,883,877
Taxes payable		332,829,509	454,114,039
Other payables		1,808,644,707	1,886,338,410
Including: Interest payable			
Dividends payable		176,322,597	6,194,055
Fees and commissions payable			
Reinsurance amounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		2,202,226,954	1,225,299,857
Other current liabilities		475,748,308	622,306,803
<b>Total current liabilities</b>		<b>69,747,355,431</b>	<b>69,583,155,169</b>
<b>Non-current liabilities:</b>			
Insurance contract reserves			
Long-term borrowings		4,798,441,185	4,284,761,981
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		492,359,257	559,212,830
Long-term payables		-716,422,091	-548,941,454
Long-term employee benefits payable		1,430,516,285	1,523,783,896
Estimated liabilities		654,713,899	645,506,219
Deferred income		862,526,999	846,324,736
Deferred income tax liabilities		300,117,176	351,913,854
Other non-current liabilities		716,706,855	1,876,914,653
<b>Total non-current liabilities</b>		<b>8,538,959,565</b>	<b>9,539,476,715</b>
<b>Total liabilities</b>		<b>78,286,314,996</b>	<b>79,122,631,884</b>
<b>Shareholders' equity:</b>			
Share capital		7,711,332,242	7,711,332,242
Other equity instruments			
Including: Preferred shares			

Perpetual bonds			
Capital reserves		13,058,433,864	12,974,963,414
Less: treasury shares			
Other comprehensive income		-364,666,048	112,507,999
Special reserves		594,724,240	503,687,704
Surplus reserves		308,138,730	308,138,730
General risk reserve			
Undistributed profits		5,833,279,263	5,296,679,064
<b>Total shareholders' equity attributable to parent company</b>		<b>27,141,242,291</b>	<b>26,907,309,153</b>
Minority equity		29,070,642,559	27,859,194,103
<b>Total shareholders' equity</b>		<b>56,211,884,850</b>	<b>54,766,503,256</b>
<b>Total liabilities and shareholders' equity</b>		<b>134,498,199,846</b>	<b>133,889,135,140</b>

## NOTES:

### 1. Basic information of the Company

AviChina Industry & Technology Company Limited (hereinafter referred to as the Company, together with its subsidiaries, the Group) was incorporated in Beijing in the People's Republic of China on 30 April 2003 as a joint stock company with limited liability as a result of a group reorganisation of the former China Aviation Industry Corporation II (“AVIC II”). 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. It was listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) on 30 October 2003.

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 Directors of the Company regard AVIC as the controller and also the ultimate controller of the Company. AVIC is a state-owned enterprise under the control of the State Council of the PRC.

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

The data of the following financial statements for the six months ended 30 June 2021 is unaudited and has been restated, and that for the six months ended 30 June 2022 is unaudited.

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

### 2. Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis and based on the transactions and events actually occurred in accordance with the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the PRC and relevant requirements, as well as based on the accounting policies and accounting estimates of the Company.

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

The accounting policies used in the preparation of the Group's interim consolidated financial statements for the period ended 30 June 2022 are consistent with the accounting policies followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021, which complies with the requirements of Accounting Standard for

Business Enterprises and give a true and full view of the financial position, operating results and cash flows of the Company and the Group.

### 3. Operating revenue and operating costs

Item	January to June 2022		January to June 2021	
	Revenue	Cost	Revenue	Cost
Main businesses	25,315,181,652	19,288,416,695	27,420,939,342	21,508,681,927
Other businesses	497,448,495	415,778,426	476,447,718	372,754,140
<b>Total</b>	<b>25,812,630,147</b>	<b>19,704,195,121</b>	<b>27,897,387,060</b>	<b>21,881,436,067</b>

### 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:

- Aviation entire aircraft -Manufacturing, assembly, sales and servicing of helicopters, trainers and other aircraft;
- Aviation ancillary system and related business -Manufacturing and sale of aviation ancillary system; and
- 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 main assets are located.

January to June 2022	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Offset	Total
Revenue from external transactions	6,237,324,490	15,955,693,165	3,619,612,492	-	25,812,630,147
Revenue from inter-segment transactions	-	1,694,129,371	248,526,430	-1,942,655,801	-
Investment income from associates and joint ventures	8,063,964	104,138,953	3,201,914	-	115,404,831
Asset impairment losses and credit impairment losses	16,537,071	154,312,374	16,097,788	-	186,947,233
Depreciation and amortization costs	324,514,449	559,827,064	128,870,543	-	1,013,212,056
<b>Profit before tax</b>	<b>92,991,671</b>	<b>3,186,222,286</b>	<b>176,929,245</b>	<b>-584,774,328</b>	<b>2,871,368,874</b>
Income tax expense	47,519,472	234,034,393	19,284,595	-	300,838,460



Net profit	45,472,199	2,952,187,894	157,644,649	-584,774,328	2,570,530,414
Total assets	57,819,949,546	77,257,323,265	15,964,797,525	-16,543,870,490	134,498,199,846
Total liabilities	40,922,885,561	30,121,017,438	10,051,295,214	-2,808,883,217	78,286,314,996
Other non-cash expenses other than depreciation and amortization costs and asset impairment losses	9,207,680	47,636,714	-	-	56,844,394
Long-term equity investment in associates and joint ventures	435,103,294	1,159,505,049	89,384,749	-	1,683,993,092
Increase in other non-current assets other than long-term equity investments	-232,038,358	-58,683,875	-403,459,909	-25,887,340	-720,069,482

January to June 2021	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Offset	Total
Revenue from external transactions	9,754,911,932	14,515,422,046	3,627,053,082	-	27,897,387,060
Revenue from inter-segment transactions	-	570,908,075	144,138,536	-715,046,611	-
Investment income from associates and joint ventures	4,947,960	121,332,293	7,221,022	-	133,501,275
Asset impairment losses and credit impairment losses	15,185,408	187,973,885	38,633,342	-	241,792,635
Depreciation and amortization costs	357,673,649	360,931,984	150,830,439	-	869,436,072
<b>Profit before tax</b>	<b>728,855,730</b>	<b>2,478,656,220</b>	<b>156,619,021</b>	<b>-581,648,163</b>	<b>2,782,482,808</b>
Income tax expense	115,845,623	209,874,895	14,120,719	-	339,841,237
Net profit	613,010,107	2,268,836,076	142,498,302	-581,648,163	2,442,641,571
Total assets	64,090,284,605	68,490,452,119	13,293,248,169	-24,056,469,921	121,817,514,972
Total liabilities	45,877,169,367	28,539,088,932	10,351,339,963	-10,960,095,807	73,807,502,455
Other non-cash expenses other than depreciation and amortization costs and asset impairment losses	94,917,599	71,073,336	-	-	165,990,935
Long-term equity investment in associates and joint ventures	428,483,398	984,287,556	91,516,993	-	1,504,287,947
Increase in other non-current assets other than long-term equity investments	44,317,420	799,293,221	-147,546,200	-	696,064,441

## 5. Selling expenses

Item	January to June 2022	January to June 2021
Employee compensation	205,784,714	152,676,888
After-sales service charges	49,446,181	38,970,923
Business travel costs	22,996,584	32,214,826
Three guarantees loss and quality claim fees	21,159,617	24,128,684
Sample and product loss	10,120,766	132,174
Office expenses	3,063,996	2,762,976
Transportation costs	2,911,985	27,803,939
Advertising and publicity expenses	1,902,872	9,054,619
Depreciation and amortization costs	1,561,654	1,178,996
Exhibition fees	1,355,904	3,031,576
Packing charges	73,391	5,177,369
Others	16,222,226	17,492,298
<b>Total</b>	<b>336,599,890</b>	<b>314,625,268</b>

## 6. Administrative expenses

Item	January to June 2022	January to June 2021
Employee compensation	924,555,906	879,271,432
Depreciation and amortization costs	196,881,389	172,150,261
Maintenance and repair costs	47,287,849	64,751,500
Amortization of equity incentives in the current period	46,910,167	84,074,527
Labor protection costs	41,450,195	27,170,848
Property afforestation fees	31,372,364	24,972,789
Professional service fees	28,139,650	20,412,464
Office fees	23,430,363	19,552,893
Business entertainment expenses	22,928,651	27,506,295
Power and fuel expenses	17,218,161	16,300,618
Business travel costs	12,770,765	23,607,123
Rental	9,921,671	13,201,009
Publicity expenses	8,264,779	4,078,758
Insurance premium	6,385,564	10,734,186
Transportation costs	4,791,772	4,744,527
Material amortization and consumption of low-value consumables	4,641,875	3,718,908

<b>Item</b>	<b>January to June 2022</b>	<b>January to June 2021</b>
Conference expenses	3,391,427	7,483,802
Audit fee	2,919,243	7,991,130
Others	155,980,655	70,953,981
<b>Total</b>	<b>1,589,242,446</b>	<b>1,482,677,051</b>

#### **7. Research and development expenses**

<b>Item</b>	<b>January to June 2022</b>	<b>January to June 2021</b>
Employee compensation	756,566,144	579,501,963
Materials expenses	398,176,897	433,079,547
Administrative expense	48,620,286	18,671,262
Depreciation and amortization costs	46,104,163	45,903,920
Outsourcing fee	45,691,261	54,043,947
Experimental and special fees	38,847,224	113,129,072
Business travel costs	16,657,115	22,826,575
Fuel and power expenses	5,942,895	3,864,215
Design fee	3,581,899	5,787,509
Others	108,747,147	70,615,576
<b>Total</b>	<b>1,468,935,031</b>	<b>1,347,423,586</b>

#### **8. Finance cost**

<b>Item</b>	<b>January to June 2022</b>	<b>January to June 2021</b>
Interest expenses	180,896,380	206,485,783
Less: Interest incomes	170,414,213	157,541,014
Less: Interest capitalized	5,850,058	12,252,528
Add: Exchange gains and losses	-114,428,482	27,465,791
Add: Other expenditures	17,976,945	3,807,758
<b>Total</b>	<b>-91,819,428</b>	<b>67,965,790</b>

#### **9. Other incomes**

<b>Sources of other income</b>	<b>January to June 2022</b>	<b>January to June 2021</b>
Production line subsidy	37,750,000	-
Government relocation compensation	8,740,240	8,757,740
Employment subsidy	6,266,520	54,436,765
Refund of individual tax handling fee	5,088,975	2,686,771
Subsidies for research and development and industrialization project of a connector	3,991,872	2,569,855

<b>Sources of other income</b>	<b>January to June 2022</b>	<b>January to June 2021</b>
High-tech allowance	3,024,000	1,750,000
Additional value-added tax credit	99,954	87,174
Instant value-added tax refund	-	38,926
Subsidies for other projects	45,661,902	42,180,644
<b>Total</b>	<b>110,623,463</b>	<b>112,507,875</b>

#### 10. Investment incomes

<b>Item</b>	<b>January to June 2022</b>	<b>January to June 2021</b>
Long-term equity investment incomes calculated at equity method	115,404,831	133,501,275
Investment income from disposal of long-term equity investments	-1,050,235	6,591,790
Investment income from holding financial assets held for trading	31,583,247	27,784,008
Investment income from disposal of financial assets held for trading	8,001,000	15,426,100
Dividend income from holding other equity instrument investments	2,886,137	2,217,792
Gain on revaluation of remaining equity at fair value after losing control	-	3,082,789
Gain on debt restructuring	28,922,508	-
Investment income from disposal of financial liabilities held for trading	-	3,409,755
Gain on derecognition of financial assets measured at amortized cost	-4,548,495	-2,316,162
Others	-	1,140,626
<b>Total</b>	<b>181,198,993</b>	<b>190,837,973</b>

Note: Debt restructuring gains are the cash discounts obtained by the Company's subsidiaries Tianjin Aviation Mechanical and Electrical Co., Ltd.(天津航空機電有限公司), Lanzhou Wanli Aviation Electric Co., Ltd.(蘭州萬里航空機電有限責任公司) and Shaanxi Qianshan Avionics Co., Ltd.( 陝西千山航空電子有限責任公司) on settlement of payment for supplier.

### 11. Income from changes in fair value

Source of income from changes in fair value	January to June 2022	January to June 2021
Financial assets held for trading	8,900,986	-41,862,948
Including: Gain from changes in fair value of derivative financial instruments	-	-
Financial liabilities held for trading	-3,602,780	-80,492
<b>Total</b>	<b>5,298,206</b>	<b>-41,943,440</b>

Note: Changes in fair value of financial liabilities held for trading were formed by the gold leasing business of AVIC JONHON Optronic Technology Co., Ltd, a subsidiary of the Company.

### 12. Credit impairment loss

Item	January to June 2022	January to June 2021
Loss on bad debts of accounts receivable	-96,900,920	-176,177,951
Loss on bad debts of notes receivable	20,290,107	1,672,483
Loss on bad debts of other receivables	-1,121,445	-2,433,509
<b>Total</b>	<b>-77,732,258</b>	<b>-176,938,977</b>

### 13. Assets impairment losses

Item	January to June 2022	January to June 2021
Inventory depreciation loss and contract performance cost impairment losses	-101,940,514	-58,386,902
Contract asset impairment losses	-615,887	-6,466,756
Loss from fixed assets impairment	-6,658,574	-
<b>Total</b>	<b>-109,214,975</b>	<b>-64,853,658</b>

### 14. Income tax expenses

Item	January to June 2022	January to June 2021
Current income tax expenses	345,700,477	409,301,366
Deferred income tax expenses	-44,862,017	-69,460,129
<b>Total</b>	<b>300,838,460</b>	<b>339,841,237</b>

## 15. Dividends

<b>Item</b>	<b>January to June 2022</b>	<b>January to June 2021</b>
Dividends recognized for distribution of 2021 final dividend: RMB0.08 per share (2020 final dividend: RMB0.05 per share)	616,906,579	385,566,612

The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2022(six months ended 30 June 2021: Nil).

## 16. Earnings per share

In accordance with the Rules Governing the Preparation and Disclosure of Information by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010) of the China Securities Regulatory Commission, the basic earnings per share and diluted earnings per share of Group from January to June 2022 are as follows:

<b>Profit for the reporting period</b>	<b>Earnings per share</b>	
	<b>Basic earnings per share</b>	<b>Diluted earnings per share</b>
Net profit attributable to shareholders of the parent company	0.150	0.150
Net profit attributable to shareholders of the parent company after non-recurring profit or loss	0.136	0.136

## 17. Notes receivable

### (1) Classified presentation of notes receivable

Item	30 June 2022	31 December 2021
Banker's acceptance bill	2,101,146,886	3,667,548,775
Commercial acceptance bill	4,100,975,468	6,262,205,641
<b>Total</b>	<b>6,202,122,354</b>	<b>9,929,754,416</b>

### (2) Notes receivable pledged

Item	Amount pledged at 30 June 2022
Banker's acceptance bill	156,449,671
Commercial acceptance bill	1,370,325,161
<b>Total</b>	<b>1,526,774,832</b>

### (3) Classified presentation by bad debt accrual method

Category	30 June 2022				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision made individually	-	-	-	-	-
Bad debt provision made as per portfolio	6,249,624,645	100	47,502,291	0.76	6,202,122,354
<b>Total</b>	<b>6,249,624,645</b>	<b>-</b>	<b>47,502,291</b>	<b>-</b>	<b>6,202,122,354</b>

Category	31 December 2021				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision made individually	-	-	-	-	-
Bad debt provision made as per portfolio	9,997,546,814	100	67,792,398	0.68	9,929,754,416
<b>Total</b>	<b>9,997,546,814</b>	<b>-</b>	<b>67,792,398</b>	<b>-</b>	<b>9,929,754,416</b>

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

Name	30 June 2022		
	Book balance	Bad debt provision	Provision proportion (%)
Banker's acceptance bill	2,126,639,716	832,642	0.04
Commercial acceptance bill	4,122,984,929	46,669,649	1.13
<b>Total</b>	<b>6,249,624,645</b>	<b>47,502,291</b>	<b>-</b>

Name	31 December 2021		
	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
<b>Total</b>	<b>9,997,546,814</b>	<b>67,792,398</b>	<b>-</b>

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

Category	31 December 2021	Changes in the current period				30 June 2022
		Accrued	Recovered or reversed	Written back or written off	Decrease due to other reasons	
Bad debt provision of notes receivable made as per portfolio	67,792,398	3,794,067	24,084,174	-	-	47,502,291
<b>Total</b>	<b>67,792,398</b>	<b>3,794,067</b>	<b>24,084,174</b>	<b>-</b>	<b>-</b>	<b>47,502,291</b>

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

**18. Accounts receivable**

Item	30 June 2022	31 December 2021
Accounts receivable	28,957,775,569	22,233,218,824
Less: Impairment provision	1,006,902,969	912,187,024
<b>Net accounts receivable</b>	<b>27,950,872,600</b>	<b>21,321,031,800</b>



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

Category of portfolio	30 June 2022			
	Original value	Proportion of bad debt provision (%)	Bad debt provision	Book value
Accounts receivable with bad debt provision made individually	181,295,652	91.30	165,518,408	15,777,244
Accounts receivable with bad debt provision made as per portfolio	28,776,479,917	2.92	841,384,561	27,935,095,356
Including: Accounts receivable whose credit risk has not increased significantly since the initial recognition	28,776,479,917	2.92	841,384,561	27,935,095,356
<b>Total</b>	<b>28,957,775,569</b>	<b>-</b>	<b>1,006,902,969</b>	<b>27,950,872,600</b>

Category of portfolio	31 December 2021			
	Original value	Proportion of bad debt provision (%)	Bad debt provision	Book value
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
<b>Total</b>	<b>22,233,218,824</b>	<b>-</b>	<b>912,187,024</b>	<b>21,321,031,800</b>

1) Top five accounts receivable with bad debt provision made individually

Name	30 June 2022			Reasons for provision
	Book balance	Bad debt provision	Provision proportion (%)	
Company 1	24,600,000	9,840,000	40	Expected to be unable to recover
Company 2	20,260,000	20,260,000	100	Expected to be unable to recover
Company 3	13,595,425	13,595,425	100	Expected to be unable to recover
Company 4	12,250,000	12,250,000	100	Termination of contract
Company 5	11,701,493	11,701,493	100	Difficulty in collecting money from customers
<b>Total</b>	<b>82,406,918</b>	<b>67,646,918</b>	<b>-</b>	<b>-</b>

2) Bad debt provision of accounts receivable made by portfolio

Aging	30 June 2022		
	Book balance	Bad debt provision	Provision proportion (%)
Within 1 year (including 1 year)	24,266,029,268	171,356,703	0.71
1-2 years	3,328,414,666	262,958,530	7.90
2-3 years	497,799,765	112,782,501	22.66
Over 3 years	684,236,218	294,286,827	43.01
<b>Total</b>	<b>28,776,479,917</b>	<b>841,384,561</b>	<b>-</b>

Aging	31 December 2021		
	Book balance	Bad debt provision	Provision proportion (%)
Within 1 year (including 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
Over 3 years	654,373,340	301,052,423	46.01
<b>Total</b>	<b>22,054,344,326</b>	<b>748,079,891</b>	<b>-</b>

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

Aging	30 June 2022		
	Accounts receivable	Bad debt provision	Proportion of bad debt provision (%)
Within 1 year (including 1 year)	24,283,139,409	185,575,850	0.76
1-2 years	3,328,697,317	263,246,053	7.91
2-3 years	533,063,615	133,281,480	25.00
3-4years	295,286,711	112,919,971	38.24
4-5years	148,531,251	75,326,504	50.71
Over 5 years	369,057,266	236,553,111	64.10
<b>Total</b>	<b>28,957,775,569</b>	<b>1,006,902,969</b>	-

Aging	31 December 2021		
	Accounts receivable	Bad debt provision	Proportion of bad debt provision (%)
Within 1 year (including 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
3-4years	282,860,997	129,976,917	45.95
4-5years	168,079,959	86,514,337	51.47
Over 5 years	323,841,748	205,500,189	63.46
<b>Total</b>	<b>22,233,218,824</b>	<b>912,187,024</b>	-

(3) Provisions for bad debt accrued, recovered and reversed for accounts receivable in the current period

Category	31 December 2021	Changes in the current period				30 June 2022
		Accrued	Recovered or reversed	Written back or written off	Decrease due to other reasons	
Bad debt provision for accounts receivable	912,187,024	237,045,426	140,144,506	4,200	2,180,775	1,006,902,969
<b>Total</b>	<b>912,187,024</b>	<b>237,045,426</b>	<b>140,144,506</b>	<b>4,200</b>	<b>2,180,775</b>	<b>1,006,902,969</b>

Note: The decrease for other reasons was due to the disposal of the subsidiary AVIC Engineering Supervision (Hunan) Co., Ltd.( 中航工程監理 ( 湖南 ) 有限公司) by the Company in the current period.

(4) Accounts receivable actually written off in the current period

Item	Written off
Accounts receivable actually written off	4,200

**19. Notes payable**

Category	At 30 June 2022	At 31 December 2021
Banker's acceptance bill	5,973,062,395	6,201,218,821
Commercial acceptance bill	3,870,564,575	5,431,967,295
<b>Total</b>	<b>9,843,626,970</b>	<b>11,633,186,116</b>

Note: At the end of the period, the total amount of outstanding notes payable was RMB31,451,195.

**20. Accounts payable**

(1) Presentation of accounts payable

Item	At 30 June 2022	At 31 December 2021
Materials costs payable	24,947,728,459	22,246,824,882
Construction costs payable	4,003,056,441	3,811,330,908
Equipment costs payable	798,222,512	244,268,241
Retention payables	30,963,870	-
Others	1,161,919,058	1,063,424,120
<b>Total</b>	<b>30,941,890,340</b>	<b>27,365,848,151</b>

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

Ageing	At 30 June 2022	At 31 December 2021
Within 1 year (including 1 year)	24,516,996,354	22,122,950,520
1-2 years	3,458,390,453	2,826,862,697
2-3 years	1,290,150,327	1,068,400,209
Over 3 years	1,676,353,206	1,347,634,725
<b>Total</b>	<b>30,941,890,340</b>	<b>27,365,848,151</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half of 2022, the widely recurrence of the novel coronavirus pneumonia epidemic (the “**Epidemic**”) and intensified inflationary pressure have brought tremendous resistance to the global economic recovery. With more complicated, severer and more uncertain economic development environment in China, the economy suffered higher downward pressure but remained the long-term positive trend. Amid the sophisticated and severe environment at home and abroad, Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司) (“**AVIC**”) forged ahead with challenges, consolidated the results of reform, achieved steady growth in economic efficiency, fought against the Epidemic, prevented risks, ensured stability and promoted development, and made new achievements in high-quality development. AVIC has been listed in the Fortune Global 500 for 14 consecutive years, ranking the 144th. Meanwhile, AVIC ranked the second on the Global 500 of Aerospace and Defense Industry.

In the first half of 2022, the Company was committed to becoming a flagship company of aviation high-tech civil-military general-purpose products and services, and was vigorous and unswerving in its efforts to maintain business operations solid and stable.

In the first half of 2022, the Group devoted itself to building a new modern aviation high-tech industrial group and actively launched capital operation and business integration. China Avionics Systems Co., Ltd. (中航航空電子系統股份有限公司) (“**AVIC Avionics**”) commenced the share swap and absorption merger of AVIC Electromechanical Systems Co., Ltd. (中航工業機電系統股份有限公司) (“**AVIC Electromechanical**”) to continuously improve the aviation industry chain and lay a solid foundation for the systematic, integrated and intelligent development of the

aviation airborne industry. AVIC JONHON Optronic Technology Co., Ltd. (中航光電科技股份有限公司) (“**JONHON Optronic**”) completed a non-public offering of A shares and raised funds of approximately RMB3.4 billion, which effectively promoted the construction of industrialization projects. In order to optimize the shareholding structure of the helicopter business, Harbin Aviation Industry (Group) Co., Ltd. (哈爾濱航空工業(集團)有限公司) (“**Harbin Aviation Group**”) and AVIC Helicopter Co., Ltd. (中航直升機有限責任公司) (“**AVIC Helicopter**”), which are both wholly-owned subsidiaries of the Company, transferred their shares in AVICOPTER PLC (中航直升機股份有限公司) (“**AVICOPTER**”) to the Company respectively.

The application fields and influence of the Group's helicopters continued to broaden. The advanced medium-sized multi-purpose civil helicopter AC352 completed functional and reliability test flight, entering the countdown to airworthiness certification; the cockpit design evaluation of AC332 helicopter was completed, laying a solid foundation for the subsequent model development and test verification; the AC311A helicopter carried out spraying and control operations in Longhushan Mountain, further broadening its application area and influence; the large multi-purpose civil helicopter AC313A successfully made its maiden flight and the Z-8 helicopter participated in the “Emergency Mission-2022” earthquake relief exercise, making great progress in the field of aviation rescue.

The trainer business of the Group was carried out in an orderly manner. Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司) (“**Hongdu Aviation**”) was approved to set up the first provincial enterprise technology innovation center and continued to carry out key technology research and development. Hongdu Aviation efficiently coordinated and seized opportunities to realize the delivery of the CJ-6 final assembly and multiple batches of advanced trainers.

The Group has further enhanced the innovation capability of aviation ancillary system and related business. Six series of photoelectric conversion modules of JONHON Optronic successfully passed the appraisal, laying the foundation for the demand of localization of model equipment. JONHON Optronic won the “China Patent Excellence Award” for the first time, and its intellectual property management entered a new stage of improving patent quality. It established the first overseas production base to undertake the international development strategy. Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空機電有限公司) carried out experimental research on new fire extinguishing system, providing data and methods for system design. Lanzhou Flight Control Co., Ltd. (蘭州飛行控制有限責任公司) successfully passed the CNAS (中國合格評定國家認可委員會) re-evaluation of the Environmental Test Center and continued to improve the testing service capability. AVIC Taiyuan Aviation Instrument Co., Ltd. (太原航空儀錶有限公司) facilitated the successful maiden flight of AG600 full state new fire-fighting aircraft. AVIC Shaanxi Qianshan Avionics Co., Ltd. (陝西千山航空電子有限責任公司) provided ancillary flight parameters and audio system for AC313A to guarantee the successful maiden flight.

The aviation engineering services business of the Group secured stable development. China Aviation Planning and Design Institute Co., Ltd. (中國航空規劃設計研究總院有限公司) (“**AVIC CAPDI**”) won the tender for the Airbus Aircraft Full Life Cycle Services Project, further expanding cooperation between China and Europe; won the tender for the organic renewal planning and design elements of China Eastern Silk Market, demonstrating its planning and consulting strength in the field of urban renewal; won the tender for the Beijing Daxing International Airport Air China Base Aircraft Maintenance Project (Phase I), demonstrating advanced design concepts and mature engineering technologies in the field of aircraft maintenance; won the bid for the Shenzhen Airport South Domestic Transshipment Depot Project, successfully implementing the market strategy of Guangdong-Hong Kong-Macao Greater Bay Area, and won the bid for Beijing Yongfeng Industrial Base Energy Center Project to

practice green development and continue to develop the market of comprehensive energy field.

The Company continued to improve governance capacity, enhance compliance, strengthen investor relations management, actively reward shareholders, and continuously improved its brand value. At the same time, the Company continued to strengthen the construction of social responsibility system, practice “Carbon Peak and Carbon Neutrality”, adhere to green aviation; help those in distress and aid those in peril to demonstrate dedication to its mission.

## **BUSINESS OUTLOOK**

With the recovery from the Epidemic and the steady progress of resumption of work and production, the domestic economy bottomed out and stabilized. In the second half of 2022, AVIC will face new opportunities and challenges courageously, adhere to stable development and seek progress; strengthen independent innovation, focus on risk management and control and resolutely keep the bottom line of safety development; deepen reform and innovation and promote the long-term overall solidification and institutionalization of reform achievements. The Group will adhere to the goal of building a flagship company of aviation high-tech civil-military general-purpose products and services, accelerate the reorganization and integration of the aviation industry chain, and be devoted to building a modern aviation high-tech new industrial group. The Group will promote scientific and technological innovation, give full play to the advantages of aviation high-tech industry, explore the future development direction of new power helicopter industry in accordance with the requirements of green development and explore the future development direction of helicopter industry; grasp the opportunity of the demand for emergency rescue equipment, optimize the industrial layout and promote the industrialization of civil helicopters; optimize the allocation of resources, bring into play the synergy effect and realize the systematic, integrated and intelligent development of aviation airborne



industry; accelerate the transformation and upgrading, speed up the international development and enhance the core process capability of aviation ancillary system products; expand market areas, enhance market position, and improve the whole value chain services of aviation engineering; improve governance capability, perfect institutional mechanism construction, and improve capital control system; enhance investor contact, improve market image, and continue to promote high-quality development.

## **FINANCIAL REVIEW**

Due to the acquisition of Beijing Yinyan Industrial Co., Ltd.\* (北京銀燕實業有限公司) by AVIC CAPDI in December 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 report has been restated.

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

### **Revenue**

For the six months ended 30 June 2022, the Group recorded a revenue of RMB25,813 million, representing a decrease of RMB2,084 million or 7.47% as compared with that of RMB27,897 million in the corresponding period of last year, which was mainly attributable to the decrease in sales volume of certain helicopters during the reporting period affected by the adjustment of helicopter products structure.

## **Segment Information**

For the six months ended 30 June 2022, the revenue of the aviation entire aircraft segment of the Group amounted to RMB6,237 million, representing a decrease of 36.06% as compared with that in the corresponding period of last year, which was mainly attributable to the decrease in sales volume of certain helicopters during the reporting period affected by the adjustment of helicopter products structure. The revenue of the aviation entire aircraft segment accounted for 24.16% of the total revenue of the Group. The revenue of the aviation ancillary system and related business segment of the Group amounted to RMB15,956 million, representing an increase of 9.93% as compared with that in the corresponding period of last year, which was mainly attributable to the increase in revenue of avionics products. The revenue of the aviation ancillary system and related business segment accounted for 61.82% of the total revenue of the Group. The revenue of the aviation engineering services segment of the Group amounted to RMB3,620 million, representing a decrease of 0.19% as compared with that in the corresponding period of last year. The revenue of the aviation engineering services segment accounted for 14.02% of the total revenue of the Group.

For the six months ended 30 June 2022, the segment profit of the aviation entire aircraft segment of the Group amounted to RMB93 million, representing a decrease of RMB636 million or 87.24% as compared with that of RMB729 million in the corresponding period of last year. The decrease was mainly attributable to the decrease in sales volume of certain helicopters during the reporting period affected by the adjustment of helicopter products structure, and the decrease in gross profit contribution. The segment profit of the aviation ancillary system and related business segment of the Group amounted to RMB3,186 million, representing an increase of RMB707 million or 28.52% as compared with that of RMB2,479 million in the corresponding period of last year, which was mainly attributable to increase of gross profit driven by the increase of revenue from the avionics business. The segment profit of the aviation engineering services segment of the Group amounted to

RMB177 million, representing an increase of RMB20 million or 12.74% as compared with that of RMB157 million in the corresponding period of last year, the main reason was that the gross profit margin of consulting and design products has increased as compared with that in the corresponding period of last year.

### **Gross Profit**

For the six months ended 30 June 2022, the Group recorded a gross profit of RMB6,108 million, representing an increase of RMB92 million or 1.53% as compared with that of RMB6,016 million in the corresponding period of last year, the main reason was that the revenue scale of avionics products with a relatively high gross profit margin increased. The comprehensive gross profit margin was 23.66% during the reporting period, representing an increase of 2.10 percentage points as compared with that in the corresponding period of last year, which was mainly attributable to the increase in the revenue of aviation ancillary system and related business with higher gross profit margins during the reporting period.

### **Selling Expenses**

For the six months ended 30 June 2022, the selling expenses of the Group amounted to RMB337 million, representing an increase of RMB22 million or 6.98% as compared with that of RMB315 million in the corresponding period of last year, which was mainly attributable to the increase in the labor cost of sales personnel of JONHON Optronic for expanding the market. The selling expenses accounted for 1.31% of the revenue during the reporting period, representing an increase of 0.18 percentage point as compared with 1.13% in the corresponding period of last year.

### **Administrative Expenses**

For the six months ended 30 June 2022, the administrative expenses of the Group amounted to RMB1,589 million, representing an increase of RMB106 million or 7.15% as compared with that of RMB1,483 million in the corresponding period of last year, which was mainly attributable to the increase of staff costs. The administrative

expenses accounted for 6.16% of the revenue during the reporting period, representing an increase of 0.84 percentage point as compared with that of 5.32% in the corresponding period of last year.

### **Research and Development Expenses**

For the six months ended 30 June 2022, the R&D expenses of the Group amounted to RMB1,469 million, representing an increase of RMB122 million or 9.06% as compared with that of RMB1,347 million in the corresponding period of last year, which was mainly attributable to enhanced R&D input by certain subsidiaries during the reporting period. The R&D expenses accounted for 5.69% of the revenue during the reporting period, representing an increase of 0.86 percentage point as compared with that of 4.83% in the corresponding period of last year.

### **Finance Costs**

For the six months ended 30 June 2022, the finance costs of the Group amounted to RMB-92 million, representing a decrease of RMB160 million as compared with that of RMB68 million in the corresponding period of last year, which was mainly attributable to the increase of exchange gains of certain subsidiaries as compared with that in the corresponding period of last year. Details are set out in Note 8 to the financial statements.

### **Net Profit Attributable to the Owners of the Parent Company**

For the six months ended 30 June 2022, the net profit attributable to the owners of the parent company amounted to RMB1,154 million, representing a decrease of RMB45 million or 3.75% as compared with that of RMB1,199 million in the corresponding period of last year, which was mainly attributable to the decrease in sales volume of certain helicopters during the reporting period affected by the adjustment of helicopter products structure, and the decrease in gross profit contribution.

## **Liquidity and Financial Resources**

As at 30 June 2022, the cash and cash equivalents of the Group amounted to RMB14,496 million, which were mainly derived from cash and bank deposits at the beginning of 2022 and proceeds generated from business operations during the reporting period.

As at 30 June 2022, the total borrowings of the Group amounted to RMB12,480 million, of which short-term borrowings amounted to RMB4,921 million, current portion of long-term borrowings amounted to RMB2,057 million, and non-current portion of long-term borrowings amounted to RMB5,502 million.

As at 30 June 2022, the bank borrowings of the Group amounted to RMB5,873 million with an average interest rate of 4% per annum, representing an increase of RMB1,607 million as compared with that at the beginning of the reporting period; and other borrowings amounted to RMB6,607 million with an average interest rate of 3% per annum, representing an increase of RMB294 million as compared with that at the beginning of the reporting period.

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

## **GUARANTEED AND SECURED LOANS**

As at 30 June 2022, the Group's total secured borrowings amounted to RMB770 million, among which RMB67 million was secured by house buildings with a net book value of RMB8 million; RMB128 million was secured by notes receivable and accounts receivable with a net book value of RMB165 million; borrowings of RMB575 million was secured by future collecting rights.

## **GEARING RATIO**

As at 30 June 2022, the Group's gearing ratio was 9.28% (7.90% as at 31 December 2021), which was derived from dividing the total borrowings by the total assets as at

30 June 2022.

### **EXCHANGE RATE RISKS**

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

### **CONTINGENT LIABILITIES**

As at 30 June 2022, the Group had no significant contingent liabilities.

### **USE OF PROCEEDS**

As at 30 June 2022, a total of RMB5,521 million out of the proceeds raised by the Company had been utilized in the manufacturing and research and development of advanced trainers, helicopters and aviation composite materials as well as the acquisition of assets in aviation business and equity investments. In the end of 2018, the net proceeds raised by the Company through H share placing were approximately HK\$1,346 million. At the date of the announcement, the Company has utilized the proceeds according to the plan for use of proceeds as disclosed in the announcement of the Company dated 14 December 2018, and an amount of approximately RMB963 million had been used to invest in the aviation products business such as aviation cabin interior trimming business. As at 30 June 2022, the actual remaining balance of the proceeds amounted to approximately RMB221 million. The Company proposes to use such proceeds for investment in aviation products businesses, the industrialization projects of aviation research institutes and funds for aviation industry, the funding of acquisitions of aviation equity interest or aviation assets and for general corporate purposes in accordance with the Company's development strategy in the next year.

### **EMPLOYEES**

As at 30 June 2022, the Group had 46,905 employees. The Group's staff costs

amounted to RMB4,966 million for the six months ended 30 June 2022, representing an increase of RMB503 million or 11.27% as compared with that of RMB4,463 million in the corresponding period of last year.

The remuneration policies and employee training programs of the Company remained the same as those set out in the published 2021 annual report of the Company dated 25 April 2022.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”), and the Shares Trading Management Rules for Directors, supervisors, senior management and employees of the Company (the “**Rules**”) as its own guidelines for securities transactions by the Directors, supervisors, senior management and employees of the Company. In the first half of 2022, the Company amended the Rules timely according to relevant regulatory requirements. The Board has also confirmed that, having made specific enquiries of all the Directors and supervisors, all the Directors and supervisors of the Company had complied with the required standards for securities transactions by Directors and supervisors set out in the Model Code for the six months ended 30 June 2022.

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

The Board has established the Audit and Risk Management Committee and formulated the Terms of Reference of the Audit and Risk Management Committee in accordance with the actual situation of the Company and the Guide for Effective Audit Committees issued by the Hong Kong Institute of Certified Public Accountants and other rules. The Audit and Risk Management Committee had reviewed the Group’s unaudited interim consolidated financial statements for the six months ended 30 June

2022.

## **CORPORATE GOVERNANCE**

The Company has strictly complied with various applicable laws, rules and regulations as well as its articles of association to standardize its operation. After reviewing the corporate governance arrangement adopted by the Company, the Board is of the view that the Company has complied with the requirements of the principles and code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2022.

## **MATERIAL EVENTS**

On 13 January 2022, the non-public issuance of A Shares (the “**Non-public Issuance**”) by JONHON Optronics has been completed. The total number of shares of JONHON Optronics in issue has been increased by 35,576,016 A shares in the issue price of RMB95.57 per share, as a result of the completion of the Non-public Issuance. The Company has subscribed for 2,092,706 A shares of JONHON Optronics. On 13 January 2022, the total number of shares of JONHON Optronics in issue amounts to 1,135,521,069 A shares. The Company is the controlling shareholder of JONHON Optronics with a shareholding of 427,837,092 A shares, representing 37.68% of its total share capital. For details, please refer to the announcements of the Company dated 13 January 2022 and 9 July 2021.

On 21 February 2022, Harbin Aviation Industry (Group) Co., Ltd.\* (哈爾濱航空工業(集團)有限公司) (the “**Harbin Aviation Group**”) and AVIC Helicopter Co., Ltd.\* (中航直升機有限責任公司) (the “**AVIC Helicopter**”), two wholly-owned subsidiaries of the Company, each entered into a state-owned equity transfer agreement (the “**Agreement**”) with the Company. Pursuant to the Agreement, each of Harbin Aviation Group and AVIC Helicopter agrees to transfer to the Company (the “**Transfer**”) 157,428,702 A Shares in AVICOPTER (a non-wholly owned subsidiary of the Company



whose A Shares are listed on the Shanghai Stock Exchange) held by Harbin Aviation Group, representing 26.71% of the total issued shares of AVICOPTER, and 75,350,398 A Shares in AVICOPTER held by AVIC Helicopter, representing 12.78% of the total issued shares of AVICOPTER. The aggregate A Shares to be transferred by Harbin Aviation Group and AVIC Helicopter to the Company are 232,779,100 A Shares, representing 39.49% of the total issued shares of AVICOPTER, which shall be directly held by the Company. At the same time, Harbin Aviation Group and AVIC Helicopter shall reduce their respective issued share capital and capital reserve. As at the date of this announcement, the Transfer has been completed. The direct shareholding of the Company in AVICOPTER is 271,431,658 A Shares, and the percentage of direct shareholding of the Company in AVICOPTER increases from 6.56% to 46.05%. The Transfer further optimizes the shareholding structure of the helicopter business of the Group, laying a solid foundation for the development of the helicopter business of the Group. For details, please refer to the announcements of the Company dated 21 February 2022 and 25 August 2022.

On 22 April 2022, AVIC and AVIC CAPDI have entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) 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) (“**Jilin Zhongkai**”); 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 Investment Co., Ltd.\* (中國航空工業新能源投資有限公司) (“**AVIC Renewable Energy**”) at a consideration of approximately RMB226.64 million, and AVIC CAPDI agreed to transfer its 21.30% equity interest in AVIC Renewable Energy at a consideration of approximately RMB157.25 million (the “**Consideration**”). Upon completion of the Equity Transfer Agreement, AVIC Renewable Energy will remain as a subsidiary of the Company and

will be owned as to: (i) approximately 48.0% by AVICCAPDI; (ii) approximately 36.40% by Xuneng Development; (iii) approximately 10.40% by Jilin Zhongkai; and (iv) approximately 5.20% by Anhui Zhongcheng, respectively. Xuneng Development is a company owned as to 50% by AVIC Trust Co., Ltd\* (中航信託股份有限公司) (“**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. For details, please refer to the announcements of the Company dated 21 March and 22 April 2022.

On 6 May 2022, the Company has acquired a total of 58,951,452 shares, representing 0.66% of the issued shares of AVIC Industry-Finance Holdings Co., Ltd (中航工業產融控股股份有限公司) (“**AVIC Industry-Finance**”) through on-market purchases on Shanghai Stock Exchange at an average price of RMB 3.396 per share, at a total consideration amounting to approximately RMB200 million. Prior to the Acquisition, the Company had no interest in AVIC Industry-Finance. As at the date of this announcement, AVIC directly holds 39.45% shareholding in AVIC Industry-Finance. Accordingly, the Acquisition constitutes a connected transaction under Rule 14A.28 (1) of the Listing Rules. For details, please refer to the announcement of the Company dated 6 May 2022.

On 27 May 2022, AVIC Avionics entered into the Shaanxi Huayan Capital Contribution Agreement with AVIC Shaanxi Huayan Aero-Instrument Co., Ltd.\* (陝西華燕航空儀錶有限公司) (“**Shaanxi Huayan**”) and AVIC Zhonghang Electric Measuring Instruments Co., Ltd.\* (中航電測儀器股份有限公司) (“**AVIC Electric Measuring**”), pursuant to which AVIC Avionics and AVIC Electric Measuring as the existing shareholders will participate in the capital contributions in Shaanxi Huayan in

a total amount of RMB50.0 million on a pro-rata basis. On 27 May 2022, Shaanxi Huayan is owned 80% by AVIC Avionics and 20% by AVIC Electric Measuring. Accordingly, AVIC Avionics will contribute an amount of approximately RMB40.0 million in cash in Shaanxi Huayan. As at the date of this announcement, AVIC Avionics is a non-wholly-owned subsidiary of the Company. Shaanxi Huayan is a connected subsidiary of AVIC Avionics by virtue of being owned as to over 10% by AVIC indirectly through its subsidiary, AVIC Electric Measuring. Therefore, the capital contribution by AVIC Avionics in Shaanxi Huayan constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 27 May 2022.

On 10 June 2022, (1) AVIC Avionics and AVIC Electromechanical have entered into the Share Swap and Absorption Agreement, pursuant to which AVIC Avionics has agreed to issue AVIC Avionics A Shares to the Share Swap participating shareholders of AVIC Electromechanical as at the Share Swap Date in exchange for the AVIC Electromechanical A Shares held by them at an exchange ratio of 1 AVIC Electromechanical A Shares to 0.6605 AVIC Avionics A Share. (2) Conditional upon the Share Swap and Absorption Agreement becoming effective, AVIC Avionics also intended to place AVIC Avionics A Shares to not more than 35 designated investors to raise fund at a total amount not exceeding RMB5, 000 million. AVIC Avionics has entered into the Subscription Agreements with the Company, AVIC Aviation Industry Investment Co., Ltd. \* (中航航空產業投資有限公司) (“**AVIC Aviation Industry Investment**”), AVIC Shenfei Aircraft Company Limited \* (中航沈飛股份有限公司) (“**AVIC Shenfei**”) and AVIC Chengdu Aircraft Industrial (Group) Co., Ltd. \* (成都飛機工業（集團）有限責任公司) (“**Chengdu Aircraft Industry**”), respectively. Pursuant to the Subscription Agreements, subject to the Completion, (i) the Company has agreed to subscribe for AVIC Avionics A Shares at a total consideration of RMB500 million in cash; (ii) AVIC Aviation Industry Investment agreed to subscribe for AVIC Avionics A Shares at a total consideration of RMB300 million in cash; (iii) AVIC Shenfei has agreed to subscribe for AVIC Avionics A Shares at a total

consideration of RMB180 million in cash; and (iv) Chengdu Aircraft Industry has agreed to subscribe for AVIC Avionics A Shares at a total consideration of RMB180 million in cash. and (3) the Company and AVIC Airborne Systems Co., Ltd.\* (中航機載系統有限公司) (“**AVIC Airborne Systems**”) have entered into the Entrusted Voting Arrangement Agreement, pursuant to which, after the completion of the Share Swap and Absorption and the Subscription and the Entrusted Voting Arrangement becoming effective, the Company will be able to exercise approximately 42.48% voting right in AVIC Avionics. AVIC Avionics will continue to be a subsidiary of the Company and consolidated in the consolidated financial statements of the Company. As the highest applicable percentage ratio calculated pursuant to Chapter 14 of the Listing Rules in respect of the acquisition of AVIC Electromechanical under the Share Swap and Absorption exceeds 100%, the Share Swap and Absorption, if materialised, will constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Furthermore, upon completion of the Share Swap and Absorption, the shareholding the Company in AVIC Avionics will reduce from 39.43% to 16.92%. Therefore, the Share Swap and Absorption will also constitute a Deemed Disposal of AVIC Avionics under the Listing Rules. As at the date of this announcement, AVIC Electromechanical is a connected person of the Company by virtue of being owned as to 51.97% by AVIC, directly and indirectly through several of its subsidiaries. The Company has no interest in AVIC Electromechanical as at the date of this announcement. Therefore, the Share Swap and Absorption constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Upon completion of the Subscription, the shareholding of the Company in AVIC Avionics will reduce from 16.92% to 16.52%. Therefore, the Subscription of AVIC Avionics A Shares by the Company will constitute a Deemed Disposal of AVIC Avionics under the Listing Rules. As at the date of this announcement, AVIC Avionics is a subsidiary of the Company. Furthermore, it is a connected subsidiary of the Company by virtue of being owned as to 16.41% by AVIC Airborne Systems, a wholly-owned subsidiary of AVIC. Therefore, the Subscription of AVIC Avionics A Shares by the Company, if materialised, will constitute a connected transaction of the Company under Chapter

14A of the Listing Rules. AVIC Aviation Industry Investment is an indirect non-wholly-owned subsidiary of AVIC, AVIC Shenfei is a non-wholly-owned subsidiary of AVIC and Chengdu Aircraft Industry is a wholly-owned subsidiary of AVIC. Therefore, AVIC Aviation Industry Investment, AVIC Shenfei and Chengdu Aircraft Industry are connected persons of the Company. Accordingly, the Subscription of AVIC Avionics A Shares by AVIC Aviation Industry Investment, AVIC Shenfei and Chengdu Aircraft Industry, if materialised, will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcements of the Company dated 26 May and 10 June 2022.

On 15 June 2022, AVIC Renewable Energy has succeeded in the public tender at Beijing Property and Equity Exchange to acquire the 100% equity interests in AVIC Construction Energy Technology Jiangsu Co., Ltd.\* (中航建投能源科技江蘇有限公司) (“**Jiangsu Energy**”), Jilin AVIC Construction Energy Technology Co., Ltd.\* (吉林中航建投能源科技有限公司) (“**Jilin Energy**”), Shaanxi AVIC Construction Energy Technology Co., Ltd.\* (陝西中航建投能源科技有限公司) (“**Shaanxi Energy**”) and Shanghai AVIC Construction Energy Technology Co., Ltd.\* (上海中航建投能源科技有限公司) (“**Shanghai Energy**”), Jilin Energy Debt and Shaanxi Energy Debt (“**Target Equity Interests (Public Tender Companies)**”) at a total consideration of approximately RMB27.44 million. In this regard, AVIC International Construction Co., Ltd. \*(中國航空國際建設投資有限公司) (“**AVIC Construction**”) will enter into property transfer agreement(s), pursuant to which AVIC Construction will sell, and AVIC Renewable Energy will acquire, the Target Equity Interests (Public Tender Companies) at the Bidding Price. The final consideration is approximately RMB27.44 million in aggregate which is determined with reference to: (i) the net assets value of the relevant Target Companies as at 30 September 2021 as determined by an independent and qualified PRC valuer using the asset based approach in its valuation report; and (ii) the value of Jilin Energy Debt and Shaanxi Energy Debt. Upon Completion, the Company will continue to hold indirect interest

in Jiangsu Energy, Shanghai Energy, Jilin Energy and Shaanxi Energy and these Target Companies will remain as subsidiaries of the Company. As at the date of this announcement, AVIC Construction is a wholly-owned subsidiary of the Company. AVIC Renewable Energy is a connected subsidiary of the Company by virtue of being owned as to over 10% by AVIC indirectly through its indirect non-wholly-owned subsidiary, i.e., Xuneng Development. Therefore, the Disposals constitute connected transactions under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 15 June 2022.

## **PURCHASE, SALE AND REDEMPTION OF SECURITIES**

For the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **PROPOSED CHANGE OF DIRECTOR**

### **The Resignation**

The Board hereby announces that, due to change in work arrangement, Mr. Li Xichuan (“**Mr. Li**”) applied to the Board for resignation from his position as the non-executive Director and the member of Development and Strategy Committee with effect upon the appointment of the candidate for new Director has been approved at the Shareholders' general meeting of the Company. Mr. Li has confirmed that he has no disagreement with the Board and there is no matter that needs to be brought to the attention of the Board and the shareholders of the Company in respect of the Resignation.

The Company would like to express its sincere gratitude to Mr. Li for his valuable contributions to the Company during his term of service.

### **Proposed appointment of director**

The Board is pleased to announce that at the Board meeting held on 30 August 2022, Mr. Liu Bingjun (“**Mr. Liu**”) has been nominated as the candidate for non-executive with a

term of office commencing from the date on which his proposed appointment is approved at the general meeting until the date on which the resolution relating to the election of the Board will be considered at the annual general meeting to be convened in 2024. The salary of Mr. Liu 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 general meeting. As at the date of this announcement, no director service contract has been entered into Mr. Liu and the Company. Details of the remuneration of Directors will be disclosed in the Company's annual reports.

The biographical details of Mr. Liu are set out as follows:

Mr. Liu Bingjun (劉秉鈞), 46, a master degree holder. Mr. Liu has served as the director of Asset Enterprise Management Department of China Aviation Industry Corporation II (中國航空工業第二集團公司); senior business manager of Capital Operation Department of AVIC; director of Listing Office and vice director of Securities Affairs Department of AVIC Helicopter; vice director of Planning and Development Department, vice president and board secretary of AVICOPTER; and vice director of Compliance and Risk Control Department of the Company. Since April 2022, Mr. Liu has served as vice director of the Capital Operation Department of AVIC.

As far as the Directors are aware, save as disclosed above, as at the date of this announcement, Mr. Liu does not hold any directorships in other public listed companies. Mr. Liu does not have any relationship with any Director, supervisors, senior management or substantial or controlling Shareholders, and does not have any interests or short positions within the meaning of Part XV of the Securities and Futures Ordinance in the shares, underlying shares or debentures of the Company or any of its associated corporations.

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 Listing Rules nor are there any matters that need to be brought to the attention of the Shareholders in relation to the proposed appointment of Mr. Liu.

The proposal in relation to the appointment of Mr. Liu for non-executive Director of the Company will be submitted for consideration and approval of the Shareholders by way of ordinary resolutions at the general meeting.

### **INFORMATION DISCLOSURE ON THE WEBSITE OF HKEX**

The electronic version of this announcement will be published on both the websites of Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.avichina.com](http://www.avichina.com)). The interim report of the Company for the six months ended 30 June 2022, which contains all information as required by Appendix 16 to the Hong Kong Listing Rules, will be dispatched to the shareholders of the Company and published on the websites of Hong Kong Stock Exchange and the Company in due course.

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

Beijing, 30 August 2022

*As at the date of this notice, 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*