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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)**

### **2023 INTERIM RESULTS ANNOUNCEMENT**

#### **Financial Highlights**

The Board is pleased to announce that the results of the Company has achieved good growth in the first half of 2023.

- For the six months ended 30 June 2023, the Group recorded a revenue of RMB40,873 million, representing an increase of RMB7,358 million or 21.95% as compared with that of RMB33,515 million (as restated) in the corresponding period of last year.
- For the six months ended 30 June 2023, the net profit attributable to the owners of the parent company amounted to RMB1,543 million, representing an increase of RMB326 million or 26.79% as compared with that of RMB1,217 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 2023 prepared according to the China Accounting Standards for Business Enterprises as follows:

## INTERIM CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

UNIT: RMB

Items	Note	January – June 2023 (Unaudited)	January - June 2022 (Unaudited) (Restated)
<b>I. Total operating income</b>		<b>40,872,596,444</b>	<b>33,515,009,213</b>
Including: Operating revenue	3	40,872,596,444	33,515,009,213
Interest income			
Earned premium			
Fee and commission income			
<b>II. Total operating cost</b>		<b>36,662,197,283</b>	<b>30,040,625,461</b>
Including: Operating cost	3	31,126,874,029	25,453,736,633
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		230,397,952	103,695,060
Selling expenses	5	472,509,574	401,393,836
Administrative expenses	6	2,432,695,722	2,219,800,473
Research and development expenses	7	2,550,591,101	2,012,264,615
Finance cost	8	-150,871,095	-150,265,156
Including: Interest expense		196,311,366	216,895,917
Interest income		321,819,736	262,491,452
Add: Other income	9	152,115,019	179,216,434
Investment income (loss to be listed with “-”)	10	260,767,863	210,747,438
Including: Income from investment in associates and joint ventures		145,285,393	131,411,585
Derecognition income of financial assets at amortised cost		-9,348,064	-5,313,462
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	-8,125,550	5,314,476
Credit impairment loss (loss to be listed with “-”)	12	-191,595,447	-242,939,489
Asset impairment loss (loss to be listed with “-”)	13	-146,567,117	-123,155,974
Income from assets disposal (loss to be listed with “-”)		910,677	2,679,867

<b>III. Operating profit (loss to be listed with “-”)</b>		<b>4,277,904,606</b>	<b>3,506,246,504</b>
Add: Non-operating income		40,912,358	35,628,475
Less: Non-operating expenses		8,028,328	14,029,244
<b>IV. Profit before tax (total loss to be listed with “-”)</b>		<b>4,310,788,636</b>	<b>3,527,845,735</b>
Less: Income tax expenses	14	364,710,100	377,837,424
<b>V. Net profit (net loss to be listed with “-”)</b>		<b>3,946,078,536</b>	<b>3,150,008,311</b>
<b>(I) Classified according to operating continuity</b>			
1. Net profit from continuing operations (net loss to be listed with “-”)		3,946,078,536	3,150,008,311
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 “-”)		1,542,800,016	1,217,011,146
2. Minority profit and loss (net loss to be listed with “-”)		2,403,278,520	1,932,997,165
<b>VI. Net of tax of other comprehensive income</b>		<b>238,845,762</b>	<b>-595,148,350</b>
Net of tax of other comprehensive income attributable to the owner of the parent company		175,165,301	-490,864,490
(I) Other comprehensive income that cannot be reclassified into profit or loss		174,650,169	-487,879,594
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			-111,465
3. Changes in fair value of other equity instrument investments		174,650,169	-487,768,129
4. Changes in fair value of the enterprise’s credit risk			
5. Others			
(II) Other comprehensive income reclassified into the profit or loss		515,132	-2,984,896
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		-2,677	
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		517,809	-2,984,896

currency financial statements			
7. Others			
Net of tax of other comprehensive income attributable to minority shareholders		63,680,461	-104,283,860
<b>VII. Total comprehensive income</b>		<b>4,184,924,298</b>	<b>2,554,859,961</b>
Total comprehensive income attributable to shareholders of the parent company		1,717,965,317	726,146,656
Total comprehensive income attributable to minority shareholders		2,466,958,981	1,828,713,305
<b>VIII. Earnings per share:</b>			
( I ) Basic earnings per share(RMB/share)	16	0.199	0.158
( II ) Diluted earnings per share(RMB/share)	16	0.199	0.158

## INTERIM CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2023

UNIT: RMB

Items	Note	30 June 2023 (Unaudited)	31 December 2022 (Restated)
<b>Current assets:</b>			
Monetary funds		30,673,140,070	43,773,730,634
Settlement reserve			
Loans to banks and other financial			
Financial assets held for trading		1,470,657,979	529,364,682
Derivative financial assets			
Notes receivables	17	6,489,509,876	12,224,148,437
Accounts receivables	18	42,783,409,725	30,600,251,049
Receivables financing		355,432,594	407,969,551
Prepayments		7,271,658,421	7,805,827,864
Premiums receivable			
Reinsurance premium receivable			
Reinsurance contract provision receivable			
Other receivables		355,041,411	244,684,808
Including: Interest receivable			
Dividends receivable		7,812,442	11,812,442
Financial assets purchased under agreements to resell			
Inventories		39,547,431,516	39,945,910,540
Contract assets		9,160,287,203	4,135,452,071
Held-for-sale assets		11,184,603	11,184,603
Non-current assets due within one year		400,000,000	500,000,000
Other current assets		1,335,487,896	750,629,028
<b>Total current assets</b>		<b>139,853,241,294</b>	<b>140,929,153,267</b>
<b>Non-current assets:</b>			
Loans and advances			
Debt investment			
Other debt investment			
Long-term receivables		1,241,950	1,241,950
Long-term equity investments		2,618,213,234	3,083,328,235
Other equity instrument investments		4,129,790,013	3,792,710,496
Other non-current financial assets			
Investment properties		523,834,167	521,870,564
Fixed assets		20,656,902,873	19,915,295,010
Construction-in-progress		4,081,479,927	4,362,983,096
Bearer biological assets			
Oil and gas assets			
Right-of-use assets		410,528,295	402,549,365
Intangible assets		3,836,927,702	3,876,726,846
Development expenditure			
Goodwill		167,540,481	167,540,481
Long-term deferred expenses		60,773,174	43,290,729
Deferred income tax assets		768,621,532	713,346,879
Other non-current assets		1,173,790,224	1,312,000,048
<b>Total non-current assets</b>		<b>38,429,643,572</b>	<b>38,192,883,699</b>
<b>Total assets</b>		<b>178,282,884,866</b>	<b>179,122,036,966</b>

## INTERIM CONSOLIDATED BALANCE SHEET (Continued)

AS AT 30 JUNE 2023

UNIT: RMB

Items	Note	30 June 2023 (Unaudited)	31 December 2022 (Restated)
<b>Current liabilities:</b>			
Short-term borrowings		5,880,162,744	6,876,412,133
Borrowings from the central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading		115,082,561	48,392,809
Derivative financial liabilities			
Notes payables	19	8,999,359,908	13,387,068,195
Accounts payables	20	40,497,519,657	36,638,728,483
Advances		55,560,844	51,201,255
Contract liabilities		20,390,881,474	24,734,281,527
Financial assets sold under agreements to repurchase			
Deposits and placements from other financial institutions			
Securities brokering			
Securities underwriting			
Employee benefits payable		1,918,193,524	2,863,037,839
Taxes payable		513,763,090	2,308,502,912
Other payables		3,241,143,052	3,736,744,970
Including: Interest payable			
Dividends payable		159,017,804	142,061,557
Fees and commissions payable			
Reinsurance amounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		1,685,225,020	4,558,751,262
Other current liabilities		661,016,378	992,063,138
<b>Total current liabilities</b>		<b>83,957,908,252</b>	<b>96,195,184,523</b>
<b>Non-current liabilities:</b>			
Insurance contract reserves			
Long-term borrowings		5,407,492,763	2,121,629,735
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		343,002,859	336,411,229
Long-term payables		-2,298,913,919	-1,402,886,040
Long-term employee benefits payable		1,707,745,890	1,452,124,635
Estimated liabilities		542,097,755	647,899,871
Deferred income		1,226,148,144	1,217,267,125
Deferred income tax liabilities		664,998,178	583,750,508
Other non-current liabilities		1,928,552,219	2,451,370,702
<b>Total non-current liabilities</b>		<b>9,521,123,889</b>	<b>7,407,567,765</b>
<b>Total liabilities</b>		<b>93,479,032,141</b>	<b>103,602,752,288</b>
<b>Shareholders' equity:</b>			

Share capital		7,972,854,242	7,711,332,242
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves		14,511,191,965	14,955,749,841
Less: treasury shares			
Other comprehensive income		384,533,447	211,164,546
Special reserves		586,809,959	510,537,937
Surplus reserves		373,902,267	373,902,267
General risk reserve			
Undistributed profits		7,056,207,753	6,130,863,750
<b>Total shareholders' equity attributable to parent company</b>		<b>30,885,499,633</b>	<b>29,893,550,583</b>
Minority equity		53,918,353,092	45,625,734,095
<b>Total shareholders' equity</b>		<b>84,803,852,725</b>	<b>75,519,284,678</b>
<b>Total liabilities and shareholders' equity</b>		<b>178,282,884,866</b>	<b>179,122,036,966</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 RMB7,972,854,242. The legal representative is Yan Lingxi. The address of its registered office is 2nd Floor, Building 27, No. 26 Xihuan South Street, Beijing Economic Technological Development Area. 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 controlling shareholder of the Company is Aviation Industry Corporation of China, Ltd.\* (“AVIC”), and the ultimate controller is AVIC. 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 22 August 2023.

The data of the following financial statements for the six months ended 30 June 2022 is unaudited and has been restated, and that for the six months ended 30 June 2023 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 2023 are consistent with the accounting policies followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022, 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.

***(1) Restated consolidated financial statements of the previous period due to business combination under common control***

On 13 April 2023, China Avionics Systems Co., Ltd. (中航航空電子系統股份有限公司) (“**AVIC Avionics**”), a subsidiary of the Company, completed the share swap and absorption of AVIC Electromechanical Systems Co., Ltd. (中航工業機電系統股份有限公司) (“**AVIC Electromechanical**”). Given that the Group and AVIC Electromechanical are under common control of AVIC before and after the business combination, and that control is not temporary, such acquisition is considered as business combination under common control. The Group has restated the financial effects of AVIC Electromechanical in accordance with the standards for business combination under common control in the preparation of the consolidated financial statements.

As a result of the business combination under common control, the Group's balance sheet as at 31 December 2022, the income statement and the cash flow statement for the period from January to June 2022 have been restated, and the transactions and balances with AVIC Electromechanical during the relevant period have been eliminated on consolidation.

***(2) The implementation of the CASBE 16***

In November 2022, the MOF issued the Interpretation of CASBE 16 (Cai Kuai [2022] No. 31, hereinafter referred to as “Interpretation No. 16”), and in Interpretation No. 16, the “accounting treatment regarding deferred income taxes related to assets and liabilities arising from a single transaction for which no exemption from initial recognition applies” came into effect from 1 January 2023; the “accounting treatment regarding the income tax effects of dividends related to financial instruments classified as equity instruments by the issuer” and “accounting treatment regarding the revision of cash-settled share-based payment to equity-settled share-based payment” came into effect from the date of issuance. The implementation of Interpretation No. 16 did not have a significant impact on the Company's financial position and operating results.

<b>Item</b>	<b>Previously presented 31 December 2022</b>	<b>Interpretation No. 16</b>	<b>Business combination under common control</b>	<b>Restated 31 December 2022</b>
Current assets	117,005,729,216		23,923,424,051	140,929,153,267
Non-current assets	27,000,158,027	59,024,184	11,133,701,488	38,192,883,699
Total assets	144,005,887,243	59,024,184	35,057,125,539	179,122,036,966
Current Liabilities	80,044,743,533		16,150,440,990	96,195,184,523
Non-current liabilities	5,808,585,444	57,360,416	1,541,621,905	7,407,567,765
Total liabilities	85,853,328,977	57,360,416	17,692,062,895	103,602,752,288
Total shareholders' equity attributable to parent company	28,123,578,856	861,875	1,769,109,852	29,893,550,583
Total shareholders' equity	58,152,558,266	1,663,769	17,365,062,643	75,519,284,678

<b>Item</b>	<b>Previously presented January to June 2022</b>	<b>Interpretation No. 16</b>	<b>Business combination under common control</b>	<b>Restated January to June 2022</b>
Operating revenue	25,812,630,147		7,702,379,066	33,515,009,213
Operating cost	19,704,195,121		5,749,541,512	25,453,736,633
Operating profit	2,846,861,555		659,384,949	3,506,246,504
Net profit	2,570,530,414	778,469	578,699,428	3,150,008,311
Net profit attributable to the owners of the parent company	1,153,506,784	477,518	63,026,844	1,217,011,146
Net cash flow from operating activities	-8,965,989,974		-1,725,415,611	-10,691,405,585
Net cash flows from investing activities	-769,768,746		-1,276,466,421	-2,046,235,167
Net cash flow from financing activities	704,032,199		298,366,964	1,002,399,163
Closing balance of cash and cash equivalents	14,495,851,270		4,198,505,433	18,694,356,703

### 3. Operating revenue and operating costs

Item	January to June 2023		January to June 2022	
	Revenue	Cost	Revenue	Cost
Main businesses	40,489,610,760	30,804,425,604	32,933,195,945	24,986,139,837
Other businesses	382,985,684	322,448,425	581,813,268	467,596,796
<b>Total</b>	<b>40,872,596,444</b>	<b>31,126,874,029</b>	<b>33,515,009,213</b>	<b>25,453,736,633</b>

Note: The revenue recognized by the Group from January to June 2023 included an amount of RMB6,765,548,046 that had been included in contract liabilities at the beginning of the year.

### 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
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 main assets are located.

January to June 2023	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Offset	Total
Revenue from external transactions	9,746,582,063	26,892,869,461	4,233,144,920	-	40,872,596,444
Revenue from inter-segment transactions	-	3,313,516,567	371,218,694	-3,684,735,261	-
Investment income from associates and joint ventures	2,690,190	119,116,244	23,478,959	-	145,285,393

Asset impairment losses and credit impairment losses	-79,092,409	-249,141,326	-11,501,038	1,572,209	-338,162,564
Depreciation and amortization costs	351,338,164	958,017,478	68,439,879	-	1,377,795,521
<b>Profit before tax</b>	335,177,673	4,316,409,003	218,377,876	-559,175,916	4,310,788,636
Income tax expense	22,099,035	320,665,375	22,280,071	-334,381	364,710,100
Net profit	313,078,638	3,995,743,628	196,097,805	-558,841,535	3,946,078,536
Total assets	61,175,687,866	127,000,034,407	13,273,531,078	-23,166,368,485	178,282,884,866
Total liabilities	41,243,692,808	49,613,527,440	8,142,016,581	-5,520,204,688	93,479,032,141
Other non-cash expenses other than depreciation and amortization costs and asset impairment losses	14,008,404	214,503,667	-	-	228,512,071
Long-term equity investment in associates and joint ventures	442,807,029	1,354,895,233	465,771,087	-	2,263,473,349
Increase in other non-current assets other than long-term equity investments	-69,960,384	1,055,288,565	-15,185,358	-268,267,948	701,874,875

<b>January to June 2022</b>	<b>Aviation entire aircraft</b>	<b>Aviation ancillary system and related business</b>	<b>Aviation engineering services</b>	<b>Offset</b>	<b>Total</b>
Revenue from external transactions	6,237,324,490	22,288,696,065	4,988,988,658	-	33,515,009,213
Revenue from inter-segment transactions	-	2,437,171,082	301,822,909	-2,738,993,991	-
Investment income from associates and joint ventures	8,063,964	118,355,612	4,992,009	-	131,411,585
Asset impairment losses and credit impairment losses	-16,537,071	-320,071,164	-29,487,228	-	-366,095,463
Depreciation and amortization costs	324,514,449	909,400,333	177,590,139	-	1,411,504,921
<b>Profit before tax</b>	92,991,671	3,787,011,148	238,031,733	-590,188,817	3,527,845,735
Income tax expense	47,519,472	302,635,790	28,459,130	-776,968	377,837,424
Net profit	45,472,199	3,484,375,359	209,572,601	-589,411,848	3,150,008,311
Total assets	57,819,949,546	108,919,019,937	19,242,627,081	-18,194,096,769	167,787,499,795
Total liabilities	40,922,885,561	46,591,606,227	11,212,379,610	-4,459,109,496	94,267,761,902
Other non-cash expenses other than depreciation and amortization costs and asset impairment losses	9,207,680	47,636,714	-	-	56,844,394

January to June 2022	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Offset	Total
Long-term equity investment in associates and joint ventures	435,103,294	1,407,487,156	134,180,569	-	1,976,771,019
Increase in other non-current assets other than long-term equity investments	-232,038,358	-95,459,438	-454,006,668	-25,887,340	-807,391,804

### 5. Selling expenses

Item	January to June 2023	January to June 2022
Employee compensation	232,194,271	224,281,444
After-sales service charges	62,670,025	53,425,419
Business travel costs	51,198,516	27,470,476
Three guarantees loss and quality claim fees	30,606,975	25,891,062
Advertising and publicity expenses	26,734,121	1,908,516
Sample and product losses	10,566,401	20,163,699
Exhibition fees	4,596,360	1,371,213
Transportation costs	4,297,347	3,473,901
Office fees	3,610,180	3,192,952
Depreciation and amortization costs	2,285,637	1,566,238
Packing charges	1,510,956	1,313,722
Others	42,238,785	37,335,194
<b>Total</b>	<b>472,509,574</b>	<b>401,393,836</b>

### 6. Administrative expenses

Item	January to June 2023	January to June 2022
Employee compensation	1,383,170,643	1,376,356,685
Depreciation and amortization costs	251,306,338	261,240,800
Amortization of equity incentives in the current period	150,776,590	46,910,167
Maintenance and repair costs	58,974,937	53,134,549
Professional service fees	57,945,290	40,011,101
Business entertainment expenses	49,182,672	32,924,830
Property afforestation fees	45,150,336	39,956,001
Business travel costs	44,570,251	18,988,955
Office fees	34,534,271	33,952,635

<b>Item</b>	<b>January to June 2023</b>	<b>January to June 2022</b>
Labor protection costs	34,006,975	48,838,339
Power and fuel expenses	27,260,394	24,522,409
Rental	25,124,249	17,317,143
Insurance premium	24,559,294	8,009,842
Conference expenses	11,709,419	6,783,794
Publicity expenses	7,749,240	10,450,701
Audit fee	7,043,652	5,359,484
Transportation costs	5,365,700	4,791,772
Material amortization and consumption of low-value consumables	4,506,932	4,641,875
Others	209,758,539	185,609,391
<b>Total</b>	<b>2,432,695,722</b>	<b>2,219,800,473</b>

#### 7. Research and development expenses

<b>Item</b>	<b>January to June 2023</b>	<b>January to June 2022</b>
Employee compensation	1,003,330,600	911,959,797
Materials expenses	802,183,141	611,204,161
Experimental and special fees	239,987,347	66,068,829
Outsourcing fee	124,373,566	92,276,996
Depreciation and amortization costs	90,424,028	71,751,815
Administrative expense	58,505,811	71,293,546
Transportation and business travel costs	40,995,971	20,031,550
Design fee	22,178,769	24,246,895
Power and fuel expenses	16,945,654	16,462,898
Others	151,666,214	126,968,128
<b>Total</b>	<b>2,550,591,101</b>	<b>2,012,264,615</b>

#### 8. Finance costs

<b>Item</b>	<b>January to June 2023</b>	<b>January to June 2022</b>
Interest expenses	197,257,598	224,115,387
Less: Interest incomes	321,819,736	262,491,452
Less: Interest capitalized	946,232	7,219,470
Add: Exchange gains or losses	-30,305,603	-124,704,493
Add: Other expenditures	4,942,878	20,034,872
<b>Total</b>	<b>-150,871,095</b>	<b>-150,265,156</b>

## 9. Other income

Sources of other income	January to June 2023	January to June 2022
Maintenance costs	45,100,000	12,250,000
Instant value-added tax refund	10,755,902	1,019,763
Government relocation compensation	8,740,240	13,429,406
Special funds for the development	8,329,557	6,741,856
Refund of individual tax handling fee	6,577,095	6,627,648
XX project subsidies	5,605,398	7,555,526
R&D funds	5,599,149	9,025,400
Subsidies for research and development and industrialization project of a connector	5,015,632	3,991,872
Employment subsidy	3,860,989	11,257,420
Other income (such as subject projects)	3,259,680	-
Production line subsidy	1,128,676	37,976,771
Additional value-added tax credit	615,366	99,954
High-tech allowance	200,000	4,607,578
Others	47,327,335	64,633,240
<b>Total</b>	<b>152,115,019</b>	<b>179,216,434</b>

## 10. Investment income

Item	January to June 2023	January to June 2022
Long-term equity investment incomes calculated at equity method	145,285,393	131,411,585
Investment income from disposal of long-term equity investments	49,338,996	-1,050,235
Investment income from holding financial assets held for trading	1,276,637	31,583,247
Investment income from disposal of financial assets held for trading and other financial assets	19,722,422	8,001,000
Dividend income from holding other equity instrument investments	13,095,866	8,742,963
Gain on revaluation of remaining equity at fair value after losing control	-	-
Gain on debt restructuring	23,397,954	34,157,464

<b>Item</b>	<b>January to June 2023</b>	<b>January to June 2022</b>
Investment income from disposal of financial liabilities held for trading	-	-
Gain on derecognition of financial assets measured at amortized cost	-9,348,064	-5,313,462
Others	17,998,659	3,214,876
<b>Total</b>	<b>260,767,863</b>	<b>210,747,438</b>

Note: Debt restructuring gains mainly represent 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), AVIC Taiyuan Aviation Instrument Co., Ltd. (太原航空儀錶有限公司) and AVIC Xinxiang Aviation Industry (Group) Co., Ltd. (新鄉航空工業(集團)有限公司) on settlement of payment for supplier. Others mainly represent investment income arising from sales realized by Hubei AVIC Precision Machinery Technology Co., Ltd. (湖北中航精機科技有限公司), a subsidiary of the Company, as a result of downstream transactions.

#### 11. Income from changes in fair value

<b>Source of income from changes in fair value</b>	<b>January to June 2023</b>	<b>January to June 2022</b>
Financial assets held for trading	-325,445	8,917,256
Including: Gain from changes in fair value of derivative financial instruments	-	-
Financial liabilities held for trading	-7,800,105	-3,602,780
<b>Total</b>	<b>-8,125,550</b>	<b>5,314,476</b>

#### 12. Credit impairment loss

<b>Item</b>	<b>January to June 2023</b>	<b>January to June 2022</b>
Loss on bad debts of accounts receivable	-226,739,444	-253,789,808
Loss on bad debts of notes receivable	35,102,951	11,886,748
Loss on bad debts of other receivables	-166,025	-1,036,429
Others	207,071	-
<b>Total</b>	<b>-191,595,447</b>	<b>-242,939,489</b>



### 13. Assets impairment loss

Item	January to June 2023	January to June 2022
Inventory depreciation loss and contract performance cost impairment losses	-121,044,427	-115,881,513
Contract asset impairment losses	-25,522,690	-615,887
Fixed assets impairment losses	-	-6,658,574
<b>Total</b>	<b>-146,567,117</b>	<b>-123,155,974</b>

### 14. Income tax expenses

Item	January to June 2023	January to June 2022
Current income tax expenses	412,712,858	439,229,721
Deferred income tax expenses	-48,002,758	-61,392,297
<b>Total</b>	<b>364,710,100</b>	<b>377,837,424</b>

### 15. Dividends

Item	January to June 2023	January to June 2022
Dividends recognized for distribution of 2022 final dividend: RMB0.08 per share (2021 final dividend: RMB0.08 per share)	616,906,579	616,906,579

The Board of Directors of the Company did not recommend interim dividend distribution for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 China Securities Regulatory Commission, the basic earnings per share and diluted earnings per share of the Group from January to June 2023 are as follows:

Profit for the reporting period	Earnings per share	
	Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the parent company	0.199	0.199
Net profit attributable to shareholders of the parent company after non-recurring profit or loss	0.176	0.176

## 17. Notes receivable

### (1) Classified presentation of notes receivable

Item	30 June 2023	31 December 2022
Banker's acceptance bill	2,295,639,816	4,405,389,801
Commercial acceptance bill	4,193,870,060	7,818,758,636
<b>Total</b>	<b>6,489,509,876</b>	<b>12,224,148,437</b>

### (2) Notes receivable pledged

Item	Amount pledged at 30 June 2023
Banker's acceptance bill	356,341,447
Commercial acceptance bill	1,455,303,454
<b>Total</b>	<b>1,811,644,901</b>

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

Category	30 June 2023				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Provision Proportion (%)	
Bad debt provision made individually	-	-	-	-	-
Bad debt provision made as per portfolio	6,545,750,825	100.00	56,240,949	0.86	6,489,509,876
<b>Total</b>	<b>6,545,750,825</b>	<b>—</b>	<b>56,240,949</b>	<b>—</b>	<b>6,489,509,876</b>

Category	31 December 2022				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Provision Proportion (%)	
Bad debt provision made individually	-	-	-	-	-
Bad debt provision made as per portfolio	12,315,492,337	100.00	91,343,900	0.74	12,224,148,437
<b>Total</b>	<b>12,315,492,337</b>	<b>—</b>	<b>91,343,900</b>	<b>—</b>	<b>12,224,148,437</b>

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

Name	30 June 2023		
	Book balance	Bad debt provision	Provision proportion (%)
Banker's acceptance bill	2,296,637,780	997,964	0.04
Commercial acceptance bill	4,249,113,045	55,242,985	1.30
<b>Total</b>	<b>6,545,750,825</b>	<b>56,240,949</b>	<b>-</b>

Name	31 December 2022		
	Book balance	Bad debt provision	Provision proportion (%)
Banker's acceptance bill	4,406,623,825	1,234,024	0.03
Commercial acceptance bill	7,908,868,512	90,109,876	1.14
<b>Total</b>	<b>12,315,492,337</b>	<b>91,343,900</b>	<b>-</b>

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

Category	31 December 2022	Changes in the current period				30 June 2023
		Accrued	Recovered or reversed	Written back or written off	Decrease due to other reasons	
Bad debt provision of notes receivable made as per portfolio	91,343,900	-35,102,951	-	-	-	56,240,949
<b>Total</b>	<b>91,343,900</b>	<b>-35,102,951</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,240,949</b>

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

**18. Accounts receivable**

Item	30 June 2023	31 December 2022
Accounts receivable	44,490,465,455	32,085,001,029
Less: Impairment provision	1,707,055,730	1,484,749,980
<b>Net accounts receivable</b>	<b>42,783,409,725</b>	<b>30,600,251,049</b>

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

Category of portfolio	30 June 2023			
	Original value	Proportion of bad debt provision (%)	Bad debt provision	Book value
Accounts receivable with bad debt provision made individually	233,436,705	85.94	200,612,652	32,824,053
Accounts receivable with bad debt provision made as per portfolio	44,257,028,750	3.40	1,506,443,078	42,750,585,672
Including: Bad debts provision made on the group of credit risk characteristics	44,257,028,750	3.40	1,506,443,078	42,750,585,672
<b>Total</b>	<b>44,490,465,455</b>	<b>-</b>	<b>1,707,055,730</b>	<b>42,783,409,725</b>

Category of portfolio	31 December 2022			
	Original value	Proportion of bad debt provision (%)	Bad debt provision	Book value
Accounts receivable with bad debt provision made individually	191,508,989	92.29	176,748,989	14,760,000
Accounts receivable with bad debt provision made as per portfolio	31,893,492,040	4.10	1,308,000,991	30,585,491,049
Including: Bad debts provision made on the group of credit risk characteristics	31,893,492,040	4.10	1,308,000,991	30,585,491,049
<b>Total</b>	<b>32,085,001,029</b>	<b>-</b>	<b>1,484,749,980</b>	<b>30,600,251,049</b>

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

Name	30 June 2023			
	Book balance	Bad debt provision	Provision proportion (%)	Reasons for provision
Company 1	53,119,406	35,055,353	65.99	Part of it is expected to be unable to recover
Company 2	24,600,000	9,840,000	40.00	Part of it is expected to be unable to recover
Company 3	13,869,100	13,869,100	100.00	All of it is expected to be unable to recover

Name	30 June 2023			
	Book balance	Bad debt provision	Provision proportion (%)	Reasons for provision
Company 4	13,595,425	13,595,425	100.00	All of it is expected to be unable to recover
Company 5	11,763,924	11,763,924	100.00	All of it is expected to be unable to recover
<b>Total</b>	<b>116,947,855</b>	<b>84,123,802</b>	<b>-</b>	<b>-</b>

2) Bad debt provision of accounts receivable made by portfolio

Aging	30 June 2023		
	Book balance	Bad debt provision	Provision proportion (%)
Within 1 year (including 1 year)	37,782,532,996	264,535,093	0.70
1-2 years	4,616,335,586	467,741,038	10.13
2-3 years	959,837,533	237,345,212	24.73
Over 3 years	898,322,635	536,821,735	59.76
<b>Total</b>	<b>44,257,028,750</b>	<b>1,506,443,078</b>	<b>-</b>

Aging	31 December 2022		
	Book balance	Bad debt provision	Provision proportion (%)
Within 1 year (including 1 year)	26,109,502,810	198,915,449	0.76
1-2 years	3,665,729,903	309,503,689	8.44
2-3 years	1,106,935,160	217,529,783	19.65
Over 3 years	1,011,324,167	582,052,070	57.55
<b>Total</b>	<b>31,893,492,040</b>	<b>1,308,000,991</b>	<b>-</b>

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

Aging	30 June 2023		
	Accounts receivable	Bad debt provision	Proportion of bad debt provision (%)
Within 1 year (including 1 year)	37,852,390,966	316,329,010	0.84
1-2 years	4,626,079,999	477,422,182	10.32
2-3 years	963,589,604	241,097,284	25.02
3-4 years	364,745,206	168,632,564	46.23
4-5 years	198,466,197	117,907,504	59.41
Over 5 years	485,193,483	385,667,186	79.49
<b>Total</b>	<b>44,490,465,455</b>	<b>1,707,055,730</b>	<b>-</b>

Aging	31 December 2022		
	Accounts receivable	Bad debt provision	Proportion of bad debt provision (%)
Within 1 year (including 1 year)	26,128,522,360	217,934,999	0.83
1-2 years	3,673,678,993	317,284,520	8.64
2-3 years	1,114,121,071	224,705,954	20.17
3-4 years	524,451,845	221,616,705	42.26
4-5 years	220,214,621	135,934,075	61.73
Over 5 years	424,012,139	367,273,727	86.62
<b>Total</b>	<b>32,085,001,029</b>	<b>1,484,749,980</b>	-

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

Category	31 December 2022	Changes in the current period				30 June 2023
		Accrued	Recovered or reversed	Written back or written off	Decrease due to other reasons	
Bad debt provision for accounts receivable	1,484,749,980	231,836,334	5,096,890	4,506,163	-72,469	1,707,055,730
<b>Total</b>	<b>1,484,749,980</b>	<b>231,836,334</b>	<b>5,096,890</b>	<b>4,506,163</b>	<b>-72,469</b>	<b>1,707,055,730</b>

Note: The decrease due to other reasons was caused by Zhengzhou Aircraft Equipment Co., Ltd. (鄭州飛機裝備有限責任公司) and Yibin Sanjiang Machinery Co., Ltd. (宜賓三江機械有限責任公司), subsidiaries of the Company, recovering bad debts that had been written off in previous years.

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

Item	Write-off amount
Accounts receivable actually written-off	4,506,163

#### 19. Notes payable

Category	30 June 2023	31 December 2022
Banker's acceptance bill	4,369,723,550	6,052,464,416
Commercial acceptance bill	4,629,636,358	7,334,603,779
<b>Total</b>	<b>8,999,359,908</b>	<b>13,387,068,195</b>

Note: At the end of the period, the total amount of outstanding notes payable was RMB36,048,070.

## 20. Accounts payable

### (1) Presentation of accounts payable

<b>Item</b>	<b>30 June 2023</b>	<b>31 December 2022</b>
Materials costs payable	34,437,917,078	31,611,153,836
Construction costs payable	3,712,536,386	3,160,790,685
Equipment costs payable	795,162,354	913,034,850
Others	1,551,903,839	953,749,112
<b>Total</b>	<b>40,497,519,657</b>	<b>36,638,728,483</b>

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

<b>Ageing</b>	<b>30 June 2023</b>	<b>31 December 2022</b>
Within 1 year (including 1 year)	34,763,525,706	31,444,598,019
1-2 years	3,067,221,508	2,578,831,569
2-3 years	1,241,621,929	1,042,815,153
Over 3 years	1,425,150,514	1,572,483,742
<b>Total</b>	<b>40,497,519,657</b>	<b>36,638,728,483</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half of 2023, the global economy continued to experience a downward trend, and the economic recovery faced numerous uncertainties. China's economic encountered new difficulties and challenges, but remained positive overall rebound and long-term prospects with sustained recovery. Confronted with the complex and severe internal and external environment, Aviation Industry Corporation of China, Ltd. \* (中國航空工業集團有限公司) (“**AVIC**”) persevered through difficulties, maintaining a favorable operational momentum. It consistently intensified efforts in independent technological innovation, achieved tangible results across various tasks, and pushed forward with high-quality development. AVIC has been listed in the Fortune Global 500 for 15 consecutive years, ranking the 150th. Meanwhile, AVIC ranked the second on the Global 500 of Aerospace and Defense Industry.

In the first half of 2023, the Group was committed to building a world-class aviation high-tech industrial group, practicing pragmatism, striving hard and being united, steadily developing its businesses and actively playing the roles of scientific and technological innovation, industry control and safety support. The Company was listed in the Fortune 500 listed companies in China, ranking 212th.

In the first half of 2023, the Group continued to promote the restructuring and integration of business. AVICOPTER PLC\* (中航直升機股份有限公司) (“**AVICOPTER**”) purchased the equity interests in Changhe Aircraft Industries (Group) Co., Ltd. \* (昌河飛機工業(集團)有限責任公司) (“**Changhe Aircraft**”) and Harbin Aircraft Industry Group Co., Ltd. \* (哈爾濱飛機工業集團有限責任公司) (“**Harbin Aircraft**”) held by the Company and AVIC respectively by way of issuing consideration shares, which has further integrated the helicopter business and enhanced core competitiveness of the Group. China Avionics Systems Co., Ltd. \* (中航航空電子系統股份有限公司) (“**AVIC Avionics**”) completed the Share Swap



and Absorption of AVIC Electromechanical Systems Co., Ltd. \* (中航工業機電系統股份有限公司) (“**AVIC Electromechanical**”) and will change its name to AVIC Airborne Systems Co., Ltd.\* (中航機載系統股份有限公司), which would further perfect the business of aviation ancillary system and vigorously promote the systematisation, integration and intelligentisation development of the airborne industry. Meanwhile, AVIC Avionics successfully raised supporting funds of approximately RMB5 billion to further optimize its capital structure and provide financial support for the research, development and production of airborne products. The National Military-civilian Integration Industrial Investment Fund Co., Ltd. \* (國家軍民融合產業投資基金有限責任公司) (“**National Industrial Investment Fund**”) subscribed for 261,522,000 domestic shares issued by the Company and became a strategic shareholder of the Company.

The core competitiveness of the Group's helicopter products continued to increase. The AC311A helicopter conducted a field forced landing test flight and emergency rescue exercise, and the major scientific and technological research and industrialization of AC313 large helicopter was selected as one of the top ten innovative achievements of Jiangxi Province in 2022, which reflected the continuous improvements in emergency rescue system. The AC352 helicopter successfully completed the type rating training standardization test of the Flight Standard Board to ensure efficient operation and flight safety. The AC332 helicopter completed the static test of the horizontal landing attitude under the single skid landing condition to limit the loading, making new progress in static test of the entire helicopter. The AC312E helicopter completed the test flight of the aviation remote sensing devices, which promoted the development of the aerial geophysical exploration and remote sensing application field.

The Group further enhanced its international competitiveness in general aviation products. The twin-engine turboprop commuting-type Y-12F aircraft was awarded the type certificate by the European Aviation Safety Agency (EASA), which marked

the first time for a domestic aircraft to obtain EASA type certificate.

The trainer business of the Group made new progress. The first CJ-6 civil aircraft produced by Jiangxi Hongdu Aviation Industry Co., Ltd. \* (江西洪都航空工業股份有限公司) obtained the standard airworthiness certificate (AC), marking the first time that the CJ-6 civil aircraft was put into operation in the civil aviation market since it obtained the production permit (PC).

The aviation ancillary system and related business of the Group developed steadily. AVIC JONHON Optronic Technology Co., Ltd. \* (中航光電科技股份有限公司) (“**JONHON Optronic**”) commenced the project of integrated system for liquid cooling source series products, which pushed forward the leapfrog development of the liquid cooling business to a new stage. The first phase of the Huanan Industrial Base Project was put into operation smoothly, which pushed the high-end manufacturing industrialization standard to a new level. The six types of products developed by Chengdu CAIC Electronics Co., Ltd.\* (成都凱天電子股份有限公司) (“**AVIC Kaitian**”) such as atmospheric data equipment were awarded CTSOA certificates by the Civil Aviation Administration of China (CAAC), laying a solid foundation for the research and development and production of domestic civil aircraft. The smoke detector developed by Tianjin Aviation Mechanical and Electrical Co., Ltd. \* (天津航空機電有限公司) was awarded the CAAC-CTSOA certificate by the CAAC for the technical standard requirement project, which further expanded the market of civil aviation products.

The business scope of the Group’s aviation engineering services business continued to expand. 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 20th Tien-yow Jeme Civil Engineering Prize for two projects and the 15th Gold Award of China’s Construction Engineering Steel Structure for seven projects, continuously enhancing its market influence. AVIC CAPDI won the bid for the second final assembly line project of

Airbus A320 series aircraft to better meet the market demand for Airbus aircraft; won the bid for the digital assembly production line of sensor, continuously upgrading its ability to build the digital and intelligent aviation system; won the bid for multiple ecological and environmental projects, contributing to the construction of an ecological energy environment with aviation wisdom and strength.

In the first half of 2023, the Group actively undertook economic and social responsibilities, continued to create economic, social and environmental values, implemented the “Carbon Peak and Carbon Neutrality” strategy, and made every effort to push forward the construction of green aviation, clean aviation and green zero-carbon aviation. The Group continued to improve the level of compliant operation, comprehensively enhanced the anti-risk ability, closely communicated with investors by creating various online and offline communication channels, and continuously enhanced its market image.

## **BUSINESS OUTLOOK**

In the second half of 2023, AVIC will continue to strengthen scientific and technological innovation, collaborate in technological research and development and ensure a safe and stable supply chain of the industrial chain; enhance the scale and quality of strategic emerging industries, and promote the transformation and upgrading of the traditional industries; and implement the improvement actions of further reform, so as to continuously improve its core competitiveness and core functions.

30 October 2023 is the 20th anniversary of the listing of the Company, which is a milestone for us and also a new beginning. In the second half of 2023, the Group will continue to be committed to building a world-class aviation high-tech industrial group by seizing the opportunity to complete the integration and reorganization of the helicopter business. The Group will actively expand the influence of the Tianjin

Helicopter Expo, support the construction of the civil helicopter industry base in Tianjin and advance the progress of civil helicopter industrialization. The Group will make further efforts to promote the Leading Innovative Power Project and pool strengths to carry out original and leading scientific and technological researches. The Group will optimize the industrial layout and actively seek the merger and acquisition opportunities in the domestic and overseas aviation industrial chain, thus further optimizing the capital structure and shareholders' structure. The Group will strengthen market connections and safeguard market image, enhance governance capability, prevent operational risks and continue to promote high-quality development.

## **FINANCIAL REVIEW**

Due to the completion of the Share Swap and Absorption of AVIC Electromechanical by AVIC Avionics in April 2023, 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.

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 2023, the Group recorded a revenue of RMB40,873 million, representing an increase of RMB7,358 million or 21.95% as compared with that of RMB33,515 million in the corresponding period of last year, which was mainly attributable to the increase in revenue of helicopters and avionics products.

## **Segment Information**

For the six months ended 30 June 2023, the revenue of the aviation entire aircraft segment of the Group amounted to RMB9,747 million, representing an increase of 56.28% as compared with that in the corresponding period of last year, which was mainly attributable to the increase in sales volume of helicopter products and the price adjustment of certain helicopter products during the reporting period. The revenue of the aviation entire aircraft segment accounted for 23.85% of the total revenue of the Group. The revenue of the aviation ancillary system and related business segment of the Group amounted to RMB26,893 million, representing an increase of 20.66% as compared with that in the corresponding period of last year, which was mainly attributable to the increase in revenue of avionics products during the reporting period. The revenue of the aviation ancillary system and related business segment accounted for 65.80% of the total revenue of the Group. The revenue of the aviation engineering services segment of the Group amounted to RMB4,233 million, representing a decrease of 15.15% as compared with that in the corresponding period of last year. This was mainly due to the continuous improvement of business structure, certain subsidiaries completed the disposal of new energy and other businesses at the end of the last year. The revenue of the aviation engineering services segment accounted for 10.35% of the total revenue of the Group.

For the six months ended 30 June 2023, the segment profit of the aviation entire aircraft segment of the Group amounted to RMB335 million, representing an increase of RMB242 million or 260.22% as compared with that of RMB93 million in the corresponding period of last year, which was mainly attributable to the increase in sales volume of helicopter products and the increase in gross profit due to the price adjustment of certain helicopter products. The segment profit of the aviation ancillary system and related business segment of the Group amounted to RMB4,316 million, representing an increase of RMB529 million or 13.97% as compared with that of RMB3,787 million in the corresponding period of last year, which was mainly attributable to the 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 RMB218 million, representing a decrease of RMB20 million or 8.40% as compared with that of RMB238 million in the corresponding period of last year, the main reason was that certain subsidiaries completed the disposal of new energy and other businesses at the end of the last year.

### **Gross Profit**

For the six months ended 30 June 2023, the Group recorded a gross profit of RMB9,746 million, representing an increase of RMB1,685 million or 20.90% as compared with that of RMB8,061 million in the corresponding period of last year, which was mainly attributable to the increase in revenue of helicopters and avionics products and the price adjustment of certain helicopter products during the reporting period. The comprehensive gross profit margin was 23.84% during the reporting period, which was basically the same as compared with that in the corresponding period of last year.

### **Selling Expenses**

For the six months ended 30 June 2023, the selling expenses of the Group amounted to RMB473 million, representing an increase of RMB72 million or 17.96% as compared with that of RMB401 million in the corresponding period of last year, which was mainly attributable to the increase in advertising and promotional expenses, sales personnel travel expenses, and sales service fees of the Group for expanding the market. The selling expenses accounted for 1.16% of the revenue during the reporting period, representing a decrease of 0.04 percentage point as compared with that of 1.20% in the corresponding period of last year.

### **Administrative Expenses**

For the six months ended 30 June 2023, the administrative expenses of the Group amounted to RMB2,433 million, representing an increase of RMB213 million or 9.59% as compared with that of RMB2,220 million in the corresponding period of last year,

which was mainly attributable to the increase in the amortization of the equity incentive during the reporting period due to the completion of the grant of shares under the A-share Restricted Stock Incentive Plan (Phase III) by JONHON Optronics (a subsidiary of the Company) at the end of December 2022. The administrative expenses accounted for 5.95% of the revenue during the reporting period, representing a decrease of 0.67 percentage point as compared with that of 6.62% in the corresponding period of last year.

### **Research and Development Expenses**

For the six months ended 30 June 2023, the R&D expenses of the Group amounted to RMB2,551 million, representing an increase of RMB539 million or 26.79% as compared with that of RMB2,012 million in the corresponding period of last year, which was mainly attributable to the enhanced R&D input by certain subsidiaries during the reporting period. The R&D expenses accounted for 6.24% of the revenue during the reporting period, representing an increase of 0.24 percentage point as compared with that of 6.00% in the corresponding period of last year.

### **Finance Costs**

For the six months ended 30 June 2023, the finance costs of the Group amounted to RMB151 million, which was basically the same 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 2023, the net profit attributable to the owners of the parent company amounted to RMB1,543 million, representing an increase of RMB326 million or 26.79% as compared with that of RMB1,217 million in the corresponding period of last year, which was mainly attributable to the increase in revenue of helicopters and avionics products and the increase in gross profit due to the price adjustment of certain helicopter products during the reporting period.

## **Liquidity and Financial Resources**

As at 30 June 2023, the cash and cash equivalents of the Group amounted to RMB28,613 million, which were mainly derived from cash and bank deposits at the beginning of 2023, funds generated from non-public issuance of domestic shares by the Company during the reporting period, funds generated from non-public issuance of A shares by a subsidiary during the reporting period and funds generated from business operations during the reporting period.

As at 30 June 2023, the total borrowings of the Group amounted to RMB14,046 million, of which short-term borrowings amounted to RMB6,041 million, current portion of long-term borrowings amounted to RMB1,581 million, and non-current portion of long-term borrowings amounted to RMB6,424 million.

As at 30 June 2023, the bank borrowings of the Group amounted to RMB6,585 million with an average interest rate of 3% per annum, representing a decrease of RMB693 million as compared with that at the beginning of the reporting period; and other borrowings amounted to RMB7,461 million with an average interest rate of 3% per annum, representing an increase of RMB196 million as compared with that at the beginning of the reporting period.

## **MORTGAGED AND PLEDGED LOANS**

As at 30 June 2023, the Group's total mortgaged and pledged borrowings amounted to RMB267 million, among which RMB92 million was mortgaged by house buildings with a net book value of RMB9 million and RMB175 million was pledged by notes receivable and accounts receivable with a net book value of RMB179 million.

## **GEARING RATIO**

As at 30 June 2023, the Group's gearing ratio was 7.88% (8.12% as at 31 December 2022 (as restated)), which was derived from dividing the total borrowings by the total assets as at 30 June 2023.



## **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 2023, the Group had no significant contingent liabilities.

## **USE OF PROCEEDS**

As at 30 June 2023, a total of RMB6,521 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, the acquisition of assets in aviation business and equity investments as well as the supplement working capital. In the end of 2018, the net proceeds raised by the Company through H share placing were approximately HK\$1,346 million (the “**H Share Placing**”). In June 2023, the net proceeds raised by the Company through non-public issuance of domestic shares were approximately RMB1,000 million (the “**Domestic Shares Issuance**”). At the date of the announcement, the Company has utilized the proceeds from the H Share Placing and the Domestic Shares Issuance according to the plan for use of proceeds as disclosed in the announcements of the Company dated 14 December 2018 and 9 May 2023. However, due to factors such as the COVID-19 pandemic, the Company was unable to implement the potential acquisition of aviation equity interest or aviation assets. As affected by the international situation and the macroeconomic environment, the timeline for completion of utilization of the net proceeds from the H Share Placing may be delayed from the planned timetable, The Company will continue to disclose the progress of the actual utilization of the net proceeds from the H Share Placing in its future periodic reports. Set out below is the information regarding the use of proceeds from the H Share Placing and the Domestic Shares Issuance:

Use of proceeds	Net proceeds utilized in 2023	Utilized net proceeds up to 30 June 2023	Unutilized net proceeds as of 30 June 2023	Expected timeline for completion of utilization of the net proceeds
<b>H Share Placing</b>				
Investment in aviation product 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	Nil	<b>Approximately RMB963 million</b> , of which approximately RMB812 million was used in investment in aviation product businesses and approximately RMB 151 million was used in industrialization projects of aviation research institutes and investment fund for aviation business	<b>Approximately RMB 239 million</b> will all be intended to use in investment in aviation product businesses	2024 or before
<b>Domestic Shares Issuance</b>				
To supplement working capital	<b>Approximately RMB1,000 million</b> , all used to supplement the working capital	<b>Approximately RMB1,000 million</b> , all used to supplement the working capital	Nil	All used to supplement the working capital

## **EMPLOYEES**

As at 30 June 2023, the Group had 67,121 employees. The Group's staff costs amounted to RMB7,305 million for the six months ended 30 June 2023, representing an increase of RMB650 million or 9.77% as compared with that of RMB6,655 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 2022 annual report of the Company dated 26 April 2023.

## **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 as its own guidelines for securities transactions by the Directors, supervisors, senior management and employees of the Company. 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 2023.

## **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 2023.

## **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 Part 2 of Appendix 14 to the Listing Rules for the six months ended 30 June 2023.

## **MATERIAL EVENTS**

On 6 January 2023, (i) the Company, AVIC and Changhe Aircraft entered into Capital Contribution Agreement I, pursuant to which AVIC agreed to make a capital contribution of RMB124,630,126.37 in Changhe Aircraft by way of capitalisation of capital reserve (exclusively state-owned); and (ii) the Company, AVIC and Harbin Aircraft entered into Capital Contribution Agreement II, pursuant to which AVIC agreed to make a capital contribution of RMB604,948,510.10 in Harbin Aircraft by way of capitalisation of capital reserve (exclusively state-owned). Upon completion of the Capital Contribution, (i) the registered capital of Changhe Aircraft will increase from RMB442,591,998.72 to RMB478,821,686.62, the equity interests of the Company in Changhe Aircraft will be diluted from 100% to approximately 92.43%, and Changhe Aircraft will remain as a subsidiary of the Company; and (ii) the registered capital of Harbin Aircraft will increase from RMB1,184,958,700 to RMB1,466,723,259.90, the equity interests of the Company in Harbin Aircraft will be diluted from 100% to approximately 80.79%, and Harbin Aircraft will remain as a subsidiary of the Company. For details, please refer to the announcement of the Company dated 6 January 2023.

On 18 July 2023, (i) the Company, AVIC and AVICOPTER entered into the Asset Acquisition Supplemental Agreement II to, among others, agree the Consideration and the number of Consideration Shares; (ii) the Company and AVICOPTER entered into the Profit Undertaking Agreement pursuant to which the Company agreed to compensate AVICOPTER under certain events; (iii) the Company and AVICOPTER entered into the Supplemental Agreement I of Share Subscription Agreement I to, among others, amend the conditions to effectiveness of the Share Subscription Agreement I; and (iv) AVIC Airborne Systems and AVICOPTER entered into the Supplemental Agreement I of Share Subscription Agreement II to, among others, amend the conditions to effectiveness of the Share Subscription Agreement II. Immediately prior to and after completion, (i) the Company shall be directly interested in approximately 92.43% and indirectly interested in approximately 53.62% in Changhe Aircraft, respectively; and (ii) the Company shall be directly interested in approximately 80.79% and indirectly interested in approximately 53.62% in Harbin Aircraft, respectively. Upon completion, Changhe Aircraft and Harbin Aircraft shall remain as subsidiaries of the Company and shall continue to be consolidated into the Group's accounts. For details, please refer to the announcements of the Company dated 23 December 2022, 9 January 2023, 15 March 2023 and 18 July 2023.

On 10 February 2023, the Company, AviChina Industrial Investment Co., Ltd.\* (中航科工產業投資有限責任公司) (“**AviChina Industrial Investment**”, a wholly-owned subsidiary of the Company) and Beijing AviChina Phase I Aviation Industrial Investment Fund (Limited Partnership)\* (北京中航一期航空工業產業投資基金(有限合夥)) (“**the Fund**”) entered into the Property Transfer Agreements. Pursuant to the Property Transfer Agreements, the Company and AviChina Industrial Investment agreed to sell, and the Fund agreed to acquire (i) the 19.19% equity interests held by the Company in AVIC Jincheng Unmanned Systems Co., Ltd.\* (中航金城無人系統有限公司); (ii) the 10.00% equity interests held by the Company in AVIC Nanjing Electromechanical Technology Co., Ltd.\* (中航工業南京機電科技有限公司); (iii) the

35.26% equity interests held by the Company in AVIC Nanjing Servo Control Systems Co., Ltd.\* (中航工業南京伺服控制系統有限公司); (iv) the 18.44% equity interests held by AviChina Industrial Investment in AVIC Guohua (Shanghai) Laser Display Technology Co., Ltd.\* (中航國畫(上海)激光顯示科技有限公司); (v) the 23.4481% equity interests held by the Company in AVIC GYRO (Beijing) Photoelectricity Technology Co., Limited\* (中航捷銳(北京)光電技術有限公司); (vi) the 33.00% equity interests held by the Company in AVIC ATM System & Equipment Corporation Limited\* (中航空管系統裝備有限公司); and (vii) the 10,300,000 shares held by the Company in AVIC Biam New Materials Technology Engineering Co., Ltd.\* (中航百慕新材料技術工程股份有限公司) (representing 9.44% of the total share capital of AVIC Biam New Materials Technology Engineering Co., Ltd.\*) (collectively “**the Target Equity Interests**”) at the total Consideration of RMB562.3924 million. As at the date of this announcement, AVIC is the controlling shareholder of the Company. The executive partner of the Fund is AVIC Rongfu Fund Management Co., Ltd.\* (中航融富基金管理有限公司) (“**AVIC Rongfu Fund**”), which is held as to more than 30% by AVIC. Therefore, AVIC Rongfu Fund and the Fund are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the disposals constitute connected transactions of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 10 February 2023.

On 13 April 2023, AVIC Avionics issued 2,567,240,755 A shares as a result of the Share Swap and Absorption, and the total issued share capital of AVIC Avionics increased from 1,917,798,835 shares to 4,485,039,590 shares. On 18 July 2023, AVIC Avionics issued 353,857,040 A shares as a result of the Subscription, and the total issued share capital of AVIC Avionics increased from 4,485,039,590 shares to 4,838,896,630 shares. By then, the Share Swap and Absorption and Subscription has been completed. For details, please refer to the announcements of the Company dated 26 May 2022, 10 June 2022, 26 October 2022, 13 April 2023 and 18 July 2023, and

the circular of the Company dated 29 September 2022.

On 28 April 2023, AVIC Kaitian has entered into the Subscription Agreement and the Supplemental Subscription Agreement with AVIC Avionics, AVIC Investment Holdings Co., Ltd.\* (中航投資控股有限公司), AVIC Chengdu Aircraft Design Institute\* (中國航空工業集團公司成都飛機設計研究所) and AVIC Chengdu Aircraft Industrial (Group) Co., Ltd.\* (成都飛機工業(集團)有限責任公司) (the “**Existing Shareholders**”), Guangdong Hongtu Technology Co., Ltd.\* (廣東鴻圖科技股份有限公司), Beijing Avichina Phase I Aviation Industrial Investment Fund (Limited Partnership)\* (北京中航一期航空工業產業投資基金(有限合夥)), Royal Wind (Beijing) Aviation Asset Restructuring Private Equity Investment Partnership (Limited Partnership)\* (禦風(北京)航空資產結構調整私募股權投資基金合夥企業(有限合夥)) and AIC Yuhua (Shenzhen) Airborne Systems Industry Investment Partnership (Limited Partnership)\* (航投譽華(深圳)機載系統產業投資合夥企業(有限合夥)) (the “**External Strategic Investors**”), AVIC, and Chengdu Hengchuang Enterprise Management Partnership (Limited Partnership)\* (成都衡創企業管理合夥企業(有限合夥)), Chengdu Gengchuang Corporate Management Partnership (Limited Partnership)\* (成都耘創企業管理合夥企業(有限合夥)), Chengdu Lingchuang Enterprise Management Partnership (Limited Partnership)\* (成都凌創企業管理合夥企業(有限合夥)) and Chengdu Shengchuang Enterprise Management Partnership Enterprise (Limited Partnership)\* (成都勝創企業管理合夥企業(有限合夥)) (the “**Employee Stock Ownership Platforms**”). Pursuant to the Subscription Agreement and the Supplemental Subscription Agreement, the External Strategic Investors, AVIC and the Employee Stock Ownership Platforms have agreed to subscribe for new shares of AVIC Kaitian. Upon completion, the shareholding of AVIC Avionics in AVIC Kaitian has been diluted from approximately 88.30% to approximately 61.16%, and AVIC Kaitian remained as a subsidiary of the Company. For details, please refer to the announcements of the Company dated 10 December 2021, 10 June 2022, 1 May 2023 and 12 May 2023.

On 9 May 2023, the Company and National Industrial Investment Fund entered into the Share Subscription Agreement, pursuant to which the Company has agreed to issue and National Industrial Investment Fund has agreed to subscribe for an aggregate of 261,522,000 Domestic Shares at the Subscription Price of HK\$4.34 (equivalent to approximately RMB3.82) per Subscription Share. The total number of 261,522,000 Domestic Shares to be issued under the Share Subscription Agreement, with an aggregate nominal value of RMB261,522,000, represents (i) approximately 17.43% of the total number of issued Domestic Shares of the Company and approximately 3.39% of the total number of issued Shares of the Company as at the date of the Share Subscription Agreement; and (ii) approximately 14.84% of the enlarged total number of issued Domestic Shares after the completion and approximately 3.28% of the enlarged total number of issued Shares of the Company after the completion. The Subscription Shares were issued under the General Mandate. On 3 July 2023, the Non-public Issuance has been completed. Upon completion, the total number of issued shares of the Company increased from 7,711,332,242 Shares to 7,972,854,242 Shares, among which 6,210,662,836 Shares are overseas listed foreign invested Shares and 1,762,191,406 Shares are Domestic Shares. For details, please refer to the announcements of the Company dated 9 May 2023 and 3 July 2023.

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

For the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

The electronic version of this announcement is 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 2023, which contains all information as required by Appendix 16 to the 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*  
**Yan Lingxi**

Beijing, 22 August 2023

*As at the date of this announcement, the Board comprises executive Directors Mr. Yan Lingxi and Mr. Sun Jizhong, non-executive Directors Mr. Lian Dawei, Mr. Liu Bingjun, 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*