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中國航空科技工業股份有限公司

**AviChina Industry & Technology Company Limited\***

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

**(Stock Code: 2357)**

## **ANNOUNCEMENT ON THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023**

### **Financial Highlights**

The Board is pleased to announce that, the revenue of the Group and the net profit attributable to the owners of the parent company made good growth in the year 2023.

- For the year ended 31 December 2023, the Group recorded a revenue of RMB84,725 million, representing an increase of RMB5,964 million or 7.57% as compared with that of RMB78,761 million (as restated) in the corresponding period of the preceding year.
- For the year ended 31 December 2023, the net profit attributable to the owners of the parent company amounted to RMB2,447 million, representing an increase of RMB127 million or 5.47% as compared with that of RMB2,320 million (as restated) in the corresponding period of the preceding year.

### **Annual Results**

The board of directors (the "**Board**") of AviChina Industry & Technology Company Limited\* (the "**Company**" or "**AviChina**") hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") prepared in accordance with the China Accounting Standards for Business Enterprises for the year ended 31 December 2023 (the "**Reporting Period**"), together with the comparative figures for the year 2022, as follows:

## Consolidated Income Statement

For the year ended 31 December 2023

Unit: RMB

Items	Note	2023 (Audited)	2022 (Audited) (Restated)
<b>I. Total operating income</b>		<b>84,724,890,637</b>	<b>78,760,884,373</b>
Including: Operating revenue	3	84,724,890,637	78,760,884,373
Interest income			
Earned premium			
Fee and commission income			
<b>II. Total operating cost</b>		<b>78,047,544,018</b>	<b>72,587,187,807</b>
Including: Operating cost	3	63,387,207,814	59,932,184,829
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		477,714,605	452,252,001
Selling expenses	5	1,109,002,041	928,261,960
Administrative expenses	6	5,647,258,468	5,366,378,121
Research and development expenses	7	7,573,007,040	5,996,453,413
Finance costs	8	-146,645,950	-88,342,517
Including: Interest expense		411,374,855	528,825,149
Interest income		580,395,557	444,619,763
Add: Other income	9	431,117,621	484,526,961
Investment income (loss to be listed with "-")	10	695,319,861	480,651,887
Including: Income from investment in associates and joint ventures		431,080,173	263,427,685
Derecognition income of financial assets at amortised cost		-24,565,459	-37,740,728
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	-18,849,783	-7,046,743
Credit impairment loss (loss to be listed with "-")	12	-318,257,156	-522,736,045

**Consolidated Income Statement (Continued)**

For the year ended 31 December 2023

Unit: RMB

Items	Note	2023 (Audited)	2022 (Audited) (Restated)
Asset impairment loss (loss to be listed with "-")	13	-508,288,292	-564,539,553
Income from assets disposal (loss to be listed with "-")	14	30,890,980	140,631,762
<b>III. Operating profit (loss to be listed with "-")</b>		<b>6,989,279,850</b>	<b>6,185,184,835</b>
Add: Non-operating income	15	111,723,908	110,288,822
Less: Non-operating expenses	16	32,089,897	53,244,151
<b>IV. Profit before tax (total loss to be listed with "-")</b>		<b>7,068,913,861</b>	<b>6,242,229,506</b>
Less: income tax expenses	17	380,332,558	369,141,472
<b>V. Net profit (net loss to be listed with "-")</b>		<b>6,688,581,303</b>	<b>5,873,088,034</b>
<b>(I) Classified according to operating continuity</b>			
1. Net profit from continuing operations (net loss to be listed with "-")		6,688,581,303	5,873,088,034
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 "-")		2,446,952,909	2,320,449,837
2. Minority profit and loss (net loss to be listed with "-")		4,241,628,394	3,552,638,197

**Consolidated Income Statement (Continued)**

For the year ended 31 December 2023

Unit: RMB

Items	Note	2023 (Audited)	2022 (Audited) (Restated)
<b>VI. Net of tax of other comprehensive income</b>		<b>162,767,452</b>	<b>-113,356,592</b>
Net of tax of other comprehensive income attributable to the owner of the parent company		17,776,423	36,815,728
(I) Other comprehensive income that cannot be reclassified into profit or loss		17,743,338	686,711
1. Changes arising from re-measurement of the defined benefit plan		34,766,713	3,141,042
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		2,300,746	2,147,439
3. Changes in fair value of other equity instrument investments		-19,324,121	15,632,032
4. Changes in fair value of the enterprise's credit risk			
5. Others			-20,233,802
(II) Other comprehensive income that can be reclassified into profit or loss		33,085	36,129,017
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		-2,450	635
2. Changes in fair value of other debt investments			
3. Amount charged into other comprehensive income arising from reclassification of financial assets			
4. Provision for credit impairment of other debt investments			
5. Reserves for cash flow hedge (effective parts of cash flow hedge profit or loss)			
6. Translation difference of foreign currency financial statements		35,535	36,128,382
7. Others			
Net of tax of other comprehensive income attributable to minority shareholders		144,991,029	-150,172,320
<b>VII. Total comprehensive income</b>		<b>6,851,348,755</b>	<b>5,759,731,442</b>
Total comprehensive income attributable to shareholders of the parent company		2,464,729,332	2,357,265,565
Total comprehensive income attributable to minority shareholders		4,386,619,423	3,402,465,877
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share (RMB/share)	19	0.311	0.301
(II) Diluted earnings per share (RMB/share)	19	0.311	0.301

## Consolidated Balance Sheet

As at 31 December 2023

Unit: RMB

Items	Note	31 December 2023 (Audited)	31 December 2022 (Audited) (Restated)
<b>Current assets:</b>			
Monetary funds		39,500,113,757	43,773,730,634
Settlement reserve			
Loans to banks and other financial institutions			
Financial assets held for trading		957,001,296	529,364,682
Derivative financial assets			
Notes receivable	20	13,453,854,506	12,224,148,437
Accounts receivable	21	38,136,408,922	30,600,251,049
Receivables financing		383,654,710	407,969,551
Prepayments		6,807,845,117	7,805,827,864
Premium receivable			
Reinsurance premium receivable			
Reinsurance contract provision receivable			
Other receivables		247,878,151	244,684,808
Including: Interest receivable			
Dividends receivable		1,679,462	11,812,442
Financial assets purchased under agreements to resell			
Inventories		40,120,990,660	39,945,910,540
Contract assets		3,930,570,520	4,135,452,071
Held-for-sale assets			11,184,603
Non-current assets due within one year			500,000,000
Other current assets		1,180,405,617	750,629,028
<b>Total current assets</b>		<b>144,718,723,256</b>	<b>140,929,153,267</b>

**Consolidated Balance Sheet (Continued)**

As at 31 December 2023

Unit: RMB

Items	Note	31 December 2023 (Audited)	31 December 2022 (Audited) (Restated)
<b>Non-current assets:</b>			
Loans and advances			
Debt investment			
Other debt investment			
Long-term receivables		1,312,790	1,241,950
Long-term equity investments		2,836,611,006	3,083,328,235
Other equity instrument investments		3,795,695,305	3,792,710,496
Other non-current financial assets			
Investment properties		561,848,339	521,870,564
Fixed assets		22,368,905,095	19,915,295,010
Construction-in-progress		4,437,643,212	4,362,983,096
Bearer biological assets			
Oil and gas assets			
Right-of-use assets		415,088,884	402,549,365
Intangible assets		4,022,265,641	3,876,726,846
Development expenditure			
Goodwill		93,193,010	167,540,481
Long-term deferred expenses		85,715,631	43,290,729
Deferred income tax assets		869,654,188	713,346,879
Other non-current assets		811,539,275	1,312,000,048
<b>Total non-current assets</b>		<b>40,299,472,376</b>	<b>38,192,883,699</b>
<b>Total assets</b>		<b>185,018,195,632</b>	<b>179,122,036,966</b>

**Consolidated Balance Sheet (Continued)**

As at 31 December 2023

Unit: RMB

Items	Note	31 December 2023 (Audited)	31 December 2022 (Audited) (Restated)
<b>Current Liabilities:</b>			
Short-term borrowings		4,997,783,753	6,876,412,133
Borrowings from the central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading		72,143,493	48,392,809
Derivative financial liabilities			
Notes payable	22	11,668,891,622	13,387,068,195
Accounts payable	23	39,145,737,987	36,638,728,483
Advances		40,754,254	51,201,255
Contract liabilities		19,100,691,469	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		3,322,816,065	2,818,188,163
Tax payable		1,409,088,916	2,308,502,912
Other payables		3,218,637,683	3,736,744,970
Including: Interest payable			
Dividends payable		62,556,162	142,061,557
Fees and commissions payable			
Reinsurance amounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		1,253,942,782	4,515,906,419
Other current liabilities		1,305,835,760	992,063,138
<b>Total current liabilities</b>		<b>85,536,323,784</b>	<b>96,107,490,004</b>

**Consolidated Balance Sheet (Continued)**

As at 31 December 2023

Unit: RMB

Items	Note	31 December 2023 (Audited)	31 December 2022 (Audited) (Restated)
<b>Non-current liabilities:</b>			
Insurance contract reserves			
Long-term borrowings		6,067,549,104	2,121,629,735
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		342,661,974	336,411,229
Long-term payables		-740,318,530	-1,874,293,618
Long-term employee benefits payable		1,841,337,939	2,011,226,732
Estimated liabilities		518,798,851	647,899,871
Deferred income		1,239,107,675	1,217,267,125
Deferred income tax liabilities		596,571,580	583,750,508
Other non-current liabilities		1,560,361,049	2,451,370,702
<b>Total non-current liabilities</b>		<b>11,426,069,642</b>	<b>7,495,262,284</b>
<b>Total liabilities</b>		<b>96,962,393,426</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		13,514,296,718	13,917,089,719
Less: treasury shares			
Other comprehensive income		228,940,969	211,164,546
Special reserves		480,615,715	510,537,937
Surplus reserves		451,623,842	373,902,267
General risk reserve			
Undistributed profits		8,923,873,029	7,169,523,872
<b>Total shareholders' equity attributable to parent company</b>		<b>31,572,204,515</b>	<b>29,893,550,583</b>
Minority equity		56,483,597,691	45,625,734,095
<b>Total shareholders' equity</b>		<b>88,055,802,206</b>	<b>75,519,284,678</b>
<b>Total liabilities and shareholders' equity</b>		<b>185,018,195,632</b>	<b>179,122,036,966</b>



## **NOTES:**

### **1. Information of the Company**

AviChina Industry & Technology Company Limited\* (hereinafter referred to as the Company, together with its subsidiaries, the Group) was restructured by subsidiaries of the former China Aviation Industry Corporation II (hereinafter referred to as AVIC II), and was incorporated in Beijing in the People's Republic of China (the "PRC") on 30 April 2003 as a joint stock company with limited liability. It was listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 30 October 2003. The Company has obtained the business license with the unified social credit code of 91110000710931141J issued by Beijing Administration for Industry and Commerce. The registered capital of the Company is RMB7,972,854,242. The legal representative is Mr. Yan Lingxi. The address of its registered office is 2nd Floor, Building 27, No. 26 Xihuan South Street, Economic Technological Development Area, Beijing.

As of 31 December 2023, 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.\* (中國航空工業集團有限公司) ("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 15 March 2024.

The data of the following financial statements for the twelve months ended 31 December 2022 is audited and has been restated, and that for the twelve months ended 31 December 2023 is audited.

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

### **2. Basis for 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 estimates of the Group. In addition, the Company discloses relevant financial information in accordance with the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("**Hong Kong Listing Rules**").

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.

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

On 13 April 2023, AVIC Airborne Systems Co., Ltd.\* (中航機載系統股份有限公司) (hereinafter referred to as "**AVIC Airborne**"), 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) (hereinafter referred to as "**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 December 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 Ministry of Finance (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 Group's financial position and operating results.

### ***(3) The implementation of the CASBE 17***

On 25 October 2023, the Ministry of Finance (MOF) issued the Interpretation of CASBE 17 (Cai Kuai [2023] No. 21, hereinafter referred to as "**Interpretation No. 17**"). Interpretation No. 17 stipulates that the "Classification of Current Liabilities and Non-current Liabilities", "Disclosure of Supplier Financing Arrangements" and "Accounting Treatment of the Sales and Leaseback Transactions" will come into force on 1 January 2024.

The implementation of Interpretation No. 17 did not have a material impact on the financial statements for the reporting period.

### ***(4) Listing of impacts***

The restatement of the consolidated financial statements for the previous period due to the business combination under common control and the implementation of the Interpretation No. 16 have had the following impacts on the Group's financial statements submitted as at 1 January 2022:

<b>Items</b>	<b>Previously presented 1 January 2022</b>	<b>Interpretation No. 16</b>	<b>Business combinations involving entities under common control</b>	<b>Restated 1 January 2022</b>
Current assets	105,112,271,615	-	23,391,702,642	128,503,974,257
Non-current assets	28,776,863,525	47,211,079	10,797,239,235	39,621,313,839
Total assets	133,889,135,140	47,211,079	34,188,941,877	168,125,288,096
Current Liabilities	69,583,155,169	-	12,756,952,298	82,340,107,467
Non-current liabilities	9,539,476,715	45,745,667	4,206,047,984	13,791,270,366
Total liabilities	79,122,631,884	45,745,667	16,963,000,282	96,131,377,833
Shareholders' equity attributable to parent company	26,907,309,153	1,036,147	1,693,076,955	28,601,422,255
Total shareholders' equity	54,766,503,256	1,465,412	17,225,941,595	71,993,910,263

The restatement of the consolidated financial statements for the previous period due to the business combination under common control and the implementation of the Interpretation No. 16 have had the following impacts on the Group's financial statements of last period:

<b>Items</b>	<b>Previously presented 31 December 2022</b>	<b>Interpretation No. 16</b>	<b>Business combinations involving entities 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	-	16,062,746,471	96,107,490,004
Non-current liabilities	5,808,585,444	55,857,371	1,630,819,469	7,495,262,284
Total liabilities	85,853,328,977	55,857,371	17,693,565,940	103,602,752,288
Shareholders' equity attributable to parent company	28,123,578,856	2,159,286	1,767,812,441	29,893,550,583
Total shareholders' equity	58,152,558,266	3,166,813	17,363,559,599	75,519,284,678

<b>Items</b>	<b>Previously presented January to December 2022</b>	<b>Interpretation No. 16</b>	<b>Business combinations involving entities under common control</b>	<b>Restated January to December 2022</b>
Operating revenue	63,639,427,670	-	15,121,456,703	78,760,884,373
Operating cost	49,253,919,884	-	10,678,264,945	59,932,184,829
Operating profit	5,189,574,872	-	995,609,963	6,185,184,835
Net profit	4,990,741,613	1,701,401	880,645,020	5,873,088,034
Net profit attributable to the owners of the parent company	2,216,401,745	1,123,139	102,924,953	2,320,449,837
Net cash flows from operating activities	10,357,773,274	-	-136,311,594	10,221,461,680
Net cash flows from investing activities	-1,613,338,607	-	-1,302,097,112	-2,915,435,719
Net cash flow from financing activities	2,477,139,931	-	935,047,943	3,412,187,874
Closing balance of cash and cash equivalents	34,890,353,331	-	6,406,440,812	41,296,794,143

### 3. Operating Revenue and Operating Costs

#### (1) Details of operating revenue and operating costs

Item	January to December 2023		January to December 2022	
	Revenue	Cost	Revenue	Cost
Main businesses	83,554,554,129	62,487,070,560	77,513,461,212	59,030,409,912
Other businesses	1,170,336,508	900,137,254	1,247,423,161	901,774,917
<b>Total</b>	<b>84,724,890,637</b>	<b>63,387,207,814</b>	<b>78,760,884,373</b>	<b>59,932,184,829</b>

#### (2) Revenue from contracts

Contract classification	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Total
By operation region				
Including: Mainland China	22,252,441,042	53,076,813,847	7,575,251,979	82,904,506,868
Other region	-	1,715,574,861	104,808,908	1,820,383,769
By contract type				
Including: Sales contract	22,252,441,042	53,237,248,472	1,789,310,671	77,279,000,185
Service contract	-	1,555,140,236	5,890,750,216	7,445,890,452
By time of goods transfer				
Including: Performance in a period of time	22,083,599,694	254,582,643	6,008,521,995	28,346,704,332
Performance at a point in time	168,841,348	54,537,806,065	1,671,538,892	56,378,186,305
<b>Total</b>	<b>22,252,441,042</b>	<b>54,792,388,708</b>	<b>7,680,060,887</b>	<b>84,724,890,637</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:

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

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

January to December 2023 / 31 December 2023	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Offset	Total
Revenue from external transactions	22,252,441,042	54,792,388,708	7,680,060,887	-	84,724,890,637
Revenue from inter-segment transactions	-	6,559,764,691	779,890,763	-7,339,655,454	-
Investment income from associates and joint ventures	12,017,324	380,163,678	38,899,171	-	431,080,173
Asset impairment losses and credit impairment losses	-168,184,693	-620,760,405	-33,462,102	-4,138,248	-826,545,448
Depreciation and amortization costs	702,101,909	2,046,586,367	41,851,755	-	2,790,540,031
Profit before tax	442,851,427	6,711,295,095	236,250,689	-321,483,350	7,068,913,861
Income tax expense	1,907,131	372,839,954	9,256,764	-3,671,291	380,332,558
Net profit	440,944,296	6,338,455,141	226,993,925	-317,812,059	6,688,581,303
Total assets	59,602,131,669	136,419,460,228	10,255,726,934	-21,259,123,199	185,018,195,632
Total liabilities	41,357,227,153	53,910,113,065	7,386,522,850	-5,691,469,642	96,962,393,426
Other non-cash expenses other than depreciation and amortization costs and asset impairment losses	129,101,021	435,354,873	-	-	564,455,894
Long-term equity investment in associates and joint ventures	465,267,629	1,575,495,492	441,108,000	-	2,481,871,121
Increase in other non-current assets other than long-term equity investments	-357,828,264	3,154,969,822	-649,508,698	205,673,046	2,353,305,906

(Continued)

<b>January to December 2022 / 31 December 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	20,301,761,265	49,930,891,694	8,528,231,414	-	78,760,884,373
Revenue from inter-segment transactions	-	4,640,487,424	818,482,351	-5,458,969,775	-
Investment income from associates and joint ventures	16,050,065	239,013,394	8,364,226	-	263,427,685
Asset impairment losses and credit impairment losses	-70,297,725	-934,720,979	-84,531,788	2,274,894	-1,087,275,598
Depreciation and amortization costs	702,715,863	1,915,973,798	86,729,160	-	2,705,418,821
Profit before tax	468,438,529	5,706,030,204	293,069,580	-225,308,807	6,242,229,506
Income tax expense	13,217,294	319,078,041	38,376,050	-1,529,913	369,141,472
Net profit	455,221,235	5,386,952,163	254,693,530	-223,778,894	5,873,088,034
Total assets	68,218,571,136	122,675,390,520	9,804,027,267	-21,575,951,957	179,122,036,966
Total liabilities	48,245,569,360	52,802,046,958	7,004,337,012	-4,449,201,042	103,602,752,288
Other non-cash expenses other than depreciation and amortization costs and asset impairment losses	2,393,652	124,425,278	-	-	126,818,930
Long-term equity investment in associates and joint ventures	451,591,059	1,885,637,086	391,360,205	-	2,728,588,350
Increase in other non-current assets other than long-term equity investments	188,522,771	523,209,514	-3,245,840,434	220,959,069	-2,313,149,080

## 5. Selling expenses

Item	Amount for the current year	Amount for the previous year
Employee compensation	505,107,326	453,041,627
After-sales service charges	129,025,356	121,185,713
Business travel costs	120,664,028	79,436,948
Sales service charges	88,697,461	68,710,359
Three guarantees loss and quality claim fees	61,227,214	51,770,380
Office fees	22,271,156	17,616,881
Sample and product losses	21,866,609	16,996,427
Advertising and publicity expenses	17,408,622	9,368,666
Exhibition fees	16,032,819	4,560,955
Transportation costs	9,763,526	6,204,278
Depreciation and amortization costs	5,220,396	3,578,348
Packaging fees	4,066,755	4,202,703
Others	107,650,773	91,588,675
<b>Total</b>	<b>1,109,002,041</b>	<b>928,261,960</b>

## 6. Administrative expenses

Item	Amount for the current year	Amount for the previous year
Employee compensation	3,487,260,651	3,429,541,351
Depreciation and amortization costs	496,809,757	533,732,254
Amortization of equity incentives in the current period	301,176,768	113,593,396
Maintenance and repair costs	158,432,447	175,609,398
Business entertainment expenses	118,669,906	88,823,717
Professional service fees	112,375,852	99,110,682
Property fees and afforestation fees	109,161,769	90,092,957
Business travel costs	104,860,983	52,447,265
Office fees	98,053,599	103,357,477
Power and fuel expenses	65,384,244	39,712,587
Labor protection costs	41,173,768	76,627,273
Rental	33,382,479	31,726,568
Publicity expenses	31,807,353	25,311,051
Conference expenses	31,700,830	21,766,620
Insurance premium	18,489,491	21,749,460
Audit fees	11,367,418	15,345,895
Including: Auditor's fees for the annual report	2,420,000	2,420,000
Others	427,151,153	447,830,170
<b>Total</b>	<b>5,647,258,468</b>	<b>5,366,378,121</b>



## 7. Research and development expenses

Item	Amount for the current year	Amount for the previous year
Materials expenses	2,770,574,671	2,221,991,137
Employee compensation	2,681,179,757	2,247,944,159
Experimental and special fees	510,025,632	355,956,474
Outsourcing fee	509,521,066	309,337,077
Depreciation and amortization costs	226,086,960	253,475,763
Administrative expense	169,618,414	130,204,893
Amortization of equity-based incentives	134,178,105	10,831,882
Transportation and business travel costs	118,878,305	69,225,052
Power and fuel expenses	73,450,461	61,973,713
Design fee	51,332,263	64,279,573
Others	328,161,406	271,233,690
<b>Total</b>	<b>7,573,007,040</b>	<b>5,996,453,413</b>

## 8. Finance costs

Item	Amount for the current year	Amount for the previous year
Interest expenses	417,665,028	536,621,539
Less: Interest incomes	580,395,557	444,619,763
Less: Interest capitalized	6,290,173	7,796,390
Add: Exchange gains or losses	-15,041,536	-203,110,501
Add: Other expenditures	37,416,288	30,562,598
<b>Total</b>	<b>-146,645,950</b>	<b>-88,342,517</b>

## 9. Other income

Sources of other income	Amount for the current year	Amount for the previous year
Value-added tax credit	86,197,693	976,230
National major science and technology project	49,661,139	54,588,668
Production line maintenance subsidies	45,108,000	49,800,000
Subsidies for research and development expenses	24,548,576	34,091,134
Government relocation compensation	23,255,195	17,037,299
High-tech allowance	20,867,620	62,148,700
Connector research and industrialization project subsidies	14,265,391	12,261,957
Value-added tax instant refund	13,969,112	35,988,023
Business assist and employment stabilization subsidies	13,580,803	36,499,644
Military product tax rebate	10,755,902	1,019,763
Subsidies for *** reconstruction project	10,505,334	11,286,626
Special subsidies for scientific research funds	8,692,748	15,609,712
Financial allocations	8,481,486	9,252,973
Refund of individual tax handling fee	7,136,725	7,086,847
Production capacity improvement project	5,520,235	2,983,410
Technical transformation	4,587,783	3,913,752
MIIT project	4,338,929	4,555,617
Land compensation	2,660,909	2,660,909
Subsidies of boiler retrofitting	2,109,168	1,200,789
Science and technology innovation awards for enterprise	1,382,000	7,695,200
Training subsidies	1,275,516	2,916,952
Industrialized construction project for intelligent electric-servo control system	-	11,428,000
Subsidies for other projects	72,217,357	99,524,756
<b>Total</b>	<b>431,117,621</b>	<b>484,526,961</b>

## 10. Investment income

Item	Amount for the current year	Amount for the previous year
Long-term equity investment incomes calculated at equity method	431,080,173	263,427,685
Investment income from disposal of long-term equity investments	90,692,361	33,493,861
Investment income from holding financial assets held for trading	-	133,860
Investment income from disposal of financial assets held for trading	38,220,861	87,575,565
Dividend income from holding other equity instrument investments	55,078,268	32,366,339
Gain on debt restructuring	52,655,474	64,478,803
Investment income from holding other non-current financial assets	23,027,317	26,500,000
Gain on derecognition of financial assets measured at amortized cost	-24,565,459	-37,740,728
Others	29,130,866	10,416,502
<b>Total</b>	<b>695,319,861</b>	<b>480,651,887</b>

Note: Debt restructuring gains are the cash discounts obtained by the Company on settlement of payment for supplier.

## 11. Income from changes in fair value

Source of income from changes in fair value	Amount for the current year	Amount for the previous year
Financial assets held for trading	-4,735,647	9,915,308
Including: Gain from changes in fair value of derivative financial instruments	-	-
Financial liabilities held for trading	-14,114,136	-16,962,051
<b>Total</b>	<b>-18,849,783</b>	<b>-7,046,743</b>

## 12. Credit impairment loss

Item	Amount for the current year	Amount for the previous year
Loss on bad debts of accounts receivable	-270,113,986	-498,367,287
Loss on bad debts of notes receivable	-40,614,280	-17,179,399
Loss on bad debts of other receivables	-4,562,123	-6,709,020
Others	-2,966,767	-480,339
<b>Total</b>	<b>-318,257,156</b>	<b>-522,736,045</b>

### 13. Assets impairment loss

Item	Amount for the current year	Amount for the previous year
Inventory depreciation loss and contract performance cost impairment losses	-354,931,082	-331,387,998
Contract asset impairment losses	-61,300,621	-496,080
Goodwill impairment losses	-74,347,471	-213,147,113
Others	-17,709,118	-19,508,362
<b>Total</b>	<b>-508,288,292</b>	<b>-564,539,553</b>

### 14. Income from assets disposal

Item	Amount for the current year	Amount for the previous year	Amount included in non-recurring profit or loss for the current year
Income from disposal of non-current assets	30,890,980	140,631,762	30,890,980
Including: Income from disposal of non-current assets classified as held-for-sale	17,290,959	137,754,037	17,290,959
Including: Income from disposal of fixed assets	17,290,959	137,754,037	17,290,959
Income from disposal of non-current assets not classified as held-for-sale	13,600,021	2,877,725	13,600,021
Including: Income from disposal of fixed assets	598,834	2,544,511	598,834
Income from disposal of intangible assets	13,001,187	333,214	13,001,187
<b>Total</b>	<b>30,890,980</b>	<b>140,631,762</b>	<b>30,890,980</b>

## 15. Non-operating income

Item	Amount for the current year	Amount for the previous year	Amount included in non-recurring profit or loss for the current year
Gains on damaged and retired non-current asset	1,684,024	6,699,022	1,684,024
Government grants irrelevant to the daily business operations	4,200	195,585	4,200
Unpayable payments	27,634,153	32,230,244	27,634,153
Income from compensation, liquidated damages and fines	68,093,580	62,578,651	68,093,580
Liquidation income	-	-	-
Others	14,307,951	8,585,320	14,307,951
<b>Total</b>	<b>111,723,908</b>	<b>110,288,822</b>	<b>111,723,908</b>

## 16. Non-operating expenses

Item	Amount for the current year	Amount for the previous year	Amount included in non-recurring profit or loss for the current year
Losses on damaged and retired non-current assets	17,123,409	29,458,054	17,123,409
External donation expenditure	4,767,308	3,887,286	4,767,308
Obsolescence losses of inventories	-	116,358	-
Expenses on compensation, liquidated damages and fines	5,365,064	15,125,528	5,365,064
Others	4,834,116	4,656,925	4,834,116
<b>Total</b>	<b>32,089,897</b>	<b>53,244,151</b>	<b>32,089,897</b>

## 17. Income tax expenses

### (1) Income tax expenses

Item	Amount for the current year	Amount for the previous year
Current income tax calculated in accordance with tax laws and related regulations	509,760,617	432,681,821
Deferred income tax expenses	-129,428,059	-63,540,349
<b>Total</b>	<b>380,332,558</b>	<b>369,141,472</b>

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

<b>Item</b>	<b>Amount for the current year</b>
Total consolidated profit before tax for the year	7,068,913,861
Income tax expenses at statutory/applicable rates	1,767,228,465
The impact of different tax rates applied to subsidiaries	-667,098,653
The impact of adjustments to income taxes in previous periods	-17,794,581
The impact of non-taxable revenue	-45,675,745
The impact of non-deductible costs, expenses and losses	102,919,354
The impact of deductible losses on the use of deferred income tax assets not recognized in previous periods	-79,496,604
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current year	174,309,305
Tax effect of surplus deduction	-842,705,533
Others	-11,353,450
<b>Income tax expenses</b>	<b>380,332,558</b>

**18. Dividends**

<b>Item</b>	<b>Amount for the current year</b>	<b>Amount for the previous year</b>
Proposal: Proposed final dividend per share: RMB0.088 (2022: RMB0.08)	701,611,173	616,906,579

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

## 19. 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 weighted average return on net assets, basic earnings per share and diluted earnings per share of Group for the current period are as follows:

Profit for the reporting period	Weighted average return on net assets (%)	Earnings pershare (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the parent Company	7.94	0.311	0.311
Net profit attributable to ordinary shareholders of the parent company after non-recurring profit or loss	6.85	0.268	0.268

## 20. Notes receivable

(1) Classified presentation of notes receivable

Item	Closing balance	Opening balance
Banker's acceptance bill	3,019,418,673	4,405,389,801
Commercial acceptance bill	10,434,435,833	7,818,758,636
<b>Total</b>	<b>13,453,854,506</b>	<b>12,224,148,437</b>

(2) Notes receivable pledged

Item	Amount pledged at the end of the year
Banker's acceptance bill	230,076,530
Commercial acceptance bill	1,342,957,119
<b>Total</b>	<b>1,573,033,649</b>

(Continued)

Item	Amount pledged at the beginning of the year
Banker's acceptance bill	429,408,797
Commercial acceptance bill	1,701,214,368
<b>Total</b>	<b>2,130,623,165</b>

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

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision made individually	-	-	-	-	-
Bad debt provision made as per portfolio	13,585,812,686	100.00	131,958,180	0.97	13,453,854,506
Including: Banker's acceptance bill	3,020,110,865	22.23	692,192	0.02	3,019,418,673
Commercial acceptance bill	10,565,701,821	77.77	131,265,988	1.24	10,434,435,833
<b>Total</b>	<b>13,585,812,686</b>	<b>—</b>	<b>131,958,180</b>	<b>—</b>	<b>13,453,854,506</b>

(Continued)

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	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
Including: Banker's acceptance bill	4,406,623,825	35.78	1,234,024	0.03	4,405,389,801
Commercial acceptance bill	7,908,868,512	64.22	90,109,876	1.14	7,818,758,636
<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	Closing balance		
	Book balance	Bad debt provision	Provision proportion (%)
Banker's acceptance bill	3,020,110,865	692,192	0.02
Commercial acceptance bill	10,565,701,821	131,265,988	1.24
<b>Total</b>	<b>13,585,812,686</b>	<b>131,958,180</b>	<b>—</b>



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

Category	Opening balance	Changes in the current year				Closing balance
		Accrued	Recovered or reversed	Written back or written off	Other decrease	
Notes receivable subjected to provision for expected credit losses on portfolio basis	91,343,900	40,614,280	-	-	-	131,958,180
<b>Total</b>	<b>91,343,900</b>	<b>40,614,280</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>131,958,180</b>

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

- (6) The aging of the notes receivable at the end of the year

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

## 21. Accounts receivable

Item	Closing balance	Opening balance
Accounts receivable	39,874,938,515	32,085,001,029
Less: Impairment provision	1,738,529,593	1,484,749,980
<b>Net accounts receivable</b>	<b>38,136,408,922</b>	<b>30,600,251,049</b>

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

Category of portfolio	Closing balance			
	Original book value	Proportion of bad debt provision (%)	Bad debt provision	Book value
Bad debt provision made individually	258,545,177	100.00	258,545,177	-
Bad debt provision made as per portfolio	39,616,393,338	3.74	1,479,984,416	38,136,408,922
Including: Bad debts provision made on the group of credit risk characteristics	39,616,393,338	3.74	1,479,984,416	38,136,408,922
<b>Total</b>	<b>39,874,938,515</b>	<b>—</b>	<b>1,738,529,593</b>	<b>38,136,408,922</b>

(Continued)

Category of portfolio	Opening balance			
	Original book value	Proportion of bad debt provision (%)	Bad debt provision	Book value
Bad debt provision made individually	191,508,989	92.29	176,748,989	14,760,000
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) Bad debt provision of accounts receivable made individually

Name	Closing balance			
	Book balance	Bad debt provision	Provision proportion (%)	Reasons for provision
Company 1	82,527,118	82,527,118	100.00	All of it is expected to be unable to recover
Company 2	24,600,000	24,600,000	100.00	All of it is expected to be unable to recover
Company 3	23,561,105	23,561,105	100.00	All of it is expected to be unable to recover
Other customers	127,856,954	127,856,954	100.00	All of it is expected to be unable to recover
<b>Total</b>	<b>258,545,177</b>	<b>258,545,177</b>	<b>—</b>	<b>—</b>

2) Bad debt provision of accounts receivable made by portfolio

Aging	Closing balance		
	Book balance	Bad debt provision	Provision proportion (%)
Within 1 year	33,083,657,128	278,053,124	0.84
1-2 years	4,732,859,418	435,631,417	9.20
2-3 years	820,909,294	229,853,913	28.00
3-4 years	399,548,926	144,644,483	36.20
4-5 years	180,859,012	111,018,549	61.38
Over 5 years	398,559,560	280,782,930	70.45
<b>Total</b>	<b>39,616,393,338</b>	<b>1,479,984,416</b>	<b>—</b>

(2) Based on the date of transaction, aging of accounts receivable is as follows

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of bad debt provision (%)
Within 1 year	33,169,017,238	363,475,601	1.10
1-2 years	4,743,495,026	446,267,025	9.41
2-3 years	833,515,192	242,459,811	29.09
3-4 years	423,790,534	170,469,511	40.22
4-5 years	215,282,052	143,612,550	66.71
Over 5 years	489,838,473	372,245,095	75.99
<b>Total</b>	<b>39,874,938,515</b>	<b>1,738,529,593</b>	—

(Continued)

Aging	Opening balance		
	Accounts receivable	Bad debt provision	Proportion of bad debt provision (%)
Within 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>	—

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

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

Category	Opening balance	Amount changed in the current year				Closing balance
		Provision	Accounts recovered or transferred back	Amounts written back or written off	Other decrease	
Bad debt provision made individually	176,748,989	105,141,477	12,528,921	10,816,368	-	258,545,177
Bad debts provision made on the group of credit risk characteristics	1,308,000,991	183,615,319	6,113,889	5,521,398	-3,393	1,479,984,416
<b>Total</b>	<b>1,484,749,980</b>	<b>288,756,796</b>	<b>18,642,810</b>	<b>16,337,766</b>	<b>-3,393</b>	<b>1,738,529,593</b>

Note: Other decreases are mainly due to the foreign currency translation differences in the foreign currency financial statement of AVIC JONHON Optronics Technology Co., Ltd.\* (中航光电科技股份有限公司), a subsidiary of the Company.

**22. Notes payable**

(1) Classification of notes payable

Category	Closing balance	Opening balance
Banker's acceptance bill	5,856,147,246	6,052,464,416
Commercial acceptance bill	5,812,744,376	7,334,603,779
<b>Total</b>	<b>11,668,891,622</b>	<b>13,387,068,195</b>

(2) Aging of notes payable

The aging of the Group's notes payable at the end of the year mentioned above was within 365 days.

### 23. Accounts payable

(1) Presentation of accounts payable

<b>Item</b>	<b>Closing balance</b>	<b>Opening balance</b>
Materials costs payable	33,229,237,869	31,611,153,836
Construction costs payable	3,049,317,925	3,160,790,685
Equipment costs payable	1,013,870,812	913,034,850
Others	1,853,311,381	953,749,112
<b>Total</b>	<b>39,145,737,987</b>	<b>36,638,728,483</b>

(2) The aging of accounts payable based their transactions date is analyzed as below

<b>Aging</b>	<b>Closing balance</b>	<b>Opening balance</b>
Within 1 year (including 1 year)	33,432,403,759	31,444,598,019
1-2 years (including 2 years)	3,300,108,499	2,578,831,569
2-3 years (including 3 years)	905,681,184	1,042,815,153
Over 3 years	1,507,544,545	1,572,483,742
<b>Total</b>	<b>39,145,737,987</b>	<b>36,638,728,483</b>

## **Management discussion and analysis**

In 2023, the businesses of the Group were divided into aviation entire aircraft segment, aviation ancillary system and related business segment, and aviation engineering services segment. The revenue, gross profit margin and other key financial performance indicators of these segments are analyzed in this announcement to demonstrate their operation and development.

Due to AVIC Airborne Systems Co., Ltd.\* (中航機載系統股份有限公司) ("AVIC Airborne", 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") 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.

For the year ended 31 December 2023, the Group recorded a revenue of RMB84,725 million, representing an increase of RMB5,964 million or 7.57% as compared with that of RMB78,761 million in the corresponding period of the preceding year. The net profit attributable to the owners of the parent company amounted to RMB2,447 million, representing an increase of RMB127 million or 5.47% as compared with that of RMB2,320 million in the corresponding period of the preceding year.

## **Consolidated operating results**

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

The revenue of the Group for the year 2023 was RMB84,725 million, representing an increase of RMB5,964 million or 7.57% as compared with that of RMB78,761 million in the corresponding period of the preceding year, which was mainly attributable to the increase in revenue of helicopters and avionics products.

The revenue of the Group's aviation entire aircraft business for the year 2023 amounted to RMB22,252 million, representing an increase of RMB1,950 million or 9.60% as compared with that of RMB20,302 million in the corresponding period of the preceding 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 business for the year 2023 accounted for 26.26% of the total revenue of the Group, representing an increase of 0.48 percentage point as compared with that in the corresponding period of the preceding year.

The revenue of the Group's aviation ancillary system and related business for the year 2023 amounted to RMB54,792 million, representing an increase of RMB4,861 million or 9.74% as compared with that of RMB49,931 million in the corresponding period of the preceding year, which was mainly attributable to the increase of the revenue of avionics products. The revenue of the aviation ancillary system and related business for the year 2023 accounted for 64.67% of the total revenue of the Group, representing an increase of 1.27 percentage points as compared with that in the corresponding period of the preceding year.

The revenue of the Group's aviation engineering services business for the year 2023 amounted to RMB7,681 million, representing a decrease of RMB847 million or 9.93% as compared with that of RMB8,528 million in the corresponding period of the preceding year, which was mainly due to the improvement of business structure of aviation engineering services business and the completion of the disposal of new energy and other businesses at the end of the last year. The revenue of the aviation engineering services business for the year 2023 accounted for 9.07% of the total revenue of the Group, representing a decrease of 1.75 percentage points as compared with that in the corresponding period of the preceding year.

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

## **2. Selling expenses**

The Group's selling expenses for the year 2023 amounted to RMB1,109 million, representing an increase of RMB181 million or 19.50% as compared with that of RMB928 million in the corresponding period of the preceding year, which was mainly attributable to the year-on-year increase in labor costs and travel expenses of sales persons and after-sales service expense incurred by subsidiaries of the Company in the course of marketing during the Reporting Period. In 2023, the selling expenses accounted for 1.31% of the revenue of the Group, representing an increase of 0.13 percentage point as compared with that in the corresponding period of the preceding year.

## **3. Administrative expenses**

The Group's administrative expenses for the year 2023 amounted to RMB5,647 million, representing an increase of RMB281 million or 5.24% as compared with that of RMB5,366 million in the corresponding period of the preceding year, which was mainly attributable to the year-on-year increase in staff salary of certain subsidiaries and the year-on-year increase in 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 AVIC JONHON Optronics Technology Co., Ltd.\* (中航光电科技股份有限公司) ("JONHON Optronics", a subsidiary of the Company) at the end of December 2022. In 2023, the administrative expenses accounted for 6.67% of the revenue of the Group, representing a decrease of 0.14 percentage point as compared with that in the corresponding period of the preceding year.

#### **4. Research and development expenses**

The research and development ("R&D") expenses of the Group for the year 2023 amounted to RMB7,573 million, representing an increase of RMB1,577 million or 26.30% as compared with that of RMB5,996 million in the corresponding period of the preceding year. The main reason was that in order to continuously strengthen technological innovation and empower industrial development, certain subsidiaries enhanced R&D input during the Reporting Period. In 2023, the research and development expenses accounted for 8.94% of the revenue of the Group, representing an increase of 1.33 percentage points as compared with that in the corresponding period of the preceding year.

#### **5. Finance Costs**

The Group's finance costs in 2023 amounted to RMB-147 million, representing a decrease of RMB59 million or 67.05% as compared with that of RMB-88 million in the corresponding period of the preceding year, which was mainly attributable to the year-on-year increase in interest income driven by the increase of existing funds and the year-on-year decrease in interest expenses caused by the repayment of interest bearing liabilities. Please refer to Note 8 to the financial statements for details.

#### **6. Operating profit**

The Group's operating profit in 2023 was RMB6,989 million, representing an increase of RMB804 million or 13.00% as compared with that of RMB6,185 million in the corresponding period of the preceding year, which was mainly attributable to the year-on-year increase in revenue of helicopters and avionics products and the year-on-year increase in gross profit due to the price adjustment of certain helicopter products during the Reporting Period.

#### **7. Income tax expenses**

The Group's income tax expenses in 2023 was RMB380 million, representing an increase of RMB11 million or 2.98% as compared with that of RMB369 million in the corresponding period of the preceding year.



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

The net profit attributable to the owners of the parent company for the year 2023 amounted to RMB2,447 million, representing an increase of RMB127 million or 5.47% as compared with that of RMB2,320 million in the corresponding period of the preceding year, which was mainly attributable to the year-on-year increase in revenue of helicopters and avionics products and the year-on-year increase in gross profit due to the price adjustment of certain helicopter products during the Reporting Period.

### **Segment Information**

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

#### **The Aviation Entire Aircraft Business**

##### **Revenue**

The Group's revenue derived from the aviation entire aircraft business for 2023 was RMB22,252 million, representing an increase of 9.60% as compared with that in the corresponding period of the preceding year. Among the above revenue, the revenue derived from the helicopter business, which amounted to RMB21,271 million, representing an increase of RMB3,780 million or 21.61% as compared with that in the corresponding period of the preceding year, and accounted for 95.59% of the total revenue of the aviation entire aircraft business.

The revenue of the aviation entire aircraft business of the Group for the year 2023 accounted for 26.26% of the Group's total revenue, representing an increase of 0.48 percentage point as compared with that in the corresponding period of the preceding year.

##### **Gross Profit Margin**

The gross profit margin of the Group's aviation entire aircraft business for the year 2023 was 13.02%, representing an increase of 1.55 percentage points as compared with that in the corresponding period of the preceding year, which was mainly attributable to the price adjustment of certain helicopter products during the Reporting Period.

## **The Aviation Ancillary System and Related Business**

### **Revenue**

The Group's revenue derived from the aviation ancillary system and related business for the year 2023 was RMB54,792 million, representing an increase of 9.74% as compared with that in the corresponding period of the preceding year. Among the above revenue, the revenue derived from avionics business amounted to RMB45,525 million, representing an increase of RMB6,333 million or 16.16% as compared with that in the corresponding period of the preceding year, and accounted for 83.09% of the total revenue of the aviation ancillary system and related business.

The revenue derived from the aviation ancillary system and related business for the year 2023 accounted for 64.67% of the Group's total revenue, representing an increase of 1.27 percentage points as compared with that in the corresponding period of the preceding year.

### **Gross Profit Margin**

The gross profit margin of the Group's aviation ancillary system and related business for the year 2023 was 31.64%, representing an increase of 1.51 percentage points as compared with that in the corresponding period of the preceding year.

## **The Aviation Engineering Services Business**

### **Revenue**

The Group's revenue derived from the aviation engineering services business for the year 2023 was RMB7,681 million, representing a decrease of 9.93% as compared with that in the corresponding period of the preceding year. The revenue derived from the aviation engineering services business in 2023 accounted for 9.07% of the Group's total revenue, representing a decrease of 1.75 percentage points as compared with that in the corresponding period of the preceding year.

### **Gross Profit Margin**

The gross profit margin of the Group's aviation engineering services business for the year 2023 was 14.36%, representing a decrease of 2.72 percentage points as compared with that in the corresponding period of the preceding year, which was mainly due to the changes in the business structure during the Reporting Period.

## **Business Review and Outlook**

In 2023, in the face of the complex and intricate external environment, the Company seized the development opportunities in the new development phase, strived to position itself as a world-class aviation high-tech industry group in compliance with the corporate strategies, and accelerated industrial layout, scale expansion and technological innovation. The synthesis of extension towards creative ideas, exploration for emerging patterns and introduction of new initiatives continued to improve the core competitiveness of the Company, actively propelling the high-quality development of the Company.

AVIC Airborne completed the share swap and absorption of AVIC Electromechanical and successfully raised supporting funds of approximately RMB5 billion, which not only further optimized its capital structure but also provided financial support for the research, development and production of airborne products to vigorously promote the systematic, integrated and intelligent development of the airborne industry. Helicopter business ushered in further integration to enhance its core competitiveness in a continuous manner. 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 the Company's Domestic Shares and became a strategic shareholder of the Company.

**The Group continued to consolidate and improve its core competitiveness of helicopter business.** The Company, together with the Chinese Aeronautical Establishment\* (中國航空研究院) and AVICOPTER, jointly developed the high-speed electric vertical take-off and landing aircraft (H-eVTOL) to accelerate the construction of strategic emerging industries. The prototype 003 under AC332 helicopter with search and rescue configuration successfully made its first flight in Tianjin, and AC313A helicopter successfully completed its first trail flight over the plateau, providing vigorous support for the construction of the aviation emergency rescue system of China. The successful delivery of AC312E bearing aerial geophysical prospecting and remote sensing indicated that it has officially entered the aerial geophysical prospecting and remote sensing market. The AC313 helicopter won the "2022 Jiangxi Provincial Special Award for Technological Progress". The AC332 helicopter has launched the trial flight for airworthiness verification for its avionics system at Jian Sanjiang, and its model development has entered the flight stage for airworthiness verification. AC352 helicopter has passed the review work conducted by the Aircraft Evaluation Group (AEG) of Flight Standards Department of the Civil Aviation Administration of China, laying a solid foundation for its delivery to the first users for putting into operation.

**The Group further penetrated into the international market in term of general-purpose**

**aircraft.** The Y-12F has obtained the type certificate issued by the European Union Aviation Safety Agency (EASA), becoming the only China-made civil aircraft that has obtained type certificates from the Civil Aviation Administration of China (CAAC), the Federal Aviation Administration (FAA) and EASA.

**The Group seized strategic development opportunities in the trainer business.** Jiangxi Hongdu Aviation Industry Co., Ltd.\* (江西洪都航空工業股份有限公司) ("**Hongdu Aviation**") has made new progress in pre-research, bidding, and project approval of a number of new arrivals, laying inexhaustible impetus for subsequent development. L15 advanced trainer was showed at the Dubai Airplane Exhibition, and made a positive progress in exploiting the international market. The civil CJ-6 primary trainer obtained the standard airworthiness certificate (AC) and officially entered the civil general aviation market.

**The Group continued to promote technological innovation in the aviation ancillary systems and related businesses.** JONHON Optronics basic devices industrial park was successfully completed and the community projects of high-end interconnection technology industry commenced in a comprehensive way. Its first phase of German Production Base has been substantially completed and went into service, leaving international footprint to a new horizon. JONHON Optronics was selected into the Ministry of Industry and Information Technology's "2023 Intelligent Manufacturing Demonstration Factory". Chengdu CAIC Electronics Co., Ltd.\* (成都凱天電子股份有限公司) focused on breakthroughs in key core technologies such as smart sensors and was recognized as a "National Advanced Enterprise for Intellectual Property". The core components of the high-lift system developed by Qing'an Group Co., Ltd.\* (慶安集團有限公司) has passed the verification test of performance loading for the domestic large aircraft C929, breaking through the technological bottleneck in the development of high-voltage motor. Zhengzhou Aircraft Equipment Co., Ltd.\* (鄭州飛機裝備有限責任公司) completed the relevant airborne experiments to spare no effort to guarantee the airworthiness certification of AG600 aircraft.

**The Group made steady progression in the aviation engineering services business.** 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 bid for the design project named Zhengzhou Airport International Logistics Customs Clearance Base to implement the strategic arrangements under the Belt and Road Initiative. It won the bid for the reconstruction and expansion engineering of the GAMECO Landing Gear Maintenance Base project and continued to explore the market in the Guangdong-Hong Kong-Macao Greater Bay Area. It won multiple bids for ecological and environmental protection projects, contributing aviation wisdom and strength to the construction of ecological energy environment. The commencement of the construction of comprehensive laboratory for C929 aircraft system was to

escort the operation of C929 project. The launch of the second final assembly line of Airbus Tianjin A320 Series aircraft further improved the final assembly capacity of Airbus Tianjin A320 and A321 aircraft, which promoted the vertical integration of industry chain and supply chain in the aviation industry.

**The Group improved its construction of governance system with enhanced brand value.** The Company continued to strengthen the improvement of its governance system, communicated closely with stakeholders, intensified the publicity and promotion of the high-tech aviation industry, and sought continuous progress for its influence in the capital market. The Company won the "Annual Special Award-2023 Outstanding Listed Company" and "Outstanding High-quality Development Listed Company" in the 13th China Securities Golden Bauhinia Awards and "China Top 100 Enterprises Award". The Company also proactively assumed its social responsibilities by implementing the "carbon peaking and carbon neutrality goals", vigorously developed emerging aviation industries of strategic significance, and strengthened green and low-carbon technological innovation in aviation, so as to drive the in-depth promotion of green aviation manufacturing, and promote the high-end, intelligent and green development of the aviation industry.

In 2024, there will be complexity and fluctuation in international situation where the upward potential and downward risks of the global economy will be intertwined. The Company will continue to focus on its development strategy, reinforce its core functions, and accelerate to build itself as a world-class aviation high-tech industry group. The Company will center on value creation to improve its core competitiveness, vigorously promote high-level technological self-reliance and self-improvement, and facilitate the construction of a modern aviation industry system and the development of strategic emerging industries, with a view to play its role in technological innovation, industrial control, and safety support:

1. The Group will seize unprecedented opportunities for low-altitude economic development, accelerate the research and development of new aircraft, accelerate the construction of strategic emerging industries, and establish its exploratory presence in future promising industries;
2. The Group will deepen cooperation with domestic scientific research institutions for aviation to accelerate the transformation of technological achievements, while exploring the creation of innovation consortium to intensify the synergistic effect of technological strengths;
3. The Group will complete the integration of helicopter businesses, and promote the construction of the Tianjin Helicopter R&D Center and the Civil Helicopter Base, while seizing the development opportunities of aviation emergency rescue equipment to build itself as a key force for national emergency rescue;
4. The Group will accelerate the business structure adjustment and the professional integration of aviation ancillary system, striving to position itself as a world-class aviation industry system

integration supplier with international competitiveness;

5. The Group will consolidate the leading advantages of interconnection system business, promote the construction of intelligent manufacturing capabilities, actively expand emerging market areas, and promote the extension the development of industries;

6. The Group will deepen the construction of its ESG management system and integrate the green development philosophy into the overall layout of high-quality development, by adhering to the concept of green aviation development and implementing the "carbon peaking and carbon neutrality goals"; and

7. The Group will comprehensively improve its corporate governance capabilities and governance systems, continue to optimize its capital structure and shareholder structure, persevere in value creation and shareholder returns, maintain the renowned reputation of the Company in the capital market, and enhance the value contribution of our brand.

## Cash Flow and Financial Resources

### 1 Liquidity and Capital Resources

As at 31 December 2023, the Group's cash and cash equivalents amounted to RMB37,159 million, which was mainly derived from the following sources:

- cash and bank deposits at the beginning of the 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 its operations.

The Group's cash flow for each of the years 2023 and 2022 were as follows:

*Unit: RMB million (except for percentage)*

Main items of cash flow	2023	2022	Changes (amount)	Changes rate (percentage)
Net cash flows (used in) from operating activities	(4,083)	10,221	(14,304)	-139.95%
Net cash flows (used in) investing activities	(3,614)	(2,915)	(699)	-23.98%
Net cash flows from financing activities	3,548	3,412	136	3.99%

## 2 Operating, Investing and Financing Activities

Net cash outflows from operating activities of the Group for 2023 amounted to RMB4,083 million, representing an increase of net outflows by RMB14,304 million as compared with the net cash inflows of RMB10,221 million in the corresponding period of the preceding year, which was mainly due to the year-on-year increase in payment for purchasing goods during the Reporting Period.

Net cash outflows from investing activities of the Group for 2023 amounted to RMB3,614 million, representing an increase of net outflows by RMB699 million as compared with the net cash outflows of RMB2,915 million in the corresponding period of the preceding year, which was mainly attributable to the year-on-year increase in expenditure on purchasing and constructing fixed assets during the Reporting Period.

Net cash inflows from financing activities of the Group for the year 2023 amounted to RMB3,548 million, representing an increase of net inflows by RMB136 million as compared with the net cash inflows of RMB3,412 million in the corresponding period of the preceding year, which was mainly attributable to the year-on-year increase in the proceeds received from non-public issuance of shares by the Company and a subsidiary during the Reporting Period.

As at 31 December 2023, the Group's total borrowings amounted to RMB13,156 million, of which the short-term borrowings, the current portion of long-term borrowings and the non-current portion of long-term borrowings amounted to RMB5,260 million, RMB1,160 million and RMB6,736 million, respectively.

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

<b>Maturity</b>	<b>RMB million</b>
Within one year	1,160
In the second year	3,645
In the third to fifth year	2,935
After the fifth year	156
<b>Total</b>	<b>7,896</b>

As at 31 December 2023, the Group's bank borrowings amounted to RMB5,419 million with a weighted average interest rate of 3% per annum, accounting for 41.19% of the total borrowings. Other borrowings amounted to RMB7,737 million with a weighted average interest rate of 3% per annum, accounting for 58.81% of the total borrowings.

As at 31 December 2023, there was no significant balance of borrowings denominated in foreign currencies.

### **Gearing Ratio**

As at 31 December 2023, the Group's gearing ratio was 7.11% (as at 31 December 2022: 8.12%), which was arrived at by dividing the total borrowings by the total assets as at 31 December 2023.

### **Contingent Liabilities**

As at 31 December 2023, the Group had no significant contingent liabilities.

### **Guaranteed and Secured Loans**

As at 31 December 2023, the Group's mortgaged and pledged borrowings amounted to RMB296 million, of which RMB92 million was secured by house buildings with a net book value of RMB8 million; RMB204 million was secured by notes receivables and accounts receivables with a net book value of RMB204 million.

Borrowings placed under guarantees amounted to RMB73 million, of which RMB73 million represented guarantees provided by fellow subsidiaries, and no guarantees provided by non-connected parties.

### **Exchange Rate Risks**

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

### **Use of Proceeds**

As at 31 December 2023, a total of RMB6,658 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 for general corporate purposes. 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 respectively. Due to factors disclosed in the Company's 2022 annual report, 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, and 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 31 December 2023	Unutilized net proceeds as of 31 December 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	Approximately RMB137 million, used for general corporate purposes	Approximately RMB1,100 million, of which approximately RMB812 million was used in investment in aviation product businesses, approximately RMB 151 million was used in industrialization projects of aviation research institutes and investment fund for aviation business, and approximately RMB 137 million was used for general corporate purpose	Approximately RMB 99 million will all be intended to use in investment in aviation product businesses and for general corporate purposes	By the end of 2024
<b>Domestic Shares Issuance</b>				
To supplement working capital	Approximately RMB1,000 million,	Approximately RMB1,000 million, all used to	Nil	All had been used to supplement the working

	all used to supplement the working capital	to supplement the working capital		capital
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## Employees

As at 31 December 2023, the Group had 74,584 employees. The Group has provided appropriate emoluments, benefits and trainings to its employees.

<b>Employees Breakdown (by business segments)</b>	<b>Number of employees</b>	<b>Percentage to total number of employees (%)</b>
Aviation entire aircraft business	15,701	21.05
Aviation ancillary system and related business	56,473	75.72
Aviation engineering services business and others	2,410	3.23
<b>Total</b>	<b>74,584</b>	<b>100.00</b>

For the year ended 31 December 2023, the total staff costs of the Group amounted to RMB17,530 million, representing an increase of RMB1,338 million or 8.27% as compared with those of RMB16,192 million in the corresponding period of the preceding year.

## Purchase, Sale and Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2023.

## Material Acquisitions and Disposals of Subsidiaries and Associated Companies During the Reporting Period

On 13 April 2023, AVIC Airborne issued 2,567,240,755 A shares as a result of the share swap and absorption, and the total issued share capital of AVIC Airborne increased from 1,917,798,835 shares to 4,485,039,590 shares. On 18 July 2023, AVIC Airborne issued 353,857,040 A shares as a result of the subscription, and the total issued share capital of AVIC Airborne 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 18 July 2023, (i) the Company, AVIC and AVICOPTER PLC\* (中航直升機股份有限公司) ("**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 Industries (Group) Co., Ltd.\* (昌河飛機工業(集團)有限責任公司) ("**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 Industry Group Co., Ltd.\* (哈爾濱飛機工業集團有限責任公司) ("**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. As the transactions contemplated under the Asset Acquisition Agreements involve (i) a disposal of a majority interest in Changhe Aircraft and Harbin Aircraft by the Company; and (ii) an acquisition of the same by AVICOPTER (being a subsidiary of the Company), they are in substance a group reorganization which will result in an effective net disposal of approximately 38.81% and 27.17% equity interest in Changhe Aircraft and Harbin Aircraft, respectively, to the minority shareholders of AVICOPTER. The profits deriving from the patented technology and software copyright owned by Changhe Aircraft and Harbin Aircraft, and the profits deriving from the 81% equity interests in Jinjiang Engineering Company during the Transitional Period shall be borne by AVICOPTER, while the losses deriving from the same shall be borne by the Company and AVIC pursuant to the terms of the Asset Acquisition Agreements. Save as the above assets of the Target Companies, the profits and losses deriving from the Target Companies during the Transitional Period shall be borne by AVICOPTER. Application has been made to, and approval has been obtained from, the Hong Kong Stock Exchange for the adoption of the Alternative Tests in respect of the Net Disposals pursuant to Rule 14.20 of the Hong Kong Listing Rules. As the highest of the relevant percentage ratios (after adopting the Alternative Tests) in respect of the Net Disposals is less than 25%, the Net Disposals constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules. On 18 July 2023, AVICOPTER was a subsidiary of the Company and was held directly and

indirectly as to 49.30% in aggregate by the Company. Immediately upon Completion, the Company shall be directly and indirectly interested in approximately 53.62% of the total issued shares of AVICOPTER. Therefore, the issue of 120,850,378 Consideration Shares to the Company shall constitute an acquisition by the Company under Chapter 14 of the Hong Kong Listing Rules. As the highest of the relevant percentage ratios in respect of the acquisition are less than 5%, the acquisition does not constitute a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules. On 18 July 2023, AVIC was the controlling Shareholder of the Company and it held approximately 60.25% equity interests in the Company directly and indirectly. The acquisition of 7.57% and 19.21% equity interests in Changhe Aircraft and Harbin Aircraft, respectively, by AVICOPTER from AVIC constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the relevant percentage ratios (other than the profit ratio) for the acquisition of 7.57% and 19.21% equity interests in Changhe Aircraft and Harbin Aircraft by AVICOPTER is more than 0.1% but less than 5%, the acquisition is subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. Besides, On 18 July 2023, other than the interests held by the Group in AVICOPTER, AVIC was indirectly interested in approximately 0.95% of the total issued shares of AVICOPTER. Immediately upon Completion, AVIC will be directly and indirectly interested in approximately 3.67% of the total issued shares of AVICOPTER (other than the interests held by the Group in AVICOPTER). As the Company's interests in AVICOPTER will be diluted upon the issue of an aggregate of 21,278,892 Consideration Shares to AVIC, such issue of an aggregate of 21,278,892 Consideration Shares constitutes deemed disposal of interests in AVICOPTER and a connected transaction of the Company under Rule 14A.24 of the Hong Kong Listing Rules. As the highest of the relevant percentage ratios (other than the profit ratio) for the issue of an aggregate of 21,278,892 Consideration Shares to AVIC is more than 0.1% but less than 5%, such issue of Consideration Shares is subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. On 15 September 2023, AVIC and AVICOPTER entered into a profit undertaking agreement, pursuant to which AVIC agreed to compensate AVICOPTER under certain events. For details, please refer to the announcements of the Company dated 23 December 2022, 9 January 2023, 15 March 2023, 18 July 2023 and 15 September 2023. Unless otherwise defined, terms used in this paragraph shall have the same meanings as those defined in such announcements.

Save as disclosed above, no other material acquisitions and disposals of subsidiaries and associated companies of the Group occurred during the Reporting Period.

## Other Significant Events During the Reporting Period

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, which represents a premium of approximately 0.93% to the closing price of HK\$4.30 per H Share as quoted on the Hong Kong Stock Exchange on 9 May 2023 (i.e. the date of the Share Subscription Agreement). The Company intends to use all the net proceeds from the non-public issuance to replenish working capital. 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. After deducting the issuance expense, the net proceeds from the non-public issuance are approximately RMB999,798,848 and the net price per subscription share is approximately RMB3.82. 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. Unless otherwise defined, terms used in this paragraph shall have the same meanings as those defined in such announcements.

On 8 January 2024, the Company, AVIC (the controlling shareholder of the Company), AVIC Airborne Systems Company Limited\* (中航機載系統有限公司) ("**AVIC Airborne Systems**", a wholly-owned subsidiary of AVIC) and Xi'an Aircraft Asset Management Co., Ltd.\* (西安飛機資產管理有限公司) ("**XAAM**", a wholly-owned subsidiary of AVIC, together with the Company, AVIC and AVIC Airborne Systems, collectively referred to the "**Parties**") entered into an equity transfer framework agreement (the "**Framework Agreement**"). Pursuant to the Framework Agreement, AVIC, AVIC Airborne Systems and XAAM proposed to sell 100% of the equity interest of Aerospace Life-Support Industries, Ltd.\* (航宇救生裝備有限公司) and Xi'an Aviation Brake Technology Co., Ltd.\* (西安航空制動科技有限公司) to the Company (the "**Proposed Equity Transfer(s)**"). The respective consideration for the Proposed Equity Transfers is subject to the commercial negotiation of the Parties and will be determined in compliance with the requirements of the applicable PRC laws and regulations and the relevant rules of Hong Kong securities regulators,

which is proposed to be settled by shares of the Company and/or by cash or in any other manner permitted by laws and regulations. Upon execution of the Framework Agreement, the Parties will use their best endeavors to proceed with the Proposed Equity Transfers, perform the legal procedures where necessary and sign the relevant transaction documents in accordance with the relevant requirements of laws of the PRC and Hong Kong. As at the date of this announcement, AVIC is the controlling shareholder of the Company. The Proposed Equity Transfers, if proceeded with, will constitute connected transactions under Chapter 14A and/or transactions under Chapter 14 of the Hong Kong Listing Rules. As the terms of the Proposed Equity Transfers (including but not limited to the consideration, payment method and closing arrangement) are subject to the negotiation of the Parties and execution of formal agreement(s), the Company will make further announcement(s) on the Proposed Equity Transfers as and when appropriate in accordance with the requirements of the Hong Kong Listing Rules in due course. For details, please refer to the announcement of the Company dated 8 January 2024. Unless otherwise defined, terms used in this paragraph shall have the same meanings as those defined in such announcement.

On 25 September 2023, the Company, AVICOPTER and Chinese Aeronautical Establishment entered into the high-speed electric vertical take-off and landing aircraft (H-eVTOL) joint research and development agreement. Pursuant to the agreement, the Company and AVICOPTER would each contribute RMB5.9 million for the research and development of H-eVTOL. As at the date of this announcement, AVIC is the controlling shareholder of the Company and Chinese Aeronautical Establishment is a subsidiary of AVIC. Accordingly, Chinese Aeronautical Establishment is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules and the aforesaid transaction constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio (other than the profits ratio) is less than 0.1%, the transaction is exempted from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under the Hong Kong Listing Rules.

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

### **Change of Directors, Supervisors and Senior Management**

Due to change in work arrangement, on 21 February 2023, Mr. Zhang Minsheng applied to the Board for resignation from his position as the Chairman, executive Director, chairman of the Development and Strategy Committee and chairman of the Nomination Committee of the Company. At the Board meeting held on 21 February 2023, Mr. Yan Lingxi was elected as the Chairman.

Due to change in work arrangement, on 21 February 2023, Mr. Yan Lingxi applied to the Board for

resignation from his position as general manager.

At the Board meeting held on 21 February 2023, the Board considered and approved the resolution in relation to the appointment of Mr. Sun Jizhong as the general manager of the Company, with his term of office commencing from the date of approval of such resolution at the Board meeting to the date on which the term of office of the seventh session of the Board expires. At the annual general meeting held on 18 May 2023, Mr. Sun Jizhong has been appointed as executive Director, for a term of office commencing from the date on which his proposed appointment is approved at the annual general meeting until the date on which the election of the new session of the Board is resolved at the annual general meeting to be convened in 2024.

### **Results, Dividend and Dividend Policy**

The Board recommended the payment of a final dividend for the year 2023 in an aggregate amount of RMB701,611,173, representing a dividend of RMB0.088 per share (2022: RMB0.08 per share), calculated based on the existing number of total issued shares of 7,972,854,242 shares of the Company as at the date of this announcement, subject to adjustment (if any) based on the number of total issued shares as at the Record Date (as defined below).

The final dividend will be paid to those Shareholders whose names appear on the Company's register of members at the close of business on Wednesday, 5 June 2024 (the "**Record Date**"). To determine the identity of the Shareholders entitled to receive the final dividend, the Company's register of members will be closed from Friday, 31 May 2024 to Wednesday, 5 June 2024 (both days inclusive), during which period no transfer of H shares of the Company will be registered. In order to be entitled to receive the final dividend, all transfer instruments accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's H shares registrar, by not later than 4:30 p.m. on Thursday, 30 May 2024.

In accordance with Article 144 of the Articles of Association, the dividend will be declared in RMB to the shareholders. The dividend payable to Domestic Shares Shareholders will be paid in RMB within three months after the dividend declaration date, the dividend payable to H Shares Shareholders will be denominated and declared in RMB and paid in Hong Kong Dollars within three months after the dividend declaration date. The dividend to be paid in Hong Kong Dollars will be converted based on the average closing exchange rate between RMB and Hong Kong Dollars issued by the People's Bank of China for the five business days prior to the declaration of dividends at the annual general meeting of the Company to be held on Tuesday, 21 May 2024 (the "**2023 AGM**"). Subject to the approval of the Company's shareholders at the 2023 AGM, the aforementioned

dividend is expected to be paid by the Company on or before 30 June 2024.

The 2023 AGM will be held on Tuesday, 21 May 2024. The H shares register of members of the Company will be closed from Wednesday, 1 May 2024 to Tuesday, 21 May 2024 (both days inclusive), during which period no transfer of H shares will be registered. Holders of the Company's H Shares and Domestic Shares whose names appear on the Company's register of members at the opening of business on Tuesday, 21 May 2024 are entitled to attend and vote at the 2023 AGM. In order to be eligible to attend and vote at the 2023 AGM, holders of the Company's H shares shall lodge all transfer instruments together with the relevant share certificates with Computershare Hong Kong Investor Services Limited, the Company's H shares register, not later than 4:30 pm on Tuesday, 30 April 2024.

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

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

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

### **Audit and Risk Management Committee**

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

The Board has established the Audit and Risk Management Committee in carrying out the duty of assisting the Board and independently monitoring the financial operation, audit procedures and the risk management operation of the Company. The Terms of Reference of the Audit and Risk Management Committee were formulated and amended in accordance with the actual situation of the Company and the Guide for the Effective Audit Committee issued by the Hong Kong Institute of Certified Public Accountants and the provisions of Part 2 of Appendix C1 (the "**Corporate Governance Code**") to the Hong Kong Listing Rules (as amended from time to time).



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

The Audit and Risk Management Committee had reviewed the Group's annual results and consolidated financial statements for the year ended 31 December 2023.

### **Corporate Governance**

The Company strictly complied with various applicable laws, rules and regulations as well as the Articles of Association to standardize its operation. The Board reviewed the corporate governance practices adopted by the Company for the year ended 31 December 2023 and was of the view that the Company complied with the principles and code provisions set out in Part 2 of the Corporate Governance Code.

### **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 C3 to the Hong Kong Listing Rules and the Shares Trading Management Rules for Directors, Supervisors, Senior Management and Employees of the Company as its own guidelines for securities transactions by Directors, supervisors and employees of the Company. All Directors and supervisors of the Company have confirmed their compliance with the Model Code in 2023 upon specific enquiries with them.

### **The Annual Report**

The annual report of the Company for the year ended 31 December 2023 will be despatched to the shareholders of the Company and will be published on the websites of the Hong Kong Stock Exchange and of the Company (<https://www.avichina.com>) in due course.

By Order of the Board  
**AviChina Industry & Technology Company Limited\***  
**Yan Lingxi**  
*Chairman*

Beijing, 15 March 2024

*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*