



# AviChina

AviChina Industry & Technology Company Limited

中国航空科技工业股份有限公司

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


(Stock Code : 2357)



# 2016

## Interim Report

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## Highlights of Interim Results

The board of directors (the “**Board**”) of AviChina Industry & Technology Company Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2016 prepared according to International Financial Reporting Standards.

Revenue	RMB15,391 million
Profit attributable to equity holders of the Company	RMB504 million
Earnings per share, basic and diluted	
– Basic and diluted	RMB0.0845
Equity attributable to equity holders of the Company	RMB13,020 million

### INTERIM DIVIDEND

The Board proposes that no interim dividend be paid for the six months ended 30 June 2016.

# Management Discussion and Analysis

## BUSINESS REVIEW

In the first half of 2016, the global economy struggled to recover. Meanwhile, the Chinese economy has been in a critical period of structural reform, and still faced with great challenges and difficulties. Following the strategic positioning of building a platform for China's aviation industry and related high-tech industries, the Company proactively coped with challenges, relied on the advantages of AVIC, clearly defined the investment orientation, expanded the business scale of the Company, leading to steady developments in the Company's businesses.

In the first half of 2016, the Company contemplated the acquisition of the 100% equity interest in China Aviation Planning and Design Institute Co., Ltd. ("**AVIC Planning**") by issuing its domestic shares as consideration. As at the date of this report, the aforementioned acquisition has been completed, and the Company's business further expanded to the front-end engineering services of the aviation manufacturing business, such as planning, design and consultation services. Meanwhile, the total number of issued share capital of the Company increased to 5,966,121,836, and the financial results of AVIC Planning have been consolidated into the financial statements of the Company.

For the six months ended 30 June 2016, the Group recorded a revenue of RMB15,391 million, representing an increase of 35.56% as compared with that of RMB11,354 million (before restated) in the corresponding period of 2015, and an increase of 1.65% as compared with that of RMB15,141 million (as restated) in the corresponding period of 2015. The profit attributable to equity holders of the Company for the reporting period was RMB504 million, representing an increase of 40% as compared with that of RMB360 million (before restated) in the corresponding period of 2015, and an increase of 6.78% as compared with that of RMB472 million (as restated) in the corresponding period of 2015.

In the first half of 2016, Aviation Industry Corporation of China ("**AVIC**"), the controlling shareholder of the Company, achieved a continuous improvement in its competitiveness and market influence by unremittingly promoting supply-side structural reform and improving qualities and efficiencies. AVIC was listed on the Fortune Global 500 with an operating revenue of USD62.2 billion, ranking the 143rd, which represented an advance of 16 places as compared with that of last year. It was elected as China's 500 Most valuable Brands for the fifth consecutive year, ranking the 25th with a brand value of RMB111.8 billion, representing an increase of RMB10.9 billion in its brand value as compared with that of last year.

The Company focused on the international market exploration and the integration into international aviation industry chain. In the first half of 2016, the Company organized its subsidiaries to attend the 50th Farnborough International Airshow for the first time, to proactively expand the international aviation products market, strengthen the co-investment and cooperation with international aviation manufacturers, and build up a platform for further communication with international cooperators.

The helicopter business of the Group remained stable. The research and development ("**R&D**") of new model helicopters progressed smoothly and the Group is proactively seeking for new orders. The first AC312E, a twin-engine light helicopter, completed its final assembly. AC311 series helicopter completed tasks such as air travel, air patrol, business flight and test flight equipped with medical rescue facilities. AC313 series helicopter successfully fulfilled several forest fire fighting and rescue tasks. Harbin Hafei Aviation Industry Co., Ltd. ("**Hafei Aviation**"), a subsidiary of the Company, participated in the investment and establishment of Harbin General Aircraft Industry Co., Ltd. ("**Harbin General Aircraft**"), which is primarily engaged in the manufacturing and operation of Y12 series aircraft.

## Management Discussion and Analysis

In the first half of 2016, Jiangxi Hongdu Aviation Industry Co., Ltd. ("**Hongdu Aviation**") successfully completed the delivery technology acceptance by overseas customers for the first batch of foreign trade L15 advanced trainers. Hongdu Aviation provided body parts to the C919 civil large commercial aircraft, winning the Silver Award for Excellent Suppliers of Commercial Aircraft Corporation of China Ltd ("**CACC**").

The scientific research and innovation on aviation parts and components of the Group have achieved good progress. In the first half of 2016, AVIC Chengdu CAIC Electronics Co., Ltd., a subsidiary of the Company, reached a cooperation consensus for "Mass Entrepreneurship and Innovation" with University of Electronic Science and Technology of China to strengthen the R&D of products. The intelligent laser projector manufactured by AVIC Shanghai Aviation Electric Co., Ltd. won "The Most Valuable Brand for Laser Projectors for the Year 2015". China Aviation Optical-Electrical Technology Co., Ltd. ("**JONHON Optron**") doubled the ordering contracts and sales revenue in new energy auto area. JONHON Optron established a R&D center in Europe, steadily promoting the construction of a digital design platform. JONHON Optron was shortlisted for China's top 100 enterprises in electronic information, and won the Silver Award for Excellent Suppliers of CACC respectively.

AVIC Planning, which was newly acquired by the Company, is a specialized company mainly engaged in the planning, design, consultation, construction and operation of fixed asset investment in aviation industry. In the first half of 2016, the project of AVIC Planning, "the Innovation and Application for the Key Technology of Prestressed Tensegrity Structure" won the second class prize for National Prize for Progress in Science and Technology.

AVIC Hubei Ali-Jiatai Aircraft Equipment Co., Ltd., in which the Company invested, officially became a new seats supplier to Boeing 737 aircraft. In April 2016, AVIC Hubei Ali-Jiatai Aircraft Equipment Co., Ltd. has obtained the design approval letter for Civil Aircraft Technical Standard Orders issued by Federal Aviation Administration ("**FAA**") in respect of its aircraft seats for Boeing 737 aircraft, being the only airborne product with independent intellectual property rights in China which obtained the airworthiness certificate from FAA.

### FUTURE OUTLOOK

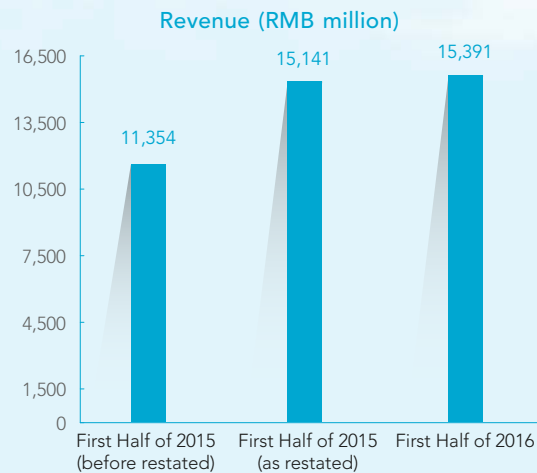
In the first half of 2016, China issued the 13th Five-Year Plan for National Economic and Social Development ("**13th Five-Year Plan**"), pursuant to which China will promote innovation and new breakthrough in strategic frontier areas, speed up the breakthrough of core technologies in areas such as aviation and aerospace; enhance the support of emerging industries, vigorously promote the innovation and industrialization of the emerging frontier areas such as aviation equipment, forming a new batch of growth point; further strengthen the cooperation in international capacity and equipment manufacturing, with focus on industries such as aviation and aerospace, and push forward the "go global" of the equipment, technologies, standards and services; deeply implement "Made in China 2025", and improve the innovation and basic capability of the manufacturing industry. The government's emphasis over the aviation industry will benefit the development, transformation and upgrade of the aviation business of the Company.

In the second half of 2016, the Company will take this as an opportunity to proactively adapt to national policies. The Company will expand the investment into major aviation manufacturing business by continuously exploring new aviation manufacturing business and enhance the R&D to create core competitiveness of aviation products.

## FINANCIAL REVIEW

In the first half of 2016, as the financial results of AVIC Planning, the newly acquired entity, have been consolidated into those of the Group, pursuant to relevant regulations, the related financial data in the corresponding period of last year was restated. Meanwhile, based on the new business portfolio, the business segments of the Group are divided into aviation entire aircraft, aviation parts and components and aviation engineering services.

### Revenue



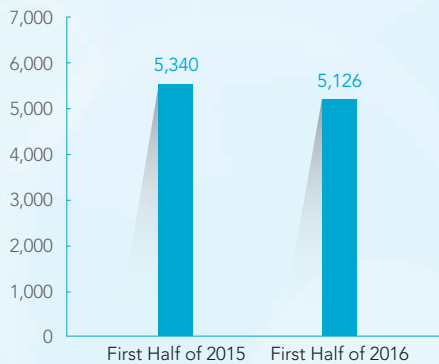
The revenue scale recorded a significant improvement due to the acquisition of AVIC Planning by the Group.

For the six months ended 30 June 2016, the Group achieved a revenue of RMB15,391 million, representing an increase of RMB4,037 million or 35.56% as compared with that of RMB11,354 million (before restated) in the corresponding period of last year, and an increase of RMB250 million or 1.65% as compared with that of RMB15,141 million (as restated) in the corresponding period of last year, which is mainly attributable to the increase of the avionics business during this period.

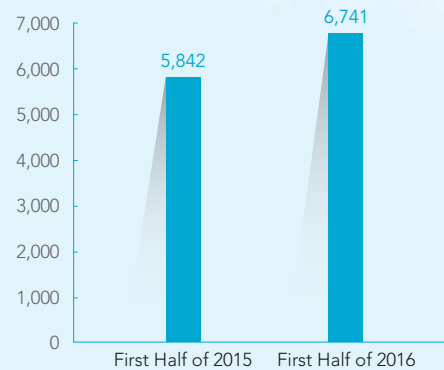
# Management Discussion and Analysis

## Segment Information

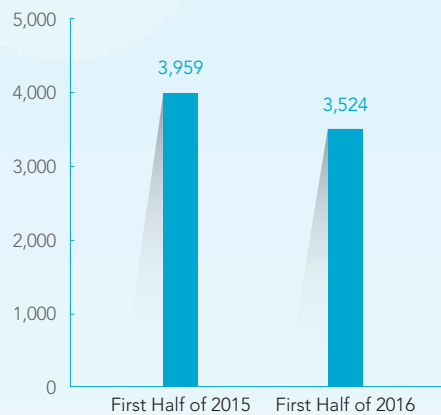
Revenue of Aviation Entire Aircraft Segment  
(RMB million)



Revenue of Aviation Parts and Components Segment  
(RMB million)



Revenue of Aviation Engineering Services Segment  
(RMB million)



For the six months ended 30 June 2016, the revenue of the aviation entire aircraft segment of the Group amounted to RMB5,126 million, representing a decrease of 4.01% as compared with that in the corresponding period of last year and accounting for 33.31% of the total revenue of the Group. The revenue of the aviation parts and components segment of the Group amounted to RMB6,741 million, representing an increase of 15.39% as compared with that in the corresponding period of last year and accounting for 43.80% of the total revenue of the Group. The revenue of the aviation engineering services segment of the Group amounted to RMB3,524 million, representing a decrease of 10.99% as compared with that in the corresponding period of last year and accounting for 22.89% of the total revenue of the Group.

## Management Discussion and Analysis

The segment results of the aviation entire aircraft segment of the Group amounted to RMB238 million, representing a slight decrease as compared with that of RMB242 million in the corresponding period of last year. The segment results of the aviation parts and components segment of the Group amounted to RMB930 million, representing an increase of RMB124 million or 15.38% as compared with that of RMB806 million in the corresponding period of last year, which was mainly attributable to the increase in the gross profit resulted from the growth in the revenue and gross profit rate of JONHON Optronic. The segment results of the aviation engineering services segment of the Group amounted to RMB110 million, representing an increase of RMB11 million or 11.11% as compared with that of RMB99 million in the corresponding period of last year.

### Gross profit

For the six months ended 30 June 2016, the Group recorded a gross profit of RMB2,879 million, representing an increase of RMB17 million or 0.59% as compared with that of RMB2,862 million in the corresponding period of last year.

### Selling and distribution expenses

For the six months ended 30 June 2016, the selling and distribution expenses of the Group amounted to RMB252 million, representing an increase of RMB35 million or 16.13% as compared with that of RMB217 million in the corresponding period of last year which was mainly attributable to the increase in the sales commission and after-sale service expenses of certain subsidiaries. The selling and distribution expenses accounted for 1.64% of the revenue during the reporting period, representing an increase of 0.21 percentage point as compared with that of 1.43% in the corresponding period of last year.

### Administrative expenses

For the six months ended 30 June 2016, the administrative expenses of the Group amounted to RMB1,458 million, representing a decrease of RMB236 million or 13.93% as compared with that of RMB1,694 million in the corresponding period of last year, which was mainly attributable to the decrease in R&D investment of certain subsidiaries based on its R&D progress as compared with that of the corresponding period of last year. The administrative expenses accounted for 9.47% of the revenue during the reporting period, representing a decrease of 1.72 percentage points as compared with that of 11.19% in the corresponding period of last year.

### Finance costs, net

For the six months ended 30 June 2016, the net finance costs of the Group amounted to RMB96 million, representing a decrease of RMB3 million or 3.03% as compared with that of RMB99 million in the corresponding period of last year. Please refer to Note 7 to the financial statements for details.

### Profit attributable to equity holders of the Company

The entire profit scale of the Group was improved upon consolidation of AVIC Planning into the Group.

For the six months ended 30 June 2016, the profit attributable to equity holders of the Company amounted to RMB504 million, representing an increase of RMB144 million or 40% as compared with that of RMB360 million (before restated), and an increase of RMB32 million or 6.78% as compared with that of RMB472 million (as restated) in the corresponding period of last year, which was mainly attributable to the increase in the gross profit and decrease in the administrative expenses of the Group.



# Management Discussion and Analysis

## Liquidity and financial resources

As at 30 June 2016, the cash and cash equivalents of the Group amounted to RMB8,504 million, which were mainly derived from cash and bank deposits at the beginning of 2016 and proceeds generated from its operations during the reporting period.

As at 30 June 2016, the Group's total borrowings amounted to RMB9,472 million, in which short-term borrowings amounted to RMB4,091 million, current portion of long-term borrowings amounted to RMB844 million and non-current portion of long-term borrowings amounted to RMB4,537 million.

As at 30 June 2016, the Group's bank borrowings amounted to RMB3,406 million with an average interest rate of 4% per annum, representing a decrease of RMB205 million as compared with that at the beginning of the reporting period; and other borrowings amounted to RMB6,066 million with an average interest rate of 5% per annum, representing an increase of RMB1,775 million as compared with that at the beginning of the reporting period.

Seasonal influence on the Group's borrowings was insignificant.

## CAPITAL STRUCTURE

As at 30 June 2016, the Group's borrowings were mainly to be settled in Renminbi and cash and cash equivalents were mainly denominated in Renminbi.

## MORTGAGE AND PLEDGE ON ASSETS

As at 30 June 2016, the Group's secured borrowings amounted to RMB534 million, which were mortgaged and pledged by receivables and fixed assets with a net book value of RMB579 million.

## GEARING RATIO

As at 30 June 2016, the Group's gearing ratio was 14.09% (as restated, as at 31 December 2015: 11.76%), which was derived from dividing the total borrowings by the total assets as at 30 June 2016.

## EXCHANGE RATE RISKS

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

## CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2016, the Group did not provide any guarantees in favor of any third party and had no significant contingent liabilities.

# Management Discussion and Analysis

## MATERIAL ACQUISITIONS AND DISPOSALS

On 30 September 2015, the Company entered into the Equity Acquisition and Share Issuance Agreement with AVIC, pursuant to which the Company has conditionally agreed to acquire and AVIC has conditionally agreed to sell 100% equity interest held by AVIC in AVIC Planning (“**Target Equity**”). After filing with and confirmed by the state-owned assets supervision and administration authorities, the valuation of the Target Equity has been adjusted to RMB2,173 million (i.e. RMB2,173,281,600). Taking into account the adjusted valuation of the Target Equity and other factors, on 10 March 2016, the Company entered into the Supplementary Agreement to the Equity Acquisition and Share Issuance Agreement with AVIC, pursuant to which, the consideration for the acquisition of 100% equity interest in AVIC Planning has been confirmed as RMB2,173 million (i.e. RMB2,173,281,600) and the number of consideration shares to be issued by the Company to AVIC has been adjusted to 491,692,669 shares at the issue price of RMB4.42 per consideration share. On 28 June 2016, all conditions precedent to the acquisition of AVIC Planning, as set out in the Equity Acquisition and Share Issuance Agreement, have been satisfied, and the Company issued 491,692,669 new domestic shares to AVIC as the consideration for the acquisition of AVIC Planning. Upon completion of the issuance, the total number of issued shares of the Company increased from 5,474,429,167 shares to 5,966,121,836 shares, among which, the total number of domestic shares has increased from 3,117,995,265 shares to 3,609,687,934 shares, and the total number of H shares held by the H shareholders remained unchanged. On 8 August 2016, the Company announced that the AVIC Planning Acquisition has been completed and the entire equity interest in AVIC Planning has been transferred to the Company.

Please refer to the announcements of the Company dated 30 September 2015, 19 October 2015, 10 March 2016, 28 June 2016 and 8 August 2016, and the circular dated 10 May 2016 for details.

## USE OF PROCEEDS

As at 30 June 2016, a total of RMB3,436 million out of the proceeds raised by the Company had been invested in the manufacturing, research and development of advanced trainers, helicopters, and aviation composite materials as well as the acquisition of aviation business assets and equity investment. The remaining balance was deposited in banks in the PRC as interest-bearing short-term deposits.

## EMPLOYEES

As at 30 June 2016, the Group had 50,257 employees. The Group’s staff costs amounted to RMB2,511 million for the six months ended 30 June 2016, representing an increase of RMB106 million or 4.41% as compared with that of RMB2,405 million in the corresponding period of last year.

The remuneration policies and training plans of the Company remained the same as those set out in the 2015 annual report of the Company.

## Disclosure of Interests and Other Information

### CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Maurice Savart applied for resignation to the Board as a non-executive Director due to other work commitment, and Mr. Kiran Rao was nominated as the candidate for the new non-executive Director. At the annual general meeting convened on 13 June 2016, Mr. Kiran Rao was appointed as the new non-executive Director of the Company and a member of the Development and Strategy Committee of the Board, and Mr. Maurice Savart ceased to be a non-executive Director of the Company and a member of the Development and Strategy Committee of the Board.

Mr. Guo Chongqing applied for resignation to the Board as a non-executive Director due to his age, and Mr. He Zhiping was nominated as the candidate for the new non-executive Director. At the extraordinary general meeting convened on 25 August 2016, Mr. He Zhiping was appointed as the new non-executive Director of the Company, and Mr. Guo Chongqing ceased to be a non-executive Director of the Company.

Due to other business commitment and allocation of more time on new positions, (i) Mr. Chen Guanjun applied to resign as a supervisor and other related positions of the Company with effect from the appointment of his replacement to be approved at the extraordinary general meeting of the Company; (ii) Mr. Tan Ruisong (“**Mr. Tan**”) resigned as the general manager of the Company with effect from 25 August 2016; (iii) Mr. Zhang Kunhui (“**Mr. Zhang**”) and Mr. Lv Jie (“**Mr. Lv**”) resigned as the vice-general managers with effect from 25 August 2016; (iv) Mr. Yan Lingxi (“**Mr. Yan**”) resigned as the secretary of the Board, company secretary and authorized representative of the Company with effect from 25 August 2016.

Each of Mr. Chen Guanjun, Mr. Tan, Mr. Lv, Mr. Zhang and Mr. Yan has confirmed that there is no disagreement with the Board and that there is no matter with respect to his resignation that needs to be brought to the attention to the Company’s shareholders. The Board would like to take this opportunity to express its sincere gratitude to Mr. Chen Guanjun, Mr. Tan, Mr. Lv, Mr. Zhang and Mr. Yan for their valuable contribution to the Company during their terms of service.

The Board announces that (i) Mr. Zheng Qiang has been nominated as the supervisor candidate of the Company by AVIC; (ii) Mr. Chen Yuanxian has been appointed as the general manager with a term of office commencing from 25 August 2016 until the expiry of the term of the fifth Session of the Board or his dismissal by the Board; (iii) Mr. Tang Jun has been appointed as the vice general manager with a term of office commencing from 25 August 2016 until the expiry of the term of the fifth Session of the Board or his dismissal by the Board; and (iv) Mr. Gan Liwei has been appointed as the secretary of the Board with a term of office commencing from 25 August 2016 until the expiry of the term of the fifth session of the Board or his dismissal by the Board.

## Disclosure of Interests and Other Information

### CHANGES OF THE COMPANY SECRETARY AND AUTHORIZED REPRESENTATIVE

As approved by the Board, Mr. Xu Bin has been appointed as the company secretary and authorized representative of the Company, with effect from 25 August 2016.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and the Shares Trading Management Rules as its own guidelines for securities transactions by its Directors, supervisors and employees of the Company. The Board has also confirmed that, having made specific enquiries of all Directors and supervisors, all the Directors and supervisors of the Company had complied with the required standards for securities transactions by Directors and supervisors set out in the Model Code for the six months ended 30 June 2016.

### THE INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, save as disclosed below, none of the Directors, Supervisors or Chief Executive of the Company had interests or held short positions in the shares, underlying shares and/or debentures of the Company and/or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“**SFO**”)), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO.

Name of Director	Class of Shares	Capacity	Number of Shares	Approximate percentage of shareholdings to the same class of Shares	Approximate percentage of shareholdings to share capital in issue	Nature of Shares held
Lin Zuoming (Note)	H Share	Beneficial owner	462,005	0.020%	0.008%	Long position
Tan Ruisong	H Share	Beneficial owner	563,811	0.024%	0.010%	Long position
Gu Huizhong	H Share	Beneficial owner	239,811	0.010%	0.004%	Long position
Gao Jianshe	H Share	Beneficial owner	231,811	0.010%	0.004%	Long position
Yeung Jason Chi Wai	H Share	Beneficial owner	248,000	0.011%	0.004%	Long position
Chen Guanjun	H Share	Beneficial owner	100,507	0.004%	0.002%	Long position

Note: Based on the relevant disclosure of interests filed on the website of the Hong Kong Stock Exchange, as at 30 June 2016, Mr. Lin Zuoming held 2,000 A shares in AVICOPTER PLC (“**AVICOPTER**”) (listed on the Shanghai Stock Exchange with the stock code: 600038) and 5,000 A shares in AVIC Avionics Systems Co., Ltd (“**AVIC Avionics**”) (listed on the Shanghai Stock Exchange with the stock code: 600372), representing approximately 0.0003% and 0.0003% of the total issued share capital of AVICOPTER and AVIC Avionics respectively. AVICOPTER and AVIC Avionics were subsidiaries of the Company, and therefore they were associated corporations (within the meaning of Part XV of the SFO) of the Company.

## Disclosure of Interests and Other Information

### SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, pursuant to the register kept under section 336 of the SFO, shareholders holding 5% or more than 5% equity interests in the Company and its associated corporations were as follows:

Name of Shareholders	Class of shares	Capacity	Number of shares	Approximate percentage of shareholdings to the same class of shares	Approximate percentage of shareholdings to share capital in issue	Nature of shares held
AVIC (Note 1)	Domestic Shares	Beneficial owner; interest in controlled corporation	3,481,185,569	96.44%	58.35%	Long position
	H Shares	Interest in controlled corporation	13,076,000	0.55%	0.22%	Long position
European Aeronautic Defence and Space Company – EADS N.V (Note 2)	H Shares	Beneficial owner	274,909,827	11.67%	4.61%	Long position
Citigroup Inc. (Note 3)	H Shares	Interest in corporation controlled by the substantial shareholder	146,635,658	6.22%	2.46%	Long position
		Custodian corporation/approved lending agent	1,851,348	0.08%	0.03%	Long position
		Custodian corporation/approved lending agent	144,784,310	6.14%	2.43%	Long position
	H Shares	Interest in corporation controlled by the substantial shareholder	9,471,000	0.40%	0.16%	Short position
	H Shares	Custodian corporation/approved lending agent	144,784,310	6.14%	2.43%	Lending Pool

#### Notes:

- Out of 3,481,185,569 domestic shares held by AVIC, 3,297,780,902 domestic shares were held as beneficial owner and 183,404,667 domestic shares were held through AVIC Electromechanical Systems Company Limited, its wholly-owned subsidiary. On 28 June 2016, the Company completed issuance of 491,692,669 domestic shares to AVIC as consideration for acquiring AVIC Planning. Upon completion of the share issuance, AVIC and its subsidiaries hold 3,494,261,569 shares in the Company, accounting for 58.57% of the total share capital of the Company in issue (among which, China Aviation Industry(HK) Co., Ltd holds 13,076,000 H shares in the Company).
- European Aeronautic Defence and Space Company – EADS N.V. officially changed its name to Airbus Group on 1 January 2014.
- Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by Citigroup Inc. on June 21, 2016, Citigroup Inc. was deemed to be interested in 146,635,658 H shares (L), 9,471,000 H shares (S) and 144,784,310 H shares (P). These shares were held by Citigroup Global Markets Hong Kong Limited, Citigroup Global Markets Limited, Citigroup Global Markets Inc., Morgan Stanley Smith Barney Holdings LLC, Citigroup Global Markets Inc., Citigroup Global Markets Europe Limited, Citigroup Global Markets (International) Finance AG, Citigroup Global Markets International LLC, Citigroup Financial Products Inc., Citigroup Global Markets Holdings Inc., Citibank N.A., Citicorp Holdings Inc., Citigroup Alternative Investments LLC, Citigroup Investments Inc., Automated Trading Desk Financial Services, LLC, Automated Trading Desk, LLC, Automated Trading Desk Holdings, Inc., Citigroup Acquisition LLC, Citigroup Trust – Delaware, National Association, Citicorp Trust, National Association, Citicorp Trust South Dakota, Citibank N.A., Citigroup Global Markets Asia Limited, Citigroup Global Markets Hong Kong Holdings Limited, Citigroup Global Markets Overseas Finance Limited, Citigroup Global Markets Switzerland Holding GmbH, Cititrust (Bahamas) Limited, Citigroup Participation Luxembourg Limited, Citigroup International Luxembourg Limited, Citigroup Overseas Investments Bahamas Inc., Citibank Overseas Investment Corporation, Cititrust (Switzerland) Limited, Citigroup Global Markets Deutschland AG, Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, Citigroup Derivatives Markets Inc., Citigroup Global Markets Europe Limited, Citigroup Global Markets Europe Finance Limited, Citigroup Global Markets Switzerland Holding GmbH, Citigroup First Investment Management Limited., which were directly or indirectly controlled by Citigroup Inc.. Citigroup Inc. was deemed to be interested in the shares held by such companies by virtue of the SFO.

## Disclosure of Interests and Other Information

Save as disclosed above, as at 30 June 2016, the Company had not been notified of any interests and short positions in 5% or more than 5% of the shares and underlying shares of the Company which had been recorded in the register kept by the Company under section 336 of the SFO.

### AUDIT COMMITTEE

The Board has established an audit committee and set out the Terms of Reference of the Audit Committee in accordance with "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and other rules. The audit committee had reviewed the Company's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016.

### CORPORATE GOVERNANCE

The Company has strictly complied with various applicable laws, rules and regulations as well as its Articles of Association to standardize its operation. After reviewing the corporate governance practices adopted by the Company, the Board was of the view that the Company complied with the requirements of the principles and code provisions set out in the Corporate Governance Code under the Hong Kong Listing Rules for the six months ended 30 June 2016, except for the deviation that the chairman of the Board, Mr. Lin Zuoming was not able to attend the annual general meeting of the Company held on 13 June 2016 due to healthy reason. Mr. Tan Ruisong, vice chairman of the Board, was authorized to chair the annual general meeting and answer the questions raised at the meeting.

### OTHER EVENTS

1. On 3 February 2016, AVIC Forstar Science & Technology Co., Ltd., a subsidiary of JONHON OPTRONIC, was officially listed on the National Equities Exchange and Quotations System, with its stock abbreviation as "Forstar" and stock code as "835640". Please refer to the announcements of the Company dated 26 August 2015, 13 January 2016 and 3 February 2016 for details.
2. On 13 June 2016, Hafei Aviation, a non-wholly owned subsidiary of the Company, entered into the Joint Venture Contract with China Aviation Industry General Aircraft Co., Ltd. ("CAIGA"), a subsidiary of AVIC, and Heilongjiang Dazheng Investment Group Co., Ltd. ("**Dazheng Investment**"), pursuant to which Hafei Aviation proposed to contribute RMB200 million in kind in the establishment of Harbin General Aircraft, which shall primarily be engaged in the manufacturing and sales of general fixed-wing aircraft and relevant businesses including client service and etc. Upon the establishment of Harbin General Aircraft, Hafei Aviation, CAIGA and Dazheng Investment will hold 40%, 40% and 20% of the equity interest in Harbin General Aircraft, respectively. Please refer to the announcement of the Company dated 13 June 2016 for details.
3. On 3 July 2016, as there have been considerable changes in relevant policies, after comprehensive consideration of factors in all aspects and after prudent discussion and analysis, the parties to the agreement, after negotiation, have reached a consensus to terminate the Framework Agreement on Capital Increases in AVIC Shenyang Aircraft Industrial (Group) Co., Ltd. and AVIC Chengdu Aircraft Industrial (Group) Co., Ltd. which was entered into by the Company, AVIC Capital Co., Ltd., AVIC Avionics, AVIC Aircraft Co., Ltd. and AVIC Electromechanical Systems Co., Ltd. PLC, as the capital increase participants, and AVIC Shenyang Aircraft Industrial (Group) Co., Ltd. and AVIC Chengdu Aircraft Industrial (Group) Co., Ltd. as the capital increase targets on 18 August 2015. Please refer to the announcement of the Company dated 3 July 2016 for details.

## Disclosure of Interests and Other Information

### PURCHASE, SALE AND REDEMPTION OF SECURITIES

For the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

#### **Lin Zuoming**

Chairman

Beijing, 25 August 2016

*As at the date of this report, the Board comprises executive Director Mr. Lin Zuoming and non-executive Directors Mr. Tan Ruisong, Mr. Gu Huizhong, Mr. Gao Jianshe, Mr. He Zhiping and Mr. Kiran Rao as well as independent non-executive Directors Mr. Lau Chung Man, Louis, Mr. Liu Renhuai and Mr. Yeung Jason Chi Wai.*

## Unaudited interim condensed consolidated statement of profit or loss

	Notes	For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited) (Restated)
<b>REVENUE</b>	5	15,391,169	15,141,481
Cost of sales		(12,512,079)	(12,279,824)
<b>Gross profit</b>		2,879,090	2,861,657
Other income and gains	5	121,356	144,014
Other expenses		(59,435)	(29,555)
Other income and gains, net		61,921	114,459
Selling and distribution expenses		(252,207)	(217,064)
Administrative expenses		(1,457,851)	(1,694,265)
<b>OPERATING PROFIT</b>		1,230,953	1,064,787
Finance income		112,039	118,437
Finance costs		(207,948)	(217,589)
Finance costs, net	7	(95,909)	(99,152)
Share of profits of:			
Joint ventures		13,124	10,794
Associates		25,089	61,220
<b>PROFIT BEFORE TAX</b>	6	1,173,257	1,037,649
Income tax expense	8	(181,189)	(144,183)
<b>PROFIT FOR THE PERIOD</b>		992,068	893,466
<b>Attributable to:</b>			
Equity holders of the Company		504,202	471,698
Non-controlling interests		487,866	421,768
		992,068	893,466
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic			
– For profit for the period	10	RMB0.0845	RMB0.0791
Diluted			
– For profit for the period	10	RMB0.0845	RMB0.0791

The notes on page 22 to 48 are integral parts of this unaudited interim condensed consolidated financial information.



## Unaudited interim condensed consolidated statement of comprehensive income

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
<b>PROFIT FOR THE PERIOD</b>	<b>992,068</b>	<b>893,466</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Available-for-sale investments:		
Change in fair value	(185,867)	375,706
Income tax effect	27,880	(56,357)
	(157,987)	319,349
Exchange differences on translation of foreign operations	3,415	(103)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(154,572)	319,246
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(154,572)</b>	<b>319,246</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>837,496</b>	<b>1,212,712</b>
<b>Attributable to:</b>		
Equity holders of the Company	424,163	636,419
Non-controlling interests	413,333	576,293
	<b>837,496</b>	<b>1,212,712</b>

The notes on page 22 to 48 are integral parts of this unaudited interim condensed consolidated financial information.

## Unaudited interim condensed consolidated statement of financial position

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited) (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	11,665,909	11,161,067
Investment properties	11	342,804	346,024
Land use rights	11	1,675,063	1,639,197
Goodwill		69,188	69,188
Other intangible assets	11	126,509	138,928
Investments in joint ventures		78,562	75,121
Investments in associates		808,181	838,816
Available-for-sale investments		1,748,754	1,956,185
Deferred tax assets		223,073	207,003
Prepayments, deposits and other receivables	13	759,463	343,168
<b>Total non-current assets</b>		<b>17,497,506</b>	<b>16,774,697</b>
<b>Current assets</b>			
Inventories		21,518,804	20,360,455
Accounts and notes receivable	12	14,872,862	15,294,498
Prepayments, deposits and other receivables	13	2,758,025	2,594,120
Financial assets held for trading		54,434	38,530
Pledged deposits		1,169,796	1,728,065
Term deposits with initial term of over three months		824,537	851,160
Cash and cash equivalents		8,504,233	9,535,436
<b>Total current assets</b>		<b>49,702,691</b>	<b>50,402,264</b>
<b>Total assets</b>		<b>67,200,197</b>	<b>67,176,961</b>

The notes on page 22 to 48 are integral parts of this unaudited interim condensed consolidated financial information.

## Unaudited interim condensed consolidated statement of financial position

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited) (Restated)
<b>EQUITY</b>			
Share capital	16	5,966,122	5,474,429
Reserves		7,054,046	7,231,065
<b>Equity attributable to equity holders of the Company</b>		<b>13,020,168</b>	<b>12,705,494</b>
Non-controlling interests		14,115,739	13,759,865
<b>Total equity</b>		<b>27,135,907</b>	<b>26,465,359</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing bank and other borrowings	15	4,537,218	3,233,391
Deferred income from government grants		814,946	849,189
Deferred tax liabilities		162,248	184,506
Other payables and accruals		12,240	12,240
<b>Total non-current liabilities</b>		<b>5,526,652</b>	<b>4,279,326</b>
<b>Current liabilities</b>			
Accounts and notes payable	14	21,816,711	21,075,103
Other payables and accruals		7,589,338	10,419,518
Interest-bearing bank and other borrowings	15	4,934,347	4,668,282
Tax payable		197,242	269,373
<b>Total current liabilities</b>		<b>34,537,638</b>	<b>36,432,276</b>
<b>Total liabilities</b>		<b>40,064,290</b>	<b>40,711,602</b>
<b>Total equity and liabilities</b>		<b>67,200,197</b>	<b>67,176,961</b>

The notes on page 22 to 48 are integral parts of this unaudited interim condensed consolidated financial information

## Unaudited interim condensed consolidated statement of changes in equity

	Attributable to equity holders of the Company						Non-	Total	
	Issued capital	Capital reserve	Fair value reserve	Currency	Other reserves	Retained earnings	Subtotal		controlling interests
				translation reserve					
RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	
As at 31 December 2015	5,474,429	3,850,227	471,196	3,999	208,315	1,992,838	12,001,004	13,758,050	25,759,054
Business combinations involving entities under common control (Note)	-	450,000	(284,925)	(142)	-	539,557	704,490	1,815	706,305
As at 1 January 2016	5,474,429	4,300,227	186,271	3,857	208,315	2,532,395	12,705,494	13,759,865	26,465,359
Profit for the period	-	-	-	-	-	504,202	504,202	487,866	992,068
Other comprehensive income, net of tax	-	-	(83,454)	3,415	-	-	(80,039)	(74,533)	(154,572)
Total comprehensive income for the period	-	-	(83,454)	3,415	-	504,202	424,163	413,333	837,496
Issue of shares	491,693	1,681,589	-	-	-	-	2,173,282	-	2,173,282
Business combinations involving entities under common control (Note)	-	(2,173,282)	-	-	-	-	(2,173,282)	-	(2,173,282)
2015 final dividend	-	-	-	-	-	(109,489)	(109,489)	-	(109,489)
Contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	149,233	149,233
Dividends to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	(206,692)	(206,692)
Appropriation	-	-	-	-	11,076	(11,076)	-	-	-
As at 30 June 2016	5,966,122	3,808,534	102,817	7,272	291,391	2,916,032	13,020,168	14,115,739	27,135,907

The notes on page 22 to 48 are integral parts of this unaudited interim condensed consolidated financial information.

## Unaudited interim condensed consolidated statement of changes in equity

	Attributable to equity holders of the Company									Non-controlling interests	Total
	Shares held for restricted		Capital reserve	Share-based compensation reserve	Fair value reserve	Currency translation reserve	Other reserves	Retained earnings	Subtotal		
	Issued capital	share scheme									
RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	
<b>As at 31 December 2014</b>	5,474,429	(43,323)	3,686,692	21,870	233,970	(6,309)	179,799	1,268,306	10,815,434	12,485,925	23,301,359
Business combinations involving entities under common control (Note)	-	-	450,000	-	(285,090)	-	-	228,292	393,202	3,361	396,563
<b>As at 1 January 2015</b>	5,474,429	(43,323)	4,136,692	21,870	(51,120)	(6,309)	179,799	1,496,598	11,208,636	12,489,286	23,697,922
Profit for the period	-	-	-	-	-	-	-	471,698	471,698	421,768	893,466
Other comprehensive income, net of tax	-	-	-	-	164,824	(103)	-	-	164,721	154,525	319,246
Total comprehensive income for the period	-	-	-	-	164,824	(103)	-	471,698	636,419	576,293	1,212,712
Partial disposal of interests in subsidiaries	-	-	178,480	-	-	-	-	-	178,480	23,284	201,764
Shares vested under a share scheme											
- Funded by the Company	-	23,299	-	(23,299)	-	-	-	-	-	-	-
- Funded by scheme participants	-	20,024	-	-	-	-	-	-	20,024	-	20,024
Value of employee services under a share scheme	-	-	-	1,429	-	-	-	-	1,429	-	1,429
2014 final dividend	-	-	-	-	-	-	-	(109,489)	(109,489)	-	(109,489)
Contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	6,326	6,326
Dividends to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(153,335)	(153,335)
Appropriation	-	-	-	-	-	-	6,432	(6,432)	-	-	-
Others	-	-	73	-	-	-	-	-	73	-	73
<b>As at 30 June 2015</b>	5,474,429	-	4,315,245	-	113,704	(6,412)	186,231	1,852,375	11,935,572	12,941,854	24,877,426

Note: On 28 June 2016, the Company obtained the control over China Aviation Planning and Design Institute Co., Ltd ("AVIC Planning") through business combination under common control. Refer to Note 4 below.

The notes on page 22 to 48 are integral parts of this unaudited interim condensed consolidated financial information.

## Unaudited interim condensed consolidated statement of cash flows

For the six months ended 30 June

	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited) (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net cash used in operating activities	(1,890,857)	(2,170,365)
Interest received	112,039	107,760
Interest paid	(201,620)	(216,969)
Income tax paid	(263,763)	(233,771)
<b>Net cash flows used in operating activities</b>	<b>(2,244,201)</b>	<b>(2,513,345)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(411,221)	(446,041)
Purchase of land use rights	–	(46,462)
Additions to other intangible assets	(116)	(726)
Disposals of available-for-sale investments	–	38,378
Purchase of financial assets held for trading	(17,925)	–
Disposals of financial assets held for trading	1,483	5,372
Redemption of term deposits with initial term of over three months	851,160	3,453,566
Addition of term deposits with initial term of over three months	(824,537)	(3,751,276)
Government grant for purchase of property, plant and equipment	84,018	–
Proceeds from disposal of property, plant and equipment	7,584	33,903
Addition of investments in associates	–	(10,000)
Disposal of investments in an associate	1,450	–
Disposal of partial equity interests in subsidiaries	–	206,640
Dividends received from joint ventures	9,683	5,685
Dividends received from available-for-sale investments	14,591	12,512
Dividends received from associates	54,283	1,053
Cash received from other investing activities	–	180,000
<b>Net cash flows used in investing activities</b>	<b>(313,565)</b>	<b>(317,396)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	4,730,341	6,366,218
Repayments of borrowings	(3,160,449)	(5,457,235)
Contributions from non-controlling shareholders of subsidiaries	14,549	–
Dividends paid to equity holders of the Company	–	(10,679)
Dividends paid to non-controlling shareholders of subsidiaries	(56,421)	(5,951)
<b>Net cash flows generated from financing activities</b>	<b>1,528,020</b>	<b>892,353</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of year	9,535,436	6,645,421
Effect of foreign exchange rate changes, net	(1,457)	(2,186)
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>8,504,233</b>	<b>4,704,847</b>

The notes on page 22 to 48 are integral parts of this unaudited interim condensed consolidated financial information.

# Notes to the unaudited interim condensed consolidated financial statements

## 1. CORPORATE INFORMATION

AviChina Industry & Technology Company Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on 30 April 2003 as a joint stock company with limited liability under the PRC laws as a result of a group reorganisation of China Aviation Industry Corporation II (“AVIC II”). AVIC II merged with China Aviation Industry Corporation I (“AVIC I”) to form Aviation Industry Corporation of China (“AVIC”) on 6 November 2008, and AVIC became the holding company of the Company thereafter. The Company’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) on 30 October 2003. The address of its registered office is 8th Floor, Tower 2, No. 5A Rongchang East Street, Beijing Economic Technological Development Area, Beijing, and the PRC.

The Company and its subsidiaries (the “Group”) are 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 etc.

The Company’s directors regard AVIC, a company established in the PRC, as being the ultimate holding company of the Company. AVIC is a state-owned enterprise under control of the State Council of the PRC government.

This interim condensed consolidated financial information has not been audited. It is presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

The unaudited interim condensed consolidated financial statements have been approved for issue by the Board of Directors on 25 August 2016.

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

### 2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* promulgated by the International Accounting Standard Board (“IASB”) and Appendix 16 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2015.

# Notes to the unaudited interim condensed consolidated financial statements

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

### 2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

The adoption of the following new standards, interpretations and amendments which are effective for annual periods beginning on or after 1 January 2016 do not have a significant impact to the results and financial position of the Group:

IFRS14	<i>Regulatory Deferral Accounts</i>
Amendments to IFRS 11	<i>Joint Arrangements: Accounting for Acquisitions of Interests</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i>
Annual Improvements 2012-2014 Cycle	
– IFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>
– IFRS 7	<i>Financial Instruments: Disclosures</i>
– IAS 19	<i>Employee Benefits</i>
– IAS 34	<i>Interim Financial Reporting</i>
Amendments to IAS 1	<i>Disclosure Initiative</i>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>

## 3. SEGMENT INFORMATION

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

The Board of Directors classifies the business into three reportable segments:

- Manufacturing, assembly, sales and servicing of helicopters, trainers and other aircraft ("Aviation entire aircraft")
- Manufacturing and sales of aviation parts and components ("Aviation parts and components")
- Delivery of aviation engineering services such as planning, design, consultation, construction and operation etc. ("Aviation engineering services")

The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the interim condensed consolidated statements of profit or loss.

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.



## Notes to the unaudited interim condensed consolidated financial statements

### 3. SEGMENT INFORMATION (Continued)

Reconciliation of segment results to profit for the period:

For the six months ended 30 June 2016

	Aviation entire aircraft RMB'000 (Unaudited)	Aviation parts and components RMB'000 (Unaudited)	Aviation engineering services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment Revenue:</b>				
Sales to external customer	5,126,443	6,741,047	3,523,679	15,391,169
intersegment sales				528,649
				15,919,818
<i>Reconciliation:</i>				
Elimination of intersegment operations				(528,649)
Revenue				15,391,169
<b>Segment results</b>	238,169	929,869	110,074	1,278,112
<i>Reconciliation:</i>				
Interest income				112,039
Corporate and other unallocated expenses				(8,946)
Finance costs				(207,948)
Profit before tax				1,173,257
<b>Other segment information:</b>				
Share of profits and losses of:				
Associates	(14,542)	54,736	(15,105)	25,089
Joint ventures	–	13,124	–	13,124
Impairment losses recognised in the				
statement of profit or loss	(36,505)	70,658	22,316	56,469
Other non-cash expenses	(5,294)	–	–	(5,294)
Depreciation and amortisation	195,638	263,301	19,104	478,043
Capital expenditure	197,803	411,543	89,866	699,212

## Notes to the unaudited interim condensed consolidated financial statements

### 3. SEGMENT INFORMATION (Continued)

30 June 2016

	Aviation entire aircraft RMB'000 (Unaudited)	Aviation parts and components RMB'000 (Unaudited)	Aviation engineering services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment assets</b>	26,234,352	29,699,927	12,817,993	68,752,272
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(1,552,075)
<b>Total assets</b>				<b>67,200,197</b>
<b>Segment liabilities</b>	16,229,572	17,448,425	7,938,368	41,616,365
<i>Reconciliation:</i>				
Elimination of intersegment payables				(1,552,075)
<b>Total liabilities</b>				<b>40,064,290</b>
Investments in associates	400,007	309,178	98,996	808,181
Investments in joint ventures	–	71,053	7,509	78,562

## Notes to the unaudited interim condensed consolidated financial statements

### 3. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2015

	Aviation entire aircraft RMB'000 (Unaudited) (Restated)	Aviation parts and components RMB'000 (Unaudited) (Restated)	Aviation engineering services RMB'000 (Unaudited) (Restated)	Total RMB'000 (Unaudited) (Restated)
<b>Segment Revenue:</b>				
Sales to external customer	5,339,993	5,842,003	3,959,485	15,141,481
intersegment sales				538,470
				15,679,951
<i>Reconciliation:</i>				
Elimination of intersegment operations				(538,470)
Revenue				15,141,481
<b>Segment results</b>				
	242,413	806,357	99,398	1,148,168
<i>Reconciliation:</i>				
Interest income				118,437
Corporate and other unallocated expenses				(11,367)
Finance costs				(217,589)
Profit before tax				1,037,649
<b>Other segment information:</b>				
Share of profits and losses of:				
Associates	874	60,650	(304)	61,220
Joint ventures	–	10,827	(33)	10,794
Impairment losses recognised in the				
statement of profit or loss	74,671	12,926	60,006	147,603
Other non-cash expenses	59,788	–	1,429	61,217
Depreciation and amortisation	195,651	244,560	19,818	460,029
Capital expenditure	356,822	488,493	61,536	906,851

## Notes to the unaudited interim condensed consolidated financial statements

### 3. SEGMENT INFORMATION (Continued)

31 December 2015

	Aviation entire aircraft RMB'000 (Audited) (Restated)	Aviation parts and components RMB'000 (Audited) (Restated)	Aviation engineering services RMB'000 (Audited) (Restated)	Total RMB'000 (Audited) (Restated)
<b>Segment assets</b>	28,302,901	28,218,382	12,102,210	68,623,493
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(1,446,532)
<b>Total assets</b>				67,176,961
<b>Segment liabilities</b>	18,331,513	16,525,655	7,300,966	42,158,134
<i>Reconciliation:</i>				
Elimination of intersegment payables				(1,446,532)
<b>Total liabilities</b>				40,711,602
Investments in associates	442,176	255,883	140,757	838,816
Investments in joint ventures	–	67,612	7,509	75,121

## Notes to the unaudited interim condensed consolidated financial statements

### 4. BUSINESS COMBINATIONS UNDER COMMON CONTROL

On 30 September 2015 and 10 March 2016, the Company entered into an Equity Transfer Agreement, a Supplementary Agreement and a Share Issuance Agreement (collectively “the Agreements”) with its parent company AVIC to acquire 100% of the equity interest of AVIC Planning at the consideration of RMB2,173,281,600. The number of consideration shares issued by the Company to AVIC was 491,692,669 shares at the issue price of RMB4.42 per consideration share. AVIC Planning is a subsidiary of AVIC. It is controlled by AVIC before and after the combination, and that control is not temporary, therefore the business combination is involving entities under common control. In accordance with the Agreements, the consideration shares was fully issued by the Company on 28 June 2016, by when the Company obtained the control over AVIC Planning. 28 June 2016 is determined to be the date of acquisition.

	For the period from 1 January 2016 to 28 June 2016 RMB'000	2015 RMB'000
Revenue	3,438,906	8,677,565
Profit for the period/year	135,926	315,074
Net cash flows	(172,399)	(497,284)

The book value of assets and liabilities of AVIC Planning at the date of acquisition and at the balance sheet date of the prior reporting period were as follows:

	28 June 2016 RMB'000	31 December 2015 RMB'000
Inventories	3,109,187	2,304,182
Other non-current assets	762,296	702,070
Accounts and notes receivable	2,297,958	2,402,039
Cash and cash equivalents	884,382	597,014
Other current assets	562,323	886,896
Total liabilities	(6,751,760)	(6,163,846)
<b>Total</b>	<b>864,386</b>	<b>728,355</b>
Non-controlling interests	(693)	(1,815)
	<b>863,693</b>	<b>726,540</b>
Consolidation difference (recorded in equity)	1,309,589	
Consideration	2,173,282	

## Notes to the unaudited interim condensed consolidated financial statements

### 5. REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Revenue		
Sale of goods	12,394,008	11,553,546
Rendering of services	2,997,161	3,587,935
	15,391,169	15,141,481
Other income		
Income from sale of materials	157,296	127,957
Cost from sale of materials	(137,647)	(117,302)
Profit from sale of materials	19,649	10,655
Income from rendering of maintenance and other services	44,359	41,716
Dividend income	16,105	13,243
Net rental income	7,895	11,768
	88,008	77,382
Gains		
Fair value gains, net:		
Financial assets held for trading	–	167
Gain on disposal of:		
Available-for-sale investments	–	38,023
Interests in an associate	9	–
Interests in a subsidiary	–	7,368
Financial assets held for trading	–	5,372
Others	33,339	15,702
Other income and gains	121,356	144,014
	15,512,525	15,285,495

## Notes to the unaudited interim condensed consolidated financial statements

### 6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited) (Restated)
Cost of inventories sold	9,816,920	8,963,382
Cost of services provided	2,782,723	3,330,644
Depreciation		
Investment properties	4,344	882
Property, plant and equipment	431,520	426,736
Less: Amortisation of deferred income from government grants	(92,315)	(26,809)
	343,549	400,809
Amortisation		
Land use rights	29,267	19,429
Intangible assets	12,912	12,982
Research and development costs		
Current period expenditure	684,060	855,421
Less: Government grants released	(256,587)	(230,085)
	427,473	625,336
Auditors' remuneration	2,409	2,374
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages, salaries, housing benefits and other allowances	2,180,289	2,095,223
Pension scheme contributions	330,231	309,829
Foreign exchange differences, net	(13,673)	13,470
Impairment of:		
Available-for-sale investments	21,578	9,444
Accounts and notes receivable and prepayments, deposits and other receivables	30,140	137,459
Write-down of inventories to net realisable value	4,751	700

## Notes to the unaudited interim condensed consolidated financial statements

### 7. FINANCE COSTS, NET

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Finance income:		
Bank interest income	101,441	107,648
Other interest income	10,598	10,789
	112,039	118,437
Finance costs:		
Interest on bank borrowings and other borrowings	201,490	217,028
Interest on finance leases	130	191
Total interest expense	201,620	217,219
Less: Interest capitalised	(13,493)	(17,242)
Other financial costs	19,821	17,612
	207,948	217,589
Finance costs, net	(95,909)	(99,152)

### 8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Current income tax	191,637	199,159
Deferred income tax	(10,448)	(54,976)
Total tax charge for the period	181,189	144,183

Except for certain subsidiaries which are taxed at a preferential rate of 15% (2015: 15%), in accordance with the relevant PRC enterprise income tax rules and regulations, provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 25% (2015: 25%) on the assessable income of the companies within the Group.



## Notes to the unaudited interim condensed consolidated financial statements

### 9. DIVIDENDS

The Board of Directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

### 10. EARNINGS PER SHARE

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
<hr/>		
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	504,202	471,698
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (thousands)	5,966,122	5,960,395
Potential dilutive effect arising from restricted shares (thousands)	–	3,252
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation (thousands)	5,966,122	5,963,647

## Notes to the unaudited interim condensed consolidated financial statements

### 11. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, LAND USE RIGHTS AND OTHER INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Other Intangible assets RMB'000	Total RMB'000
<b>Cost</b>					
As at 1 January 2016 (audited) (restated)	17,182,898	375,004	1,829,310	217,356	19,604,568
Additions	994,184	1,124	65,132	493	1,060,933
Disposals	(91,444)	–	–	–	(91,444)
As at 30 June 2016 (unaudited)	18,085,638	376,128	1,894,442	217,849	20,574,057
<b>Accumulated depreciation/amortisation</b>					
As at 1 January 2016 (audited) (restated)	6,021,831	28,980	190,112	78,428	6,319,351
Depreciation/amortisation	431,520	4,344	29,267	12,912	478,043
Disposals	(33,622)	–	–	–	(33,622)
As at 30 June 2016 (unaudited)	6,419,729	33,324	219,379	91,340	6,763,772
<b>Net book value</b>					
As at 30 June 2016 (unaudited)	11,665,909	342,804	1,675,063	126,509	13,810,285
<b>Cost</b>					
As at 1 January 2015 (audited) (restated)	15,952,123	50,964	1,883,231	269,533	18,155,851
Additions	841,251	–	46,462	726	888,439
Disposals	(48,529)	(9,505)	(3,561)	(4,080)	(65,675)
As at 30 June 2015 (unaudited)	16,744,845	41,459	1,926,132	266,179	18,978,615
<b>Accumulated depreciation/amortisation</b>					
As at 1 January 2015 (audited) (restated)	5,289,558	8,147	166,829	50,966	5,515,500
Depreciation/amortisation	426,736	882	19,429	12,982	460,029
Disposals	(34,071)	(1,633)	(783)	(4,080)	(40,567)
As at 30 June 2015 (unaudited)	5,682,223	7,396	185,475	59,868	5,934,962
<b>Net book value</b>					
As at 30 June 2015 (unaudited)	11,062,622	34,063	1,740,657	206,311	13,043,653

Intangible assets principally represent development costs capitalised in accordance with the Group's accounting policies, trademarks, licenses and contractual customer relationships.

## Notes to the unaudited interim condensed consolidated financial statements

### 12. ACCOUNTS AND NOTES RECEIVABLE

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited) (Restated)
Accounts receivable		
– Ultimate holding company	3,574	5,618
– Fellow subsidiaries	7,047,209	7,693,114
– A joint venture	279	94
– Associates	33,475	36,395
– Other related party	89	2,766
– Others	6,363,053	5,333,946
Accounts receivable, gross	13,447,679	13,071,933
Provision for impairment	(597,168)	(572,318)
Accounts receivable, net	12,850,511	12,499,615
Notes receivable		
– Fellow subsidiaries	1,010,997	1,561,469
– A joint venture	52	950
– Others	1,011,302	1,232,464
	2,022,351	2,794,883
Accounts and notes receivable	14,872,862	15,294,498

Ageing analysis of accounts receivable is as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited) (Restated)
Within 1 year	10,179,512	11,088,902
1 to 2 years	2,447,294	1,476,626
2 to 3 years	494,243	255,875
Over 3 years	326,630	250,530
	13,447,679	13,071,933

Certain accounts receivable were pledged as security for bank borrowings (Note 15 (d)).

## Notes to the unaudited interim condensed consolidated financial statements

### 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016	31 December 2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
		(Restated)
Advances to suppliers		
– Fellow subsidiaries	357,968	262,611
– Others	807,418	772,823
Amounts due from customers for contract work	204,993	145,806
Dividends receivable		
– Associates	50	37,550
– A fellow subsidiary	1,956	300
Prepayments and deposits	495,832	382,693
Other advances to		
– Ultimate holding company	854	1,249
– Fellow subsidiaries	87,484	27,203
Other current assets	641,921	547,452
Other receivables	919,012	759,601
	3,517,488	2,937,288
Less: Non-current portion	(759,463)	(343,168)
	2,758,025	2,594,120

# Notes to the unaudited interim condensed consolidated financial statements

## 14. ACCOUNTS AND NOTES PAYABLE

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited) (Restated)
Accounts payable (Note (a))		
– Ultimate holding company	–	341
– Fellow subsidiaries	2,312,964	4,740,852
– A joint venture	12,178	12,231
– Associates	6,352	26,254
– Others	14,882,332	11,277,291
	<u>17,213,826</u>	<u>16,056,969</u>
Notes payable (Note (b))		
– Fellow subsidiaries	1,494,224	2,404,922
– A joint venture	14,366	12,247
– Others	3,094,295	2,600,965
	<u>4,602,885</u>	<u>5,018,134</u>
	<u>21,816,711</u>	<u>21,075,103</u>

Notes:

- (a) An ageing analysis of the accounts payable as at 30 June 2016 and 31 December 2015, based on the invoice date, is as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited) (Restated)
Within 1 year	11,472,948	12,644,233
1 to 2 years	4,302,414	2,561,982
2 to 3 years	896,665	598,989
Over 3 years	541,799	251,765
	<u>17,213,826</u>	<u>16,056,969</u>

- (b) The bank acceptance notes have an average maturity period of within six months. As at 30 June 2016, notes payable of RMB3,106,797,000 (31 December 2015: RMB3,262,196,000 as restated) were secured by pledged deposits to the extent of RMB1,097,411,000 (31 December 2015: RMB1,671,851,000 as restated).

## Notes to the unaudited interim condensed consolidated financial statements

### 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2016			31 December 2015		
	Effective interest rate (%)	Maturity (Unaudited)	RMB'000	Effective interest rate (%)	Maturity (Audited) (Restated)	RMB'000
<b>Current</b>						
Bank borrowings – unsecured	4-6	2017	2,147,365	3-7	2016	1,895,532
Bank borrowings – secured	4-6	2017	22,000	2-7	2016	520,000
Other borrowings – unsecured	4-6	2017	1,201,000	4-7	2016	1,717,074
Other borrowings – secured	4-6	2017	720,000	4-7	2016	88,362
Current portion of long term						
Bank borrowings – unsecured	3-6	2017	200,282	4-7	2016	564
Bank borrowings – secured	2-3	2017	455,000	4-7	2016	200,000
Other borrowings – unsecured	5-6	2017	188,700	4-7	2016	246,750
			<b>4,934,347</b>			<b>4,668,282</b>
<b>Non-current</b>						
Bank borrowings – unsecured	4-6	2017-2031	74,773	3-6	2017-2018	414,334
Bank borrowings – secured	1-7	2017-2031	506,545	3-7	2017-2020	580,648
Other borrowings – unsecured	4-6	2017-2020	3,455,900	3-8	2017-2019	1,738,450
Other borrowings – secured	5-6	2018-2019	500,000	5-6	2018	499,959
			<b>4,537,218</b>			<b>3,233,391</b>
			<b>9,471,565</b>			<b>7,901,673</b>

# Notes to the unaudited interim condensed consolidated financial statements

## 15. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited) (Restated)
Analysed into:		
Bank borrowings repayable:		
– Within one year	2,824,647	2,616,096
– In the second year	359,997	675,179
– In the third to fifth years, inclusive	50,200	39,139
– Beyond five years	171,121	280,664
	<b>3,405,965</b>	<b>3,611,078</b>
Other borrowings repayable:		
– Within one year	2,109,700	2,052,186
– In the second year	646,100	303,700
– In the third to fifth years, inclusive	3,309,800	1,747,209
– Beyond five years	–	187,500
	<b>6,065,600</b>	<b>4,290,595</b>
	<b>9,471,565</b>	<b>7,901,673</b>

Notes:

(a) As at 30 June 2016, other borrowings represent:

- corporate bonds in an aggregate principal amount of RMB500,000,000 (31 December 2015: RMB500,000,000) which bear interests at 5.08% per annum and guaranteed by the Company.
- corporate bonds in an aggregate principal amount of RMB1,000,000,000 (31 December 2015: Nil) which bear interests at 3.52% per annum.
- corporate bonds in an aggregate principal amount of RMB900,000,000 (31 December 2015: Nil) which bear interests at 3.20% per annum.
- borrowings granted by a fellow subsidiary of the Group amounting to RMB3,680,800,000 (31 December 2015: RMB3,790,595,000) which bear interests at 3.83% to 6.03% per annum.

## Notes to the unaudited interim condensed consolidated financial statements

### 15. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(b) The annual effective interest rates of long-term and short-term borrowings at balance sheet date were as follows:

	30 June 2016 (Unaudited)	31 December 2015 (Audited) (Restated)
Weighted average effective interest rates		
– Bank borrowings	4%	4%
– Other borrowings	5%	5%

(c) All borrowings are denominated in Renminbi.

(d) The Group's long-term and short-term borrowings are secured as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited) (Restated)
Securities over the Group's assets, at carrying value		
– Buildings	32,987	58,046
– Notes receivable	–	88,362
– Accounts receivable	545,553	570,129
	578,540	716,537
Guarantees provided by		
– Fellow subsidiaries	494,424	390,549
– Entities within the Group	500,000	499,959
	994,424	890,508

### 16. SHARE CAPITAL

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited) (Restated)
Registered, issued and fully paid:		
3,609,687,934 (2015: 3,117,995,265) Domestic Shares of RMB1.00 each	3,609,688	3,117,995
2,356,433,902 (2015: 2,356,433,902) H Shares of RMB1.00 each	2,356,434	2,356,434
	5,966,122	5,474,429



# Notes to the unaudited interim condensed consolidated financial statements

## 17. COMMITMENTS

### (a) Capital commitments

The Group has the following capital commitments as at 30 June 2016:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited) (Restated)
Land and buildings	300,761	445,339
Plant and equipment	–	67,145
Construction	501,612	433,245
Investment in acquisition of a subsidiary	–	2,173,282
	<b>802,373</b>	<b>3,119,011</b>

### (b) Operating lease commitments

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases as at 30 June 2016:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited) (Restated)
Land and buildings		
– Not later than one year	23,223	20,273
– Later than one year and not later than five years	76,301	39,740
– Later than five years	10,351	13,553
	<b>109,875</b>	<b>73,566</b>

## Notes to the unaudited interim condensed consolidated financial statements

### 18. SIGNIFICANT RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions in addition to those shown elsewhere in this unaudited interim condensed financial information. Management of the Group are of the opinion that meaningful information relating to related party disclosures has been adequately disclosed.

#### (a) Significant transactions with related parties:

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited) (Restated)
Associates:		
Sales of products	4,935	82
Purchases of products	20,348	595
Service fee payable	–	540
Rental expense	535	–
A joint venture:		
Sales of products	277	437
Purchases of products	48,072	64,998
Fellow subsidiaries:		
Sales of products	8,280,995	7,941,248
Purchases of products	3,773,431	4,360,803
Rendering of service	2,459,703	3,032,041
Service fee payable	132,431	258,372
Rental expense	19,895	31,665
Rental income	6,063	–
Guarantee	494,424	416,674
Others:		
Sales of products	4,129	2,406
Key management compensation:		
Salaries, bonuses and other welfares	2,195	2,210

In the opinion of the directors of the Company, the above transactions were carried out in the ordinary course of the Group's business and were determined based on mutually agreed terms.

## Notes to the unaudited interim condensed consolidated financial statements

### 18. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (b) Significant balances with related parties:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited) (Restated)
Assets:		
Accounts receivable		
– Ultimate holding company	3,574	5,618
– Fellow subsidiaries	7,047,209	7,693,114
– A joint venture	279	94
– Associates	33,475	36,395
– Other related party	89	2,766
Notes receivable		
– Fellow subsidiaries	1,010,997	1,561,469
– A joint venture	52	950
Advance to suppliers		
– Fellow subsidiaries	357,968	262,611
Other receivables and prepayments		
– Ultimate holding company	854	1,249
– Fellow subsidiaries	89,440	27,503
– Associates	50	37,550
Deposits		
– A fellow subsidiary	1,677,743	2,334,399
Liabilities:		
Accounts payable		
– Ultimate holding company	–	341
– Fellow subsidiaries	2,312,964	4,740,852
– A joint venture	12,178	12,231
– Associates	6,352	26,254
Notes payable		
– Fellow subsidiaries	1,494,224	2,407,972
– A joint venture	14,366	12,247
Advances from customers		
– Fellow subsidiaries	2,510,158	4,797,359
Other payables and accruals		
– Ultimate holding company	270,385	270,735
– Fellow subsidiaries	573,495	634,446

## Notes to the unaudited interim condensed consolidated financial statements

### 18. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (c) Other items:

As at 30 June 2016, certain of the Group's property, plant and equipment with carrying value of approximately RMB104,814,000 (31 December 2015: RMB118,249,000) were situated on leasehold land in the PRC which are granted by AVIC for the Group's use at no cost or have been leased from certain fellow subsidiaries under long-term leases.

### 19. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets and financial liabilities, other than cash and cash equivalents, term deposits and pledged deposits, held by the Group as at 30 June 2016 and 31 December 2015:

#### Financial assets

30 June 2016 (Unaudited)	Financial assets at fair value through profit or loss held for trading RMB'000	Borrowings and receivables RMB'000	Available-for- sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	–	1,748,754	1,748,754
Accounts and notes receivable	–	14,872,862	–	14,872,862
Financial assets included in prepayments, deposits and other receivables	–	2,621,333	–	2,621,333
Financial assets held for trading	54,434	–	–	54,434
Pledged deposits	–	1,169,796	–	1,169,796
Cash and cash equivalents	–	8,504,233	–	8,504,233
Term deposits with initial term of over three months	–	824,537	–	824,537
	54,434	27,992,761	1,748,754	29,795,949

#### Financial liabilities

30 June 2016 (Unaudited)	Financial liabilities at amortised cost RMB'000	Total RMB'000
Accounts and notes payable	21,816,711	21,816,711
Financial liabilities included in other payables and accruals	3,917,779	3,917,779
Interest-bearing bank and other borrowings	9,471,565	9,471,565
	35,206,055	35,206,055

## Notes to the unaudited interim condensed consolidated financial statements

### 19. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

#### Financial assets

31 December 2015 (Audited) (Restated)	Financial assets at fair value through profit or loss held for trading RMB'000	Borrowings and receivables RMB'000	Available-for- sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	–	1,956,185	1,956,185
Accounts and notes receivable	–	15,294,498	–	15,294,498
Financial assets included in prepayments, deposits and other receivables	–	2,392,833	–	2,392,833
Financial assets held for trading	38,530	–	–	38,530
Pledged deposits	–	1,728,065	–	1,728,065
Cash and cash equivalents	–	9,535,436	–	9,535,436
Term deposits with initial term of over three months	–	851,160	–	851,160
	38,530	29,801,992	1,956,185	31,796,707

#### Financial liabilities

31 December 2015 (Audited) (Restated)	Financial liabilities at amortised cost RMB'000	Total RMB'000
Accounts and notes payable	21,075,103	21,075,103
Financial liabilities included in other payables and accruals	3,574,830	3,574,830
Interest-bearing bank and other borrowings	7,901,673	7,901,673
	32,551,606	32,551,606

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 – Quoted (unadjusted) market process in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

## Notes to the unaudited interim condensed consolidated financial statements

### 19. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

The following tables present the Group's financial assets and liabilities that are measured at fair value.

As at 30 June 2016 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices	Significant	Significant	
	In active market	observable	unobservable	
	(Level 1)	inputs	inputs	
	RMB'000	RMB'000	RMB'000	
Available-for-sale investments:				
– listed equity investments	1,001,095	139,508	–	1,140,603
Financial assets held for trading	54,434	–	–	54,434
	1,055,529	139,508	–	1,195,037

As at 31 December 2015 (Audited) (Restated)

	Fair value measurement using			Total RMB'000
	Quoted prices	Significant	Significant	
	In active market	observable	unobservable	
	(Level 1)	inputs	inputs	
	RMB'000	RMB'000	RMB'000	
Available-for-sale investments:				
– listed equity investments	1,141,590	184,867	–	1,326,457
Financial assets held for trading	38,530	–	–	38,530
	1,180,120	184,867	–	1,364,987

## Notes to the unaudited interim condensed consolidated financial statements

### 19. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

The following tables present the Group's assets and liabilities that are disclosed at fair value.

At 30 June 2016 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices	Significant	Significant	
	In active market	observable	unobservable	
	(Level 1)	inputs	inputs	
	RMB'000	RMB'000	RMB'000	
Investment properties	–	448,187	–	448,187
	–	448,187	–	448,187

As at 31 December 2015 (Audited) (Restated)

	Fair value measurement using			Total RMB'000
	Quoted prices	Significant	Significant	
	In active market	observable	unobservable	
	(Level 1)	inputs	inputs	
	RMB'000	RMB'000	RMB'000	
Investment properties	–	448,187	–	448,187
	–	448,187	–	448,187

## Notes to the unaudited interim condensed consolidated financial statements

### 19. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

At 30 June 2016 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices	Significant	Significant	
	In active market	observable	unobservable	
	(Level 1)	inputs	inputs	
	RMB'000	RMB'000	(Level 3)	
			RMB'000	
Interest-bearing bank and other borrowings:				
non-current	–	4,540,141	–	4,540,141
Other payables and accruals:				
non-current	–	11,668	–	11,668
	–	4,551,809	–	4,551,809

As at 31 December 2015 (Audited) (Restated)

	Fair value measurement using			Total RMB'000
	Quoted prices	Significant	Significant	
	In active market	observable	unobservable	
	(Level 1)	inputs	inputs	
	RMB'000	RMB'000	(Level 3)	
			RMB'000	
Interest-bearing bank and other borrowings:				
non-current	–	3,304,651	–	3,304,651
Other payables and accruals:				
non-current	–	11,668	–	11,668
	–	3,316,319	–	3,316,319

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six-month period ended 30 June 2016.

The carrying amounts of the Group's financial assets, including cash and cash equivalents, pledged deposits, accounts and notes receivable and other receivables, financial assets held for trading, available-for-sale financial assets and the Group's current financial liabilities, including accounts and notes payable and other payables and interest-bearing bank and other borrowings, approximate their fair values. The fair values of non-current portion of borrowings are disclosed in the following table.



## Notes to the unaudited interim condensed consolidated financial statements

### 19. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

	Carrying amount		Fair value	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited) (Restated)	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited) (Restated)
Interest-bearing bank borrowings	581,318	994,982	548,822	1,009,585
Other borrowings	3,955,900	2,238,409	3,991,319	2,295,066
Other payables and accruals	12,240	12,240	11,668	11,668
	<b>4,549,458</b>	<b>3,245,631</b>	<b>4,551,809</b>	<b>3,316,319</b>

The fair values are based on discounted cash flows using applicable discount rates based upon the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics as at the balance sheet dates. Such discount rates ranged from: 4.75% to 4.90% as at 30 June 2016 (31 December 2015: 4.75% to 4.90%) depending on the type of the debt.

### 20. COMPARATIVE AMOUNTS

As stated in Note 4, the Company obtained the control over AVIC Planning through business combination under common control during the current period, and hence the comparative information of the consolidated financial statements are restated to include the financial position, financial performance and cash flows of AVIC Planning. Accordingly, certain comparative information is restated to conform with current period's presentation and accounting.

## BOARD OF DIRECTORS

Executive Director (Chairman)	Lin Zuoming
Non-Executive Director (Vice Chairman)	Tan Ruisong
Non-executive Director	Gu Huizhong
Non-executive Director	Gao Jianshe
Non-executive Director	He Zhiping
Non-executive Director	Kiran Rao
Independent Non-executive Director	Lau Chung Man, Louis
Independent Non-executive Director	Liu Renhuai
Independent Non-executive Director	Yeung Jason Chi Wai

## SUPERVISORY COMMITTEE

Chairman	Chen GuanJun
Supervisor	Liu Fumin
Supervisor	Li Jing

## SENIOR MANAGEMENT

General Manager	Chen Yuanxian
Vice General Manager	Tang Jun
Secretary of the Board	Gan Liwei

## COMPANY SECRETARY

Xu Bin

## THE LEGAL NAME OF THE COMPANY

中國航空科技工業股份有限公司  
AviChina Industry & Technology Company Limited  
Abbreviation name in Chinese: 中航科工  
Abbreviation name in English: AVICHINA  
Legal representative: Lin Zuoming

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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## AUTHORISED REPRESENTATIVES

Tan Ruisong Xu Bin

## PRINCIPAL BANKERS

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Shanghai, the PRC

Bank of Communications Co., Ltd.  
No. 188, Yin Cheng Zhong Road, Pudong New District,  
Shanghai, the PRC

China Minsheng Banking Corp., Ltd.  
No. 2, Fuxingmennei Street, Xicheng District,  
Beijing, the PRC

Bank of China  
No. 1, Fuxingmennei Street, Xicheng District,  
Beijing, the PRC

## PLACE OF LISTING, STOCK NAME AND STOCK CODE

Main Board of The Stock Exchange of  
Hong Kong Limited (H Shares)  
Stock name: AVICHINA  
Stock code: 2357

## REGISTERED ADDRESS

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