



# AviChina

AviChina Industry & Technology Company Limited  
中國航空科技工業股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)  
(Stock Code : 2357)



# 2015

## 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 2015 prepared according to International Accounting Standards 34 “Interim Financial Reporting”.

Revenue	RMB11,354 million
Profit attributable to equity holders of the Company	RMB360 million
Earnings per share, basic and diluted	
– Basic and diluted	RMB0.0657
Equity attributable to equity holders of the Company	RMB11,430 million

### INTERIM DIVIDEND

The Board proposes that no interim dividend be paid for the six months ended 30 June 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In the first half of 2015, facing the complex foreign and domestic economic environment and the continuously increasing downward pressure, China's economy stepped into a "new normal" development period, bringing significant opportunities for transformation, upgrading, innovation and development of the manufacturing industry. The Group actively embraced the challenges by reinforcing the overall planning, increasing the investment in innovation and research and development ("**R&D**") and accelerating the improvement of the internal regulations, thereby maintaining the steady development in all of its businesses.

For the six months ended 30 June 2015, the Group recorded a revenue of RMB11,354 million, representing an increase of 9.18% as compared with that in the corresponding period of 2014. The profit attributable to equity holders of the Company for the reporting period was RMB360 million, representing a decrease of 4.00% as compared with that in the corresponding period of 2014.

In the first half of 2015, Aviation Industry Corporation of China ("**AVIC**"), the controlling shareholder of the Company, by adhering to its development strategy as guidance, unremittingly promoted technology innovation and management reform, leading to a continuous improvement in its competitiveness and market influence, and a steady increase in its comprehensive strength. AVIC was listed on the Fortune Global 500 with an operating revenue of USD62.2 billion, ranking the 159th, which represented an advance of 19 places from 2014 and 267 places from its first appearance on the Fortune Global 500 in 2009. For the fourth consecutive year, AVIC was elected as China's 500 Most Valuable Brands, ranking the 25th with a brand value of RMB100.8 billion and marking a break-through of the RMB100 billion brand value for the first time. Meanwhile, the Chairman of the Company, Mr. Lin Zuoming, was elected as one of China's 50 Most Influential Business Leaders for year 2015 for the fifth consecutive year.

In the first half of 2015, with a view to continuously improving the aviation industrial chain, the Company actively expanded into new businesses by making capital contributions to the establishment of AVIC Nanjing Servo Control Systems Co., Ltd. ("**Nanjing Servo Control**") jointly with China Aviation Industry Corporation Jincheng Nanjing Mechanics-electronics-hydraulics Research Centre ("**AVIC Jincheng**") and to the establishment of AVIC Nanjing Electromechanical Technology Co., Ltd. ("**Nanjing Electromechanical**") jointly with AVIC Jincheng and AVIC Electromechanical Systems Co., Ltd. ("**AMES**"), thereby expanding the scale of the electromechanical business of the Group.

In June 2015, the EC175 project of AVICOPTER PLC ("**AVICOPTER**") successfully passed the POA annual examination conducted by EASA, which meant that the parts and components products developed and manufactured by AVICOPTER relating to the aircraft body of EC175 (medium-sized helicopter) could continue to be manufactured in bulk and to be sold and used in the European market. In March 2015, Harbin Hafei Airbus Composite Materials Manufacture Centre Co., Ltd. successfully completed the delivery of the A320 work package.

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2015, Jiangxi Hongdu Aviation Industry Co., Ltd. (“**Hongdu Aviation**”) smoothly implemented the R&D, manufacture and international marketing of L15 advanced trainer; commenced the application process for the CAAC type certificate for N5B aircraft upon completion of the design and upgrading plan; and completed all ground testing verification for L7 aircraft.

The avionics and electromechanical businesses of the Group have achieved good progress. In the first half of 2015, China Avionics Systems Co., Ltd. (“**AVIC Avionics**”) focused on the R&D and management of the avionics products of C919 (large scale passenger aircraft) project and completed the delivery of products and system testing as scheduled. AVIC Avionics also deepened the joint R&D of products relating to the airborne system for MA700 aircraft (new model regional turboprop aircraft). In March 2015, China Aviation Optical-Electrical Technology Co., Ltd. (“**JONHON Optronics**”) entered into a strategic cooperation agreement with China Electronics Standardization Institute, to promote the further reasonable planning and improvement of the existing product mix and standards system of JONHON Optronics, which will facilitate the establishment of standards in new technologies and the transformation of such standards into production capabilities and actual benefits for JONHON Optronics. JONHON Optronics and its subsidiary AVIC Forstar S&T Co., Ltd. participated in the 40th optical fiber exhibition in the U.S. and the 18th electronic devices exhibition in Russia and promoted the brand image with good results. In April 2015, Tianjin Aviation Mechanical & Electrical Co., Ltd., a subsidiary of the Company, obtained the airworthiness standards label for the C919 system parts and components.

### FUTURE OUTLOOK

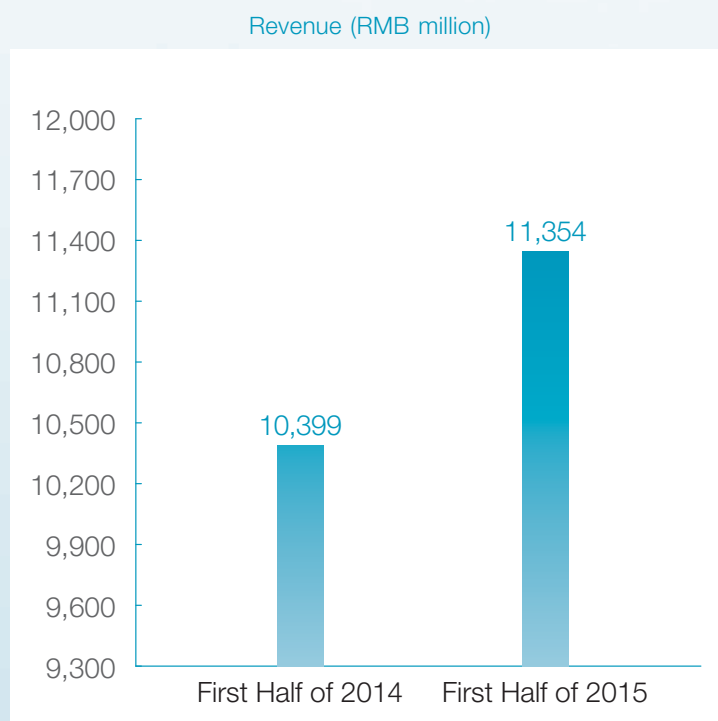
In May 2015, the State Council published the “Made in China 2025” program for the comprehensive implementation of a strong manufacturing nation strategy. Among the nine strategic tasks and key focuses set out in the “Made in China 2025” program, the State Council commenced the promotion of the ground-breaking developments of the aeronautics and astronautics equipment industry by accelerating the industrialization of artery airliner and regional aircraft, helicopter, unmanned aerial vehicle and general aircraft and developing advanced airborne equipment and system as well as facilitating the formation of an independent and complete aviation industrial chain. The Company will, by making full use of this opportunity, define its deployment strategy, consolidate resources with competitive advantages, actively respond to national policies, enlarge the market share and promote steady development of all businesses of the Company.

In the second half of 2015, the economic downturn will bring more challenges for the manufacturing industry. The Company will further optimize its development strategy, further improve its management regulations and increase the investment in R&D and innovations to improve the core competitiveness and sustainable development capability of the Company. With the strong support from AVIC, the Company will improve the industrial chain and gradually enlarge its investment in the defence areas by building upon its steady development in the civil aviation industry. The Company will actively utilise global resources and markets through international mergers and acquisitions to enlarge its global industrial layout.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

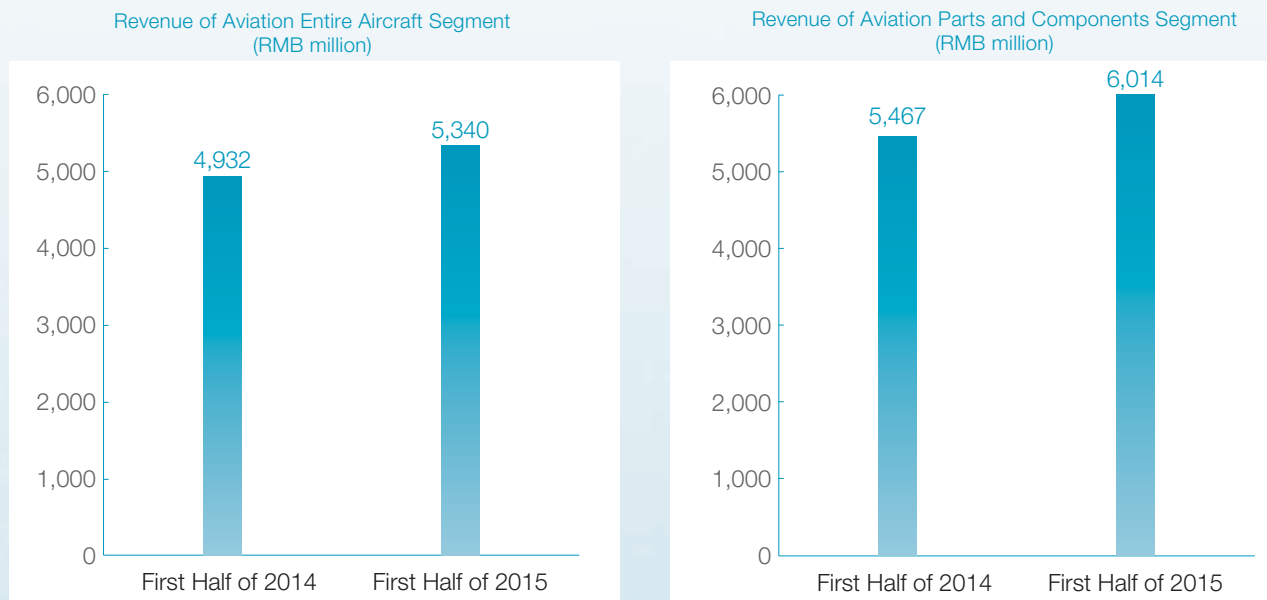


For the six months ended 30 June 2015, the Group achieved a revenue of RMB11,354 million, representing an increase of RMB955 million or 9.18% as compared with that of RMB10,399 million in the corresponding period of last year. Among which, the revenue from avionic products during the reporting period amounted to RMB4,431 million, representing an increase of RMB658 million or 17.44% as compared with that in the corresponding period of last year. The revenue from helicopter products amounted to RMB4,991 million, representing an increase of RMB300 million or 6.40% as compared with that in the corresponding period of last year. The relatively higher increase in revenue from avionic products is mainly attributable to the new production capacity formed by commencement of operation of an optronic technology industrial base.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Segment information



For the six months ended 30 June 2015, the revenue of the aviation entire aircraft segment of the Group amounted to RMB5,340 million, representing an increase of 8.27% as compared with that in the corresponding period of last year and accounting for 47.03% of the total revenue of the Group. The revenue of the aviation parts and components segment of the Group amounted to RMB6,014 million, representing an increase of 10.01% as compared with that in the corresponding period of last year and accounting for 52.97% of the total revenue of the Group.

The segment results of the aviation entire aircraft segment of the Group amounted to RMB240 million, representing an increase of RMB43 million or 21.83% as compared with that of RMB197 million in the corresponding period of last year. Such increase was mainly attributable to the increase in comprehensive gross profit of aviation entire aircraft. The results of the aviation parts and components segment of the Group amounted to RMB680 million, representing a decrease of RMB46 million or 6.34% as compared with that of RMB726 million in the corresponding period of last year, which was mainly attributable to the increase in R&D expenses and labour costs.

### Gross profit

For the six months ended 30 June 2015, the Group recorded a gross profit of RMB2,590 million, representing an increase of RMB493 million or 23.51% as compared with that of RMB2,097 million in the corresponding period of last year. The increase of the gross profit was mainly attributable to the increase in comprehensive gross margin and revenue.

### Selling and distribution expenses

For the six months ended 30 June 2015, the selling and distribution expenses of the Group amounted to RMB203 million, which is generally at the same level with that of RMB204 million in the corresponding period of last year. The selling and distribution expenses accounted for 1.79% of the revenue during the reporting period, representing a slight decrease as compared with that of 1.96% in the corresponding period of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### General and administrative expenses

For the six months ended 30 June 2015, the general and administrative expenses of the Group amounted to RMB1,563 million, representing an increase of RMB438 million or 38.93% as compared with that of RMB1,125 million in the corresponding period of last year. Such increase was mainly attributable to an increase of RMB251 million in R&D investment as compared with that of last year and the increase of labour cost. The general and administrative expenses accounted for 13.77% of the revenue during the reporting period, representing an increase of 2.95 percentage points as compared with that of 10.82% in the corresponding period of last year.

### Finance costs, net

For the six months ended 30 June 2015, the net finance costs of the Group amounted to RMB96 million, representing an increase of RMB80 million as compared with that of RMB16 million in the corresponding period of last year. This was mainly attributable to the increase in external borrowings of certain subsidiaries as compared with that 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

For the six months ended 30 June 2015, the profit attributable to equity holders of the Company amounted to RMB360 million, representing a decrease of RMB15 million or 4.00% as compared with that of RMB375 million in the corresponding period of last year, which was mainly attributable to the increase in R&D expenses and labour cost during the reporting period.

### Liquidity and financial resources

As at 30 June 2015, cash and cash equivalents of the Group amounted to RMB4,246 million, which were mainly derived from cash and bank deposits at the beginning of 2015 and proceeds generated from operations during the reporting period.

As at 30 June 2015, the Group's total borrowings amounted to RMB8,363 million, among which short-term borrowings amounted to RMB5,586 million, current portion of long-term borrowings amounted to RMB481 million and non-current portion of long-term borrowings amounted to RMB2,296 million.

As at 30 June 2015, the Group's bank borrowings amounted to RMB4,499 million (the average interest rate of which was 5% per annum), representing an increase of RMB1,024 million as compared with that at the beginning of the reporting period; and other borrowings amounted to RMB3,864 million (the average interest rate of which was 5% per annum), representing a decrease of RMB79 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 2015, the Group's borrowings were mainly denominated in Renminbi and cash and cash equivalents were mainly denominated in Renminbi.



# MANAGEMENT DISCUSSION AND ANALYSIS

## MORTGAGE AND PLEDGE ON ASSETS

As at 30 June 2015, the Group's secured borrowings amounted to RMB618 million, which were mortgaged and pledged by receivables with a net book value of RMB722 million.

## GEARING RATIO

As at 30 June 2015, the Group's gearing ratio was 14.53% (31 December 2014: 13.56%), which was derived from dividing the total borrowings by the total assets as at 30 June 2015.

## 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 high and will not have any material adverse impact on the Group's financial results.

## CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2015, the Group did not provide any guarantees in favour of any third party and had no significant contingent liabilities.

## MATERIAL ACQUISITIONS AND DISPOSALS

On 30 March 2015, the Company entered into a capital contribution agreement with AVIC Jincheng for the establishment of Nanjing Servo Control, pursuant to which the Company proposed to contribute RMB140 million in cash to Nanjing Servo Control. Upon establishment of Nanjing Servo Control, the Company and AVIC Jincheng would hold 46.67% and 53.33% of the equity interests in Nanjing Servo Control, respectively. Meanwhile, the Company entered into a capital contribution agreement for the establishment of Nanjing Electromechanical with AVIC Jincheng and AMES, pursuant to which the Company proposed to contribute RMB30 million in cash to Nanjing Electromechanical. Upon establishment of Nanjing Electromechanical, the Company, AVIC Jincheng and AMES would hold 10%, 56.67% and 33.33% of the equity interests in Nanjing Electromechanical, respectively. Please refer to the announcement of the Company dated 30 March 2015 for details.

## USE OF PROCEEDS

As at 30 June 2015, a total of RMB3,371 million proceeds raised by the Company had been invested in the manufacturing and R&D 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 2015, the Group had approximately 45,480 employees. The Group's staff costs amounted to RMB2,111 million for the six months ended 30 June 2015, representing an increase of RMB289 million or 15.86% as compared with RMB1,822 million in the corresponding period of last year.

The remuneration policies and training plans of the Company remain the same as those set out in the 2014 annual report of the Company.

## DISCLOSURE OF INTERESTS AND OTHER INFORMATION

### CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

At the annual general meeting convened on 12 June 2015, as the term of office for all the Directors of the fourth session of the Board and supervisors of the fourth session of the supervisory committee had expired, the Company elected the Directors of the fifth session of the Board and the shareholder representative supervisors of the fifth session of the supervisory committee. At the Board meeting convened on 12 June 2015, Mr. Lin Zuoming was appointed as the Chairman of the fifth session of the Board, and Mr. Tan Ruisong was appointed as the Vice Chairman of the fifth session of the Board. At the same time, Mr. Tan Ruisong was appointed as the President of the Company. Mr. Chen Yuanxian, Mr. Zhang Kunhui and Mr. Lv Jie were appointed as the vice presidents of the Company. Mr. Chen Yuanxian was appointed as the CFO of the Company and Mr. Yan Lingxi was appointed as the company secretary of the Company. Upon conclusion of the aforementioned annual general meeting and Board meeting, the fifth session of the Board comprises Mr. Lin Zuoming (Chairman and executive Director), Mr. Tan Ruisong (Vice Chairman, executive Director and President), Mr. Gu Huizhong (non-executive Director), Mr. Gao Jianshe (non-executive Director), Mr. Guo Chongqing (non-executive Director) and Mr. Maurice Savart (non-executive Director) as well as Mr. Lau Chung Man, Louis (independent non-executive Director), Mr. Liu Renhuai (independent non-executive Director) and Mr. Yeung Jason Chi Wai (independent non-executive Director).

At the supervisory committee meeting convened on 12 June 2015, Mr. Chen Guanjun was appointed as the Chairman of the fifth session of the supervisory committee. Upon conclusion of the aforementioned annual general meeting and the supervisory committee meeting, the fifth session of the supervisory committee comprises Mr. Chen Guanjun (Chairman of the supervisory committee and shareholder representative supervisor), Mr. Liu Fumin (shareholder representative supervisor) and Ms. Li Jing (employee representative supervisor).

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Hong Kong Listing Rules**”) and the Company’s 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 Model Code for the six months ended 30 June 2015.

## DISCLOSURE OF INTERESTS AND OTHER INFORMATION

### 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 2015, the interests and short positions of the Directors, supervisors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required: (i) to be 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 (including interests and short positions which they were deemed or taken to have under such provisions of the SFO); or (ii) to be entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) pursuant to Model Code, to be notified to the Company and Hong Kong Stock Exchange, are set out below:

Name	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholdings to the same class of shares	Approximate percentage of 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%	0.005%	Long position
Chen Guanjun	H Share	Beneficial owner	100,507	0.004%	0.002%	Long position

Note:

On 14 and 17 July 2015, Mr. Lin Zuoming, a Director, purchased 5,000 A shares of AVIC Avionics (a subsidiary of the Company) and 2,000 A shares of AVICOPTER (a subsidiary of the Company) respectively on the A share market of Shanghai Stock Exchange, representing approximately 0.0003% and 0.0003% of the issued share capital of AVIC Avionics and AVICOPTER, respectively.

Save as disclosed above, as at 30 June 2015, none of the Directors, supervisors or chief executive of the Company had any interests or short positions: (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) which were required to be notified to the Company and Hong Kong Stock Exchange; or (ii) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) pursuant to Model Code, required to be notified to the Company and Hong Kong Stock Exchange.

# DISCLOSURE OF INTERESTS AND OTHER INFORMATION

## SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, pursuant to the register kept under section 336 of the SFO or based on the information available on the website of Hong Kong Stock Exchange, 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 share capital in issue	Nature of shares held
AVIC (Note 1)	Domestic Shares	Beneficial owner; interest in controlled corporation	2,989,492,900	95.88%	54.61%	Long position
European Aeronautic Defence and Space Company – EADS N.V. (Note 2)	H Shares	Beneficial owner	274,909,827	11.67%	5.02%	Long position

Notes:

1. Out of 2,989,492,900 domestic shares held by AVIC, 2,806,088,233 domestic shares were held as beneficial owner and 183,404,667 domestic shares were held through AMES, its wholly-owned subsidiary. On 8 July 2015, AVIC purchased 13,076,000 H shares of the Company through its wholly-owned subsidiary China Aviation Industry (Hong Kong) Company Limited on the trading system of the Hong Kong Stock Exchange, accounting for 0.24% of the total share capital of the Company in issue. Upon completion of the above purchase, AVIC and its relevant subsidiaries hold in aggregate 3,002,568,900 shares in the Company, accounting for 54.85% of the total share capital of the Company in issue.
2. On 1 January 2014, European Aeronautic Defence and Space Company – EADS N.V. was renamed as Airbus Group.

Save as disclosed above, as at 30 June 2015, 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 or had been notified to Hong Kong Stock Exchange.

## 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 2015.

## 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 Hong Kong Listing Rules for the six months ended 30 June 2015.

# DISCLOSURE OF INTERESTS AND OTHER INFORMATION

## OTHER EVENTS

1. On 30 March 2015, upon resolution by the Board and according to the requirements of the restricted share incentive scheme of the Company, the last one-third of the restricted shares granted to the eligible scheme participants under the initial grant were unlocked on 31 March 2015. Please refer to the announcement of the Company dated 30 March 2015 for details.
2. On 8 July 2015, AVIC, through China Aviation Industry (Hong Kong) Company Limited, one of its subsidiaries, purchased 13,076,000 H Shares of the Company on the trading system of Hong Kong Stock Exchange, for an aggregate amount of approximately HK\$59,898,900 at an average price of HK\$4.58 per H Share. Upon completion of the purchase, the aggregate number of shares held by AVIC and its relevant subsidiaries in the Company was 3,002,568,900, representing 54.85% of the total issued share capital of the Company. Please refer to the announcement of the Company dated 8 July 2015 for details.
3. On 9 July 2015, the Company purchased 1,000,084 shares of Hongdu Aviation, a subsidiary of the Company, on the Shanghai Stock Exchange, representing approximately 0.14% of the total issued share capital of Hongdu Aviation. Upon completion of the purchase, the number of shares in Hongdu Aviation held by the Company changed from 312,883,210 to 313,883,294, and the percentage of shares held by the Company in Hongdu Aviation over the total issued share capital of Hongdu Aviation changed from 43.63% to 43.77%. Please refer to the announcement of the Company dated 9 July 2015 for details.
4. In June 2015, Harbin Aviation Industry (Group) Co., Ltd. ("**Harbin Aviation Group**") disposed of 2,585,721 shares of AVICOPTER on the Shanghai Stock Exchange. Upon completion of the disposal, the Company held 166,270,802 shares in AVICOPTER through Harbin Aviation Group, representing approximately 28.21% of the total issued share capital of AVICOPTER. On 15 July 2015, the Company through a targeted asset management plan purchased 622,800 shares of AVICOPTER, on the Shanghai Stock Exchange at an average price of RMB50.33 per share, amounting to a total sum of approximately RMB31,345,500. Please refer to the announcement of the Company dated 15 July 2015 for details.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has a sufficient public float of more than 25% of its issued shares as required under Hong Kong Listing Rules.

## PURCHASE, SALE AND REDEMPTION OF SECURITIES

For the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### Lin Zuoming

Chairman

Beijing, 26 August 2015

*As at the date of this report, the Board comprises executive Directors Mr. Lin Zuoming and Mr. Tan Ruisong and non-executive Directors Mr. Gu Huizhong, Mr. Gao Jianshe, Mr. Guo Chongqing and Mr. Maurice Savart 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 STATEMENTS OF PROFIT OR LOSS

	Notes	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	3	11,354,405	10,398,535
Cost of sales	6	(8,763,964)	(8,302,004)
<b>Gross profit</b>		<b>2,590,441</b>	<b>2,096,531</b>
Other income and gains	4	124,401	103,496
Selling and distribution expenses	6	(203,125)	(203,893)
General and administrative expenses	6	(1,563,480)	(1,125,257)
Other operating expenses	5	(15,921)	(379)
<b>Operating profit</b>		<b>932,316</b>	<b>870,498</b>
Finance income	7	107,760	155,971
Finance costs	7	(203,636)	(171,923)
Share of profit of a joint venture		10,827	5,040
Share of profits of associates		61,220	46,343
<b>Profit before income tax</b>		<b>908,487</b>	<b>905,929</b>
Income tax expense	8	(126,034)	(119,272)
<b>Profit for the period</b>		<b>782,453</b>	<b>786,657</b>
<b>Attributable to:</b>			
Equity holders of the Company		359,534	375,223
Non-controlling interests		422,919	411,434
		<b>782,453</b>	<b>786,657</b>
<b>Earnings per share for profit attributable to equity holders of the Company during the period:</b>			
		RMB	RMB
– Basic	10	0.0657	0.0688
– Diluted	10	0.0657	0.0688

The notes on page 20 to 38 are integral parts of this unaudited interim condensed consolidated financial information.



## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Profit for the period	782,453	786,657
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:</i>		
Change in fair value of available-for-sale financial assets	319,349	165,727
Exchange differences on translation of foreign operations	(60)	1,110
Net other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax	319,289	166,837
Total comprehensive income, net of tax	1,101,742	953,494
Attributable to:		
Equity holders of the Company	524,298	440,979
Non-controlling interests	577,444	512,515
	1,101,742	953,494

The notes on page 20 to 38 are integral parts of this unaudited interim condensed consolidated financial information.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	10,782,249	10,441,149
Investment properties	11	30,775	39,406
Land use rights	11	1,478,214	1,451,166
Intangible assets	11	206,311	218,567
Investments in associates		891,981	823,955
Investments in a joint venture		57,650	52,508
Available-for-sale financial assets		1,606,338	1,238,288
Deferred tax assets		205,771	169,839
Other receivables and prepayments	13	244,232	251,851
<b>Total non-current assets</b>		<b>15,503,521</b>	<b>14,686,729</b>
<b>Current assets</b>			
Inventories		17,235,546	16,593,469
Accounts and notes receivable	12	14,559,146	10,973,833
Other receivables and prepayments	13	1,551,960	1,771,607
Advances to suppliers		831,988	1,049,226
Financial assets held for trading		2,764	307
Pledged deposits		508,080	986,192
Term deposits		3,124,879	2,862,484
Cash and cash equivalents		4,246,086	5,797,986
<b>Total current assets</b>		<b>42,060,449</b>	<b>40,035,104</b>
<b>Total assets</b>		<b>57,563,970</b>	<b>54,721,833</b>
<b>EQUITY</b>			
Issued capital	16	5,474,429	5,474,429
Reserves		5,955,820	5,341,005
<b>Equity attributable to equity holders of the Company</b>		<b>11,430,249</b>	<b>10,815,434</b>
Non-controlling interests		12,939,644	12,485,925
<b>Total equity</b>		<b>24,369,893</b>	<b>23,301,359</b>

The notes on page 20 to 38 are integral parts of this unaudited interim condensed consolidated financial information.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	15	2,296,414	1,784,728
Deferred revenue from government grants		824,347	831,608
Other payables and accruals		12,240	31,325
Deferred tax liabilities		98,086	51,682
<b>Total non-current liabilities</b>		<b>3,231,087</b>	<b>2,699,343</b>
<b>Current liabilities</b>			
Accounts and notes payable	14	14,729,081	15,049,990
Advances from customers		4,691,698	3,765,237
Other payables and accruals		4,045,451	3,810,415
Amounts payable to ultimate holding company		268,827	268,827
Current portion of long-term borrowings	15	481,000	567,000
Short-term borrowings	15	5,586,048	5,066,359
Income tax payable		160,885	193,303
<b>Total current liabilities</b>		<b>29,962,990</b>	<b>28,721,131</b>
<b>Total liabilities</b>		<b>33,194,077</b>	<b>31,420,474</b>
<b>Total equity and liabilities</b>		<b>57,563,970</b>	<b>54,721,833</b>

The notes on page 20 to 38 are integral parts of this unaudited interim condensed consolidated financial information.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Notes	Attributable to equity holders of the Company									Non-controlling interests	Total
	Issued capital	Shares held for restricted share scheme	Capital reserve	Share-based compensation reserve	Available-for-sale financial assets reserve	Currency translation reserve	Other reserves	Retained earnings	Subtotal		
	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)
As at 1 January 2015	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
Total comprehensive income for the period	-	-	-	-	164,824	(60)	-	359,534	524,298	577,444	1,101,742
Disposal of partial interests in subsidiaries	-	-	178,480	-	-	-	-	-	178,480	23,284	201,764
Shares vested under share scheme											
– funded by the Company	17	23,299	-	(23,299)	-	-	-	-	-	-	-
– funded by scheme participants		20,024	-	-	-	-	-	-	20,024	-	20,024
Value of employee services under share scheme	17	-	-	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
As at 30 June 2015	5,474,429	-	3,865,245	-	398,794	(6,369)	186,231	1,511,919	11,430,249	12,939,644	24,369,893

The notes on page 20 to 38 are integral parts of this unaudited interim condensed consolidated financial information.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Notes	Attributable to equity holders of the Company									Non-controlling interests	Total
	Issued capital	Shares held for restricted share scheme	Capital reserve	Share-based compensation reserve	Available-for-sale financial assets reserve	Currency translation reserve	Other reserves	Retained earnings	Subtotal		
	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 1 January 2014</b>	5,474,429	(88,501)	3,741,761	38,094	174,656	6,090	144,812	631,484	10,122,825	11,684,072	21,806,897
Total comprehensive income for the period	-	-	-	-	64,776	980	-	375,223	440,979	512,515	953,494
Acquisition of additional interests in subsidiaries	-	-	(4,605)	-	-	-	-	-	(4,605)	(21,061)	(25,666)
Shares vested under share scheme											
- funded by the Company	17	24,296	-	(24,296)	-	-	-	-	-	-	-
- funded by scheme participants		20,882	-	-	-	-	-	-	20,882	-	20,882
Value of employee services under share scheme	17	-	-	5,051	-	-	-	-	5,051	-	5,051
2013 final dividend	-	-	-	-	-	-	-	(109,489)	(109,489)	-	(109,489)
Contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	11,206	11,206
Dividends to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(135,612)	(135,612)
Appropriation	-	-	-	-	-	-	13,837	(13,837)	-	-	-
Others	-	-	(960)	-	-	-	-	-	(960)	-	(960)
<b>As at 30 June 2014</b>	5,474,429	(43,323)	3,736,196	18,849	239,432	7,070	158,649	883,381	10,474,683	12,051,120	22,525,803

The notes on page 20 to 38 are integral parts of this unaudited interim condensed consolidated financial information.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>		
Net cash used in operations	(1,709,094)	(1,887,420)
Interest received	107,760	124,605
Interest paid	(203,636)	(157,764)
Income tax paid	(210,550)	(194,336)
<b>Net cash flows used in operating activities</b>	<b>(2,015,520)</b>	<b>(2,114,915)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(444,160)	(622,651)
Purchase of land use rights	(46,462)	(9,721)
Purchase of intangible assets	(726)	(6,159)
Redemption of term deposits with initial term of over three months	2,862,484	3,378,697
Addition of term deposits with initial term of over three months	(3,124,879)	(3,785,826)
Payments for acquisition of equity interests in subsidiaries	–	(303,629)
Additional investments in associates	(10,000)	(1,149)
Proceeds from disposal of property, plant and equipment	28,655	7,920
Proceeds from disposal of land use rights	2,778	–
Proceeds from disposal of investment properties	–	50,728
Proceeds from disposal of partial equity interests in subsidiaries	206,640	–
Proceeds from disposal of equity interests in associates	–	10,668
Proceeds from disposal of available-for-sale financial assets	38,378	–
Proceeds from disposal of financial assets held for trading	5,372	–
Dividends received from a joint venture	5,685	35,071
Dividends received from associates	1,053	965
Dividends received from available-for-sale financial assets	12,512	30,643
<b>Net cash flows used in investing activities</b>	<b>(462,670)</b>	<b>(1,214,443)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	6,319,548	2,467,094
Repayments of borrowings	(5,374,485)	(2,253,606)
Contributions from non-controlling shareholders of subsidiaries	–	11,206
Purchase of non-controlling interests of subsidiaries	–	(25,666)
Dividends paid to equity holders of the Company	(10,679)	–
Dividends paid to non-controlling shareholders of subsidiaries	(5,951)	(25,609)
<b>Net cash flows generated from financing activities</b>	<b>928,433</b>	<b>173,419</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,549,757)</b>	<b>(3,155,939)</b>
Cash and cash equivalents at 1 January	5,797,986	6,725,516
Net foreign exchange difference	(2,143)	3,397
<b>Cash and cash equivalents at 30 June</b>	<b>4,246,086</b>	<b>3,572,974</b>

The notes on page 20 to 38 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 as a result 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, the PRC.

The Company and its subsidiaries are collectively referred to as the “**Group**”. The Group is principally engaged in the research, development, manufacture and sale of aviation products.

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 26 August 2015.

## 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 2015 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 2014.

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 2.2 Adoption of New Standards, Interpretations and Amendments by the Group

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those of the Group's annual financial statements for the year ended 31 December 2014. 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 July 2014 do not have a significant impact to the results and financial position of the Group:

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

Annual Improvements 2010–2012 Cycle

- IFRS 2 *Share-based Payment*
- IFRS 3 *Business Combinations*
- IFRS 8 *Operating Segments*
- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*
- IAS 24 *Related Party Disclosures*

Annual Improvements 2011–2013 Cycle

- IFRS 3 *Business Combinations*
- IFRS 13 *Fair Value Measurement*
- IAS 40 *Investment Property*

## 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 two 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 & components**")

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 all 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)

	Aviation entire aircraft RMB'000 (Unaudited)	Aviation parts & components RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>For the six months ended 30 June 2015</b>			
Total segment revenue	5,339,993	6,727,437	12,067,430
Inter-segment revenue	–	(713,025)	(713,025)
Revenue (from external customers)	5,339,993	6,014,412	11,354,405
Segment results	240,238	679,616	919,854
Depreciation and amortization (Note 11)	193,747	254,635	448,382
Provision for impairments on receivables, inventories and available-for-sale financial assets	74,683	22,358	97,041
Finance income (Note 7)	(23,455)	(84,305)	(107,760)
Finance costs (Note 7)	46,272	157,364	203,636
Share of profit of a joint venture	–	10,827	10,827
Share of profits of associates	570	60,650	61,220
Income tax expense (Note 8)	17,767	108,267	126,034
<b>For the six months ended 30 June 2014</b>			
Total segment revenue	4,932,217	6,171,250	11,103,467
Inter-segment revenue	–	(704,932)	(704,932)
Revenue (from external customers)	4,932,217	5,466,318	10,398,535
Segment results	197,144	725,782	922,926
Depreciation and amortization (Note 11)	169,991	225,687	395,678
Provision for impairments on receivables, inventories and available-for-sale financial assets	7,665	14,703	22,368
Finance income (Note 7)	(29,764)	(126,207)	(155,971)
Finance costs (Note 7)	28,388	143,535	171,923
Share of profit of a joint venture	–	5,040	5,040
Share of (loss)/profits of associates	(17,152)	63,495	46,343
Income tax expense (Note 8)	27,967	91,305	119,272

## 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	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Total segment results for aviation entire aircraft and aviation parts & components	919,854	922,926
Corporate overheads	(11,367)	(16,997)
Profit before income tax	908,487	905,929
Income tax expense	(126,034)	(119,272)
Profit for the period	782,453	786,657

### 4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Changes in fair value of financial assets held for trading	167	–
Rental income	6,464	3,129
Profit from sale of materials	6,159	17,380
Income from rendering of maintenance and other services	46,213	3,000
Gains on disposal of available-for-sale financial assets	38,026	–
Gains on disposal of financial assets held for trading	5,372	–
Gains on disposal of investment in a subsidiary	7,368	–
Gains on disposal of investment properties	–	49,120
Gains on disposal of property, plant and equipment	–	224
Dividend income from available-for-sale financial assets	13,243	30,643
Others	1,389	–
	124,401	103,496

### 5. OTHER OPERATING EXPENSES

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Impairment of available-for-sale financial assets	9,444	–
Losses on disposal of property, plant and equipment	905	–
Losses on disposal of equity interests in associates	–	379
Others	5,572	–
	15,921	379

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. EXPENSES BY NATURE

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Advertising costs	3,810	2,801
Amortization on:		
– Intangible assets (Note 11)	12,982	4,011
– Land use rights (Note 11)	16,636	15,508
Auditors' remuneration	2,369	3,889
Raw materials and consumables used	2,924,567	2,920,631
Changes in inventories of finished goods and work-in-progress	(1,243,914)	(1,579,969)
Contract costs incurred	4,328,951	4,351,406
Depreciation on:		
– Investment properties (Note 11)	759	734
– Property, plant and equipment (Note 11)	418,005	375,425
Less: amortization of deferred income from government grants	(26,809)	(25,708)
	391,955	350,451
Fuel	205,978	203,385
Insurance	15,341	15,217
Operating lease rentals	51,384	100,523
Provision for impairment/(reversal of provision):		
– Inventories	700	(161)
– Receivables	86,897	22,529
Repairs and maintenance expenses	81,817	88,939
Research expenditures and development costs	625,336	374,528
Staff costs, including directors' emoluments	2,110,702	1,821,531
Outsourcing expenses	366,956	338,751
Sundries	429,812	478,138
Transportation expenses	48,010	53,486
Travelling expenses	70,280	65,560
Total cost of sales, selling and distribution expenses, and general and administrative expenses	10,530,569	9,631,154

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 7. FINANCE INCOME AND FINANCE COSTS

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Finance income:		
Interest income on bank balances and deposits	107,760	155,971
Finance costs:		
Interest expense on borrowings	211,761	175,459
Less: Amount capitalized in property, plant and equipment	(17,242)	(17,695)
Other finance costs	194,519	157,764
	9,117	14,159
	<b>203,636</b>	<b>171,923</b>

### 8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current income tax	171,918	129,638
Deferred income tax	(45,884)	(10,366)
	<b>126,034</b>	<b>119,272</b>

Except for certain subsidiaries which are taxed at a preferential rate of 15% (2014: 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% (2014: 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 2015 (six months ended 30 June 2014: Nil).

## 10. EARNINGS PER SHARE

	For the six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
<b>Profit attributable to equity holders of the Company</b>		
Basic earnings attributable to ordinary shareholders (RMB'000)	359,534	375,223
Diluted earnings attributable to ordinary shareholders (RMB'000)	359,534	375,223
<b>Weighted average number of shares</b>		
Weighted average number of ordinary shares outstanding for basic earnings (thousands)	5,468,702	5,457,002
Weighted average number of ordinary shares adjusted for the effect of dilution (thousands)	5,471,954	5,457,002
<b>Basic earnings per share (in RMB)</b>	0.0657	0.0688
<b>Diluted earnings per share (in RMB)</b>	0.0657	0.0688

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Property, plant and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets RMB'000	Total RMB'000
<b>Cost</b>					
As at 1 January 2015 (audited)	15,587,342	46,254	1,605,509	269,533	17,508,638
Additions	778,642	–	46,462	726	825,830
Disposals	(56,846)	(9,505)	(3,561)	(4,080)	(73,992)
As at 30 June 2015 (unaudited)	16,309,138	36,749	1,648,410	266,179	18,260,476
<b>Accumulated depreciation/amortization</b>					
As at 1 January 2015 (audited)	5,146,193	6,848	154,343	50,966	5,358,350
Depreciation/amortization	418,005	759	16,636	12,982	448,382
Disposals	(37,309)	(1,633)	(783)	(4,080)	(43,805)
As at 30 June 2015 (unaudited)	5,526,889	5,974	170,196	59,868	5,762,927
<b>Net book value</b>					
As at 30 June 2015 (unaudited)	10,782,249	30,775	1,478,214	206,311	12,497,549
<b>Cost</b>					
As at 1 January 2014 (audited)	13,755,241	40,286	1,536,689	140,936	15,473,152
Additions	725,658	–	9,721	6,159	741,538
Disposals	(44,039)	(3,846)	–	–	(47,885)
As at 30 June 2014 (unaudited)	14,436,860	36,440	1,546,410	147,095	16,166,805
<b>Accumulated depreciation/amortization</b>					
As at 1 January 2014 (audited)	4,512,171	8,835	120,498	28,759	4,670,263
Depreciation/amortization	375,425	734	15,508	4,011	395,678
Disposals	(36,343)	(2,238)	–	–	(38,581)
As at 30 June 2014 (unaudited)	4,851,253	7,331	136,006	32,770	5,027,360
<b>Net book value</b>					
As at 30 June 2014 (unaudited)	9,585,607	29,109	1,410,404	114,325	11,139,445

Intangible assets principally represent development costs capitalised in accordance with the Group's accounting policies, trademarks and licenses, contractual customer relationships and goodwill arising from business combination in prior year.

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 12. ACCOUNTS AND NOTES RECEIVABLE

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Accounts receivable		
– Related parties (Note19(b))	7,922,261	4,753,040
– Others	5,153,258	4,168,716
Accounts receivable, gross	13,075,519	8,921,756
Provision for bad debts	(408,519)	(290,650)
Accounts receivable, net	12,667,000	8,631,106
Notes receivable		
– Related parties (Note19(b))	390,742	1,421,873
– Others	1,501,404	920,854
	1,892,146	2,342,727
Accounts and notes receivable	14,559,146	10,973,833

Ageing analysis of accounts receivable is as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Current to 1 year	11,587,627	7,778,126
1 year to 2 years	1,004,806	721,893
Over 2 years	483,086	421,737
	13,075,519	8,921,756

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 13. OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Amounts due from customers for contract work	161,864	394,287
Dividends receivable	1,660	38,263
Other advances to ultimate holding company and fellow subsidiaries	72,764	33,208
Other receivables	996,843	1,082,418
Prepayments and deposits	388,588	360,105
Other current assets	174,473	115,177
	<b>1,796,192</b>	<b>2,023,458</b>
Less: non-current portion	(244,232)	(251,851)
	<b>1,551,960</b>	<b>1,771,607</b>

### 14. ACCOUNTS AND NOTES PAYABLE

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Accounts payable		
– Related parties (Note19(b))	3,295,667	2,495,861
– Others	8,609,796	7,894,358
	<b>11,905,463</b>	<b>10,390,219</b>
Notes payable		
– Related parties (Note19(b))	716,586	2,649,640
– Others	2,107,032	2,010,131
	<b>2,823,618</b>	<b>4,659,771</b>
Accounts and notes payable	<b>14,729,081</b>	<b>15,049,990</b>

Ageing analysis of accounts payable is as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Current to 1 year	9,462,666	9,124,298
1 year to 2 years	1,697,383	879,629
2 years to 3 years	417,726	214,708
Over 3 years	327,688	171,584
	<b>11,905,463</b>	<b>10,390,219</b>

The bank acceptance notes have an average maturity period of within six months. As at 30 June 2015, notes payable of RMB1,834,721,000 (31 December 2014: RMB2,938,413,000) were secured by pledged deposits to the extent of RMB800,727,000 (31 December 2014: RMB986,192,000).

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 15. BORROWINGS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Short-term borrowings		
Bank borrowings		
– Secured (note (d))	312,100	342,663
– Unsecured	2,579,846	2,060,286
	2,891,946	2,402,949
Other borrowings (note (a))		
– Secured (note (d))	314,562	515,410
– Unsecured	2,379,540	2,148,000
	2,694,102	2,663,410
Short-term borrowings	5,586,048	5,066,359
Current portion of long-term borrowings	481,000	567,000
	6,067,048	5,633,359
Long-term borrowings		
Bank borrowings		
– Secured (note (d))	1,206,674	1,049,298
– Unsecured	400,099	23,100
	1,606,773	1,072,398
Other borrowings (note (a))		
– Secured (note (d))	499,641	499,330
– Unsecured	671,000	780,000
	1,170,641	1,279,330
Long-term borrowings	2,777,414	2,351,728
Less: Current portion of long-term borrowings	(481,000)	(567,000)
	2,296,414	1,784,728
Total borrowings	8,363,462	7,418,087

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 15. BORROWINGS (Continued)

Notes:

(a) As at 30 June 2015, other borrowings represent:

- corporate bonds in an aggregate principal amount of RMB500,000,000 (31 December 2014: RMB500,000,000) which bear interests at 5.08% per annum and guaranteed by the Company.
- loans granted by a fellow subsidiary of the Group amounting to RMB3,619,227,000 (31 December 2014: RMB3,443,410,000) which bear interests at 4.70% to 6.55% per annum.

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

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Weighted average effective interest rates		
- Bank borrowings	5%	5%
- 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 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Securities over the Group's assets, at carrying value:		
- Buildings	-	35,538
- Notes receivable	-	112,825
- Accounts receivable	721,700	762,647
	721,700	911,010
Guarantees provided by:		
- Fellow subsidiaries	161,000	474,299
- Entities within the Group	830,000	1,179,330
- Key management of a subsidiary	-	5,662
	991,000	1,659,291



# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 16. SHARE CAPITAL

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Registered, issued and fully paid:		
3,117,995,265 (2014: 3,117,995,265) Domestic Shares of RMB1.00 each	3,117,995	3,117,995
2,356,433,902 (2014: 2,356,433,902) H Shares of RMB1.00 each	2,356,434	2,356,434
	5,474,429	5,474,429

## 17. SHARE BASED COMPENSATION

On 29 March 2011, the Company adopted a restricted share incentive scheme (the "Scheme") with duration of 10 years.

Upon the grant of restricted shares to Scheme participants, 50% of the grant price was funded by the Scheme participants amounting to approximately RMB64,707,000. These restricted shares would vest gradually after the Scheme participants complete a period of service of 2 to 4 years from the date of grant.

During 2011, 37,013,900 of the Company's shares were acquired from the market. The total amount paid to acquire the shares was approximately RMB139,994,000 and deducted from reserves within equity. The shares had been held as restricted shares by a trustee before they were vested.

On 2 April 2013, one-third of the restricted shares with the value of employee services of approximately RMB26,776,000 were unlocked and transferred to Scheme participants.

On 31 March 2014, another one-third of the restricted shares with the value of employee services of approximately RMB24,296,000 were unlocked and transferred to Scheme participants.

On 31 March 2015, the last one-third of the restricted shares with the value of employee services of approximately RMB23,299,000 were unlocked and transferred to Scheme participants.

Movements in the number of restricted shares granted are as follows:

	2015		2014	
	Fair value (per share) HK\$	Number of restricted shares granted (Thousands)	Fair value (per share) HK\$	Number of restricted shares granted (Thousands)
At 1 January	4.15	11,455	4.15	23,400
Vested	4.15	(11,455)	4.15	(11,945)
At 30 June	-	-	4.15	11,455

The fair value of restricted shares charged to the unaudited condensed interim consolidated statement of profit or loss was RMB1,429,480 during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB5,051,000).

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 18. COMMITMENTS

#### (a) Capital commitments

The Group has the following capital commitments as at 30 June 2015:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Acquisition of property, plant and equipment		
– Authorized but not contracted for	14,348	519
– Contracted but not provided for	29,867	107,047
	44,215	107,566
Construction commitments		
– Authorized but not contracted for	95,699	–
– Contracted but not provided for	1,763,786	1,346,337
	1,859,485	1,346,337
Investments in available-for-sale financial assets		
– Authorized but not contracted for	25,500	25,500
– Contracted but not provided for	–	10,000
	25,500	35,500
	1,929,200	1,489,403

#### (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 2015:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Land and buildings		
– Not later than one year	13,063	7,867
– Later than one year and not later than five years	2,859	28,113
– Later than five years	–	15,210
	15,922	51,190

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 19. 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	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Income:</b>		
Revenue from sale of goods and materials		
– Fellow subsidiaries	7,887,801	7,286,382
– A joint venture	437	632
– Associates	82	13,289
Income from rendering of services		
– Fellow subsidiaries	39,350	3,000
<b>Cost and expenses:</b>		
Purchase of goods and raw materials		
– Fellow subsidiaries	4,357,321	4,460,361
– A joint venture	64,998	26,060
– Associates	595	48,936
Service fees payable		
– Ultimate holding company	–	14,650
– Fellow subsidiaries	400,234	117,435
– Associates	540	371
Rental expenses		
– Fellow subsidiaries	31,665	47,411
Key management compensations		
– Salaries, bonuses and other welfares	2,210	2,079
– Employee share scheme for value of services provided	196	696

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

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

(b) Significant balances with related parties:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
<b>Assets:</b>		
Accounts receivable		
– Ultimate holding company	800	–
– Fellow subsidiaries	7,920,663	4,748,990
– A joint venture	63	164
– Associates	735	3,886
Notes receivable		
– Fellow subsidiaries	390,742	1,421,873
Advance to suppliers		
– Ultimate holding company	49	–
– Fellow subsidiaries	271,975	596,053
– Associates	3,014	35
Other receivables and prepayments		
– Ultimate holding company	961	1,820
– Fellow subsidiaries	71,740	31,961
– Associates	63	37,690
Deposits		
– A fellow subsidiary	405,624	1,605,483
<b>Liabilities:</b>		
Accounts payable		
– Ultimate holding company	48	–
– Fellow subsidiaries	3,253,964	2,495,861
– A joint venture	18,976	–
– Associates	22,679	–
Notes payable		
– Fellow subsidiaries	681,796	2,649,640
– A joint venture	34,790	–
Advance from customers		
– Fellow subsidiaries	4,211,329	3,099,165
Other payables and accruals		
– Ultimate holding company	920	–
– Fellow subsidiaries	525,292	954,788

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 19. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Other items:

- (i) During the six months ended 30 June 2015, Jiangxi Hongdu Aviation Industry Co., Ltd. (“**Hongdu Aviation**”, a subsidiary of the Company) received construction and design services amounted to approximately RMB199,753,000 (six months ended 30 June 2014: RMB199,966,000) from fellow subsidiaries of the Group. As at 30 June 2015, this balance is mainly included in the Group’s property, plant and equipment.
- (ii) As at 30 June 2015, certain of the Group’s property, plant and equipment with carrying value of approximately RMB118,249,000 (31 December 2014: RMB133,421,000) 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.

## 20. 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 2015 and 31 December 2014:

	30 June 2015 RMB’000 (Unaudited)	31 December 2014 RMB’000 (Audited)
<b>Amortized cost:</b>		
Accounts and notes receivable	14,559,146	10,973,833
Other receivables and prepayments	1,551,960	1,771,607
Available-for-sale financial assets – non-listed equity securities	687,776	648,793
Accounts and notes payable	14,729,081	15,049,990
Other current payables and accruals	4,045,451	3,810,415
Amounts payable to ultimate holding company	268,827	268,827
Short-term and long-term borrowings	8,363,462	7,418,087
<b>Fair value through profit or loss:</b>		
Financial assets held for trading	2,764	307
<b>Fair value through other comprehensive income:</b>		
Available-for-sale financial assets – listed equity securities	918,562	589,495

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>At 30 June 2015</b>				
Available-for-sale financial assets				
– listed equity securities	918,562	–	–	918,562
Financial assets held for trading	2,764	–	–	2,764
<b>At 31 December 2014</b>				
Available-for-sale financial assets				
– listed equity securities	589,495	–	–	589,495
Financial assets held for trading	307	–	–	307

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 2015.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The carrying amounts of the Group's financial assets, including cash and cash equivalents, 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 current borrowings, approximate their fair values. The fair values of non-current portion of borrowings are disclosed in the following table.

	Carrying amount		Fair value	
	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Bank borrowings	1,186,774	574,398	1,019,895	571,393
Other borrowings	1,109,640	1,210,330	820,715	1,112,508
	2,296,414	1,784,728	1,840,610	1,683,901

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 5.25% to 5.40% as at 30 June 2015 (31 December 2014: 6.00% to 6.15%), depending on the type of the debt.

### 21. EVENTS AFTER THE REPORTING PERIOD

On 8 July 2015, AVIC, through China Aviation Industry (Hong Kong) Company Limited, one of its subsidiaries, purchased 13,076,000 H Shares of the Company on the trading system of Hong Kong Stock Exchange, for an aggregate amount of approximately HK\$59,898,900 at an average price of HK\$4.58 per H Share. Upon completion of the purchase, the aggregate number of shares held by AVIC and its subsidiaries in the Company is 3,002,568,900, representing 54.85% of the total issued share capital of the Company.

On 9 July 2015, the Company purchased 1,000,084 shares of Hongdu Aviation on the Shanghai Stock Exchange, representing approximately 0.14% of the total issued share capital of Hongdu Aviation. Upon completion of the purchase, the number of shares in Hongdu Aviation held by the Company changed from 312,883,210 to 313,883,294, and the percentage of Hongdu Aviation shares held by the Company over the total issued share capital of Hongdu Aviation changed from 43.63% to 43.77%.

On 15 July 2015, the Company through a targeted asset management scheme purchased 622,800 shares of AVICOPTER PLC, a subsidiary of the Company, on the Shanghai Stock Exchange at an average price of RMB50.33 per share, amounting to a total sum of approximately RMB31,345,500.



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Executive Director (Chairman)	Lin Zuoming
Executive Director (Vice Chairman)	Tan Ruisong
Non-executive Director	Gu Huizhong
Non-executive Director	Gao Jianshe
Non-executive Director	Guo Chongqing
Non-executive Director	Maurice Savart
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

President	Tan Ruisong
Vice Presidents	Chen Yuanxian Zhang Kunhui Lv Jie
Company Secretary	Yan Lingxi

### 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 Yan Lingxi

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Shanghai, the PRC

China Minsheng Banking Corp., Ltd.  
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Bank of China  
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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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