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)

ANNUAL REPORT
2014

Contents

Company Profile

The Company is a joint stock limited company established in the PRC on 30 April 2003. The Company's H Shares have been listed on the Stock Exchange since 30 October 2003. The stock code of the Company is "2357". As at the date of this report, the shareholders of the Company's Domestic Shares are AVIC, AMES, China Hua Rong Asset Management Corporation, China Cinda Asset Management Corporation and China Orient Asset Management Corporation, and one of the substantial shareholders of the Company's H Shares is Airbus Group (空中客車集團).

The Company principally operates through its subsidiaries. The Group is mainly engaged in:

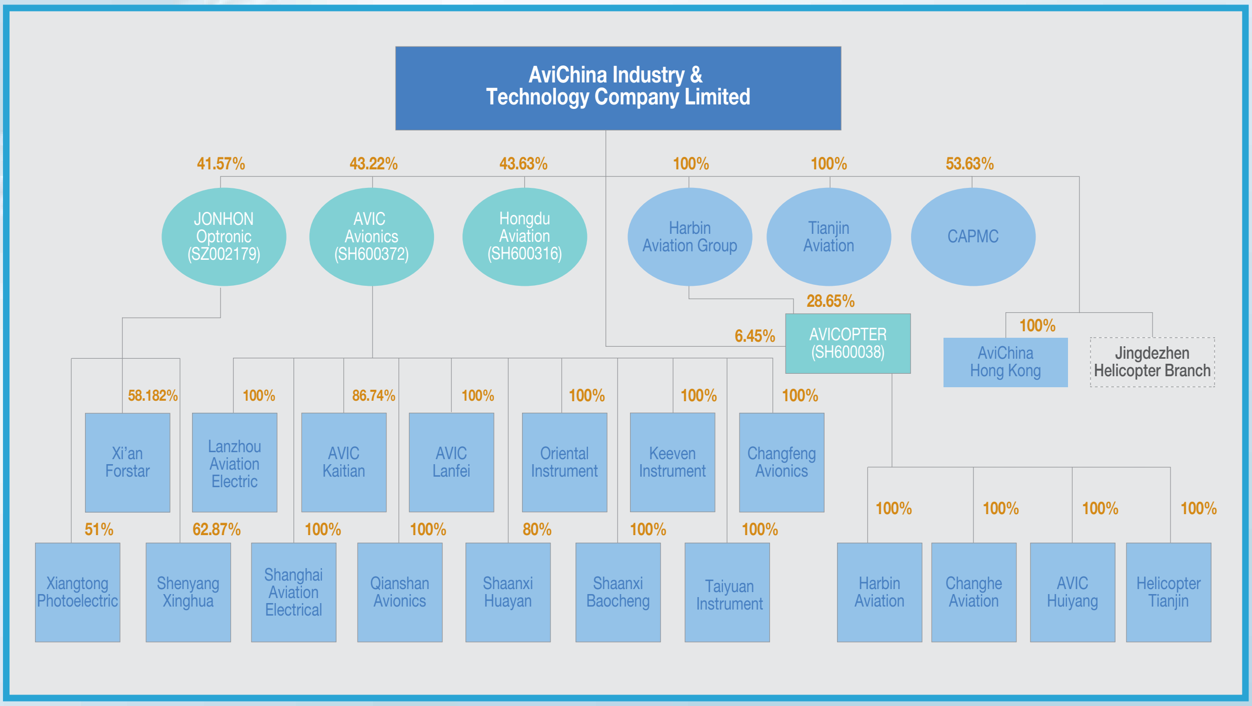
- the development, manufacture, sales and upgrade of aviation products such as helicopters, trainers, general-purpose aircraft and regional jets for domestic and overseas customers; and

- the co-development and manufacture of aviation products with foreign aviation products manufacturers.

PRINCIPAL PRODUCTS OF THE GROUP

The Z-8, Z-9, Z-11 helicopters series (including AC series); L15, K8 and CJ-6 trainers series; Y-12 multi-purpose aeroplanes series and the N-5 agricultural aeroplanes series; EC-120 helicopters jointly produced by the Group and Airbus Helicopters; CA109 helicopters jointly produced by the Group and Agusta; and Legacy executive series jets jointly produced by the Group and Embraer-Empresa Brasileira de Aeronautica S.A.; aviation parts and components, avionics and electrical products and accessories.

BUSINESS STRUCTURE OF THE GROUP (AS AT THE DATE OF THIS REPORT)



Financial Highlights

CONSOLIDATED PROFIT AND LOSS

(Prepared under International Financial Reporting Standards)
(RMB million, other than basic and diluted earnings per share)

	For the year ended 31 December		
	2014	2013	Changes
Revenue	**25,710**	22,193	15.85%
Profit before income tax	**2,003**	1,761	13.74%
Profit attributable to the equity holders of the Company	**781**	713	9.54%
Gross profit margin	**19.05%**	19.41%	(0.36%)
Earnings per share for profit attributable to the equity holders of the Company (RMB)			
– Basic	**0.143**	0.131	9.16%
– Diluted	**0.143**	0.131	9.16%

CONSOLIDATED ASSETS AND LIABILITIES

(Prepared under International Financial Reporting Standards)
(RMB million)

	As at 31 December		
	2014	2013	Changes
Total assets	**54,722**	50,928	7.45%
Total liabilities	**31,421**	29,121	7.90%
Non-controlling interests	**12,486**	11,684	6.86%
Owner's equity (other than non-controlling interests)	**10,815**	10,123	6.84%

Financial information on the Group's comprehensive business in the recent five years starting from 1 January 2010 is summarized as follows:

(Prepared under International Financial Reporting Standards)
(RMB million, other than basic and diluted earnings per share)

	As at 31 December/For the year ended 31 December				
	2014	2013	2012 (restated)	2011 (restated)	2010 (restated)
Total assets	**54,722**	50,928	41,665	30,973	34,035
Total liabilities	**31,421**	29,121	22,457	16,855	17,267
Non-controlling interests	**12,486**	11,684	9,052	6,573	8,353
Owner's equity (other than non-controlling interests)	**10,815**	10,123	10,156	7,545	8,416
Revenue	**25,710**	22,193	18,368	14,136	17,324
Profit before income tax	**2,003**	1,761	1,540	1,223	2,257
Profit attributable to the equity holders of the Company	**781**	713	664	499	885
Gross profit margin	**19.05%**	19.41%	21.36%	20.28%	23.23%
Earnings per share for profit attributable to the equity holders of the Company (RMB)					
– Basic	**0.143**	0.131	0.124	0.101	0.181
– Diluted	**0.143**	0.131	0.124	0.101	0.181

TOTAL ASSETS

(RMB million)

REVENUE

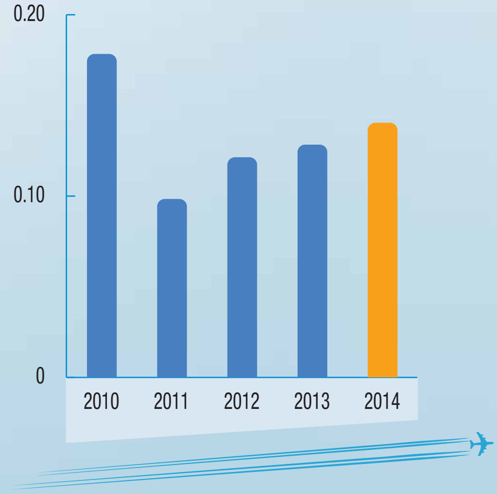
(RMB million)

PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

(RMB million)

BASIC EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

(RMB)



Chairman's Statement

To all Shareholders,

"I, on behalf of the Board, am pleased to announce the annual results of the Company for the year of 2014. For the year ended 31 December 2014, the Group recorded a revenue of RMB25,710 million and the profit attributable to the equity holders of the Company amounted to RMB781 million, realizing a steady growth in its results.

Chairman
Mr. Lin Zuoming

BUSINESS REVIEW

In 2014, China's economic growth slowed down and recorded a generally stable performance, signaling its stepping into a development period of "new normal". In spite of excess capacity in the general manufacturing industry, China's aviation industry, as a high-end equipment manufacturing industry and strategic emerging industry with strong support from the government, maintained a steady development. AVIC, the controlling shareholder of the Company, by taking advantage of the "Year of Transformation and Management", performed its industrial mission, strengthened its innovation upgrading and continued to improve its management, thereby also realizing a steady development. Its ranking in the Fortune Global 500 rose to the 178th place. It was elected as China's 500 Most Valuable Brands, ranking the 25th, with a brand value of RMB90.6 billion.

Against the backdrop of the stable development of China's aviation industry, the Company continued to refine its strategies, launched process re-engineering, improved value creation capabilities and transformed equity operation model in 2014. Orders of major aviation products grew steadily and new progress was made in obtaining air-worthiness certificate. Further progress was made in the interaction between and merging of the aviation and non-aviation businesses. The revenue from aviation parts and components business increased steadily. The general aviation industry chain continued to extend and innovative economy was actively pushed forward. The delivery of parts and components of large scale passenger aircraft C919 progressed smoothly and significant development was made in the exploration of the international market. The Company also upgraded its corporate governance at the same time and received recognition of the capital market. It was awarded the "Asia's Outstanding Company on Corporate Governance" in 2014 by the Asia Corporate Governance Magazine. The Company strengthened its communication with investors and received good feedback from the capital market. The market value of the Company achieved record high and the Company was included as a constituent stock in the Hang Seng Composite Mid Cap Index, and became an eligible stock of Shanghai-Hong Kong Stock Connect. At the same time, the Company maintained its commitment and integrity, operated by rules, performed social responsibilities, actively participated in poverty relieving projects, created green economy, and enhanced enterprises culture establishment to set a image of a reliable listed company.

OUTLOOK

In 2015, the world economy will move forward with fluctuations when balancing between economic entities based on the natural-resource economy and those entities based on the human-and-technology economy. China's economy will enter into a critical period of structural adjustment and transforming upgrade. This year is the end of the "Outline of the Twelfth Five-Year Plan for National Economic and Social Development of China" (the "12th Five-Year Plan") and also a critical year of comprehensive deepening of the reform. The upcoming "Made in China 2025" strategy will push forward strong development of the manufacturing sector in China and the launch of the "one belt and one road" strategy (i.e. the Silk Road Economic Belt and the 21st Century Maritime Silk Road) will drive development of the regional economy and international market. Meanwhile, it is notable that the comprehensive implementation of the "Rule of Law" strategy will mean a higher requirement for corporate governance, the market pushes forward a significant safety standard to aviation manufacturing and breakthroughs in some key bottleneck issues have to be made for the fast development of general aviation in China.

In 2015, facing new opportunities and challenges, AviChina will well plan for its development in the next five years and continue to adhere to its strategic objectives. During the "new normal" period of national development, the Company will take initiatives, reposition itself, and manage the Company pursuant to laws. To cope with the challenges and grasp the opportunities and by focusing on the aviation industry chain, the Company will promote the integration of aviation manufacturing and other industries to extend the value chains and explore growth potential. The Company will increase its inputs in innovation development in accordance with the requirements for the establishment of innovative enterprises. By accelerating the integration of industrialization and informationization, the Company will explore new model of manufacturing and speed up the transition and upgrading to achieve high-end technology development. Through the integration of traditional industry and innovative economy, the Company will develop new industries to achieve blue ocean innovation. The Company will also commit to perfecting the parent-subsidiaries system, aiming at realizing high-efficient operation and enhancing core competitiveness. The Company will insist on operating on the basis of law and in accordance with the rules to build up a regulatory and innovative culture. The Company will also assist in the development of green aviation, perform social responsibilities to promote economic transition and upgrading and realize sustainable development.

In 2015, the Board of the Company will persist in deepening the reform, enhancing management and innovative development to build up a listed company with long-term competitive advantages and investment value. Our staff and I have full confidence for the coming year. We will, adhering to the leadership model of the aviation industry of "Conviction, Vision, Passion, Inspiration, Achievement", dedicate ourselves to working with diligence and making persistent efforts to establish the brand image of China's aviation industry in the international capital market and strive to create values for customers and return excellent results to our Shareholders.

ACKNOWLEDGMENT

Finally, as in the past, I, on behalf of the Board, would like to extend our gratitude to our investors, customers and partners for their constant trust and support. In addition, I would like to take this opportunity to express my appreciation for the hard work and contributions by the Company's management teams and staff in the past year.

Lin Zuoming
Chairman
Beijing, 30 March 2015

Management Discussion and Analysis

President
Mr. Tan Ruisong

The following discussion should be read in conjunction with the Group's consolidated financial statements and notes thereto set out in this Annual Report and other sections.

SUMMARY

For the year ended 31 December 2014, the Group recorded a revenue of RMB25,710 million, representing an increase of 15.85% as compared with that of RMB22,193 million in the corresponding period of the preceding year. Profit attributable to the equity holders of the Company amounted to RMB781 million, representing an increase of 9.54% as compared with that of RMB713 million in the corresponding period of the preceding year.

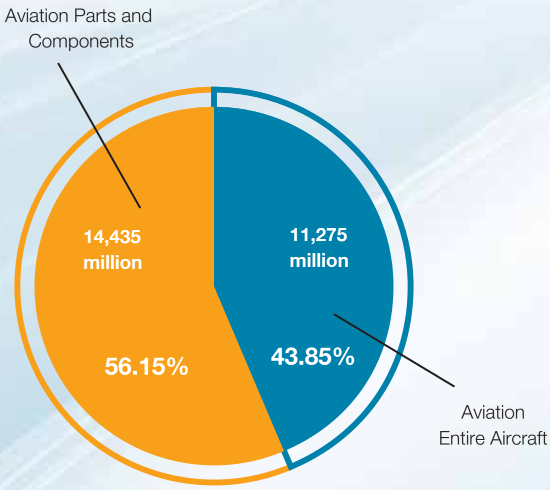
The following shows the comparison between the consolidated operating results of the Group for the year ended 31 December 2014 and that of 2013:

CONSOLIDATED OPERATING RESULTS

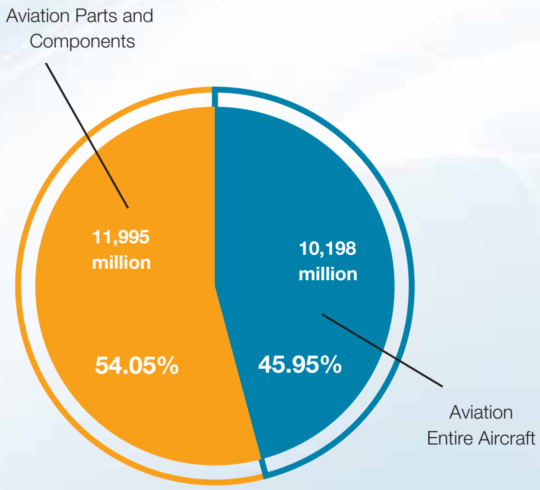
1 Composition of revenue

The revenue of the Group for 2014 was RMB25,710 million, representing an increase of 15.85% as compared with a revenue of RMB22,193 million in the corresponding period of the preceding year. Both the aviation entire aircraft business and the aviation parts and components business presented growth at different rates.

REVENUE COMPOSITION IN 2014



REVENUE COMPOSITION IN 2013



The revenue of the Group's aviation entire aircraft business for 2014 amounted to RMB11,275 million, representing an increase of RMB1,077 million, or 10.56% as compared with that of RMB10,198 million in the corresponding period of the preceding year, accounting for 43.85% of the total revenue and representing a decrease of 2.10 percentage points as compared with that in the corresponding period of the preceding year. Among the aviation entire aircraft business, the helicopter business realized an increase of 5.70%, the general aircraft business represented an increase of 61.90% and the trainer aircraft business represented an increase of 68.32% as compared with those in the corresponding period of the preceding year.

The revenue of the Group's aviation parts and components business amounted to RMB14,435 million, representing an increase of RMB2,440 million, or 20.34% as compared with that of RMB11,995 million in the corresponding period of the preceding year, accounting for 56.15% of the total revenue and representing an increase of 2.10 percentage points as compared with that in the corresponding period of the preceding year.

The Group mainly conducts its business in the mainland China where its revenue is generated.

2 General and administrative expenses

The Group's general and administrative expenses for 2014 amounted to RMB2,750 million, representing an increase of RMB364 million, or 15.26% as compared with that of RMB2,386 million in the corresponding period of the preceding year. This was mainly attributable to the increase in research and development expenses and staff costs. In 2014, the general and administrative expenses accounted for 10.70% of the revenue, and remained almost the same as that in the corresponding period of the preceding year.

3 Selling and distribution expenses

The Group's selling and distribution expenses for 2014 amounted to RMB470 million, representing an increase of RMB55 million, or 13.25% as compared with that of RMB415 million in the corresponding period of the preceding year. Such increase was mainly attributable to the increase of the labour costs of sales staff caused by the increase in the sales volume. In 2014, the selling and distribution expenses accounted for 1.83% of the revenue, representing a slight decrease as compared with that in the corresponding period of the preceding year.

4 Operating profit

The operating profit of the Group for 2014 amounted to RMB1,995 million, representing an increase of RMB237 million, or 13.48% as compared to that of RMB1,758 million in the corresponding period of the preceding year. This was mainly attributable to the increase of revenue and gains from external investment as compared with that in the corresponding period of the preceding year.

5 Finance costs, net

The Group's net finance costs in 2014 amounted to RMB136 million, representing an increase of RMB62 million as compared with that of RMB74 million in the corresponding period of the preceding year. This was mainly attributable to the increase in interest expenses as a result of the increased borrowings of certain subsidiaries.

6 Income tax expense

The Group's income tax in 2014 was RMB267 million, representing an increase of RMB17 million, or 6.80% as compared with that of RMB250 million in the corresponding period of the preceding year, which was mainly attributable to the increase in the profit for the period.

7 Profit attributable to equity holders of the Company

The profit attributable to the equity holders of the Company amounted to RMB781 million in 2014, representing an increase of RMB68 million as compared with that of RMB713 million in the corresponding period of the preceding year. This was mainly attributable to the increase in revenue and gains from external investment as compared with that in the corresponding period of the preceding year.

GUARANTEED AND SECURED LOANS

As at 31 December 2014, the Group's total borrowings amounted to RMB7,418 million, of which RMB747 million was secured by buildings, notes receivable and trade receivables with a net book value of approximately RMB911 million.

Borrowings placed under guarantees amounted to RMB1,659 million, of which RMB1,179 million represented guarantees amongst the members of the Group and RMB474 million represented guarantees provided by fellow subsidiaries.

EXCHANGE RATE RISKS

The Group mainly operates in the PRC with most of its transactions settled in RMB. The exposure to foreign currencies exchange risks mainly arise from transactions involving assets, liabilities, and operating activities of the Group and are primarily associated with United States Dollar, Euro and Hong Kong Dollar.

In addition, the Company has some deposits in Hong Kong Dollar, being part of the proceeds raised from the previous fund raising activities. The directors of the Company are of the opinion that the exchange rate risks to the Group will not have any material adverse impact on the Group's financial results.

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2014, the Group had not provided any guarantees in favor of any third party nor were there any significant contingent liabilities.

CASH FLOW AND FINANCIAL RESOURCES

1. Liquidity and capital resources

As at 31 December 2014, the Group's net cash and cash equivalents amounted to RMB5,798 million which was mainly derived from the following sources:

- cash and bank deposits at the beginning of the year;
- proceeds raised from issuance of shares; and
- funds generated from its operations.

The Group's cash flow for each of the years 2014 and 2013 were as follows:

Unit: RMB million (except percentage)

Main items of cash flow	2014	2013	Changes (amount)	Changes (percentage)
Net cash (used in)/generated from operating activities	**(392)**	572	(964)	N/A
Net cash used in investing activities	**(1,470)**	(3,409)	1,939	-56.88%
Net cash generated from financing activities	**907**	3,976	(3,069)	-77.19%

2. **Operating, investing and financing activities**

Net cash outflows used in operating activities of the Group for the year 2014 amounted to RMB392 million, representing a decrease of RMB964 million as compared with the net cash inflows in the corresponding period of the preceding year. The net cash outflows was mainly due to the increase in receivables as at the end of the reporting period and in inventories purchased during the reporting period to be used for next year.

Net cash outflows used in investing activities of the Group for the year 2014 decreased by RMB1,939 million or 56.88% as compared with that in the corresponding period of the preceding year, which was mainly attributable to the decrease in purchases of fixed assets by its subsidiaries and decrease of term deposits with an initial term of over three months.

Net cash inflows generated from financing activities of the Group for the year 2014 decreased by RMB3,069 million or 77.19% as compared with that in the corresponding period of the preceding year, which was mainly attributable to the refinancing by certain subsidiaries in 2013 as compared to none in the reporting period.

As at 31 December 2014, the Group's total borrowings amounted to RMB7,418 million, of which the short-term borrowings, current portion of long-term borrowings and non-current portion of long-term borrowings amounted to RMB5,066 million, RMB567 million and RMB1,785 million, respectively.

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

Maturity	*RMB million*
Within one year	567
In the second year	564
In the third to fifth year	1,163
After the fifth year	58
Total	2,352

As at 31 December 2014, the Group's bank borrowings amounted to RMB3,475 million with a weighted average interest rate of 5% per annum, accounting for 46.85% of the total borrowings. Other borrowings amounted to RMB3,943 million with a weighted average interest rate of 5% per annum, accounting for 53.15% of the total borrowings.

As at 31 December 2014, there were no borrowings denominated in foreign currencies.

GEARING RATIO

As at 31 December 2014, the Group's gearing ratio was 13.56% (as at 31 December 2013: 12.01%), which was arrived at by dividing the total borrowings by the total assets as at 31 December 2014.

SEGMENT INFORMATION

The Group's business can be divided into two segments: the aviation entire aircraft business and aviation parts and components business.

THE AVIATION ENTIRE AIRCRAFT BUSINESS

Revenue

The Group's revenue derived from the aviation entire aircraft business for 2014 was RMB11,275 million, representing an increase of 10.56% as compared with that in the corresponding period of the preceding year. The above revenue includes: (1) the revenue derived from the helicopter business which represented a stable increase in helicopter sales volume and amounted to RMB9,916 million, representing an increase of RMB535 million, or 5.70% as compared with that in the corresponding period of the preceding year and accounting for 87.95% of the total revenue of the aviation entire aircraft business; (2) the revenue from a relatively rapid increase in sales of general purpose aircraft, which amounted to RMB408 million, representing an increase of RMB156 million, or 61.90% as compared with that in the corresponding period of the preceding year and accounting for 3.62% of the total revenue of the aviation entire aircraft business; (3) the revenue of the trainer aircraft business amounting to RMB951 million, representing an increase of RMB386 million or 68.32% as compared with that in the corresponding period of the preceding year, and accounting for 8.43% of the total revenue of the aviation entire aircraft business.

The revenue of the aviation entire aircraft business of the Group in 2014 accounted for 43.85% of the Group's total revenue, representing a decrease of 2.10 percentage points as compared with that in the corresponding period of the preceding year.

Gross Profit Margin

The gross profit margin of the Group's aviation entire aircraft business for 2014 was 8.03%, representing an increase of 0.12 percentage points as compared with that in the corresponding period of the preceding year, mainly due to the growth in gross profit margin of the helicopter business.

AVIATION PARTS AND COMPONENTS BUSINESS

Revenue

The Group's revenue derived from the aviation parts and components business for 2014 was RMB14,435 million, representing an increase of 20.34% as compared with that in the corresponding period of the preceding year, which was mainly attributable to the increase in sales volume of avionics products and other aviation parts. The revenue derived from the avionics business during the reporting period amounted to RMB8,926 million, representing an increase of RMB1,238 million, or 16.10% as compared with that in the corresponding period of the preceding year and accounting for 61.84% of the total revenue of the aviation parts and components business.

The revenue derived from the aviation parts and components business for 2014 accounted for 56.15% of the Group's total revenue, representing an increase of 2.10 percentage points as compared with that in the corresponding period of the preceding year.

Gross Profit Margin

The gross profit margin of the Group's aviation parts and components business for 2014 was 27.67%, representing a decrease of 1.52 percentage points as compared with that in the corresponding period of the preceding year. This was mainly attributable to the decline in the consolidated gross profit margin due to the change in the products composition in the aviation parts and components business, and the increased testing costs of some products.

BUSINESS REVIEW AND OUTLOOK

In 2014, China maintained a stable macro-economy and its economic growth rate showed a moderate slow down, showing signs of "new normal" in the development of the national economy. In face of the challenges and opportunities in the international and domestic economy, AVIC, the controlling shareholder of the Company, deepened its reform, improved its management and continued with its innovations. It was listed in the Fortune Global 500 for the sixth consecutive year, representing an cumulative advance of 248 places over the past five years from 426th to 178th, and ranking the 6th in the aerospace and defense industry segment of the Fortune Global 500. It was elected as "500 Most Valuable Brands in China", ranking the 25th, with a brand value of RMB90.6 billion.

Driven by the steady development of the aviation industry of China, the Group proactively implemented its strategies, actively developed creative and innovative ideas, and improved its capabilities for value creation, thus realizing stable growth of the results.

In 2014, the Group further explored the market by participating and displaying a number of its products in various international air shows, thereby expanding the market influence of the Group's aviation products. Meanwhile, the Company achieved proactive enhancement in its corporate governance by engaging professional institution in business process reengineering, thereby steadily increasing the Group's market value and evidently improving its market image and brand recognition. Mr. Lin Zuoming, Chairman of the Board, was listed as one of the "China's Most Influential Business Leaders" for the fourth time. Following the award of "2013 Asia's Most Promising Company on Corporate Governance" by the Asia Corporate Governance Magazine for the very first time, the Company was awarded as the "Asia's Outstanding Company on Corporate Governance" in 2014. The Company was also included as a constituent stock in the Hang Seng Composite Mid Cap Index for the first time, and became an eligible stock of Shanghai-Hong Kong Stock Connect.

The Company's revenue from its existing aviation business recorded a significant increase. After the reorganization of its helicopter business, the Group has formed a relatively complete helicopter products composition. The Group entered into a cooperation agreement with Airbus Helicopters; the co-development of the middle-sized helicopter with France marked a smooth progress, and EC175 obtained the airworthiness certificate from the European Aviation Safety Agency and commenced sales delivery; the newly developed 3-ton grade helicopter was unveiled at the 10th Zhuhai Airshow; the 2-ton, 4-ton and 13-ton grade newly developed helicopters all obtained the airworthiness certificates and manufacturing certificates from the Civil Aviation Administration of China, and started batch production. During the reporting period, the 2-ton grade helicopters with high plateau adaptability successfully completed test flights in areas with high altitude and cold climate; delivery of the 2-ton grade helicopters for police services to customers in Sichuan and Yunnan provinces was successful completed, which would play an important role in local police patrol and emergency rescue.

By using Y-12 series aircraft as a platform, the Company focused on customized upgrading and remodeling, and emphasized the exploration of both domestic and international markets. During the reporting period, the Group signed a sales agreement with AVIC International Aero-Development Corporation for six Y-12 series aircraft, an agreement of intent with an American aviation company relating to the sales of twenty Y-12 series aircraft, and an agreement of intent with a Russian aviation company in relation to the sales of four Y-12 series aircraft. Y-12 aircraft became the first ever China-made civil aircraft to be exported to developed countries. The new model Y-12F completed the test flight organized by both Chinese and American airworthiness authorities. The test flights for entire aircraft of N-5B have also been successfully completed.

The research, manufacture and sales of trainers achieved positive progress. K8 trainers continued to keep its leading position in the exporting; L15 advanced trainers received international orders; the development of new model of primary trainer underwent smoothly. The forward fuselage and mid-after fuselage parts manufactured for C919 by Hongdu Aviation were successfully completed and delivered.

The Company's avionics and electro-mechanical businesses also achieved good results. JONHON Optronic completed the verification appraisal for five of its civil technological achievements, among which three were appraised to have reached as internationally advanced level for similar products. Meanwhile, by implementing the strategy of differentiated marketing, JONHON Optronic made rapid progress in new energy products and 4G communications accessories products, with a significant increase in the orders from international market. It also started the strategic cooperation with a leading American company in avionics business, thereby speeding up the integration into the global industry chain. AVIC Avionics and Commercial Aircraft Corporation of China, Ltd. completed the signing of the supporting contracts for the C919 project. Meanwhile, AVIC Avionics, by exploring the markets in general aviation, defense, international subcontracting, etc., obtained the working package and researching assignments for projects such as MA700, TA600, etc. Its commercial innovation center made steady progress, and actively explored new patterns for business development, with the projects for a batch of new products with high-end technology and high added value being approved and their initial design being completed. Tianjin Aviation successfully obtained the contract for the power distribution system to be used in the new models of general purpose aircraft and helicopter, achieving a leapfrogging advancement from product development to system development.

The Company's international cooperation projects also made steady progress. Harbin Hafei Airbus Composite Materials Manufacture Center Co., Ltd. successfully delivered the first rudder for Airbus A350XWB wide-body aircraft, following the successful delivery of the first elevator for Airbus A350XWB wide-body aircraft. Harbin Embraer Aircraft Industry Co., Ltd. also successfully delivered the large executive jet Legacy 650.

Meanwhile, the Company proactively launched its investment projects. The Company commenced the feasibility studies of several investment projects in the segment of electro-mechanical system with a view to proactively extending the Company's industry chain and explore the aviation business. JONHON Optronic increased its shareholding in Xi'an Forstar to 58.182%, and acquired 51% equity interest in Xiangtong Photoelectric, extending the industrial layout for high-end optical devices.

In 2015, there is insufficient drive for recovery of global economy, and the Chinese economy has entered a “new normal” period but still provides significant strategic opportunities for development. The 2015 Government Work Report put forward the deepening of the reform of state-owned enterprises and assets and to incubate and develop a series of new emerging industries as the leading industries for future. The “one belt and one road” strategy has entered into an important construction phase, and the exploration and development of regional economy and international market will lead to an increase in demand for aviation transportation volume and the need for transportation aircraft; policies which further open up low-altitude airspace and delegate approval authorization for general aviation airport to lower levels, will facilitate the development of the general aviation market of China into a new stage.

To face new opportunities and challenges, the Company will further improve its development strategies, comprehensively deepen its reforms, and launch innovative management to maintain a steady and rapid growth trend by the following strategies:

1. enforce institutional construction, govern the Company according to the strategy of “Rule of Law”, and operate by rules;

2. proactively promote domestic and international mergers and acquisitions, extend the aviation industry chain, and realize synergetic development with existing businesses;

3. promote and implement several electromechanical system investment projects;

4. reinforce equity operation and improve value creation capability;

5. promote the integration of traditional industry with creative economy and realize transformation from investment-driven model to innovation-driven model;

6. seize opportunities arising from the policies relating to the opening up of low-altitude airspace and enlarge the sales volume of general aviation products;

7. strengthen brand building and the building-up of an internationally competitive brand;

8. complete the talent incentive scheme, carry out the leadership model in the aviation industry, and vitalize the Company’s human resources;

9. fulfill social responsibilities, create green economy, promote development of corporate culture, and build a trust worthy listed company image.

ORDERS FOR AVIATION PRODUCTS

As at the date of this report, the Group has received orders for 302 helicopters, 149 trainers, 22 general aeroplanes. The Group is endeavoring to get more orders for its aviation products.

USE OF PROCEEDS

Up to 31 December 2014, a total of RMB3,371 million of the proceeds raised by the Company from the fund raising activities has been used in the manufacturing, research and development of advanced trainers, helicopters and aviation composite materials as well as the acquisition of aviation assets and equity investment. The remaining balance was deposited in banks in the PRC as short term deposits.

EMPLOYEES

As at 31 December 2014, the Group had 44,925 employees. The Group has provided appropriate emoluments, benefits and training to its employees.

Employees breakdown (by business segments)

	Number of employees	Percentage to total number of employees (%)
Aviation	44,751	99.61
Entire Aircraft business	20,619	45.89
Parts and components business	24,132	53.72
Other businesses	174	0.39
Total:	44,925	100

For the year ended 31 December 2014, total staff costs of the Group amounted to RMB3,429 million, representing an increase of RMB302 million or 9.66% as compared with that of RMB3,127 million in the corresponding period of the preceding year.

REMUNERATION OF EMPLOYEES

The remuneration of the employees of the Group is determined based on the principles of fairness and reasonableness and with reference to comparable market standards. Remuneration of employees comprises basic salary, contribution to a public housing fund, and contributions to pension plans. The Group will also, at its discretion, pay year-end bonus to employees according to their respective performance.

TRAINING FOR EMPLOYEES

The Group insists that its staff should have a high level of knowledge and skills in respect of the aviation manufacturing industry. Therefore, implementation of comprehensive employee trainings is key to the Group's continuous development. Accordingly, the Group will continuously review its existing employee training programs in order to provide comprehensive and systematic trainings to its employees.

In accordance with its development strategy, in 2014, in order to facilitate the development of its various businesses, the Group actively established a new training environment by systematically organizing its trainings, including extending its domestic and overseas training channels, reorganizing its training systems and mechanisms, setting corresponding management systems and allocation of resources mechanism, thereby achieving remarkable results in the internationalization of its human resources training. During the year, the Company continuously organized certain domestic and overseas trainings in laws and regulations for listed companies, securities and finance to related staff of the Company and its subsidiaries. Through trainings, our employees are able to acquire knowledge of new laws and regulations and work skills timely, and constantly achieve self-enhancement, which in turn will enhance the Group's competitiveness in the ever-changing market development.

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Lin Zuoming（林左鳴）

(Chairman of Development and Strategy Committee and Nomination Committee)

57, chairman of the Board. He is a doctorate degree holder and a researcher. Mr. Lin is also the chairman of the board of AVIC. He graduated from Nanjing University of Aeronautics and Astronautics in 1982 majoring in engine design; and received his Ph.D. degree in administrative engineering from Beijing University of Aeronautics and Astronautics in 2006. Mr. Lin commenced his career in aviation industry in July 1982, and used to be a staff and deputy director of Human Resource Division, deputy director of Engineering and Technology Division, deputy director-general of Technical Research Institute, deputy chief engineer, vice general manager, general manager and chairman of the board of Chengdu Engine Co., Ltd.; general manager of Shenyang Liming Aero-Engine (Group) Corporation Ltd. since October 1998; vice general manager of AVIC I and chairman and general manager of Shenyang Liming Aero-Engine (Group) Corporation Ltd. in July 2001; general manager of AVIC I since May 2006 and general manager of AVIC from July 2008 to March 2012. Mr. Lin also serves as vice chairman of the board of Commercial Aircraft Corporation of China, Ltd., chairman of the board of Chinese Aeronautical Establishment, and president of Chinese Society of Aeronautics and Astronautics. Mr. Lin has been appointed as the chairman of the Board and executive Director since October 2008.

Mr. Tan Ruisong（譚瑞松）

(Member of Development and Strategy Committee)

53, vice chairman of the Board and president of the Company, a doctorate degree holder. He is a researcher level senior engineer. He graduated from Beijing University of Aeronautics and Astronautics in 1983 with a bachelor degree majoring in manufacture and design of engines, and received his master degree in shipping and ocean engineering and Ph.D. degree in management science and engineering from Harbin Engineering University in 2002 and 2006, respectively. Mr. Tan commenced his career in aviation industry in July 1983, and used to be deputy chief engineer and deputy general manager of Harbin Dongan Engine Manufacturing Company, the general manager of Harbin Dongan Auto Engine Co., Ltd., member and vice chairman of the board and the general manager of Harbin Dongan Engine (Group) Co., Ltd., the chairman of the board of Harbin Aviation Industry (Group) Co., Ltd, and vice general manager of AVIC. Mr. Tan has been appointed as a Director of the Company since June 2005, the vice chairman of the Board and executive Director since June 2006 and as the vice chairman of the Board, executive Director and president of the Company since October 2008.

NON-EXECUTIVE DIRECTORS

Mr. Gu Huizhong（顧惠忠）

(Member of Audit Committee and Development and Strategy Committee)

58, a master degree holder and a researcher level senior accountant. Mr. Gu is also a vice general manager and the chief accountant of AVIC. He graduated from Zhengzhou Aviation Industry Management Institute in 1981 majoring in financial management, and received his master degree from Beijing University of Aeronautics and Astronautics in 2000 majoring in international finance. Mr. Gu commenced his career in aviation industry in July 1981, and used to be a staff, deputy director and director of Financial Departments of The Third Mechanical and Industrial Department, Aviation Industry Ministry and Aviation and Space Industry Ministry; director of International Affairs Financial Division of Financial Department of Former AVIC since June 1993; general manager of Zhongzhen Accounting Consultative Corporation since August 1994; vice manager of Financial Department of Former AVIC since November 1995; deputy director-general of Financial Department of State Commission of Science, Technology and Industry for National Defence since July 1998; vice general manager of AVIC I since June 1999; and hold a concurrent post as chief accountant of AVIC I since February 2005. Mr. Gu also serves as a member of the board and general manager of AVIC Capital Co., Ltd. and chairman of the board of AVIC Capital Co., Ltd. from December 2008 to March 2013. Mr. Gu is also a director of Chinese Aeronautical Establishment. Mr. Gu has been appointed as a non-executive Director of the Company since October 2008.

Mr. Gao Jianshe（高建設）

(Member of Remuneration Committee and Nomination Committee)

51, a doctorate degree holder and a class one senior economist. Mr. Gao is also a vice general manager of AVIC. He graduated from Xiamen University with a bachelor degree in 1985 majoring in philosophy, and completed courses for master degree candidates majoring in educational economy and administration conducted by Beijing University of Aeronautics and Astronautics in 2001. He received his Ph.D. degree in management science and engineering from Nanjing University of Aeronautics and Astronautics in 2008. Mr. Gao commenced his career in aviation industry in 1985, and used to be a staff, senior staff, deputy director, director of Human Resource and Labor Division of Aviation Industry Ministry, Aviation and Space Industry Ministry and Former AVIC; deputy director-general and director-general of Human Resource Department of AVIC I since July 1999 and vice chairman and vice general manager of Chengdu Aircraft Company concurrently during this period; and vice general manager of AVIC I since August 2006. Mr. Gao is also a director of Chinese Aeronautical Establishment. Mr. Gao was appointed as a Supervisor of the Company in August 2008 and has been appointed as a non-executive Director of the Company in June 2009.

Mr. Sheng Mingchuan（生明川）

56, a master degree holder and senior economist. Mr. Sheng was appointed as the senior manager of the Debt Management Department and General Debt Operating Department of China Hua Rong Asset Management Corporation Harbin Office in April 2000, as assistant to the general manager of China Hua Rong Asset Management Corporation Tianjin Office in November 2002, as the vice president of China Hua Rong Asset Management Corporation Harbin Office in September 2005 and as the vice president of China Hua Rong Asset Management Corporation Changchun Office in November 2009. Mr. Sheng was appointed as the vice president of China Hua Rong Asset Management Corporation Harbin Office in April 2011 and as the general manager of China Hua Rong Asset Management Corporation Heilongjiang Branch in September 2012. Mr. Sheng graduated from Jiamusi Engineering College in 1982 majoring in mechanical manufacturing and received a bachelor degree. In 2006, he graduated from Macau University of Science and Technology majoring in MBA and received a master degree. Mr. Sheng commenced his career in banking in Heilongjiang Province since 1982, and was once appointed as the head of the credit and loan department, industrial and commercial department, investigation and statistics department and housing credit department of Industrial and Commercial Bank of China Heilongjiang Branch. Mr. Sheng has been appointed as a non-executive Director of the Company since May 2012.

Mr. Maurice Savart

(Member of Development and Strategy Committee)

56, Chairman of Airbus Asia Advisory Council. Mr. Maurice commenced his career in science and technology for national defence in 1982 when he worked at the Training and Cooperation Department of the Ministry of Defence of France. He used to be the regional sales manager (Asia) of the Thomson-CSF/Aerospace Group, the business development director (Asia Pacific) and vice president (North Asia) of the Lagardere Group, the executive director (North Asia) of Aerospatiale Lagardere International and the senior vice president of EADS in charge of business in north Asia. He has been the Chairman of Airbus Asia Advisory Council from late 2007. Mr. Maurice graduated from the School of Engineering of Ecole Nationale Superieure de Physique in France in 1980 and received his master degree in Science from the University of California in the USA in 1981 and a MBA degree from the School of Business Administration of Institut Superieur des Affaires in France in 1982. Mr. Savart has been appointed as a non-executive Director of the Company since June 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Chongqing（郭重慶）

(Chairman of Remuneration Committee, Member of Audit Committee and Nomination Committee)

82, an academician of the Chinese Academy of Engineering and a professor of Tongji University, a professor of Shanghai Jiao Tong University, the reputational dean of the Mechanical Engineering Institute and the consulting dean of Economics and Management Institute of Tongji University and a member of the specialist committee of Chinese Association of Machine Building. He graduated from Harbin Polytechnical University in 1957 majoring in machinery manufacturing and was an assistant professor in the university. He had been the head of Department of Management Sciences of the National Natural Science Foundation of China and the chief designer of a number of major national construction projects, and was awarded the "Chinese Master of Engineering Design". Mr. Guo has been appointed as an independent non-executive Director of the Company since May 2003, and as Chairman of Remuneration Committee since 25 March 2014.

Mr. Lau Chung Man, Louis（劉仲文）

(Chairman of Audit Committee, Member of Remuneration Committee and Nomination Committee)

56, executive director and CFO of Sing Tao News Corporation ("Sing Tao", a company listed on the main board of the Stock Exchange). Mr. Lau joined Sing Tao on 23 May 2005. Mr. Lau is a Chartered Accountant and has been granted the Bachelor of Business and Administration in Victoria University of Wellington, New Zealand. Mr. Lau is also a member of New Zealand Institute of Chartered Accountants (NZICA) and an associate member of Hong Kong Institute of Certified Public Accountants (HKICPA). He has experience in corporate management, accounting and finance. He had been an executive director of China Everbright Ltd. (a company listed on the main board of the Stock Exchange) before he joined Sing Tao in May 2005. Mr. Lau has been appointed as an independent non-executive Director of the Company since August 2006, as Chairman of Audit Committee since 25 March 2014 and was no longer the Chairman of Remuneration Committee.

Mr. Liu Renhuai（劉人懷）

(Member of Audit Committee, Remuneration Committee and Nomination Committee)

74, an academician of the Chinese Academy of Engineering, graduated from Lanzhou University in 1963. He was elected as academician of the division of mechanical and vehicle technology of Chinese Academy of Engineering in 1999 and one of the first academicians of the division of engineering management of Chinese Academy of Engineering in 2000. He used to work as the president of Jinan University, director of the guiding committee on education of mechanics for colleges and universities of the Ministry of Education, chairman of Chinese Vibration Engineering Society and vice chairman of Chinese Mechanics Society from 1995 to 2013. He is currently a professor and a board member of Jinan University, director of the research center of strategic management of Jinan University and director of the institute of applied mechanics. Mr. Liu was appointed as a non-executive director of Sino-Tech International Holdings Limited (whose shares are listed on the Hong Kong Stock Exchange) from August 2010 to January 2012. He is currently an independent director of Guangdong Hongda Blasting Co., Ltd. (whose A shares are listed on the Shenzhen Stock Exchange). Mr. Liu Renhuai has been appointed as an independent non-executive Director of the Company since June 2014.

SUPERVISORS

Ms. Bai Ping（白萍）

60, a master degree holder and class one senior accountant and a certified public accountant. She graduated from Zhengzhou Aviation Industry Management Institute majoring in financial management. She also took the business administration diploma course in the faculty of economics, management and human resources training center in Beijing University of Aeronautics and Astronautics and an MBA course sponsored by the University of California, USA. She commenced her career in aviation industry in 1970 and served as a staff in the management office of electronic component division of Shaanxi Xingping Qinling Company, an auditor of the audit department of the Ministry of Aero-Space Industry, a deputy director and the director of the audit office under the finance department of Former AVIC, and the director-general of the finance and audit department and deputy chief accountant of AVIC II, director-general of financial management department and deputy chief accountant of AVIC. Ms. Bai is now the chairman of supervisory committee of AVIC Commercial Aircraft Engine Co., Ltd. Ms. Bai has been appointed as a Supervisor of the Company since April 2003 and as the chairman of Supervisory Committee since May 2012.

Mr. Yu Guanghai（于廣海）

45, a bachelor degree holder and a senior economist. Mr. Yu is also a manager of Business Department I of China Orient Asset Management Corporation, Harbin Office, responsible for assets disposal and stock management. Mr. Yu graduated from Heilongjiang University with a bachelor degree majoring in economics. From 1992, he worked in Bank of China, the International Business Department, Operation Department and Corporate Department of Heilongjiang branch, engaging in research, investment management, investment fund and credit and loan operations. He joined China Orient Asset Management Corporation, Harbin Office since 2000. Mr. Yu has been appointed as a Supervisor of the Company since June 2009.

Ms. Li Jing（李竟）

36, a master degree holder and a certified medium translator. Ms. Li is an assistant to the director of Management Department. She graduated from the Southwest Agriculture University with a bachelor degree in 2002 and graduated from University of International Business and Economics with a MBA degree in 2013. She worked in the Investment Promotion Bureau of Mianyang Scientific-Industrial Zone and the International Cooperation Division of International Cooperation and Trading Department under AVIC II. Ms. Li joined the Company since 2004, and has been appointed as a Supervisor of the Company since May 2012.

SENIOR MANAGEMENT

Mr. Chen Yuanxian（陳元先）

54, a doctorate degree holder and researcher, vice president and Chief Financial Officer of the Company. Mr. Chen graduated from Nanjing University of Aeronautics and Astronautics with a bachelor degree majoring in man-machine engineering in 1982 and graduated from Beijing University of Aeronautics and Astronautics with a master degree and a doctorate degree majoring in man-machine engineering in 1988 and 1998, respectively. He commenced his career in the aviation industry since 1982 and used to be a technician, vice department director, deputy chief engineer and chief engineer of China Research Institute of Aero-Accessories. He had been the director of China Research Institute of Aero-Accessories since February 2000; director-general of Airborne Equipment Department of AVIC I since February 2003; deputy chief engineer of AVIC I since June 2007; deputy chief economist, director of Strategic Planning Department in September 2008. In March 2013, he was appointed as a director and chief economist of AVIC. Mr. Chen was a non-executive Director of the Company from June 2009 to May 2012. On 25 March 2014, Mr. Chen was appointed as the vice president and Chief Financial Officer of the Company.

Mr. Ni Xianping（倪先平）

59, a doctorate degree holder, researcher and vice president of the Company. He graduated with a bachelor degree majoring in helicopter design, a master degree majoring in helicopter design and a doctorate degree majoring in air vehicle design from Nanjing University of Aeronautics and Astronautics in 1982, 1987 and 2002, respectively. Mr. Ni commenced his career in aviation industry in 1982, and used to be an engineer, deputy director of pneumatic division, assistant to chief engineer, the director of the office of chief engineer, deputy chief engineer, deputy director-general and director-general of China Helicopter Research Institute; deputy chief engineer of AVIC II and director-general of Helicopter Department of AVIC II since June 2003; and deputy chief engineer of AVIC II since January 2006. Mr. Ni also serves as the chairman of the supervisory committee of AVIC Engine Shareholding Co., Ltd., AVIC Aviation Engine Corporation PLC, AVIC Helicopter Limited, AVICOPTER and a director of China Aviation Industry General Aircraft Co., Ltd., and AVIC Heavy Machinery Co., Ltd.. Mr. Ni has been appointed as vice president of the Company since June 2009.

Mr. Zheng Qiang（鄭強）

51, a master degree holder and researcher, vice president of the Company. He graduated from Northwestern Polytechnical University with bachelor degree majoring in aircraft design in 1988. Mr. Zheng commenced his career in aviation industry from 1988, and used to be an engineer, deputy director and director of Civil Aircraft Division of China Aviation System Engineering Research Institute ("CASERI"); deputy chief engineer and director of Aircraft Division of CASERI since March 1996; deputy director-general and director-general of CASERI since October 1996; deputy director-general and director-general of Civil Aircraft Department of AVIC I since August 2001; and assistant to the general manager of AVIC I since September 2004. Mr. Zheng also serves as member of board of AVIC Helicopter Limited; member of board of AVIC Engine Company and member of board of AVIC Economy Research Institute. Mr. Zheng has been appointed as vice president of the Company since June 2009.

Mr. Zhang Kunhui（張昆輝）

52, a doctor degree holder, natural science researcher, supervisor of Ph.D. students, vice president of the Company. Mr. Zhang graduated from Nanjing University of Aeronautics and Astronautics (bachelor and master of engineering), Beijing University of Aeronautics and Astronautics (doctor of Communication and Information Systems). He commenced his career in aviation industry from July 1983 and used to be division chief, vice director, executive vice director, director of China Leihua Electronic Technology Research Institute. He was appointed as director of Radar and Avionics Institute of AVIC in March 2004. And he was appointed as the chairman of the board for GE AVIC Civil Avionics Systems Company Limited in May 2013 and as the vice chairman of the board of AVIC Avionics in July 2014. Mr. Zhang was appointed as the vice president of the Company on 9 April 2010.

COMPANY SECRETARY

Mr. Yan Lingxi（閆靈喜）

45, a master degree holder, senior engineer, Company Secretary and Assistant to General Manager. He is also a director of AVIC Avionics and AVICOPTER. He graduated from the Beijing University of Aeronautics and Astronautics with a bachelor degree in engineering in 1991 and with a master degree in management in 1999. He commenced his career in the aviation industry in July 1991 and worked in the reform bureau of the Ministry of Aero-Space Industry, the corporate management office of Nanjing Jincheng Machinery Factory, the corporate management department and the asset and business management department of Former AVIC. He was appointed as a deputy division director and a division director of the corporate assets management department of AVIC II, and the director of the security and legal department of the Company. Mr. Yan has been appointed as the Company Secretary since April 2003, and Assistant to General Manager since May 2010.

The Board of Directors of AviChina Industry & Technology Company Limited presents its Annual Report of the Board together with the audited financial statements of the Group for the year ended 31 December 2014.

BUSINESS OF THE GROUP

The Group is principally engaged in the research, development, manufacture and sale of civil aviation products.

RESULTS AND DIVIDEND

The results of the Group for 2014 are set out in the Consolidated Income Statement on page 60 of this Annual Report.

The Board recommends the payment of a final dividend for the year 2014 in an aggregate amount of RMB109,488,583.34, representing a dividend of RMB0.02 per share (2013: RMB0.02 per share), calculated based on the existing number of total issued shares of 5,474,429,167 shares as at the date of this report.

The final dividend will be paid to those Shareholders whose names appear on the Company's register of members at the close of business on 25 June 2015 (the "Record Date"). To determine the identities of the Shareholders entitled to receive the final dividend, the Company's register of members will be closed from 20 June 2015 to 25 June 2015 (both days inclusive), during which period no transfer of H Shares will be registered. In order to be entitled to receive the final dividend, all transfer instruments accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's H Shares registrar, by not later than 4:30 p.m. on 19 June 2015.

In accordance with Article 151 of the Articles of Association, the dividend will be declared in RMB to the Shareholders. The dividend payable to Shareholders of the Domestic Shares will be paid in RMB within three months after the dividend declaration date. The dividend payable to H Shareholders is calculated and declared in RMB and will be paid in Hong Kong Dollars within three months after the dividend declaration date. The amount to be paid in Hong Kong Dollars will be converted based on the average closing exchange rate between RMB and Hong Kong Dollars issued by the People's Bank of China for the five working days prior to the declaration of dividends at the annual general meeting of the Company to be held on 12 June 2015.

INFORMATION ON TAX DEDUCTION

H Shareholders are taxed for the dividends distributed by the Company in accordance with the Enterprise Income Tax Law of the PRC, the Individual Income Tax Law of the PRC and other relevant laws, regulations and rules. However, H Shareholders may enjoy tax relief in accordance with the provisions of applicable tax treaties entered into by the countries/regions where they belong to by virtue of residential identification and the PRC. For details, please refer to the announcement of the Company dated 25 June 2014.

In addition, pursuant to the Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Program (Cai Shui [2014] No. 81), for domestic individual shareholders who invest in H shares of the Company through Shanghai-Hong Kong Stock Connect, the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the dividends. For domestic shareholders who are securities investment funds investing in H shares of the Company through Shanghai-Hong Kong Stock Connect, the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the dividends. As to the withholding tax having been paid abroad, an individual shareholder may file an application for tax credit with the competent tax authority which exercises jurisdiction over China Securities Depository and Clearing Corporation Limited with an effective tax credit document. For domestic enterprise shareholders who invest in H shares of the Company through Shanghai-Hong Kong Stock Connect, the Company will not withhold or pay enterprise income tax on their behalf in the distribution of the dividends, and the domestic enterprise shareholders shall report and pay the relevant taxes payable by themselves. Any dividend received in respect of H shares of the Company which have been continuously held by a domestic resident enterprise shareholder for 12 months shall be exempted from enterprise income tax.

SHARE CAPITAL

The Company's capital structure as at 31 December 2014 was as follows:

Class of shares	Number of shares as at 31 December 2014	Percentage of total number of shares in issue as at 31 December 2014 *(%)*
Domestic Shares	3,117,995,265	56.96
Overseas listed foreign invested shares (H Shares)	2,356,433,902	43.04
Total	5,474,429,167	100

FIVE-YEAR FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on pages 3 to 4 of this Annual Report.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, pursuant to the register kept under Section 336 of the Securities and Futures Ordinance (the "SFO"), shareholders holding 5% or more than 5% equity interest 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 to share capital in issue	Nature of Shares held
AVIC *(Note)*	Domestic Shares	Beneficial owner, Interest in Controlled Corporation	2,989,492,900	95.88%	54.61%	Long position
Airbus Group	H Shares	Beneficial owner	274,909,827	11.67%	5.02%	Long position

Note: Out of the 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.

Save as disclosed above, as at 31 December 2014, 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 under section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's Shares for the year ended 31 December 2014.

PRE-EMPTIVE RIGHTS

There are no provisions in respect of pre-emptive rights under the Articles of Association and the laws of the PRC.

DESIGNATED DEPOSITS AND OVERDUE FIXED DEPOSITS

As at 31 December 2014, there was no designated deposit or overdue fixed deposit placed by the Group that could not be collected by the Group upon maturity.

FIXED ASSETS

Details of fixed assets of the Company are set out in note 16 to the financial statements.

RESERVES

Details of movement in reserves of the Group for the year ended 31 December 2014 are set out in the Consolidated Statement of Changes in Equity and note 40 to the financial statements.

DISTRIBUTABLE RETAINED EARNINGS

As at 31 December 2014, the Company had distributable retained earnings of RMB285,776,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, the Group's total purchases from the five largest suppliers for the aviation business accounted for 18.86% of the Group's total purchases, of which, purchases from the largest supplier accounted for 5.72% of the Group's total purchases. The Group's sales to the five largest customers accounted for 53.13% of the Group's total sales, of which, sales to the largest customer accounted for 26.65% of the Group's total sales.

Purchases from the five largest suppliers in the aviation entire aircraft segment accounted for 25.67% of the total purchases in the Group in that segment, of which, purchases from the largest supplier accounted for 7.78% of the total purchases in that segment. Sales to the five largest customers in the aviation entire aircraft segment accounted for 98.68% of the total sales in that segment, of which, sales to the largest customer accounted for 58.37% of the total sales in that segment.

Purchases from the five largest suppliers in the aviation parts and components segment accounted for 10.66% of the total purchases in the Group in that segment, of which, purchases from the largest supplier accounted for 2.84% of that segment. Sales to the five largest customers in the aviation parts and components segment accounted for 11.50% of the total sales in that segment, of which, sales to the largest customer accounted for 3.57% of the total sales in that segment.

During the reporting period, save for the connected transactions with AVIC Group, as disclosed in the Connected Transactions section of this Annual Report, none of the Directors, their associates or any shareholder holding more than 5% interest in the share capital of the Company had any interest in the above major suppliers and customers.

SUBSIDIARIES AND ASSOCIATES

Details of subsidiaries and associates are set out in note 46 to the financial statements.

DIRECTORS

Details of the Directors of the Company during the financial year ended 31 December 2014 are set out from pages 17 to 21 of this Annual Report.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES DURING THE REPORTING YEAR

1. On 24 April 2014, JONHON Optronic entered into equity transfer agreements with Shaanxi State-Owned Assets Management Co., Ltd. and other related parties, all being independent third parties, in relation to its acquisition of an additional 10% equity interest in Xi'an Forstar at a consideration of RMB26.752 million. Upon completion of this equity transfer, JONHON Optronic held 58.182% equity interest in aggregate in Xi'an Forstar. For details, please refer to the announcements of the Company dated 24 October 2013, 13 November 2013 and 25 April 2014, respectively, and the overseas regulatory announcement dated 9 January 2014.

2. On 16 May 2014, the Company and AVIC Avionics entered into share subscription agreements with CITC respectively. For details of the transaction, please refer to the section headed "One-off Connected Transactions" of this report of the Board.

3. On 10 October 2014, JONHON Optronic entered into an equity transfer agreement with Wang Guanghui and Tan Li, two shareholders of Xiangtong Photoelectric, both being independent third parties of the Company, pursuant to which, JONHON Optronic acquired 51% equity interest in Xiangtong Photoelectric, with its internal funds of no more than RMB122,400,000 in cash. Upon completion of this acquisition, Xiangtong Photoelectric became a subsidiary of JONHON Optronic. For details, please refer to the announcement of the Company dated 10 October 2014.

4. On 19 December 2014, AVIC Kaitian and other subscribers entered into the share subscription agreement with AVIC Capital. For details of this transaction, please refer to the section headed "One-off Connected Transactions" of this report of the Board.

5. On 30 December 2014, the Company entered into the share transfer agreement with CAIG, pursuant to which, the Company agreed to transfer, subject to certain conditions, 49% equity interest in Jiujiang Auto to CAIG. For details of this transaction, please refer to the section headed "One-off Connected Transactions" of this report of the Board.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

For the year ended 31 December 2014, the Group engaged in continuing connected transactions with AVIC Group, AVIC Avionics and its subsidiaries ("AVIC Avionics Group"), AVICOPTER and its subsidiaries ("AVICOPTER Group"). AVIC is the controlling shareholder of the Company and therefore is a connected person of the Company. AVIC has direct and indirect equity interest of 34.16% in AVIC Avionics, which is a subsidiary of the Company held as to 43.22% by the Company and is consolidated in the audited accounts of the Company. AVIC Avionics is therefore a connected subsidiary of the Company under the Listing Rules. Similarly, AVIC has indirect equity interest of 26.93% in AVICOPTER, which is a subsidiary of the Company held as to 35.10% by the Company and is consolidated in the audited accounts of the Company. AVICOPTER is therefore a connected subsidiary of the Company under the Listing Rules.

The Group also entered into continuing connected transactions with Aviation Industry Corporation Finance Company Limited ("AVIC Finance"), which is a subsidiary of AVIC and therefore a connected person of the Company.

AVIC

During the year 2014, the Group engaged in continuing connected transactions with AVIC Group pursuant to the four connected transaction agreements entered into between the Company and AVIC:

1. On 30 August 2011, the Company entered into the mutual supply of products agreement with AVIC to continue certain continuing connected transactions ("Existing Mutual Supply of Products Agreement"), pursuant to which, AVIC Group agreed to provide aviation related materials, components and products and their related sale and ancillary services to the Group for a term of three years ended 31 December 2014. The Group also agreed to provide aviation related materials, components and products and their related sale and ancillary services to AVIC Group for a term of three years ended 31 December 2014.

   As the Existing Mutual Supply of Products Agreement expired on 31 December 2014, the Company entered into a new framework agreement, namely, the Mutual Supply of Products Agreement, with AVIC on 26 August 2014 to continue certain continuing connected transactions, pursuant to which, AVIC Group and the Group agreed to mutually provide manufacturing raw materials, parts and components, finished and semi-finished aviation products (including but not limited to helicopters, aircraft and aviation parts and components) involved in the production and operations of their respective aviation products as well as the sales and ancillary services related thereto for a term of three years ending 31 December 2017.

2. On 30 August 2011, the Company entered into the mutual provision of services agreement with AVIC to continue certain continuing connected transactions ("Existing Mutual Provision of Services Agreement"), pursuant to which, AVIC Group agreed to provide certain services relating to the production and business operations of the Group for a term of three years ended 31 December 2014 and the Group also agreed to provide certain services relating to the production and business operations of AVIC Group for a term of three years ended 31 December 2014.

   As the Existing Mutual Provision of Services Agreement expired on 31 December 2014, the Company entered into a new framework agreement, namely, the Mutual Provision of Services Agreement, with AVIC on 26 August 2014 to continue certain continuing connected transactions, pursuant to which, AVIC Group agreed to provide certain services relating to the production and business operations of the Group for a term of three years ending 31 December 2017 and the Group also agreed to provide certain services relating to the production and business operations of AVIC Group for a term of three years ending 31 December 2017.

3. On 30 August 2011, the Company entered into the trademarks and technology cooperation framework agreement with AVIC to continue certain continuing connected transactions ("Existing Trademarks and Technology Cooperation Framework Agreement"), pursuant to which, AVIC Group agreed to provide, among others, certain licences of trademarks and technology cooperation services to the Group for a term of three years ended 31 December 2014 and the Group also agreed to provide, among others, certain licences of trademarks and technology cooperation services to the AVIC Group for a term of three years ended 31 December 2014.

   As the Existing Trademarks and Technology Cooperation Framework Agreement expired on 31 December 2014, the Company entered into a new framework agreement, namely, the Trademarks and Technology Cooperation Framework Agreement, with AVIC on 26 August 2014 to continue certain continuing connected transactions, pursuant to which, AVIC Group agreed to provide, among others, certain licences of trademarks and technology cooperation services to the Group for a term of three years ending 31 December 2017 and the Group also agreed to provide, among others, certain licences of trademarks and technology cooperation services to AVIC Group for a term of three years ending 31 December 2017.

4. On 30 August 2011, the Company entered into the land use rights and properties leasing agreement with AVIC for a term of 20 years commencing from 1 January 2012 to continue certain continuing connected transactions ("Existing Land Use Rights and Properties Leasing Agreement"), pursuant to which, AVIC Group leases 21 pieces of land with an aggregate area of approximately 1.63 million square meters to the Group at an annual rental of approximately RMB35.9 million. The Group leases a piece of land with an aggregate area of approximately 16,000 square meters to AVIC Group at an annual rental of approximately RMB429,000. AVIC Group leases certain properties with an aggregate gross floor area of approximately 0.19 million square meters to the Group at an annual rental of approximately RMB4.44 million. The Group leases certain properties with an aggregate gross floor area of approximately 52,000 square meters to AVIC Group at an annual rental of approximately RMB4.92 million.

   Due to the increased number of subsidiaries of AVIC Avionics following the completion of its assets reorganization, the scope of the land use rights and properties rented by the Group from AVIC Group expanded accordingly, which resulted in an increase in the rental payable by the Group to AVIC Group in 2014. Hence, the Board revised the relevant annual cap for the relevant expenditure transactions for 2014 on 26 August 2014.

   Meanwhile, as the assets reorganizations carried out by the Group in the preceding three years led to changes in the scope of the existing land use rights and properties leased under the Existing Land Use Rights and Properties Leasing Agreement. Hence, the Company entered into a supplemental agreement with AVIC on 26 August 2014 to revise the scope of continuing connected transactions and rental contemplated under the Existing Land Use Rights and Properties Leasing Agreement.

AVIC Avionics

5. On 30 August 2011, the Company entered into a continuing connected transaction agreement with AVIC Avionics ("AVIC Avionics CCT Agreement"), pursuant to which, the Group agreed to provide aviation parts and components, raw materials, production and labour services to AVIC Avionics Group, as well as providing continuing guarantee(s) to AVIC Avionics Group in relation to its bank loan(s) obtained during its ordinary course of business for a term of three years ended 31 December 2014; and AVIC Avionics Group agreed to provide aviation parts and components and related ancillary services to the Group for a term of three years ended 31 December 2014.

AVICOPTER

6. On 18 December 2013, the Company entered into the products and services mutual supply and guarantee agreement with Hafei Aviation (now changed into "AVICOPTER") ("AVICOPTER CCT Agreement") to monitor the continuing connected transactions between the Group and AVICOPTER Group. Accordingly, the Group agreed to provide aviation parts and components, raw materials and related production and labour services to AVICOPTER Group, as well as providing continuing guarantee(s) to AVICOPTER Group in relation to its bank loans during its ordinary course of business for a period from 13 November 2013 to 31 December 2014; and AVICOPTER Group agreed to provide aviation parts and components, raw materials and related production and labour services to the Group for a period from 13 November 2013 to 31 December 2014.

   The rapid growth of the business of AVICOPTER following its assets reorganization led to increased ancillary transactions between AVICOPTER Group and the avionics subsidiaries of the Group, and the transactions under the AVICOPTER CCT Agreement increased accordingly. Hence, the Board revised the relevant annual cap for the relevant revenue transactions for 2014 on 26 August 2014.

   As AVIC Avionics CCT Agreement and AVICOPTER CCT Agreement both expired on 31 December 2014, and given that the continuing connected transactions between the Group and AVICOPTER Group, and those between the Group and AVIC Avionics Group are similar, and there are a large amount of ancillary transactions between AVIC Avionics Group and AVICOPTER Group, for the convenience of management, the Company signed one combined agreement for the mutual supply of products and services and provision of guarantee i.e. the Products and Services Mutual Supply and Guarantee Agreement together with AVIC Avionics and AVICOPTER on 26 August 2014, in order to better monitor all the continuing connected transactions after completion of the reorganization, and set an overall cap.

AVIC Finance

7. The Group entered into the financial services framework agreement with AVIC Finance on 25 March 2013 ("Existing Financial Services Framework Agreement"), pursuant to which, AVIC Finance agreed to provide the Group with non-exclusive deposit services, loan services, settlement services, guarantee services and other financial services subject to the terms and conditions provided therein with a term of three years.

   As the terms of the Existing Financial Services Framework Agreement are effective from 14 June 2013 for a term of three years, which is different from the term of most of the other existing framework agreements for continuing connected transactions of the Company. For the purpose of facilitating the unified management of continuing connected transactions, the Company decided that the existing financial services framework agreement was terminated on 31 December 2014, and entered into a new framework agreement on 26 August 2014, namely, the Financial Services Framework Agreement with a term of three years commencing from 1 January 2015 and ending 31 December 2017. The terms and conditions of the Financial Services Framework Agreement are basically the same as the Existing Financial Services Framework Agreement.

Details of the above continuing connected transactions can be referred to in the announcement dated 1 April 2010 and the circular dated 16 April 2010, the announcement dated 30 August 2011 and the circular dated 23 September 2011, the announcement dated 25 March 2013 and the circular dated 13 May 2013, the announcements dated 18 December 2013 and 26 August 2014 and the circular dated 26 September 2014 respectively.

The annual caps for the continuing connected transaction as compared with the actual transaction amounts incurred or received by the Group in 2014 are set out below. For the year ended 31 December 2014, the continuing connected transactions of the Group were calculated on a consolidated basis as follows:

		2014 Actual amount *(RMB million)*	Annual Cap *(RMB million)*
1	**The Existing Mutual Supply of Products Agreement**		
	(a) Annual expenditure of the Group	11,233	15,489
	(b) Annual revenue of the Group	16,784	30,339
2	**The Existing Mutual Provision of Services Agreement**		
	(a) Annual expenditure of the Group	687	2,434
	(b) Annual revenue of the Group	4	746
3	**The Existing Land Use Rights and Properties Leasing Agreement**		
	Annual expenditure of the Group	63	72
4	**The Existing Trademarks and Technology Cooperation Framework Agreement**		
	(a) Annual expenditure of the Group	24	86
	(b) Annual revenue of the Group	–	30
5	**AVIC Avionics CCT Agreement**		
	(a) Annual expenditure of the Group	724	1,039
	(b) Annual revenue of the Group	87	135
6	**AVICOPTER CCT Agreement**		
	(a) Annual expenditure of the Group	3	65
	(b) Annual revenue of the Group	741	1,000

		2014 Maximum daily Outstanding balance of deposits *(RMB million)*	Cap for the maximum daily outstanding balance of deposits *(RMB million)*
7	**The Existing Financial Services Framework Agreement**		
	(a) Maximum daily outstanding balance of deposits (including accrued interests) placed by the Group with AVIC Finance	1,605	3,000

		Actual amount *(RMB million)*	Annual Cap *(RMB million)*
	(b) Other financial services supplied by AVIC Finance to the Group	515	1,000

The Board (including independent non-executive Directors) has reviewed the above continuing connected transactions and confirmed that they had been entered into subject to the following conditions:

(a) The transactions were entered into in the ordinary and usual course of business of the Group;

(b) The transactions were either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties;

(c) The transactions were entered into in accordance with the terms under relevant agreements which were fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(d) The aggregate amounts of the transactions have not exceeded the respective caps as set out above.

The Company's auditors have reviewed the relevant transactions, and have confirmed in a letter to the Directors stating that:

(a) nothing has come to its attention that causes it to believe that the transactions were not approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to its attention that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to its attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(d) The amounts of the transactions have not exceeded the respective annual caps as set out above.

In addition, according to the Listing Rules, the related party transactions mentioned in note 44 to the financial statements also constituted continuing connected transactions as defined under Chapter 14A of the Listing Rules. Such transactions were in compliance with the disclosure requirements of Chapter 14A of the Listing Rules.

ONE-OFF CONNECTED TRANSACTIONS

1. On 16 May 2014, the Company and AVIC Avionics, entered into share subscription agreements with CITC respectively, pursuant to which, the Company conditionally agreed to subscribe for not more than 100,301,200 new CITC shares for a total consideration of not more than RMB1,665 million in cash; and AVIC Avionics conditionally agreed to subscribe for 33,132,500 new CITC shares for a total consideration of not more than RMB550 million in cash. Upon completion of the share subscription, the Group would in aggregate hold approximately 8.45% equity interest in CITC. The share subscription agreements constituted connected transactions of the Company under Chapter 14A of the Listing Rules, and were subject to the reporting, announcement and independent shareholders' approval requirements. On 14 November 2014, each of the Company and AVIC Avionics entered into a supplemental agreement to the share subscription agreement with CITC, respectively, pursuant to which the Company adjusted the number of shares to be subscribed based on the appraisal of the underlying assets of CITC. On 12 December 2014, the Company received a notice from CITC in relation to the termination of the major assets reorganization and accordingly the Company and AVIC Avionics terminated their subscriptions of new CITC shares. For details, please refer to the announcements of the Company dated 16 May 2014, 22 July 2014, 14 November 2014, 12 December 2014 respectively, and the circular published on 9 June 2014.

2. On 18 June 2014, the board of directors of AVIC Avionics resolved to accept the entrustment from AVIC on managing its equity interest in AVIC Avionics Systems. Pursuant to this resolution, AVIC would, during the term of the entrusted management, only retain the relevant shareholders' rights including right to profit distribution, right to distribution and disposition of residual property and shareholders' rights of the 18.15% equity interest held by AVIC Avionics Systems in AVIC Avionics. AVIC Avionics would be entitled to exercise the remaining shareholder's rights and exert full decision rights on the manufacture and operation of the entrusted AVIC Avionics Systems. On 29 December 2014, AVIC Avionics entered into an entrusted management agreement with AVIC in relation to the above entrustment. Pursuant to Chapter 14A of the Listing Rules, the entering into of the entrusted management agreement constituted a connected transaction of the Company. As the services provided under the entrusted management agreement fall within the enterprise management trust services under the Mutual Provision of Services Agreement between the Company and AVIC, which was approved by the Board of Directors of Company and complied with the reporting and announcement requirements according to its then applicable size tests percentage ratios (i.e. more than 0.1% but less than 5%), the entrusted management agreement accordingly was not required to re-comply with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. For details, please refer to the announcements of the Company dated 18 June 2014 and 29 December 2014.

3. On 19 December 2014, AVIC Kaitian and other subscribers entered into a share subscription agreement with AVIC Capital, pursuant to which, AVIC Kaitian conditionally agreed to subscribe for approximately 8,882,864 shares issued by AVIC Capital, for a consideration to be satisfied by transferring its 2.16% equity interest in AVIC Leasing Co., Ltd. to AVIC Capital. Upon completion of the share subscription of AVIC Kaitian, AVIC Kaitian would hold 0.5% equity interest in AVIC Capital. The final number of shares to be subscribed for and the consideration to be paid by AVIC Kaitian respectively had to be subject to the shareholders' approval of AVIC Capital at its general meeting after the same were approved by the competent governmental authorities. Pursuant to Chapter 14A of the Listing Rules, the entering into of the share subscription agreement constituted a connected transaction of the Company. The transactions contemplated under the share subscription agreement were only subject to the reporting and announcement requirements, but were exempt from the independent shareholders' approval requirement. For details, please refer to the announcement of the Company dated 19 December 2014.

4. On 30 December 2014, the Company entered into the share transfer agreement with CAIG, pursuant to which, the Company agreed to transfer, subject to certain conditions, 49% of the equity interest in Jiujiang Auto to CAIG, for a consideration of approximately RMB85,000,000 to be satisfied by CAIG in cash. Upon completion of the share transfer, the Company would no longer have any equity interest in Jiujiang Auto. Pursuant to Chapter 14A of the Listing Rules, the entering into of the share transfer agreement constituted a connected transaction of the Company, which was subject to the reporting and announcement requirements, but was exempt from the independent shareholders' approval requirement. For details, please refer to the announcement of the Company dated 30 December 2014.

SIGNIFICANT EVENTS DURING THE REPORTING YEAR

1. On 25 March 2014, the Board of Directors of the Company resolved, that the conditions for unlocking having been fulfilled by the Company and the Scheme Participants according to the Scheme, another one-third of the Restricted Shares granted to the eligible Scheme Participants under the Initial Grant were unlocked on 31 March 2014. For details, please refer to the announcements of the Company dated 21 January 2011, 23 February 2011, 29 March 2011, 30 March 2011, 25 March 2013 and 25 March 2014, and the circular dated 24 February 2011.

2. On 22 July 2014, in accordance with the Scheme of the Company and upon obtaining the approval of SASAC, the Company would implement the Second Grant. On 9 October 2014, in accordance with requirements of the relevant PRC authorities, the Board of Directors of the Company proposed to make certain adjustments to the terms of the Scheme before implementing the Second Grant under the Scheme. On 20 November 2014, an extraordinary general meeting was held and approved the adjustments to certain terms of the Scheme. For details, please refer to the announcements of the Company dated 21 January 2011, 23 February 2011, 29 March 2011, 30 March 2011, 25 March 2013, 25 March 2014, 22 July 2014, 9 October 2014 and 20 November 2014, and the circular dated 24 February 2011.

3. On 25 September 2014, Hafei Aviation underwent a restructuring and established a wholly-owned subsidiary named "Harbin Hafei Aviation Industry Limited Liability Company". Hafei Aviation changed its company name into "AVICOPTER PLC". For details, please refer to the announcement of the Company dated 25 September 2014.

4. On 20 November 2014, the Board of Directors of the Company announced that the principal place of business of the Company in Hong Kong was changed to Unit 2202A, 22nd floor, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong with effect from 21 November 2014.

CORPORATE GOVERNANCE

Details of corporate governance practices adopted by the Company are set out in the section of "Corporate Governance Report" of this Annual Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Board, throughout the year ended 31 December 2014 and up to the date of this report, the Company maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

AUDITORS

The financial statements for the year have been audited by PricewaterhouseCoopers. A resolution for the appointment of Ernst & Young and Ernst & Young Hua Ming LLP, as the international and domestic auditors of the Company for the financial year of 2015 will be proposed at the forthcoming Annual General Meeting. In the past three years, the auditors of the Company remained unchanged.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 6 January 2014, due to other work commitments as required by his current employer, Mr. Li Xianzong applied to the Board for the resignation from his position as an independent non-executive Director. Mr. Liu Renhuai, a new independent non-executive Director,was elected at the annual general meeting of the Company held on 13 June 2014, in accordance with the requirements with respect to the composition of the Board as provided in the Company's Articles of Association, for a term of office commencing from the date on which his appointment was approved at the aforementioned annual general meeting on 13 June 2014, until the date on which the resolution relating to the election of the 5th Session of the Board is considered at the forthcoming annual general meeting. Mr. Li Xianzong's term of office was terminated upon the approval of the appointment of Mr. Liu Renhuai as a the new independent non-executive Director at the annual general meeting held on 13 June 2014. For further details, please refer to the announcements of the Company published on 6 January 2014, 25 March 2014, and 13 June 2014 respectively.

At the Board meeting convened on 25 March 2014, Mr. Chen Yuanxian was appointed as the Vice President and Chief Financial Officer of the Company. Mr. Wang Jun resigned as Vice President and Chief Financial Officer of the Company with effect from 25 March 2014, due to reaching the statutory retirement age.

Saved as above, there was no change of the other Directors, Supervisors and senior management of the Company for the year ended 31 December 2014.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors (except the independent non-executive Directors) and Supervisors has entered into a service contract with the Company. None of the Directors and Supervisors has entered into service contracts which are not terminable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the reporting year, none of the Directors or Supervisors had any material interest, directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party.

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

As at 31 December 2014, save as disclosed below, none of the Directors, Supervisors and Chief Executive of the Company had interests or held short positions in the shares, underlying shares and/or debentures of its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded and kept in the register pursuant to section 352 of the SFO and be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

Name of Director	Class of shares	Capacity	Number of shares held	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	H Share	Beneficial owner	489,629	0.02%	0.009%	Long position
Tan Ruisong	H Share	Beneficial owner	439,885	0.02%	0.008%	Long position
Gu Huizhong	H Share	Beneficial owner	311,885	0.01%	0.006%	Long position
Gao Jianshe	H Share	Beneficial owner	303,885	0.01%	0.006%	Long position

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of remuneration of the existing Directors, Supervisors and senior management are set out in Corporate Governance Report and note 15 to the financial statements.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2014, none of the Directors or Supervisors was entitled to acquire shares or debentures of the Company or its associated corporations (within the meaning of the SFO).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year of 2014.

Report of the Supervisory Committee

To all Shareholders:

During the year of 2014, the Supervisory Committee strictly complied with the PRC Company Law, the Articles of Association and the Procedural Rules for Meetings of the Supervisory Committee and duly adhered to the principles of honesty and integrity in performing the supervisory duties and exercising the rights conferred on it by the Articles of Association, and also in good faith safeguarded the Shareholders' interests in a diligent, pragmatic and serious manner.

In 2014, the Supervisory Committee convened two meetings, at which eight resolutions were considered and approved. The Supervisory Committee fulfilled its tasks on reviewing the 2013 Annual Report, 2014 Interim Report, and the profits distribution plans for 2013 and the first six months of 2014 respectively. The Supervisory Committee had also attended the Board meetings and the general meetings held in 2014 to monitor the validity of procedures undertaken leading to the convening of and decisions made at the Board meetings and general meetings. Through convening supervisory committee meetings and attending Board meetings and general meetings, the Supervisory Committee performed its duties of supervising the major operating activities of the Company, as well as the performance of Directors and senior management in discharging their duties, and provided suggestions to the Board.

The Supervisors attended the meetings of the audit committee for the year 2014, followed on the implementation and progress of issues attended to by the audit committee, and communicated with the independent non-executive directors and auditors in respect of the Company's major operating matters.

To deepen the understanding of the corporate governance rules for Hong Kong listed companies, timely keep abreast of the recent changes and requirements of relevant laws and rules, and further reinforce the supervision and guidance on the standardized operation and management of the Company, members of the Supervisory Committee attended related seminars and communicated with professionals from Hong Kong regulatory authorities, legal professionals and the Supervisors and senior management of other listed companies.

The Supervisory Committee reviewed the Report of the Board which the Board submitted to the general meeting, and considered that the report had fairly reflected the current position of the Company. In 2014, the Board and the senior management of the Company had duly exercised various powers conferred by the Shareholders, performed various obligations, and used their best endeavors to make important contributions to the development of the Company.

To better supervise the financial conditions of the Company, the Supervisory Committee reviewed the report of the auditors of the Company and discussed with the management of the Company, and considered that the statements had fairly reflected the financial position and operating results of the Company. The Company's financial statements were prepared regularly with clear records and complete information.

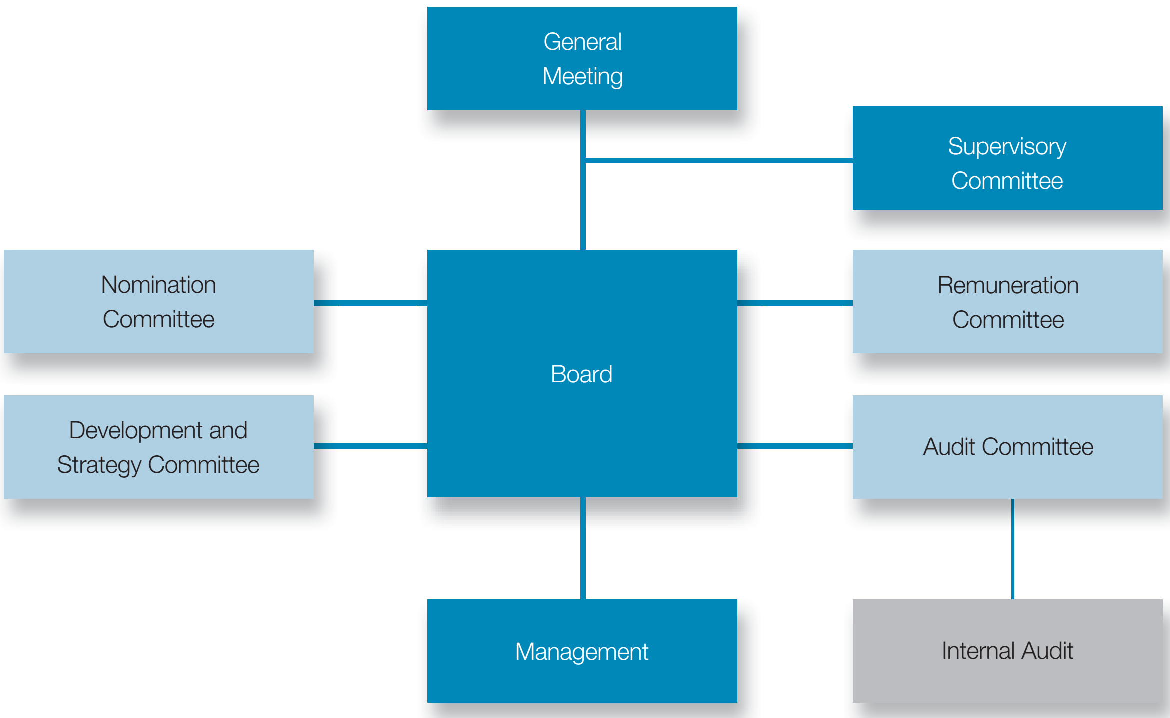
The Supervisory Committee is fully confident in the prospect of the Company. In 2015, according to the work plan for this year, the Supervisory Committee will enhance its supervision over the Company's compliant operation and its construction of the internal control system, establish communication mechanism with intermediary institutions, and closely follow up with the implementation of the resolutions made by the Board of Directors. The Supervisory Committee will continue to strictly perform its duties in accordance with the Articles of Association and the relevant requirements, strengthen its own establishment, improve the supervision level, and safeguard Shareholders' interests.

Chairman of the Supervisory Committee
Bai Ping

Beijing, 30 March 2015

The Company strictly complies with various applicable laws, rules and regulations as well as the Articles of Association to standardize its operation. During the reporting period, pursuant to the regulatory documentations such as the Articles of Association, the Rules Governing the Operation of General Meetings, the Rules Governing the Operation of Board Meetings, the terms of reference of the Supervisory Committee, the Working Guidelines for the Management, the terms of reference of the audit committee, the terms of reference of the remuneration committee, the terms of reference of the nomination committee and the Rules on Information Disclosure, the Company continuously enhanced its corporate governance standard through the co-ordination of general meetings, the Board and the relevant specialized committees of the Board, the Supervisory Committee and the management.

The overall governance structure of the Company is set out as follows:



BUSINESS MODEL AND LONG TERM STRATEGY

The Company mainly operates through subsidiaries. The Company will give full play to the parent-subsidiary system, actively develop aviation business and perfect the aviation industry chain. The details of the business and financial review in 2014 by the Group are set out in the Management Discussion and Analysis of this Annual Report.

CORPORATE GOVERNANCE POLICY

During the reporting period, the Board mainly adopted the following corporate governance policies:

– Corporate governance and related suggestions: In light of the complex global and domestic situation in 2014, the Company discussed on risks and management of risks at the meetings of the Board and the relevant specialized committees. The Board conducted continuous assessment on potential influence of changing external environment and amendments to national laws and regulations and regulatory rules on the business of the Company.

– Improvement on ability of Directors and senior management: The Company provided from time to time information in relation to the supervision and company operations to the Directors to equip them with knowledge of the industry and the Group and to facilitate the decision-making process of the Board and the specialized committees. During the reporting period, the Company also arranged a series of forums on the hot topics and important issues relating to the business of the Company.

– Compliance with laws and regulations: guided by the principle of value creation, the Company engaged professional institutions to streamline and reengineer the business process, and establish the compliance management department to reinforce the risk management and internal control for the company, and safeguard the compliance operation. During this year, the Company completed the sorting and identification of legal risks, built a complete data base for behaviors with legal risk and the schedule for legal risk control, managing the Company's legal risks at a comprehensive, standard and dynamic way.

– Corporate governance report: The Board reviewed the corporate governance report contained in this Annual Report before its publication and was of the view that the corporate governance report complied with the relevant requirements of the Listing Rules.

CORPORATE GOVERNANCE CODE

During the reporting period, the Company strictly complied with various applicable laws, rules and regulations as well as the Articles of Association to standardize its operation. The Board reviewed the corporate governance practices adopted by the Company for the year ended 31 December 2014 and was of the view that the Company complied with the principles and code provisions set out in the Corporate Governance Code under the Listing Rules.

THE BOARD

The Company is managed by the Board, which is responsible for leading and supervising the Company. The Board is collectively responsible for directing and supervising the affairs of the Company.

DIRECTORS

The Board comprises nine Directors, including two executive Directors, namely, Mr. Lin Zuoming (Chairman) and Mr. Tan Ruisong (Vice Chairman), four non-executive Directors, namely, Mr. Gu Huizhong, Mr. Gao Jianshe, Mr. Sheng Mingchuan and Mr. Maurice Savart and three independent non-executive Directors, namely, Mr. Guo Chongqing, Mr. Lau Chung Man, Louis and Mr. Liu Renhuai. The Directors have comprehensive industrial skills, knowledge and experience. With extensive professional knowledge and experience, the independent non-executive Directors have assumed the supervisory and balancing roles and they are capable of making judgments independently and objectively in order to protect the interests of the Shareholders and the Company as a whole, which complies with the guidelines on the independence of independent non-executive Directors as set out in Rule 3.13 of the Listing Rules. In addition, the Company had received a written confirmation from each independent non-executive Director on their independence, based on which and the relevant information that the Board is aware of, the Company believes that each independent non-executive Director remains independent.

The Company adopts the formal procedures in the appointment of new Directors and the nomination process is well determined with transparency. The Company has established a nomination committee in accordance with certain criteria, which is responsible for the nomination of directors to be approved by the Shareholders of the Company. Relevant standards including appropriate professional knowledge and industry experience, personal ethics, integrity and skills, and the commitment of adequate time.

Each Director (including non-executive director) holds office for a period of three years, and is eligible for re-election upon the expiration of the term of office. A list of Directors, their respective profiles and roles in the Board and specialized committees of the Board are set out on pages 17 to 21 of this Annual Report. Relevant information is also published on the website of the Company. There is no relationship (including financial, business, family or other material or relevant relationships) among members of the Board.

The Company has arranged for appropriate insurance coverage in respect of any legal actions which may be instituted against its Directors and senior management in relation to their services during the reporting period.

RESPONSIBILITIES OF THE BOARD

The Board manages affairs of the Group on behalf of the shareholders of the Company. Each Director is obliged to act in the best interest of the Company with prudence and honesty.

The Board regularly reviews the Group's overall strategy, its business goals and operating results. The Board exercises its power to formulate the objectives and strategies of the Group, and to monitor operational and financial performance of the Group.

The Board shall also be responsible for the completeness of the financial information and the effectiveness of internal monitoring and control systems and risk management procedures of the Group. The Board is also responsible for preparing the financial statements of the Group. All Group policies, material transactions or transactions involving conflicts of interest shall be decided by the Board. On the other hand, the chief executive officer is responsible for attaining the business goals of the Company and managing the daily operations. Duties reserved to the Board and those delegated to the management are clearly set out in the Rules Governing the Operation of the Board Meetings and Working Guidelines for the Management. The Board regularly reviews the duties and powers delegated to the chief executive officer to ensure that such arrangements are appropriate.

RESPONSIBILITIES OF THE MANAGEMENT

The management of the Company is mainly responsible for the operation and management of the Company. They perform their duties within the scope authorized by the Board and are responsible for their performance under the supervision and review of the Board and the Supervisory Committee. The management of the Company regularly provides company information to the Directors and Supervisors and update information relating to the Company and the industry to enhance the communication between the management and the Directors and Supervisors, facilitate the performance of the duties by the Directors and Supervisors and keep the Directors and Supervisor updated with the latest information of the overall performance, business operation, financial condition and management of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the chief executive officer have been clearly segregated to ensure a balance of power and authority. The current Chairman of the Company, Mr. Lin Zuoming, is responsible for leading the Board to ensure the effective operation of the Board. The chief executive officer, Mr. Tan Ruisong, is responsible for business operations of the Company. The roles and duties of the chief executive officer are clearly set out in the Working Guidelines for the Management prepared by the Company.

DIRECTORS' TRAINING

Each Director, upon his appointment to the Board, will receive information in relation to guidelines on ethnics and other major governance matters. Directors' training is a constant process to ensure the Directors are fully informed in making their contribution to the Board. During the reporting period, the Directors received regular updates and summaries on the changes and latest development of the business and operation of the Group and the relevant legal and regulatory environment. In addition, all Directors were encouraged to participate in relevant training courses with the expense paid by the Company.

The Company has been encouraging the Directors to attend continuous professional development courses and seminars organized by professional institutions or professional firms and read materials on relevant topics so that they can continuously update and further improve their relevant knowledge and skills. During the reporting period, Directors emphasized on updating their specialized knowledge and techniques to meet the requirements of the development of the Company. The Company arranged for Mr. Liu Renhuai, the newly appointed Director, to participate in trainings in respect of functions of directors, crisis management by directors of listed companies, the control of and response to risks management by enterprises, the recent development on the Hong Kong securities market and the Shanghai-Hong Kong Stock Connect, etc., to learn the fundamental knowledge required for the directors of a listed company. The Company also arranged for the Directors to receive trainings on revisions to the Listing Rules and the Corporate Governance Code and organized workshops and discussions on such new regulations for the Board members, the company secretary and other relevant personnel participating in the daily operation and management of the Company.

In addition, the Directors also proactively studied and learnt knowledge on corporate governance through reading relevant materials in order to strengthen their development in their respective specialties. The Directors of the Company also attended lectures on governing the company according to the strategy of "Rule of Law", institutional innovation, reform of state-owned enterprises, entrepreneurship, finance management, informationization management, etc. The trainings received by each Director during the reporting period were as follows:

	Training Scope		
Director	Corporate Governance	Laws and Regulations	Business Management
Executive Director			
Mr. Lin Zuoming	✓	✓	✓
Mr. Tan Ruisong	✓	✓	✓
Non-executive Director			
Mr. Gu Huizhong	✓	✓	✓
Mr. Gao Jianshe	✓	✓	✓
Mr. Maurice Savart	✓	✓	✓
Mr. Sheng Mingchuan	✓	✓	✓
Independent Non-executive Director			
Mr. Guo Chongqing	✓	✓	✓
Mr. Lau Chung Man, Louis	✓	✓	✓
Mr. Liu Renhuai	✓	✓	✓

BOARD MEETINGS

The Board convenes four scheduled meetings every year. Matters to be considered at these regular Board meetings have been provided for in writing. Further, additional Board meetings are held as and when required and reasonable notices are sent to the Directors before the convening of such meetings in accordance with the provisions of the Company Law of the PRC and the Articles of Association.

The company secretary assists the Chairman in preparing the agenda and related materials for each Board meeting. To the extent possible, the meeting documents are delivered to the Directors or committee members at least three days before the date of the relevant meeting of the Board or its specialized committee. The Chairman also ensures that all Directors are properly briefed on issues to be discussed at the Board meeting, including provision of relevant documents containing analysis and background information to the Directors.

The management has also provided the Directors and specialized committee members with appropriate and adequate information on a timely basis. This ensures that the Directors and specialized committee members are well-informed of the Company's latest development so that they may discharge their duties effectively.

All Directors have access to the service of the company secretary. The company secretary is responsible for ensuring that the procedures relating to Board meetings are followed and advising the Board on compliance matters. The Directors, members of the audit committee, the remuneration committee, and the nomination committee may seek independent professional advice at the Company's expenses in discharging their duties.

The Board encourages the Directors to discuss the subject matters of the meetings openly and candidly at Board meetings and ensures that each executive Director is available for inquires raised by non-executive Directors. Independent non-executive Directors may convene meetings amongst themselves as necessary to discuss issues related to the Group. Board minutes are kept by the company secretary. The Board minutes, together with any materials related to the Board meetings are made available for inspection by any member of the Board.

The Board has established a development and strategy committee, an audit committee, a remuneration committee and a nomination committee to ensure good corporate governance. Duties of these committees are set out in accordance with the principles of the Corporate Governance Code. Each committee reports directly to the Board. Minutes of committee meetings are kept by the company secretary. In 2014, the Company convened two meetings of the audit committee, two meetings of the remuneration committee and one meeting of the nomination committee. The terms of reference of the audit committee, the remuneration committee and the nomination committee are published on the websites of the Company and the Stock Exchange.

Seven meetings were held by the Board during 2014. The attendance of every Director at the Board meetings in 2014 is set out below:

Directors	Times of scheduled attendance	Times of actual attendance	Times of attendance by proxy
Executive Directors			
Mr. Lin Zuoming	7	6	1
Mr. Tan Ruisong	7	5	2
Non-executive Directors			
Mr. Gu Huizhong	7	6	1
Mr. Gao Jianshe	7	7	0
Mr. Sheng Mingchuan	7	4	3
Mr. Maurice Savart	7	3	4
Independent Non-executive Directors			
Mr. Guo Chongqing	7	7	0
Mr. Lau Chung Man, Louis	7	4	3
Mr. Li Xianzong*	2	1	1
Mr. Liu Renhuai*	5	5	0

* On 6 January 2014, Mr. Li Xianzong applied to the Board for the resignation from his position as an independent non-executive Director. On 13 June 2014, Mr. Liu Renhuai was appointed as an independent non-executive Director of the Company at the annual general meeting of the Company, and accordingly Mr. Li Xianzong's term of office was terminated.

In 2014, Directors who did not attend a Board meeting in person due to other business commitments all read the related documents of the meeting and arranged for their alternate Directors to present their opinion and exercise their voting rights on their behalf at the meeting.

DEVELOPMENT AND STRATEGY COMMITTEE

Main responsibilities of the development and strategy committee of the Company include: to learn and know the comprehensive condition of the operations of the Company, to learn, analyse and know the current environment of the industry at home and abroad, learn and know related national policies, research on short-term, mid-term and long-term development strategies of the Company and relevant issues, provide advice and suggestions to the Company on its long-term strategies, major investments and reforms, consider and approve special research reports on development strategies and provide routine research reports on a regular or irregular basis.

Members of the development and strategy committee communicated with each other from time to time in 2014 on matters relating to the committee's development, the Company's future development strategies and international cooperation. No formal meeting was convened by the committee during the reporting period.

REMUNERATION COMMITTEE

Main responsibilities of the remuneration committee of the Company include: to formulate the Company's policies and structure of remuneration of Directors, Supervisors and senior management members, to make recommendations to the Board on the Company's policies and structure in respect of all Directors' and senior management members' remuneration and on the establishment of a formal and transparent procedure for developing remuneration policies; to review and approve proposals on the management's remuneration with reference to the Company's goals and objectives determined by the Board, to appraise and decide, on a yearly basis, remunerations of Directors, Supervisors and senior management members.

The remuneration committee is responsible for approving the emolument policies of the Directors, Supervisors and senior management staff and proposing to the Board amendments to the emolument policies and system. The remuneration committee will take into consideration factors such as job performance and experience of Directors and Supervisors when determining their remunerations and will report to the Board after each meeting. The remuneration committee comprises four members, namely, Mr. Lau Chung Man, Louis, Mr. Guo Chongqing, Mr. Li Xianzong who are independent non-executive Directors, and Mr. Gao Jianshe who is a non-executive Director. After Mr. Liu Renhuai was elected as an independent non-executive Director, he was appointed as a member of the remuneration committee; Mr. Li Xianzong was no longer the member of the remuneration committee. Mr. Guo Chongqing was elected as the chairman of the remuneration committee. For the year ended 31 December 2014, the remuneration committee convened two meetings to consider and approve the remuneration of independent non-executive director and the newly appointed vice president, election of Mr. Guo Chongqing as the chairman of the remuneration committee, and the second unlocking of shares under the initial grant and the proposal for implementing the second grant according to the Scheme.

For the year ended 31 December 2014, remunerations of senior management members by bands are set out as follows:

Remuneration Band	Number of People in this Remuneration Band
RMB350,000-450,000	4
RMB250,000-350,000	1

Details of remunerations of Directors and Supervisors for the year ended 31 December 2014 are set out in Note 15 to the financial statements.

During the reporting period, the remuneration committee held two meetings and attendance of the meeting by members of the remuneration committee is as follows:

Name of Director	Position	Times of scheduled attendance	Times of actual attendance	Times of attendance by proxy
Mr. Guo Chongqing	Chairman of the Remuneration Committee, Independent Non-executive Director	2	2	0
Mr. Gao Jianshe	Non-executive Director	2	2	0
Mr. Lau Chung Man, Louis	Independent Non-executive Director	2	2	0
Mr. Li Xianzong*	Independent Non-executive Director	1	1	0
Mr. Liu Renhuai*	Independent Non-executive Director	1	1	0

* On 6 January 2014, Mr. Li Xianzong applied to the Board for the resignation from his position as an independent non-executive Director. On 13 June 2014, Mr. Liu Renhuai was appointed as an independent non-executive Director of the Company at the annual general meeting of the Company, and accordingly Mr. Li Xianzong's term of office was terminated.

AUDIT COMMITTEE

The Board has established an audit committee and set out and revised the terms of reference of the audit committee in accordance with the Guide for the Effective Audit Committee issued by the Hong Kong Institute of Certified Public Accountants and the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules (as amended from time to time).

The audit committee is responsible for monitoring the financial operation and audit procedures of the Company, assessing effectiveness of the internal control and risk management systems of the Company, reviewing and supervising the performance of the corporate governance responsibilities of the Company as well as performing other duties and responsibilities assigned by the Board, and maintaining effective communication with the management, internal audit institution and external auditors of the Company. The audit committee comprises four members, namely, Mr. Guo Chongqing, Mr. Li Xianzong, Mr. Lau Chung Man, Louis, who are independent non-executive Directors, and Mr. Gu Huizhong who is a non-executive Director. After Mr. Liu Renhuai was elected as an independent non-executive Director, he was appointed as the member of the audit committee; Mr. Li Xianzong was no longer the member and chairman of the audit committee, instead, Mr. Lau Chung Man, Louis was elected as the chairman of the audit committee. Mr. Lau Chung Man, Louis and Mr. Gu Huizhong have appropriate professional qualifications or experience in accounting or related financial management expertise as required by the Listing Rules.

During 2014, the audit committee:

- reviewed the financial statements and the annual results announcement for the year ended 31 December 2013;
- reviewed the interim financial statements and relevant interim results announcement for the six months ended 30 June 2014;
- reviewed the Company's profit distribution plan for the year 2013 and the interim profit distribution plan for the year 2014;
- reviewed the proposal relating to the appointment of international and domestic auditors of the Company for the year 2014 and determination of their respective remunerations;
- reviewed the Company's financial reporting system and internal control procedures; and
- reviewed the reports on operating results of the Company for the year 2013 and the first half of 2014, the internal control report of the Company for the year 2013, and listened to the report from the external auditor on its audit work for the year 2013 and on its review of 2014 interim report as well as its recommendations to the management of the Company.

The audit committee had reviewed the Group's annual results and consolidated financial statements for the year ended 31 December 2014.

The audit committee held two meetings during 2014. The audit committee reviewed and evaluated the findings of the Auditor's Report issued by the external auditors, the accounting principles and standards applied by the Group and the internal control system and the financial statements of the Company. The audit committee reported to the Board its scope of work, discussion results and recommendations after every meeting. The attendance of the members of the committee is set out as follows:

Name of Director	Position	Times of scheduled attendance	Times of actual attendance	Times of attendance by proxy
Mr. Lau Chung Man, Louis	Chairman of the Audit Committee, Independent Non-executive Director	2	2	0
Mr. Gu Huizhong	Non-executive Director	2	2	0
Mr. Guo Chongqing	Independent Non-executive Director	2	2	0
Mr. Li Xianzong*	Independent Non-executive Director	1	1	0
Mr. Liu Renhuai*	Independent Non-executive Director	1	1	0

* On 6 January 2014, Mr. Li Xianzong applied to the Board for the resignation from his position as an independent non-executive Director. On 13 June 2014, Mr. Liu Renhuai was appointed as an independent non-executive Director of the Company at the annual general meeting of the Company, and accordingly Mr. Li Xianzong's term of office was terminated.

EXTERNAL AUDITORS

In 2014, the payment made to the Company's external auditors in relation to auditing services amounted to RMB4.2 million, the external auditors did not provide any services other than such auditing services to the Company and the Company did not make any payment to the external auditors for any non-auditing services. The payment mentioned above had been approved by the audit committee, the Board and the general meeting.

The Board has resolved to propose at the forthcoming annual general meeting to appoint Ernst & Young and Ernst & Young Hua Ming LLP, as the international and domestic auditors of the Company to assume statutory audit work of the Company for the financial year 2015. The proposal is subject to the approval of shareholders at the annual general meeting of the Company for the year 2014.

The statement of the external auditors of the Company in relation to their reporting responsibilities on the consolidated financial statements is set out on pages 58 to 59 of this Annual Report.

NOMINATION COMMITTEE

The nomination committee shall perform the following duties: to review the structure, size and composition of the Board, ensure the Board members have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the business of the Company, and make recommendations on any proposed changes to the Board where necessary to be in line with the Company's strategies; to study the nomination standards and procedures for the Directors and senior management of the Company and to make recommendations to the Board; to identify individuals suitably qualified to become Directors and senior management, review such candidates and make appointment-related recommendations, select and nominate relevant individuals to be appointed as Directors or make recommendations to the Board on such selection and nomination; to assess the independence of independent non-executive Directors; to make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors and senior management, in particular for the chairman of the Board and the president of the Company; to report to the Board on the decisions or suggestions made by the nomination committee.

The nomination committee comprises Mr. Lin Zuoming, Chairman of the Board, Mr. Gao Jianshe, a non-executive Director, and independent non-executive Directors, Mr. Li Xianzong, Mr. Guo Chongqing and Mr. Lau Chung Man, Louis. Mr. Lin Zuoming acts as the chairman of the nomination committee. After Mr. Liu Renhuai was elected as the independent non-executive Director, he was appointed as a member of the nomination committee, and Mr. Li Xianzong was no longer a member of the nomination committee. During the reporting period, members of the nomination committee had studied and learned the contents and scope of the duties and responsibilities of the committee and also carefully studied the nomination standards and procedures for the Directors and senior management of the Company.

The nomination committee held one meeting in 2014. The nomination committee discussed the composition and size of the Board, and the change of members of relevant committees, to ensure the compliance with the relevant regulatory requirements, and approved the resolution relating to nomination of candidates for independent non-executive Director and the vice president. The attendance of members of the nomination committee at the meeting is as follows:

Name of Director	Position	Times of scheduled attendance	Times of actual attendance	Times of attendance by proxy
Mr. Lin Zuoming	Chairman of the Nomination Committee, Executive Director	1	1	0
Mr. Gao Jianshe	Non-executive director	1	1	0
Mr. Guo Chongqing	Independent Non-executive Director	1	1	0
Mr. Li Xianzong*	Independent Non-executive Director	1	1	0
Mr. Lau Chung Man, Louis	Independent Non-executive Director	1	1	0

* On 6 January 2014, Mr. Li Xianzong applied to the Board for the resignation from his position as an independent non-executive Director. On 13 June 2014, Mr. Liu Renhuai was appointed as an independent non-executive Director of the Company at the annual general meeting of the Company, and accordingly Mr. Li Xianzong's term of office was terminated.

INTERESTS HELD BY DIRECTORS AND SECURITIES TRANSACTIONS

All Directors should declare to the Board whether they hold offices or positions in other companies or entities upon their appointments as Directors and they are required to update the Board annually in respect of their relevant interests. If the Board considers that a Director has conflict of interest in any motion or transaction, the Director shall declare his interests and abstain from voting. If required, the Director should be excused from the meeting.

Interests of the Company held by the Directors as at 31 December 2014 have been disclosed in the Report of the Board of this Annual Report. 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 Listing Rules and the Shares Trading Management Rules as its own guidelines for securities transactions by Directors, Supervisors and relevant employees of the Company. All Directors and Supervisors are provided with a copy of the Model Code and the Shares Trading Management Rules upon appointments. Prior to the meeting of the Board to approve annual or interim results of the Company, written reminders of the restrictions on dealing in any securities or derivatives of the Company during the period of 60 days or 30 days immediately preceding the publication of the annual or interim results are provided respectively to the Directors and the Supervisors. All Directors and Supervisors of the Company have confirmed their compliance with the Model Code in 2014 upon specific enquiries with them.

Employees who may likely possess unpublished inside information of the Group are also required to comply with the Model Code. The Company is not aware of any breach in this regard in 2014.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Directors are responsible for monitoring the preparation of the financial statements for every financial year and ensuring those financial statements provide a true and fair view on the operating results, financial performance and cash flow of the Group in the relevant financial year. In preparing the financial statements for the year ended 31 December 2014, the Directors have:

– selected appropriate accounting policies and applied them consistently;

– adopted all relevant standards in compliance with the International Financial Reporting Standards; and

– made a prudent and reasonable judgment and estimation and prepared the financial statements on a going concern basis.

In accordance with the requirements of the Listing Rules, the Company has timely announced its annual and interim results within three and two months respectively after the end of the relevant financial periods.

INTERNAL CONTROL

The Board is responsible for maintaining a steady, proper and effective internal control system for the Group to safeguard its assets. The Board reviews the effectiveness of the internal control system of the Group annually through the audit committee.

The Company set up internal audit institution to monitor how the Company and its subsidiaries establish and improve their respective internal control systems and provides guidance in this respect, to supervise and review the implementation of regulations on internal control systems in a timely manner and organizes the conduct of internal audit and performs audit responsibilities.

In 2014, the listed subsidiaries of the Company issued internal control evaluation reports after evaluating the effectiveness of their own internal control in accordance with the provisions and requirements of the Basic Standard for Enterprise Internal Control of the PRC and its supporting guidelines, and appointed accounting firms to conduct independent audit on their internal control in 2014. During the reporting period, those companies established and effectively implemented the internal control of the businesses and items within the scope of the evaluation, achieving the objectives of internal control with no major defect identified. On this basis, and taking into account the comments on the internal control and the progress of establishment of the internal control system of other subsidiaries, the Company evaluated the internal control of the Group as a whole and reported the evaluation conclusions to the audit committee and the Board.

The Board reviewed through the audit committee the effectiveness of the internal control system of the Group for the year ended on 31 December 2014, including all the significant financial, operational and regulatory control and risk management functions, and was satisfied that such system was effective and sufficient. The audit committee also reviewed and was satisfied with the sufficiency of resources and the qualifications and experience of employees for performing the Group's accounting and financial reporting functions, the adequacy of employees' training courses and the relevant budget.

Due to the inherent limitations of the internal control system, the establishment of the Group's internal control system is for the purpose of managing potential risks rather than eliminating all the risks, which is impossible to achieve. Therefore, the internal control system can only provide a reasonable assurance, rather than an absolute assurance, for the Group to achieve its operational targets. Likewise, it is impossible for the internal control system to completely eliminate all material inaccurate statements made or all the losses caused to the Group.

SUPERVISORY COMMITTEE

The Supervisory Committee is accountable to the general meetings of the Company and comprises two shareholder representative Supervisors and one employee representative Supervisor. In 2014, the Supervisory Committee held two meetings, and considered and approved eight resolutions. It supervised, on behalf of shareholders of the Company, the financial position of the Group, the legality and compliance of the performance of duties by the Directors and senior management of the Company, attended the Board meetings and general meetings and fulfilled its duties diligently.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the disclosure provisions of the International Financial Reporting Standards and the Hong Kong Companies Ordinance. To the knowledge of the Directors, there is no event or condition that may have a material adverse effect on the continuing operation of the Company.

GENERAL MEETING

The general meeting is the supreme authority of the Company. It performs its functions according to law and makes decisions on major issues in relation to the Company. The annual general meetings and extraordinary general meetings of the Company provide a channel for shareholders to communicate directly with the Board. In 2014, the Company convened one annual general meeting, at which seven resolutions were considered and approved; and three extraordinary general meetings, at which five resolutions were considered and approved. All Directors, Supervisors and members of the senior management of the Company endeavored to attend the general meetings. The following is the attendance record of the Directors:

Director	Times of scheduled attendance	Times of actual attendance
Mr. Lin Zuoming	4	4
Mr. Tan Ruisong	4	0
Mr. Gu Huizhong	4	3
Mr. Gao Jianshe	4	3
Mr. Sheng Mingchuan	4	3
Mr. Maurice Savart	4	1
Mr. Guo Chongqing	4	4
Mr. Lau Chung Man, Louis	4	2
Mr. Liu Renhuai	4	4

Pursuant to the relevant provisions of the Company Law of the PRC and the Articles of Association, in the event that shareholders request to convene an extraordinary general meeting or a class shareholders' meeting, a request in writing setting out the matters to be considered at the meeting shall be signed and submitted by two or more shareholders who collectively hold 10% or more of the total voting rights represented at the meeting proposed to be held for the Board to convene an extraordinary general meeting or a class shareholders' meeting. Upon receipt of such written request, the Board shall convene the extraordinary general meeting or the class shareholders' meeting as soon as possible.

In accordance with the Company Law of the PRC, when the Company convenes an annual general meeting, any shareholder holding 3% or more of the total voting rights of the Company shall have the right to submit new proposals to the Company in writing, and the Company shall place on the agenda of the meeting such matters in the proposals that are within the scope of functions and powers of the general meeting.

The Board or any shareholder or shareholders who separately or collectively hold more than 3% of the voting rights of the Company are entitled to nominate candidates for election as Directors to the Board at the general meeting of the Company. A written notice of the intention to nominate a Director candidate and a notice in writing by that candidate indicating his acceptance of such nomination are required to be given to the Company not sooner than the date of despatch of the notice of the general meeting and not later than seven days before the date of such general meeting. The nomination of each Director candidate shall be submitted to the general meeting as a separate resolution for the shareholders' consideration.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary, whose contact details are as follows:

AviChina Industry & Technology Company Limited
Postal Code: 100007
9/F., Easyhome Tower, No. 3A Dongzhimen South Avenue, Dongcheng District, Beijing, the PRC
Telephone: 86-10-58354309
Facsimile: 86-10-58354300/10
E-mail Address: avichina@avichina.com

ARTICLES OF ASSOCIATION

The Articles of Association is set out on the websites of the Company and the Stock Exchange.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

The company secretary is responsible for information disclosure of the Company. The Company has formulated and enforced its Rules on Information Disclosure to ensure information disclosed by the Company is accurate, complete and in a timely manner. During the reporting period, the Company published its annual report, interim report and other relevant announcements (including the announcements published by the subsidiaries of the Company whose shares are listed on domestic stock exchanges) in accordance with the Listing Rules and made detailed disclosures on material information and reported the progress of any significant issues relating to the Company.

The Company has assigned specific employees to assume the role of investor relationship management. During the reporting period, due to the change of information disclosure methods required by the Stock Exchange, the Company had put more efforts in the maintenance of its websites to ensure that information is disclosed accurately and in a timely manner. The Company not only renews and modifies its Chinese and English websites continuously in accordance with the Listing Rules, but also regularly publishes and updates business news and information contained in its website to help investors understand the up-to-date situation of the Company clearly. Details of the businesses of the Group and announcements such as interim results and annual results could also be downloaded from the Company's websites.

The Company also emphasized the mutual communication with its investors. During 2014, the Company maintained continuous dialogues and communications with shareholders pursuant to the requirements of the Corporate Governance Code. The company secretary and investor relationship team are in charge of the communication with shareholders, investors and other participants of the capital market. Except for the regular roadshow, reception of visits and answering of phone calls from investors, the Company invited certain investors and analysts to participate Zhuhai Airshow, the largest scale of aviation exhibition of China, and make them feel the development of the Company and AVIC in person. The Company also convened reverse roadshow, inviting tens of investors to investigate AVICOPTER and AVIC General Aircraft Hua Bei Aircraft Industry Co., Ltd. to know their operation conditions. The Company also enhanced its contact with securities companies by participating in 11 various activities of them. Through communications with the capital market, shareholders and investors are able to timely and fully understand the operations and development plans of the Company and the key concerns from investors. The annual general meetings and extraordinary general meetings also provide further platform and opportunities for shareholders to exchange opinions directly with members of the Board.

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AVICHINA INDUSTRY & TECHNOLOGY COMPANY LIMITED
(incorporated in People's Republic of China with limited liability)

We have audited the consolidated financial statements of AviChina Industry & Technology Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 60 to 151, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AVICHINA INDUSTRY & TECHNOLOGY COMPANY LIMITED (CONTINUED)
(incorporated in People's Republic of China with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Revenue	5	**25,710,377**	22,192,749
Cost of sales		**(20,811,590)**	(17,885,023)
Gross profit		**4,898,787**	4,307,726
General and administrative expenses		**(2,749,702)**	(2,386,380)
Selling and distribution expenses		**(470,346)**	(414,669)
Other income	6	**113,125**	57,776
Other gains, net	7	**203,188**	193,434
Operating profit		**1,995,052**	1,757,887
Finance income	9	**233,385**	226,173
Finance costs	9	**(369,131)**	(300,049)
Finance costs, net		**(135,746)**	(73,876)
Share of profit of a joint venture	21	**15,792**	3,574
Share of profits of associates	22	**127,921**	73,135
Profit before income tax		**2,003,019**	1,760,720
Income tax expense	10	**(267,298)**	(249,686)
Profit for the year		**1,735,721**	1,511,034
Attributable to:			
Equity holders of the Company		**781,298**	712,623
Non-controlling interests		**954,423**	798,411
		1,735,721	1,511,034
Earnings per share for profit attributable to equity holders of the Company during the year		***RMB***	*RMB*
– Basic	12	**0.143**	0.131
– Diluted	12	**0.143**	0.131
		RMB'000	*RMB'000*
Dividend	13	**109,489**	109,489

The notes on pages 68 to 151 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 *RMB'000*	2013 *RMB'000*
Profit for the year	**1,735,721**	1,511,034
Other comprehensive income/(loss), net of tax		
Items that may be reclassified subsequently to profit or loss		
Change in fair value of available-for-sale financial assets	**185,419**	79,766
Transfer from available-for-sale financial assets reserve to income statement upon disposal of available-for-sale financial assets	**(40,075)**	(29,134)
Currency translation differences	**(12,348)**	1,903
	132,996	52,535
Total comprehensive income for the year	**1,868,717**	1,563,569
Attributable to:		
Equity holders of the Company	**828,213**	737,639
Non-controlling interests	**1,040,504**	825,930
	1,868,717	1,563,569

The notes on pages 68 to 151 are an integral part of these consolidated financial statements.

Balance Sheets

As at 31 December 2014

	Note	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	16	**10,441,149**	9,243,070	**18,248**	19,304
Investment properties	17	**39,406**	31,451	**–**	–
Land use rights	18	**1,451,166**	1,416,191	**–**	–
Intangible assets	19	**218,567**	112,177	**969**	1,513
Interests in subsidiaries	20	**–**	–	**5,364,011**	5,284,481
Interests in a joint venture	21	**52,508**	37,681	**–**	–
Interests in associates	22	**823,955**	1,055,141	**–**	60,956
Available-for-sale financial assets	23	**1,238,288**	1,152,361	**465,124**	321,911
Deferred income tax assets	24	**169,839**	166,771	**–**	5,726
Accounts receivable	25	**–**	154,358	**–**	–
Other receivables and prepayments	27	**251,851**	–	**50,000**	65,000
Total non-current assets		**14,686,729**	13,369,201	**5,898,352**	5,758,891
Current assets					
Accounts receivable	25	**10,973,833**	8,958,429	**–**	265
Advances to suppliers	26	**1,049,226**	1,219,315	**10,908**	6,051
Other receivables and prepayments	27	**1,771,607**	1,183,255	**22,701**	281,715
Inventories	28	**16,593,469**	14,780,402	**–**	–
Financial assets held for trading		**307**	247	**–**	–
Pledged deposits	30	**986,192**	1,313,240	**–**	–
Term deposits with initial term of over three months	31	**2,862,484**	3,378,697	**1,724,002**	1,364,081
Cash and cash equivalents		**5,797,986**	6,725,516	**471,741**	773,472
Total current assets		**40,035,104**	37,559,101	**2,229,352**	2,425,584
Total assets		**54,721,833**	50,928,302	**8,127,704**	8,184,475

The notes on pages 68 to 151 are an integral part of these consolidated financial statements.

	Note	Group		Company	
		2014	2013	**2014**	2013
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	*38*	**5,474,429**	5,474,429	**5,474,429**	5,474,429
Reserves	*40*	**5,341,005**	4,648,396	**2,387,420**	2,245,585
		10,815,434	10,122,825	**7,861,849**	7,720,014
Non-controlling interests		**12,485,925**	11,684,072	**–**	–
Total equity		**23,301,359**	21,806,897	**7,861,849**	7,720,014
LIABILITIES					
Non-current liabilities					
Long-term borrowings	*36*	**1,784,728**	1,910,696	**–**	–
Deferred income from government grants	*37*	**831,608**	747,122	**–**	–
Deferred income tax liabilities	*24*	**51,682**	20,036	**13,485**	–
Other payables and accruals	*34*	**31,325**	15,634	**–**	–
Total non-current liabilities		**2,699,343**	2,693,488	**13,485**	–
Current liabilities					
Accounts payable	*32*	**15,049,990**	14,031,733	**–**	40
Advances from customers	*33*	**3,765,237**	3,802,493	**–**	–
Other payables and accruals	*34*	**3,810,415**	3,739,745	**39,770**	57,910
Amounts payable to ultimate holding company	*35*	**268,827**	462,737	**212,600**	406,511
Current portion of long-term borrowings	*36*	**567,000**	255,080	**–**	–
Short-term borrowings	*36*	**5,066,359**	3,952,101	**–**	–
Current income tax liabilities		**193,303**	184,028	**–**	–
Total current liabilities		**28,721,131**	26,427,917	**252,370**	464,461
Total liabilities		**31,420,474**	29,121,405	**265,855**	464,461
Total equity and liabilities		**54,721,833**	50,928,302	**8,127,704**	8,184,475
Net current assets		**11,313,973**	11,131,184	**1,976,982**	1,961,123
Total assets less current liabilities		**26,000,702**	24,500,385	**7,875,334**	7,720,014

Director
Tan Ruisong

Director
Gu Huizhong

The notes on pages 68 to 151 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to equity holders of the Company									Non-controlling interests	Total
	Share capital RMB'000 (Note 38)	Shares held for restricted share scheme RMB'000	Capital reserve RMB'000 (Note 40(b))	Share-based compensation reserve RMB'000	Available-for-sale financial assets reserve RMB'000	Currency translation reserve RMB'000 (Note 40(c))	Other reserves RMB'000 (Note 40(d))	Retained earnings RMB'000	Subtotal RMB'000	RMB'000	RMB'000
For the year ended 31 December 2014											
Balance at 1 January 2014	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 year	-	-	-	-	59,314	(12,399)	-	781,298	828,213	1,040,504	1,868,717
Transactions with owners:											
Acquisition of additional interests in subsidiaries *(Note 1(a) and 1(b))*	-	-	(4,605)	-	-	-	-	-	(4,605)	(21,061)	(25,666)
Non-controlling interests arising on business combination *(Note 1(c))*	-	-	-	-	-	-	-	-	-	73,206	73,206
Total changes in ownership interests in subsidiaries that do not result in loss of control	-	-	(4,605)	-	-	-	-	-	(4,605)	52,145	47,540
Shares vested under share scheme											
– funded by the Company *(Note 39)*	-	24,296	-	(24,296)	-	-	-	-	-	-	-
– funded by scheme participants	-	20,882	-	-	-	-	-	-	20,882	-	20,882
Value of employee services under share scheme (Note 39)	-	-	-	8,072	-	-	-	-	8,072	-	8,072
2013 final dividend	-	-	-	-	-	-	-	(109,489)	(109,489)	-	(109,489)
Contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	74,513	74,513
Dividends to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(299,012)	(299,012)
Transfer to statutory surplus reserve	-	-	-	-	-	-	14,655	(14,655)	-	-	-
Other appropriations	-	-	-	-	-	-	20,332	(20,332)	-	-	-
Others (including consideration adjustment subsequent to 2013 acquisition of a subsidiary under common control)	-	-	(50,464)	-	-	-	-	-	(50,464)	(66,297)	(116,761)
Total contributions by and distributions to owners recognised directly in equity	-	45,178	(50,464)	(16,224)	-	-	34,987	(144,476)	(130,999)	(290,796)	(421,795)
	-	45,178	(55,069)	(16,224)	-	-	34,987	(144,476)	(135,604)	(238,651)	(374,255)
Balance at 31 December 2014	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

The notes on pages 68 to 151 are an integral part of these consolidated financial statements.

	Attributable to equity holders of the Company									Non-controlling interests	Total
	Share 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 *(Note 38)*	*RMB'000*	*RMB'000* *(Note 40(b))*	*RMB'000*	*RMB'000*	*RMB'000* *(Note 40(c))*	*RMB'000* *(Note 40(d))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2013											
Balance at 1 January 2013	5,474,429	(139,994)	4,445,522	47,578	151,543	4,187	94,210	78,952	10,156,427	9,051,850	19,208,277
Total comprehensive income for the year	–	–	–	–	23,113	1,903	–	712,623	737,639	825,930	1,563,569
Transactions with owners:											
Share issuance by subsidiaries											
– dilution gain	–	–	259,326	–	–	–	–	–	259,326	(259,326)	–
– contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	1,647,160	1,647,160
Acquisition of additional interests in a subsidiary	–	–	(2,309)	–	–	–	–	–	(2,309)	(9,986)	(12,295)
Dilution of interests in subsidiaries	–	–	(265,631)	–	–	–	–	–	(265,631)	265,631	–
Non-controlling interests arising on business combination	–	–	–	–	–	–	–	–	–	129,891	129,891
Total changes in ownership interests in subsidiaries that do not result in loss of control	–	–	(8,614)	–	–	–	–	–	(8,614)	1,773,370	1,764,756
Consideration of acquisitions to holding company	–	–	(689,037)	–	–	–	–	–	(689,037)	(904,708)	(1,593,745)
Shares vested under share scheme											
– funded by the Company *(Note 39)*	–	26,776	–	(26,776)	–	–	–	–	–	–	–
– funded by scheme participants	–	24,717	–	–	–	–	–	–	24,717	–	24,717
Value of employee services under share scheme *(Note 39)*	–	–	–	17,292	–	–	–	–	17,292	–	17,292
2012 final dividend	–	–	–	–	–	–	–	(109,489)	(109,489)	–	(109,489)
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	1,058,280	1,058,280
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(129,557)	(129,557)
Transfer to statutory surplus reserve	–	–	–	–	–	–	20,742	(20,742)	–	–	–
Other appropriations	–	–	–	–	–	–	29,860	(29,860)	–	–	–
Others	–	–	(6,110)	–	–	–	–	–	(6,110)	8,907	2,797
Total contributions by and distributions to owners recognised directly in equity	–	51,493	(695,147)	(9,484)	–	–	50,602	(160,091)	(762,627)	32,922	(729,705)
	–	51,493	(703,761)	(9,484)	–	–	50,602	(160,091)	(771,241)	1,806,292	1,035,051
Balance at 31 December 2013	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

The notes on pages 68 to 151 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	*41(a)*	**(4,135)**	847,268
Interest received		**233,385**	226,173
Interest paid		**(352,388)**	(279,325)
Enterprise income tax paid		**(269,026)**	(222,014)
Net cash (used in)/generated from operating activities		**(392,164)**	572,102
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,750,411)**	(3,010,640)
Purchase of land use rights		**(64,865)**	(172,124)
Payments for intangible assets		**(15,859)**	(3,222)
Addition of available-for-sale financial assets		**(52,850)**	(3,939)
Disposal of available-for-sale financial assets		**99,794**	95,906
Disposal of financial assets held for trading		**5,197**	1,557
Redemption of term deposits with initial term of over three months		**3,378,697**	3,394,290
Addition of term deposits with initial term of over three months		**(2,862,484)**	(3,378,697)
Government grant for purchase of property, plant and equipment		**118,220**	323,581
Proceeds from disposals of property, plant and equipment	*41(b)(i)*	**53,924**	16,509
Proceeds from disposals of investment properties	*41(b)(ii)*	**86,541**	133,579
Acquisition of subsidiaries, net of cash acquired	*43*	**(111,764)**	(989,289)
Payment of consideration for acquisition of subsidiaries in 2013		**(701,283)**	–
Additional investments in associates		**(11,149)**	(92,020)
Disposal of interests in associates		**229,061**	158,651
Dividends received from a joint venture		**965**	–
Dividends received from associates		**128,737**	87,158
Dividends received from available-for-sale financial assets and financial assets held for trading		**–**	30,071
Net cash used in investing activities		**(1,469,529)**	(3,408,629)

The notes on pages 68 to 151 are an integral part of these consolidated financial statements.

	Note	2014 RMB'000	2013 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**6,793,838**	6,237,334
Repayments of borrowings		**(5,520,291)**	(4,730,998)
Repayments of other advances from related parties		**(27,416)**	–
Contributions from non-controlling shareholders of subsidiaries		**74,513**	2,705,440
Purchase of non-controlling interests of subsidiaries		**(25,666)**	(12,295)
Dividends paid to equity holders of the Company		**(109,489)**	(109,489)
Dividends paid to non-controlling shareholders of subsidiaries		**(277,995)**	(113,912)
Net cash generated from financing activities		**907,494**	3,976,080
Net (decrease)/increase in cash and cash equivalents		**(954,199)**	1,139,553
Cash and cash equivalents at 1 January		**6,725,516**	5,605,572
Exchange gains/(losses) on cash and cash equivalents		**26,669**	(19,609)
Cash and cash equivalents at 31 December		**5,797,986**	6,725,516

The notes on pages 68 to 151 are an integral part of these consolidated financial statements.

1 ORGANISATION AND PRINCIPAL ACTIVITIES

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.

These consolidated financial statements have been presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and is approved for issue by the Board of Directors on 30 March 2015.

Major changes of Group structure

(a) On 7 January 2014, China Aviation Optical-Electrical Technology Co., Ltd. ("JONHON Optronic", a subsidiary of the Company) made a capital injection in cash of RMB110 million to AVIC Shenyang Xinghua Aero-Electric Appliance Co., Ltd. ("Shenyang Xinghua", a subsidiary of JONHON Optronic).

Upon this injection, the equity interests held by JONHON Optronic in Shenyang Xinghua increased from 51.00% to 62.87%.

(b) On 24 April 2014, JONHON Optronic acquired an additional 10% equity interest in Xi'an Forstar S&T Co., Ltd. ("Xi'an Forstar") at a cash consideration of approximately RMB27 million.

Upon this acquisition, the equity interests held by JONHON Optronic in Xi'an Forstar increased from 48.18% to 58.18%. JONHON Optronic had been controlling Xi'an Forstar before this transaction by virtue of an agreement conferring the power over more than half of the voting rights in Xi'an Forstar.

(c) On 31 October 2014, JONHON Optronic acquired 51% equity interests in Shenzhen Xiangtong Photoelectric Technology Co., Ltd. ("Xiangtong Photoelectric") from third parties with a cash consideration of approximately RMB122 million. Further information is set out in Note 43.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets held for trading, as appropriate.

These consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

2 BASIS OF PREPARATION (CONTINUED)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

New standards, amendments to standards and interpretations

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014:

IFRS 10, IFRS 12, IAS 27 (Amendment)	Consolidation for investment entities
IAS 32 (Amendment)	Financial instruments: Presentation on asset and liability offsetting
IAS 36 (Amendment)	Impairment of assets
IAS 39 (Amendment)	Novation of derivatives
IFRIC 21	Levies

The adoption of the above does not have any significant impact to the results and financial position of the Group.

The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning 1 January 2014 and have not been early adopted:

		Effective for accounting periods beginning on or after
Annual Improvements 2012	Annual improvements 2010–2012 cycle	1 July 2014
Annual Improvements 2013	Annual improvements 2011–2013 cycle	1 July 2014
IAS 19 (Amendment)	Employee benefits	1 July 2014
Annual Improvements 2014	Annual improvements 2012–2014 cycle	1 January 2016
IAS 1 (Amendment)	The disclosure initiative	1 January 2016
IAS 16 and IAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 16 and IAS 41 (Amendments)	Agriculture: bearer plants	1 January 2016
IAS 27 (Amendment)	Separate financial statements regarding the equity method	1 January 2016
IAS 28 and IFRS 10 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation	1 January 2016
IFRS 14	Regulatory deferral accounts	1 January 2016
IFRS 10, IFRS 12 and IAS 28(Amendment)	Investment entities: applying the consolidation exception	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2017
IFRS 9	Financial instruments	1 January 2018

Management is in the process of assessing their related impacts to the Group.

2 BASIS OF PREPARATION (CONTINUED)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3 PRINCIPAL ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

A subsidiary is an entity (including a structured entity) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity generally accompanying a shareholding of more than one half of the voting rights or has de facto control. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. De facto control exists where the Group owns less than 50% of the voting shares in an entity, but is deemed to have control for reasons other than potential voting rights, contract or other statutory means. For example, control is achievable if the balance of other shareholdings is dispersed and the other shareholders have not organised their interests in such a way that they exercise more votes than the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(i) Merger accounting

The financial statements incorporate the financial position, results and cash flows of the companies comprising the Group in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the carrying values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control (whichever period is shorter).

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

(ii) Business combination

Except for combination of businesses under common control by using merger accounting, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains/losses on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

(iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(v) Separate financial statements

In the Company's balance sheet, interests in subsidiaries are stated at cost less provision for impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable. Impairment testing of interests in subsidiaries is required upon receiving dividends from these investments if the dividends exceed the total comprehensive income of the subsidiaries in the period the dividends are declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(vi) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been aligned where necessary to ensure consistency with the policies adopted by the Group.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

(vii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profits of associates" in the income statement.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been aligned where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

In the Company's balance sheet the investments in associates are carried at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(b) Property, plant and equipment

Property, plant and equipment other than construction-in-progress are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment (Continued)

Depreciation is calculated on a straight-line basis to write off the cost less accumulated impairment losses of each asset to their residual values over their estimated useful lives as follows:

Buildings	20–45 years
Plant and equipment	5–18 years
Furniture and fixtures, other equipment and motor vehicles	3–8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3 (g)).

Gains and losses on disposals are determined by comparing net sales proceeds and the carrying amount of the relevant assets, and are included in the income statement.

(c) Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. All other borrowing costs are expensed. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought to use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 3(b) to the financial statements.

(d) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the Group, are classified as investment properties.

Investment properties are carried at cost, including related transaction costs, less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided using the straight-line method to write off the cost of the investment properties over their estimated useful lives of 20 to 50 years. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Land use rights

Land use rights represent prepayment for operating leases and they are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated.

Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

(f) Intangible assets

(i) Development costs and technology know-how

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. Other development expenditures that do not meet their criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its expected useful life, not exceeding five years; and tested for impairment according to Note 3(g) below.

Where the research phase and the development phase of an internal project cannot be clearly distinguished, all expenditure incurred on the project is charged to the income statement.

Technology know-how is initially recognised at cost. Technology know-how that has a definite useful life is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost of technology know-how over their estimated useful lives of 10 years.

(ii) Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 3 to 4 years.

(iii) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method of 8 years over the expected life of the customer relationship.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (Continued)

(iv) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation/depreciation and are at least tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables mainly comprise accounts and other receivables, pledged deposits, term deposits with initial term of over three months, cash and cash equivalents.

- Available-for-sale financial assets

  Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "Other gains/(losses), net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement when the Group's right to receive payments is established.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (Continued)

(ii) Recognition and measurement (Continued)

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted investments), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. However, if the range of reasonable fair value estimate is significant and the probabilities of the various estimate cannot be reasonably assessed, such financial assets are carried at cost less accumulated impairment losses.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of receivables is described in Note 3(l).

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Contracts in progress

Contracts in progress in connection with the manufacturing of aircraft are accounted for under construction contracts.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred and that it is probable to be recoverable; and contract costs are recognised when incurred.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the percentage of completion method to determine the appropriate amount of contract revenue and costs to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "accounts receivable".

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(l) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within "general and administrative expenses". When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the income statement.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and term deposit with initial terms of less than three months.

(n) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (including accounts payables) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(p) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(q) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

- Inside basis differences

  Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

  Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

- Outside basis differences

  Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(r) Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Company receives services from employees as consideration for equity instruments (restricted shares) of the Company. The fair value of the employee services received in exchange for the grant of the restricted shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the restricted shares granted.

At the end of each reporting period, the Group revises its estimates of the number of restricted shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

(s) Employee benefits

(i) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(ii) Housing benefits

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(t) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(u) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a Functional Currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(v) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts after eliminated sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue and income are recognised as follows:

(i) Revenues recognised on sales of aviation products are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) Recognition policy of revenue relating to long-term construction contracts is disclosed in Note 3(k) above.

(iii) Dividend income and income from investments are recognised when the right to receive payment is established.

(iv) Revenue from the provision of services is recognised when the services are rendered.

(v) Rental income under operating leases is recognised on a straight-line basis over the lease periods.

(vi) Interest income from bank deposits is recognised on a time proportion basis using the effective interest method.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(w) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income from government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

(x) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(y) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(i) Assets acquired/liabilities assumed in business combination

Assets/liabilities in Xiangtong Photoelectric as disclosed in Note 43 were recognised at fair value in connection with the Group's acquisition of this entity. The fair values of the acquired assets/assumed liabilities were determined based on valuation methodologies and techniques that involved the use of a third-party valuation firm's expertise. The judgements and assumptions used in that valuation of assets and liabilities along with the assumptions on the useful lives of acquired assets have an effect on the consolidated financial statements.

(ii) Depreciation and amortisation

The Group's management determines the estimated useful lives and related depreciation/amortisation charges for the property, plant and equipment, investment properties and intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortisation charges where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Impairment of account and other receivables

Provision for impairment of account and other receivables is determined based on the evaluation of collectibility of account and other receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer and the current market condition.

(iv) Inventories

Management estimates the net realisable value for finished goods and work-in progress based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and will make provision for impairment on obsolete and slow-moving items or will write-off or write-down inventories to net realisable value.

(v) Revenue recognition

The Group uses the percentage of completion method in accounting for its contract revenues. Use of the percentage of completion method requires the Group to estimate the contract costs incurred up to the balance sheet date as a proportion of the total estimated cost for each contract. Based on the Group's experience and nature of the construction contracts undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that costs to complete and revenue can be reliably estimated.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(vi) Income taxes

The Group is subject to income taxes in the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(vii) Consolidation of entities in which the Group holds less than 50%

Management considers that the Group has de facto control of certain entities (Note 46(a)) even though it has less than 50% of the voting rights, since the balances of other shareholdings are dispersed and the other shareholders have not organised their interests in such a way that they exercise more votes than the Group.

5 SEGMENT INFORMATION

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

The Executive Directors classify the business into 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 Executive Directors is measured in a manner consistent with that in the consolidated income statement. Segment results are defined based on profit before income tax excluding corporate overheads.

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

5 SEGMENT INFORMATION (CONTINUED)

	Aviation entire aircraft *RMB'000*	**Aviation parts & components** *RMB'000*	**Total** *RMB'000*
For the year ended 31 December 2014			
Total segment revenue	**11,274,859**	**15,847,047**	**27,121,906**
Inter-segment revenue	**–**	**(1,411,529)**	**(1,411,529)**
Revenue (from external customers)	**11,274,859**	**14,435,518**	**25,710,377**
Segment results	**368,378**	**1,680,301**	**2,048,679**
Other profit & loss disclosures:			
Depreciation and amortisation	**355,732**	**463,781**	**819,513**
Provision for impairments on receivables and inventories	**25,847**	**103,792**	**129,639**
Finance costs, net	**24,363**	**111,383**	**135,746**
Share of profit of a joint venture	**–**	**(15,792)**	**(15,792)**
Share of losses/(profits) of associates	**10,241**	**(138,162)**	**(127,921)**
Income tax expense	**65,090**	**202,208**	**267,298**
For the year ended 31 December 2013			
Total segment revenue	10,197,905	13,285,103	23,483,008
Inter-segment revenue	–	(1,290,259)	(1,290,259)
Revenue (from external customers)	10,197,905	11,994,844	22,192,749
Segment results	340,159	1,476,786	1,816,945
Other profit & loss disclosures:			
Depreciation and amortisation	301,274	434,223	735,497
Provision/(reversal of provision) for impairments on receivables and inventories	19,908	(3,188)	16,720
Finance costs, net	5,688	68,188	73,876
Share of profit of a joint venture	–	(3,574)	(3,574)
Share of losses/(profits) of associates	23,975	(97,110)	(73,135)
Income tax expense	53,558	196,128	249,686

5 SEGMENT INFORMATION (CONTINUED)

Reconciliation of segment results to profit for the year:

	2014	2013
	RMB'000	*RMB'000*
Segment result for aviation entire aircraft and aviation parts & components	**2,048,679**	1,816,945
Corporate overheads	**(45,660)**	(56,225)
Profit before income tax	**2,003,019**	1,760,720
Income tax expense	**(267,298)**	(249,686)
Profit for the year	**1,735,721**	1,511,034

Revenues from customers amounting to 10 percent or more of the Group's revenue are as follows and reported in all segments:

	2014	2013
	RMB'000	*RMB'000*
Customer A	**6,853,014**	6,269,028
Customer B	**2,882,376**	2,290,368
	9,735,390	8,559,396

6 OTHER INCOME

	2014	2013
	RMB'000	*RMB'000*
Rental income	**12,562**	9,894
Income from sale of materials	**259,271**	235,868
Cost from sale of materials	**(202,976)**	(225,845)
Profit from sale of materials	**56,295**	10,023
Income from rendering of maintenance and other services	**4,278**	7,788
Dividend income from available-for-sale financial assets and financial assets held for trading	**39,990**	30,071
	113,125	57,776

7 OTHER GAINS, NET

	2014	2013
	RMB'000	*RMB'000*
Fair value gain on financial assets held for trading	**60**	38
(Loss)/gain on disposals of:		
– property, plant and equipment	**(3,038)**	7,287
– investment properties	**83,321**	83,579
– interests in associates	**25,615**	45,495
– available-for-sale financial assets	**92,033**	55,826
– financial assets held for trading	**5,197**	1,209
	203,188	193,434

8 EXPENSES BY NATURE

	2014	2013
	RMB'000	*RMB'000*
Advertising costs	**6,580**	7,018
Amortisation on:		
– Intangible assets	**22,207**	6,278
– Land use rights	**33,845**	27,655
Auditors' remuneration	**10,368**	9,586
Raw materials and consumables used	**8,019,621**	7,855,511
Changes in inventories of finished goods and work-in-progress	**(1,248,694)**	(1,915,104)
Contract costs incurred	**9,444,759**	7,994,183
Depreciation on:		
– Investment properties	**881**	1,674
– Property, plant and equipment	**762,580**	699,890
Less: amortisation of deferred income from government grants	**(37,050)**	(39,931)
	726,411	661,633
Fuel	**402,960**	318,770
Insurance	**15,558**	12,077
Operating lease rentals	**106,928**	91,326
Provision/(reversal of provision) for impairment on:		
– Inventories	**86,130**	52,092
– Receivables	**43,509**	(35,372)
Repairs and maintenance expense	**230,036**	208,923
Research expenditures and development costs	**981,146**	801,522
Staff costs, including directors' emoluments *(Note 14)*	**3,428,727**	3,127,048
Sub-contracting charges	**591,228**	373,370
Sundries	**858,722**	847,759
Transportation expenses	**121,425**	92,370
Travelling	**150,172**	149,427
Total cost of sales, general and administrative expenses, and selling and distribution expenses	**24,031,638**	20,686,072

9 FINANCE COSTS, NET

	2014 *RMB'000*	2013 *RMB'000*
Finance income:		
Interest income on bank balances and deposits	**233,385**	226,173
Finance costs:		
Interest expense on bank borrowings		
– Wholly repayable within 5 years	**239,687**	169,850
– Not wholly repayable within 5 years	**5,991**	2,294
Interest expense on other borrowings		
– Wholly repayable within 5 years	**146,235**	131,506
– Not wholly repayable within 5 years	**–**	16,345
	391,913	319,995
Less: Amount capitalised in property, plant and equipment *(note)*	**(39,525)**	(40,670)
	352,388	279,325
Other finance costs	**16,743**	20,724
	369,131	300,049
Finance costs, net	**(135,746)**	(73,876)

Note:

Interest rates per annum at which finance costs were capitalised	**3.90%–7.37%**	4.70%–6.55%

10 INCOME TAX EXPENSE

	2014	2013
	RMB'000	*RMB'000*
Current income tax	**266,162**	244,857
Deferred income tax	**1,136**	4,829
	267,298	249,686

Notes:

(a) Except for certain subsidiaries which are taxed at a preferential rate of 15% (2013:15%) during the period from 2012 to 2016, 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% (2013: 25%) on the assessable income of respective entities in the Group.

(b) The reconciliation between the Group's actual tax charge and the amount which is calculated based on the statutory tax rate of 25% in the PRC is as follows:

	2014	2013
	RMB'000	*RMB'000*
Profit before income tax	**2,003,019**	1,760,720
Tax calculated at the statutory tax rate of 25%	**500,755**	440,180
Preferential tax rates on the income of certain subsidiaries	**(229,085)**	(159,915)
Non-taxable income *(note)*	**(45,923)**	(55,900)
Expenses not deductible for tax purposes	**17,691**	24,104
Utilisation of previously unrecognised tax losses	**(2,851)**	(9,256)
Tax loss for which no deferred income tax asset was recognised	**26,711**	20,060
Others	**–**	(9,587)
Tax charge	**267,298**	249,686

Note: Non-taxable income mainly includes share of profits of a joint venture and associates, and dividend income from available-for-sales financial assets and financial assets held for trading.

11 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB146,553,000 (2013: RMB207,417,000).

12 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding shares held for the restricted share incentive scheme (Note 39).

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares issued under the restricted share incentive scheme. A calculation is done to determine the number of shares that could have been converted at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding unvested awarded shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the conversion of the restricted shares, with the difference being adjusted in arriving at the weighted average number of shares for diluted earnings per shares, of which details are as follows:

	2014 ***RMB'000***	2013 *RMB'000*
Profit attributable to equity holders of the Company	**781,298**	712,623
Weighted average number of ordinary shares in issue less shares held for restricted share scheme for calculating basic earnings per share (thousands)	**5,459,988**	5,447,626
Potential dilutive effect arising from restricted shares (thousands)	**7,084**	9,197
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	**5,467,072**	5,456,823

13 DIVIDEND

	2014	2013
	RMB'000	*RMB'000*
Final dividend, proposed of RMB0.02 (2013: RMB0.02) per share	**109,489**	109,489

This final dividend is proposed by the directors at a meeting held on the date of approval of these financial statements, which is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2015.

14 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2014	2013
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**2,208,520**	2,014,202
Housing benefits	**265,022**	241,704
Restricted shares *(Note 39)*	**8,072**	17,292
Contribution to pension plans	**441,704**	402,840
Welfare and other expenses	**505,409**	451,010
	3,428,727	3,127,048

15 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of each of the directors of the Company for the years ended 31 December 2014 and 2013 are set out below.

	Year ended 31 December 2014				
Name of director	Fees *RMB'000*	Basic salaries, housing allowance, other allowances and benefits in kind *RMB'000*	Bonuses *RMB'000*	Employer's contributions to retirement schemes *RMB'000*	Total *RMB'000*
Executive directors					
Lin Zuoming	–	450	–	–	450
Tan Ruisong*	–	500	–	–	500
Non-executive directors					
Gu Huizhong	380	–	–	–	380
Gao Jianshe	380	–	–	–	380
Sheng Mingchuan	–	–	–	–	–
Maurice Savart	60	–	–	–	60
Independent non-executive directors					
Lau Chungman	195	–	–	–	195
Guo Chongqing	153	–	–	–	153
Liu Renhuai *(note (i))*	85	–	–	–	85
Li Xianzong *(note (ii))*	–	–	–	–	–
	1,253	950	–	–	2,203

15 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

	Year ended 31 December 2013				
Name of director	Fees *RMB'000*	Basic salaries, housing allowance, other allowances and benefits in kind *RMB'000*	Bonuses *RMB'000*	Employer's contributions to retirement schemes *RMB'000*	Total *RMB'000*
Executive directors					
Lin Zuoming	–	450	–	–	450
Tan Ruisong*	–	500	–	–	500
Non-executive directors					
Gu Huizhong	380	–	–	–	380
Gao Jianshe	380	–	–	–	380
Sheng Mingchuan	–	–	–	–	–
Maurice Savart	60	–	–	–	60
Independent non-executive directors					
Lau Chungman	150	–	–	–	150
Guo Chongqing	100	–	–	–	100
Li Xianzong	–	–	–	–	–
	1,070	950	–	–	2,020

Notes:

(i) Appointed on 13 June 2014

(ii) Resigned on 13 June 2014

* Chief executive of the Company

15 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) Supervisors' emoluments

The emoluments of each of the supervisors of the Company for the years ended 31 December 2014 and 2013 are set out below.

	Year ended 31 December 2014				
Name of supervisor	Fees	Basic salaries, housing allowance, other allowances and benefits in kind	Bonuses	Employer's contributions to retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors					
Bai Ping	**320**	**–**	**–**	**–**	**320**
Yu Guanghai	**40**	**–**	**–**	**–**	**40**
Li Jing	**172**	**–**	**–**	**–**	**172**
	532	**–**	**–**	**–**	**532**

	Year ended 31 December 2013				
Name of supervisor	Fees	Basic salaries, housing allowance, other allowances and benefits in kind	Bonuses	Employer's contributions to retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors					
Bai Ping	320	–	–	–	320
Yu Guanghai	40	–	–	–	40
Li Jing	187	–	–	–	187
	547	–	–	–	547

15 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(c) Five highest paid individuals

The five individuals whose emoluments were highest in the Group for the year did not include any directors/ supervisors whose emoluments are reflected in the analyses presented above. The emoluments payable to the five (2013: five) highest paid individuals during the year are as follows:

	2014 ***RMB'000***	2013 *RMB'000*
Fees	**2,957**	2,382
Basic salaries, housing allowance, other allowances and benefits in kind	**780**	669
	3,737	3,051

The emoluments of the five individuals fell within the following band:

	Number of individuals **2014**	 2013
Nil–HK$1,000,000 (Nil – RMB789,000)	**4**	5
HK$1,000,000–HK$1,500,000 (RMB789,000 – RMB1,182,000)	**1**	–

(d) No directors or supervisors of the Company waived any emoluments during the years ended 31 December 2013 and 2014. During the year, no emoluments have been paid by the Group to the directors or supervisors of the Company or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

16 PROPERTY, PLANT AND EQUIPMENT

	Group				
	Construction in progress *RMB'000*	Buildings *RMB'000*	Plant and equipment *RMB'000*	Furniture and fixtures, other equipment and motor vehicles *RMB'000*	Total *RMB'000*
Cost					
As at 1 January 2014	2,544,227	4,319,045	4,995,113	1,896,856	13,755,241
Acquisition of business *(Note 43)*	1,762	39,810	21,999	1,556	65,127
Additions	1,690,998	29,119	121,665	122,768	1,964,550
Transfer upon completion	(1,292,616)	960,235	207,649	124,732	–
Disposals/write-off	–	(43,259)	(96,268)	(45,268)	(184,795)
Transfer to investment properties *(Note 17)*	–	(12,781)	–	–	(12,781)
As at 31 December 2014	2,944,371	5,292,169	5,250,158	2,100,644	15,587,342
Accumulated depreciation and impairment					
As at 1 January 2014	–	1,027,329	2,375,925	1,108,917	4,512,171
Depreciation	–	141,611	312,737	308,232	762,580
Disposals/write-off	–	(1,335)	(87,617)	(38,881)	(127,833)
Transfer to investment properties *(Note 17)*	–	(725)	–	–	(725)
As at 31 December 2014	–	1,166,880	2,601,045	1,378,268	5,146,193
Net book value					
As at 31 December 2014	2,944,371	4,125,289	2,649,113	722,376	10,441,149

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group				
	Construction in progress RMB'000	Buildings RMB'000	Plant and equipment RMB'000	Furniture and fixtures, other equipment and motor vehicles RMB'000	Total RMB'000
Cost					
As at 1 January 2013	1,583,495	3,384,112	4,387,251	1,759,625	11,114,483
Acquisition of business	1,271	51,733	15,341	10,087	78,432
Additions	1,639,882	377,697	576,455	154,218	2,748,252
Transfer upon completion	(680,421)	537,827	101,406	41,188	–
Disposals/write-off	–	(22,453)	(85,340)	(68,262)	(176,055)
Transfer to investment properties *(Note 17)*	–	(9,871)	–	–	(9,871)
As at 31 December 2013	2,544,227	4,319,045	4,995,113	1,896,856	13,755,241
Accumulated depreciation and impairment					
As at 1 January 2013	–	903,887	2,120,354	955,753	3,979,994
Depreciation	–	143,098	339,535	217,257	699,890
Disposals/write-off	–	(18,776)	(83,964)	(64,093)	(166,833)
Transfer to investment properties *(Note 17)*	–	(880)	–	–	(880)
As at 31 December 2013	–	1,027,329	2,375,925	1,108,917	4,512,171
Net book value					
As at 31 December 2013	2,544,227	3,291,716	2,619,188	787,939	9,243,070

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Company			
	Buildings *RMB'000*	Plant and equipment *RMB'000*	Furniture and fixtures, other equipment and motor vehicles *RMB'000*	Total *RMB'000*
Cost				
As at 1 January 2014	**14,647**	**3,597**	**11,390**	**29,634**
Additions	**–**	**–**	**56**	**56**
As at 31 December 2014	**14,647**	**3,597**	**11,446**	**29,690**
Accumulated depreciation and impairment				
As at 1 January 2014	**1,881**	**979**	**7,470**	**10,330**
Depreciation	**464**	**13**	**635**	**1,112**
As at 31 December 2014	**2,345**	**992**	**8,105**	**11,442**
Net book value				
As at 31 December 2014	**12,302**	**2,605**	**3,341**	**18,248**
Cost				
As at 1 January 2013	14,647	3,402	11,178	29,227
Additions	–	195	212	407
As at 31 December 2013	14,647	3,597	11,390	29,634
Accumulated depreciation and impairment				
As at 1 January 2013	1,417	967	6,583	8,967
Depreciation	464	12	887	1,363
As at 31 December 2013	1,881	979	7,470	10,330
Net book value				
As at 31 December 2013	12,766	2,618	3,920	19,304

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) As at 31 December 2014, certain of the Group's property, plant and equipment with carrying value of approximately RMB133,421,000 (2013: RMB294,770,000) 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 subsidiaries of the ultimate holding company under long-term leases. The remaining period of the Group's rights on the leasehold land at 31 December 2014 ranged from 8 to 35 years (2013: 9 to 36 years).

(b) The Group is in the process of applying for the legal title for buildings with net book value of RMB1,613,320,000 as at 31 December 2014 (31 December 2013: RMB703,165,000).

17 INVESTMENT PROPERTIES

	Group	
	2014	2013
	RMB'000	*RMB'000*
Cost		
As at 1 January	**40,286**	34,676
Transfer from property, plant and equipment *(Note 16)*	**12,781**	9,871
Disposals	**(6,813)**	(4,261)
As at 31 December	**46,254**	40,286
Accumulated depreciation		
As at 1 January	**8,835**	8,147
Transfer from property, plant and equipment *(Note 16)*	**725**	880
Depreciation	**881**	1,674
Disposals	**(3,593)**	(1,866)
As at 31 December	**6,848**	8,835
Net book value		
As at 31 December	**39,406**	31,451
At valuation	**44,373**	37,580

All investment properties are located in the PRC and their valuations as at 31 December 2014 and 2013 stated above were determined by management on an open market value basis. These fair values are based on the observable market prices of similar buildings in the same districts and are within level 2 of the fair value hierarchy (Note 45(c)).

18 LAND USE RIGHTS

	Group	
	2014	2013
	RMB'000	*RMB'000*
Cost		
As at 1 January	**1,536,689**	1,354,181
Acquisition of business *(Note 43)*	**3,955**	10,384
Additions	**64,865**	172,124
As at 31 December	**1,605,509**	1,536,689
Accumulated amortisation		
As at 1 January	**120,498**	92,843
Amortisation	**33,845**	27,655
As at 31 December	**154,343**	120,498
Net book amount		
As at 31 December	**1,451,166**	1,416,191

All the Group's land use rights are located in the PRC and are held under leases for periods varying from 30 to 50 years. The Group is in the process of applying for the legal title for land use rights with net book value of RMB131,346,000 as at 31 December 2014 (31 December 2013: RMB116,400,000).

19 INTANGIBLE ASSETS

	Group						Company
	Development costs *RMB'000*	Technology know-how *RMB'000*	Trademarks and licences *RMB'000*	Contractual customer relationships *RMB'000*	Goodwill (note) *RMB'000*	Total *RMB'000*	Technology know-how *RMB'000*
Cost							
As at 1 January 2014	**39,171**	**58,352**	**8,173**	**19,302**	**15,938**	**140,936**	**3,859**
Acquisition of business *(Note 43)*	**–**	**66,531**	**–**	**–**	**46,207**	**112,738**	**–**
Additions	**5,939**	**9,920**	**–**	**–**	**–**	**15,859**	**60**
As at 31 December 2014	**45,110**	**134,803**	**8,173**	**19,302**	**62,145**	**269,533**	**3,919**
Accumulated amortisation							
As at 1 January 2014	**–**	**28,198**	**286**	**275**	**–**	**28,759**	**2,346**
Amortisation	**–**	**17,020**	**2,647**	**2,540**	**–**	**22,207**	**604**
As at 31 December 2014	**–**	**45,218**	**2,933**	**2,815**	**–**	**50,966**	**2,950**
Net book amount							
As at 31 December 2014	**45,110**	**89,585**	**5,240**	**16,487**	**62,145**	**218,567**	**969**
Cost							
As at 1 January 2013	36,041	50,025	–	–	–	86,066	3,859
Acquisition of business	–	8,235	8,173	19,302	15,938	51,648	–
Additions	3,130	92	–	–	–	3,222	–
As at 31 December 2013	39,171	58,352	8,173	19,302	15,938	140,936	3,859
Accumulated amortisation							
As at 1 January 2013	–	22,481	–	–	–	22,481	1,751
Amortisation	–	5,717	286	275	–	6,278	595
As at 31 December 2013	–	28,198	286	275	–	28,759	2,346
Net book amount							
As at 31 December 2013	39,171	30,154	7,887	19,027	15,938	112,177	1,513

19 INTANGIBLE ASSETS (CONTINUED)

Note:

The goodwill acquired in the acquisitions of Xiangtong Photoelectric in 2014 (Note 43) and Xi'an Forstar S&T Co., Ltd. ("Xi'an Forstar") in 2013 is fully allocated to each unit respectively. As of 31 December 2014, the Group has performed an impairment assessment of goodwill based on the recoverable amount of each CGU respectively and concluded that no impairment provision was necessary. The recoverable amount of each CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations in 2014 are annual volume growth rate of 20% and 1% (2013: 9% for Xi'an Forstar), long-term growth rate of 0% and 0% (2013: 0% for Xi'an Forstar) and pre-tax discount rate of 12% and 11% (2013: 13% for Xi'an Forstar) for Xiangtong Photoelectric and Xi'an Forstar respectively.

Management determined volume of sales and gross margin covering over the five-year forecast period to be key assumptions. The volume of sales in each period is the main driver for revenue and costs. The annual volume growth rate is based on past performance and management's expectations of market development. The long term growth rate used is determined with reference to the forecasts included in industry reports and adjusted by the entity's specific conditions. The discount rate used is pre-tax and reflects specific risks relating to the relevant business. Assuming all other variables are held constant, with a decrease in volume of sales or gross margin by 10%, there was still sufficient headroom with no impairment required.

20 INTERESTS IN SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	*RMB'000*
Investments, at cost		
– Shares listed in the PRC	**3,655,818**	3,655,818
– Unlisted investments	**1,708,193**	1,628,663
	5,364,011	5,284,481
Market value of listed shares	**35,759,548**	27,832,819

Particulars of principal subsidiaries of the Group as at 31 December 2014 are set out in Note 46.

20 INTERESTS IN SUBSIDIARIES (CONTINUED)

Notes:

Non-controlling interests

Set out below is the summarised financial information for subsidiaries with non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

(i) Summarised balance sheets

	China AVIC Helicopter Co., Ltd. (previously known as Hafei Aviation Industry Co., Ltd., "AVIC Helicopter")		China AVIC Electronics Co., Ltd. ("AVIC Avionics")		JONHON Optronic		Jiangxi Hongdu Aviation Industry Co., Ltd. ("Hongdu Aviation")	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Non-current assets	**3,711,708**	3,729,865	**4,394,758**	4,129,060	**1,597,708**	1,316,541	**3,486,420**	2,704,134
Current assets	**16,196,486**	16,349,046	**10,594,833**	9,466,381	**4,723,347**	4,021,874	**5,410,786**	4,700,645
Total assets	**19,908,194**	20,078,911	**14,989,591**	13,595,441	**6,321,055**	5,338,415	**8,897,206**	7,404,779
Non-current liabilities	**236,388**	229,750	**1,130,912**	1,224,440	**811,285**	926,509	**86,806**	68,645
Current liabilities	**13,422,196**	13,883,255	**8,305,834**	7,438,539	**2,157,025**	1,510,851	**3,908,024**	2,605,892
Total liabilities	**13,658,584**	14,113,005	**9,436,746**	8,662,979	**2,968,310**	2,437,360	**3,994,830**	2,674,537
Net assets	**6,249,610**	5,965,906	**5,552,845**	4,932,462	**3,352,745**	2,901,055	**4,902,376**	4,730,242
Non-controlling interests	**4,144,121**	3,925,627	**3,160,805**	2,966,849	**2,143,269**	1,870,940	**2,757,964**	2,660,140

(ii) Summarised statements of comprehensive income

	AVIC Helicopter		AVIC Avionics		JONHON Optronic		Hongdu Aviation	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**12,764,608**	5,723,107	**6,610,752**	5,992,589	**3,491,246**	2,601,763	**3,450,740**	2,860,498
Net profit	**366,371**	209,535	**651,266**	701,425	**383,961**	261,620	**100,989**	96,210
Other comprehensive income/(loss)	**–**	–	**47,342**	(16,642)	**(72)**	–	**100,362**	67,275
Total comprehensive income	**366,371**	209,535	**698,608**	684,783	**383,889**	261,620	**201,351**	163,485
Total comprehensive income attributable to non-controlling interests	**240,009**	107,758	**382,563**	407,326	**238,834**	157,988	**114,527**	93,170
Dividends paid to non-controlling interests	**49,734**	30,648	**49,943**	38,417	**27,081**	30,079	**16,169**	4,042

20 INTERESTS IN SUBSIDIARIES (CONTINUED)

Notes: (Continued)

(iii) Summarised statements of cash flows

	AVIC Helicopter		AVIC Avionics		JONHON Optronic		Hongdu Aviation	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Net cash flows from operating activities	**(253,215)**	231,033	**70,860**	305,051	**153,484**	204,107	**(400,611)**	(68,237)
Net cash flows from investing activities	**(194,803)**	(289,273)	**(309,106)**	(1,005,961)	**(273,801)**	(282,956)	**(754,567)**	(374,337)
Net cash flows from financing activities	**(59,285)**	661,843	**261,966**	935,905	**(182,407)**	1,137,586	**563,059**	(19,470)
Exchange (losses)/gains on cash and cash equivalents	**(10)**	(7)	**6**	(213)	**(2,707)**	(1,231)	**19**	(497)
Net (decrease)/increase in cash and cash equivalents	**(507,313)**	603,596	**23,726**	234,782	**(305,431)**	1,057,506	**(592,100)**	(462,541)

21 INTERESTS IN A JOINT VENTURE

	Group	
	2014	2013
	RMB'000	*RMB'000*
Share of net assets, as at 1 January	**37,681**	34,107
Share of profit of a joint venture		
– profit before income tax	**17,921**	3,574
– income tax expense	**(2,129)**	–
	15,792	3,574
Dividends received from a joint venture	**(965)**	–
Share of net assets, as at 31 December	**52,508**	37,681

Particulars of the joint venture of the Group as at 31 December 2014 are set out in Note 46.

22 INTERESTS IN ASSOCIATES

	Group	
	2014	2013
	RMB'000	*RMB'000*
Share of net assets, as at 1 January	**1,055,141**	1,079,773
Share of profits of associates		
– profit before income tax	**178,909**	117,911
– income tax expense	**(50,988)**	(44,776)
	127,921	73,135
Acquisition of business	**–**	2,552
Additional investments	**11,149**	92,020
Dividends received from associates	**(166,810)**	(79,183)
Disposal of interests in associates	**(203,446)**	(113,156)
Share of net assets, as at 31 December	**823,955**	1,055,141

	Company	
	2014	2013
	RMB'000	*RMB'000*
Unlisted investment, at cost	**–**	60,956

Particulars of principal associates of the Group as at 31 December 2014 are set out in Note 46.

22 INTERESTS IN ASSOCIATES (CONTINUED)

Notes:

(a) Summarised financial information for significant associates

(i) Summarised balance sheets

	Harbin Embraer Aircraft Industry Co., Ltd.		Schneider Shanghai Low Voltage Terminal Apparatus Co., Ltd.		Jiangxi Hongdu Commercial Aircraft Corporation Ltd.		Schneider Electric Low Voltage (Tianjin) Co., Ltd.	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Current assets	**588,858**	621,622	**426,922**	451,148	**885,178**	920,719	**289,483**	260,808
Non-current assets	**45,812**	48,238	**115,390**	132,609	**359,666**	327,502	**223,208**	279,967
Total assets	**634,670**	669,860	**542,312**	583,757	**1,244,844**	1,248,221	**512,691**	540,775
Current liabilities	**268,670**	293,152	**260,194**	248,860	**15,789**	23,575	**217,235**	173,997
Non-current liabilities	**–**	–	**–**	–	**12,825**	16,031	**–**	–
Total liabilities	**268,670**	293,152	**260,194**	248,860	**28,614**	39,606	**217,235**	173,997
Net assets	**366,000**	376,708	**282,118**	334,897	**1,216,230**	1,208,615	**295,456**	366,778
Reconciliation to carrying amounts:								
Opening net assets	**376,708**	430,248	**334,897**	210,172	**1,208,615**	1,039,987	**366,778**	307,371
Net (loss)/profit and total comprehensive (loss)/ income for the year	**(10,708)**	(33,264)	**307,091**	289,558	**7,615**	4,831	**288,594**	283,988
Dividends paid	**–**	–	**(359,870)**	(164,833)	**–**	–	**(359,916)**	(224,581)
Other changes in equity	**–**	(20,276)	**–**	–	**–**	163,797	**–**	–
Closing net assets	**366,000**	376,708	**282,118**	334,897	**1,216,230**	1,208,615	**295,456**	366,778
Group's share in %	**49%**	49%	**25%**	25%	**26%**	26%	**25%**	25%
Carrying amount	**179,685**	184,932	**111,754**	116,201	**309,949**	308,104	**108,804**	126,635

22 INTERESTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(a) Summarised financial information for significant associates (Continued)

(ii) Summarised statements of comprehensive income

	Harbin Embraer Aircraft Industry Co., Ltd.		Schneider Shanghai Low Voltage Terminal Apparatus Co., Ltd.		Jiangxi Hongdu Commercial Aircraft Corporation Ltd.		Schneider Electric Low Voltage (Tianjin) Co., Ltd.	
	2014 ***RMB'000***	2013 *RMB'000*	**2014** ***RMB'000***	2013 *RMB'000*	**2014** ***RMB'000***	2013 *RMB'000*	**2014** ***RMB'000***	2013 *RMB'000*
Revenue	**361,297**	7	**900,995**	908,247	**65,120**	55,175	**953,767**	981,770
Net (loss)/profit and total comprehensive (loss)/income	**(10,708)**	(33,264)	**307,091**	289,558	**7,615**	4,831	**288,594**	283,988

(b) Individually immaterial associates

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2014 ***RMB'000***	2013 *RMB'000*
Aggregate net assets of individually immaterial associates	**310,779**	1,114,013
Aggregate amounts of the Group's share thereon	**113,763**	319,269
Aggregate total comprehensive loss of individually immaterial associates	**(49,717)**	(157,107)
Aggregate amounts of the Group's share thereon	**(17,527)**	(30,968)

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Equity securities listed in the PRC, at fair value *(note (a))*	**589,495**	278,033	**143,213**	–
Unlisted investments *(note (b))*	**652,015**	876,496	**321,911**	321,911
Less: provision for impairment	**(3,222)**	(2,168)	**–**	–
	648,793	874,328	**321,911**	321,911
	1,238,288	1,152,361	**465,124**	321,911

Notes:

(a) The fair value of equity securities listed in the PRC traded in active markets is based on quoted market prices at the balance sheet date. There fair values are within level 1 of the fair value hierarchy (Note 45(c)).

(b) These assets principally represent interests in certain unlisted companies which do not have a quoted market price in an active market and for which the range of other methods of reasonably estimating fair value is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, these investments are carried at cost less accumulated impairment losses.

24 DEFERRED INCOME TAXES

The analysis of deferred tax assets and deferred tax liabilities, determined after appropriate offsetting, is shown in the consolidated balance sheet:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred income tax assets				
– to be recovered after more than 12 months	**137,418**	114,496	**–**	3,276
– to be recovered within 12 months	**32,421**	52,275	**–**	2,450
	169,839	166,771	**–**	5,726
Deferred income tax liabilities				
– to be settled after more than 12 months	**(48,475)**	(20,036)	**(10,278)**	–
– to be settled within 12 months	**(3,207)**	–	**(3,207)**	–
	(51,682)	(20,036)	**(13,485)**	–
Total deferred income tax assets less total deferred income tax liabilities	**118,157**	146,735	**(13,485)**	5,726

The gross movement on the deferred income tax account is as follow:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As at 1 January	**146,735**	157,789	**5,726**	4,078
Acquisition of business *(Note 43)*	**297**	2,710	**–**	–
(Charged)/credited to consolidated income statement	**(1,136)**	(4,829)	**(5,657)**	1,648
Charged to other comprehensive income	**(27,739)**	(8,935)	**(13,554)**	–
As at 31 December	**118,157**	146,735	**(13,485)**	5,726

24 DEFERRED INCOME TAXES (CONTINUED)

The deferred income taxes are provided for, prior to offsetting of balances within the same tax jurisdiction, in respect of:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred income tax assets:				
Provision for impairment of receivables	**56,038**	45,922	**–**	–
Provision for impairment of inventories	**41,647**	27,982	**–**	–
Accruals and other temporary differences	**115,893**	124,728	**3,276**	5,726
	213,578	198,632	**3,276**	5,726
Deferred income tax liabilities:				
Development costs	**5,096**	5,096	**–**	–
Fair value changes on available-for-sale financial assets	**67,463**	39,724	**13,554**	–
Other temporary differences	**22,862**	7,077	**3,207**	–
	95,421	51,897	**16,761**	–
Total deferred income tax assets less total deferred income tax liabilities	**118,157**	146,735	**(13,485)**	5,726

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB93 million (2013: RMB80 million) in respect of tax losses amounting to approximately RMB379 million (2013: RMB353 million) that can be carried forward against future taxable income. These unrecognised tax losses are expiring within 5 years.

25 ACCOUNTS RECEIVABLE

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables, gross *(note (a))*				
– Fellow subsidiaries *(Note 44(b))*	**4,742,931**	4,676,688	**–**	265
– A joint venture *(Note 44(b))*	**164**	485	**–**	–
– Associates *(Note 44(b))*	**3,886**	17,043	**–**	–
– Other related party *(Note 44(b))*	**6,059**	12,033	**–**	–
– Others	**4,168,716**	2,738,880	**–**	–
	8,921,756	7,445,129	**–**	265
Less: provision for impairment of receivables	**(290,650)**	(247,966)	**–**	–
	8,631,106	7,197,163	**–**	265
Notes receivable *(note (c))*				
– Fellow subsidiaries *(Note 44(b))*	**1,421,873**	1,333,416	**–**	–
– Others	**920,854**	582,208	**–**	–
	2,342,727	1,915,624	**–**	–
	10,973,833	9,112,787	**–**	265
Less: non-current portion	**–**	(154,358)	**–**	–
Current portion	**10,973,833**	8,958,429	**–**	265

25 ACCOUNTS RECEIVABLE (CONTINUED)

Notes:

(a) Certain of the Group's sales were on advance payment. Sales to small, new or short-term customers are normally expected to be settled shortly after delivery. A credit period of up to six months may be granted in respect of sales to customers with good credit history and long-established relationship with the Group. Terms offered to related parties are similar to those offered to third parties. Ageing analysis of trade receivables is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current to 1 year	**7,778,126**	6,012,460	**–**	265
1 year to 2 years	**721,893**	990,769	**–**	–
Over 2 years	**421,737**	441,900	**–**	–
	8,921,756	7,445,129	**–**	265

The credit quality of accounts receivable that are neither past due nor impaired can be assessed by reference to the historical information about counter parties default rates. The existing counter parties do not have significant default in the past.

As of 31 December 2014, trade receivables of RMB2,557,762,000 (2013: RMB2,395,440,000) were past due but not impaired. These relate mainly to a number of customers for whom there is no recent history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Up to 1 year	**1,666,352**	1,202,492	**–**	265
1 year to 2 years	**653,376**	892,933	**–**	–
Over 2 years	**238,034**	300,015	**–**	–
	2,557,762	2,395,440	**–**	265

25 ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

(a) As of 31 December 2014, trade receivables of RMB290,650,000 (2013: RMB247,966,000) were impaired. The individually impaired receivables mainly relate to smaller customers which are in financial difficulties. The ageing of these impaired receivables is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current to 1 year	**38,430**	8,245	**–**	–
1 year to 2 years	**68,517**	97,836	**–**	–
Over 2 years	**183,703**	141,885	**–**	–
	290,650	247,966	**–**	–

Movements on the provision for impairment of accounts receivable are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**247,966**	285,290	**–**	–
Provision/(reversal of provision) for impairment	**43,509**	(35,372)	**–**	–
Write-off	**(825)**	(1,952)	**–**	–
At 31 December	**290,650**	247,966	**–**	–

(b) Trade receivables from these related parties are unsecured, non-interest bearing and are repayable in accordance with the relevant trading terms. Details of these balances are disclosed in Note 44(b).

(c) Substantially all of the notes receivable are bank acceptance notes with average maturity period of within six months. Balance as at 31 December 2014 includes notes receivables of RMB112,825,000 (2013: RMB5,949,000) discounted with recourse and collateralised borrowings of RMB102,410,000 (2013: RMB5,400,000) was recognised as a result (Note 36 (g)).

(d) Substantially all of the accounts receivable are denominated in RMB and the carrying amounts of accounts receivable approximate their fair values.

(e) Certain trade receivables were pledged as security for bank loans (Note 36 (g)).

26 ADVANCES TO SUPPLIERS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Fellow subsidiaries *(Note 44(b))*	**596,053**	565,467	**–**	5,000
Associates *(Note 44(b))*	**35**	7,570	**–**	–
Others	**453,138**	646,278	**10,908**	1,051
	1,049,226	1,219,315	**10,908**	6,051

In the ordinary course of business, the Group is required to make advance payments to certain suppliers according to the terms of respective agreements. The advance payments made to these parties are unsecured, non-interest bearing and will be settled or utilised in accordance with the terms of relevant agreements.

27 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts due from customers for contract work *(Note 29)*	**394,287**	31,578	**–**	–
Dividends receivable from				
– associates *(Note 44(b))*	**37,690**	190	**–**	–
– a fellow subsidiary as available-for-sale financial asset	**573**	–	**573**	–
Other advances to *(note (a))*				
– ultimate holding company	**1,820**	2,479	**–**	–
– fellow subsidiaries	**31,388**	199,651	**–**	109,351
Other receivables	**732,418**	570,580	**–**	–
Prepayments and deposits	**360,105**	134,507	**22,128**	4,364
Other current assets *(note (b))*	**465,177**	244,270	**50,000**	233,000
	2,023,458	1,183,255	**72,701**	346,715
Less: non-current portion *(note (b))*	**(251,851)**	–	**(50,000)**	(65,000)
	1,771,607	1,183,255	**22,701**	281,715

Notes:

(a) Other advances mainly represent current account balances with the respective related parties which are unsecured, non-interest bearing and are repayable on demand. Details of these balances are disclosed in Note 44(b).

(b) Balance of the Company at 31 December 2014 represents entrusted loans granted to a subsidiary of the Company with a term of three years and bear interests at 6% per annum.

28 INVENTORIES

	Group	
	2014	2013
	RMB'000	*RMB'000*
Raw materials	**6,454,815**	5,875,653
Work in progress	**8,429,163**	7,457,485
Finished goods	**1,766,492**	1,489,476
Consumables	**219,184**	154,627
	16,869,654	14,977,241
Less: write-downs	**(276,185)**	(196,839)
	16,593,469	14,780,402

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB20,394,628,000 (2013: RMB17,423,899,000).

29 CONTRACTS IN PROGRESS

	Group	
	2014	2013
	RMB'000	*RMB'000*
Contracts in progress at balance sheet date:		
Contract costs incurred plus recognised profit	**10,315,814**	9,648,340
Progress billings	**(9,921,527)**	(9,616,762)
Amounts due from customers for contract work *(Note 27)*	**394,287**	31,578

30 PLEDGED DEPOSITS

	Group	
	2014	2013
	RMB'000	*RMB'000*
Renminbi denominated deposits	**986,192**	1,313,240

As at 31 December 2014, trade finance facilities utilised by the Group for issuing notes payable to its suppliers amounting to RMB2,938,413,000 (2013: RMB3,288,767,000) were secured by these pledged deposits (Note 32(c)).

Pledged deposits earn interest at rates ranging from 0.30% to 3.30% (2013: 0.35% to 3.30%). The conversion of Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

31 TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS

Term deposits with initial term of over three months are denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
Currency	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Renminbi **	**2,769,473**	3,244,616	**1,710,000**	1,230,000
Hong Kong Dollar	**93,011**	134,081	**14,002**	134,081
	2,862,484	3,378,697	**1,724,002**	1,364,081

Balances of the Group and the Company as at 31 December 2014 include structured deposits of RMB1,724,002,000 (2013: RMB1,364,081,000) with fixed returns and maturities of 4-6 months.

The weighted average effective interest rates of the Group and the Company on term deposits with initial term of over three months were 4.09% (2013: 3.13%) and 4.83% (2013: 3.08%) per annum respectively.

** The conversion of Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

32 ACCOUNTS PAYABLE

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables *(note (a))*				
– Fellow subsidiaries *(Note 44 (b))*	**2,495,861**	2,095,018	**–**	–
– Others	**7,894,358**	8,090,975	**–**	40
	10,390,219	10,185,993	**–**	40
Notes payable *(note (c))*				
– Fellow subsidiaries *(Note 44 (b))*	**2,649,640**	2,899,868	**–**	–
– Others	**2,010,131**	945,872	**–**	–
	4,659,771	3,845,740	**–**	–
	15,049,990	14,031,733	**–**	40

Notes:

(a) The normal credit period for trade payables generally ranges from 0 to 6 months. Ageing analysis of trade payables is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current to 1 year	**9,124,298**	7,030,113	**–**	–
1 year to 2 years	**879,629**	1,335,667	**–**	40
2 years to 3 years	**214,708**	1,418,780	**–**	–
Over 3 years	**171,584**	401,433	**–**	–
	10,390,219	10,185,993	**–**	40

(b) Trade payables to fellow subsidiaries are unsecured, non-interest bearing and will be settled in accordance with the relevant trading terms. Details of these balances are disclosed in Note 44(b).

(c) Substantially all of the notes payable are bank acceptance notes with average maturity period of within six months. As at 31 December 2014, notes payable of RMB2,938,413,000 (2013: RMB3,288,767,000) were secured by pledged deposits to the extent of RMB986,192,000 (2013: RMB1,313,240,000).

(d) The carrying amounts of accounts payable approximate their fair values.

33 ADVANCES FROM CUSTOMERS

	Group	
	2014	2013
	RMB'000	*RMB'000*
Fellow subsidiaries *(Note 44(b))*	**3,099,165**	2,548,542
Others	**666,072**	1,253,951
	3,765,237	3,802,493

In the ordinary course of the Group's business, certain of the Group's customers are required to pay advance deposits according to terms of the respective agreements. The advances from related parties are unsecured, non-interest bearing and will be settled or utilised in accordance with the terms of relevant agreements.

34 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Payable for acquisition of equity interests in subsidiaries				
– Fellow subsidiaries *(note (i))*	**327,345**	697,937	**–**	–
– Others	**12,288**	15,634	**–**	–
Payable for property, plant and equipment				
– Fellow subsidiaries *(note (i))*	**394,684**	61,925	**–**	–
– Others	**116,820**	144,664	**–**	–
Wages, salaries, bonuses and other employee benefits	**1,471,969**	1,345,144	**10,020**	7,846
Accrued expenses	**550,024**	500,261	**485**	276
Deferred income from government grants *(Note 37)*	**36,309**	39,625	**–**	–
Consumption tax, business tax and other taxes payable	**151,299**	133,169	**6,829**	3,130
Other advances from *(note (ii))*				
– Ultimate holding company	**–**	6,107	**–**	1,834
– Fellow subsidiaries	**232,759**	338,225	**1,961**	3,129
Dividend payable to non-controlling shareholders of subsidiaries	**185,075**	164,058	**–**	–
Advances from participants of restricted share scheme *(Note 39)*	**20,475**	41,695	**20,475**	41,695
Other current liabilities	**342,693**	266,935	**–**	–
	3,841,740	3,755,379	**39,770**	57,910
Less: non-current portion	**(31,325)**	(15,634)	**–**	–
	3,810,415	3,739,745	**39,770**	57,910

34 OTHER PAYABLES AND ACCRUALS (CONTINUED)

Notes:

(i) The balances are unsecured, non-interest bearing and will be settled in accordance with the relevant terms.

(ii) Other advances mainly represent current account balances with the respective related parties which are unsecured, non-interest bearing and are repayable on demand.

Details of these balances with related parties are disclosed in Note 44(b).

35 AMOUNTS PAYABLE TO ULTIMATE HOLDING COMPANY

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Balance arising from changes in Group structure in prior years	**–**	109,145	**–**	109,145
Others	**268,827**	353,592	**212,600**	297,366
	268,827	462,737	**212,600**	406,511

These amounts due to ultimate holding company are unsecured, non-interest bearing and with no fixed repayment terms.

36 BORROWINGS

	Group	
	2014	2013
	RMB'000	*RMB'000*
Short-term borrowings		
Bank borrowings		
– Secured *(note (g))*	**342,663**	691,101
– Unsecured	**2,060,286**	1,935,000
	2,402,949	2,626,101
Other borrowings *(note (c))*		
– Secured *(note (g))*	**515,410**	150,000
– Unsecured	**2,148,000**	1,176,000
	5,066,359	3,952,101
Current portion of long-term borrowings	**567,000**	255,080
	5,633,359	4,207,181
Long-term borrowings		
Bank borrowings		
– Secured *(note (g))*	**1,049,298**	896,044
– Unsecured	**23,100**	18,000
	1,072,398	914,044
Other borrowings *(note (c))*		
– Secured *(note (g))*	**499,330**	498,732
– Unsecured	**780,000**	753,000
	2,351,728	2,165,776
Less: Current portion of long-term borrowings	**(567,000)**	(255,080)
	1,784,728	1,910,696
Total borrowings	**7,418,087**	6,117,877

36 BORROWINGS (CONTINUED)

Notes:

(a) The long-term borrowings are analysed as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Wholly repayable within five years		
– Bank borrowings	**1,014,898**	903,544
– Other borrowings	**1,279,330**	939,482
	2,294,228	1,843,026
Not wholly repayable within five years		
– Bank borrowings	**57,500**	10,500
– Other borrowings	**–**	312,250
	57,500	322,750
	2,351,728	2,165,776

(b) The long-term borrowings are repayable as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Bank borrowings		
– Within one year	**498,000**	255,080
– In the second year	**212,150**	334,000
– In the third to fifth year	**304,748**	314,464
– After the fifth year	**57,500**	10,500
	1,072,398	914,044
Other borrowings		
– Within one year	**69,000**	–
– In the second year	**351,750**	24,000
– In the third to fifth year	**858,580**	915,482
– After the fifth year	**–**	312,250
	1,279,330	1,251,732
	2,351,728	2,165,776

36 BORROWINGS (CONTINUED)

Notes: (Continued)

(c) As at 31 December 2014, other borrowings represent:

– corporate bonds in an aggregate principal amount of RMB500,000,000 (31 December 2013: 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 RMB3,443,410,000 (31 December 2013: RMB2,079,000,000) which bear interests at 4% to 7% per annum.

(d) The exposure of the total borrowings of the Group to interest rate changes is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Bank borrowings		
– Fixed rates	**1,846,851**	2,061,131
– Floating rates	**1,628,496**	1,479,014
	3,475,347	3,540,145
Other borrowings		
– Fixed rates	**3,679,590**	1,997,982
– Floating rates	**263,150**	579,750
	3,942,740	2,577,732
	7,418,087	6,117,877

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

	Group	
	2014	2013
Weighted average effective interest rates		
– Bank borrowings	**5%**	6%
– Other borrowings	**5%**	5%

(e) The carrying amounts of long-term and short-term borrowings are denominated in Renminbi.

36 BORROWINGS (CONTINUED)

Notes: (Continued)

(f) The carrying amount and fair value of non-current portion of long-term borrowings are as follows:

	Group			
	Carrying amount		Fair value	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank borrowings	**574,398**	658,964	**571,393**	637,928
Other borrowings	**1,210,330**	1,251,732	**1,112,508**	1,087,139
	1,784,728	1,910,696	**1,683,901**	1,725,067

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 characteristic as at the balance sheet dates. Such discount rates ranged from 6% to 6.15% as at 31 December 2014 (2013: 6.15% to 6.55%), depending on the type of the debt. These fair values are within level 2 of the fair value hierarchy (Note 45(c)).

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

	Group	
	2014	2013
	RMB'000	*RMB'000*
Securities over the Group's assets, at carrying value		
– Buildings *(Note 16)*	**35,538**	–
– Notes receivable *(Note 25(c))*	**112,825**	5,949
– Trade receivable *(Note 25(e))*	**762,647**	822,993
Guarantees provided by		
– Ultimate holding company	**–**	5,080
– Fellow subsidiaries	**474,299**	384,964
– Entities within the Group	**1,179,330**	1,044,732
– Key management of a subsidiary	**5,662**	5,000
	1,659,291	1,439,776

(h) As at 31 December 2014, the Group had the following undrawn committed borrowing facilities.

	Group	
	2014	2013
	RMB'000	*RMB'000*
At floating rates		
– Expiring within one year	**5,396,738**	3,844,097

37 DEFERRED INCOME FROM GOVERNMENT GRANTS

Balance mainly includes supports from local government to compensate for purchases of land use rights and property, plant and equipment.

Movements of deferred income from government grants for each of the years ended 31 December 2014 and 2013 are as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
As at 1 January	**786,747**	503,097
Additions	**118,220**	323,581
Amortisation *(Note 8)*	**(37,050)**	(39,931)
As at 31 December	**867,917**	786,747
Less: current portion *(Note 34)*	**(36,309)**	(39,625)
	831,608	747,122

38 SHARE CAPITAL

	Company	
	2014	2013
	RMB'000	*RMB'000*
Registered, issued and fully paid:		
3,117,995,265 (2013: 3,117,995,265) Domestic Shares of RMB1 each	**3,117,995**	3,117,995
2,356,433,902 (2013: 2,356,433,902) H Shares of RMB1 each	**2,356,434**	2,356,434
	5,474,429	5,474,429

The H Shares rank pari passu in all respects with the Domestic Shares and rank equally for all dividends or distributions declared, paid or made except that all dividends in respect of H Shares are to be paid by the Company in Hong Kong dollars. The transfer of the Domestic Shares is subject to such restrictions as the PRC laws may impose from time to time.

39 SHARE-BASED COMPENSATION

On 29 March 2011, the Company adopted a restricted share incentive scheme (the "Scheme") with a 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 have been held as restricted shares by a trustee before they are 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. The related weighted average share price on that date was HK$3.90 per share.

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. The related weighted average share price on that date was HK$4.30 per share.

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

	2014		2013	
	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	**2.08**	**23,400**	2.08	37,014
Vested/exercised	**2.08**	**(11,945)**	2.08	(13,164)
Lapsed	**2.08**	**–**	2.08	(450)
At 31 December	**2.08**	**11,455**	2.08	23,400

The fair value of restricted shares charged to the consolidated income statement was RMB8,072,000 during the year ended 31 December 2014 (2013: RMB17,292,000).

40 RESERVES

	Company						
	Shares held for restricted share scheme RMB'000	Capital reserve RMB'000 (note (b))	Share-based compensation reserve RMB'000	Available-for-sale financial assets reserve RMB'000	Other reserves RMB'000 (note (d))	Retained earnings RMB'000 (note (e))	Total RMB'000
Balance at 1 January 2014	**(88,501)**	**1,948,436**	**38,094**	**–**	**84,189**	**263,367**	**2,245,585**
Total comprehensive income for the year	**–**	**–**	**–**	**76,808**	**–**	**146,553**	**223,361**
Shares vested under share scheme							
– funded by the Company *(Note 39)*	**24,296**	**–**	**(24,296)**	**–**	**–**	**–**	**–**
– funded by scheme participants	**20,882**	**–**	**–**	**–**	**–**	**–**	**20,882**
Value of employee services under share scheme *(Note 39)*	**–**	**–**	**8,072**	**–**	**–**	**–**	**8,072**
2013 final dividend	**–**	**–**	**–**	**–**	**–**	**(109,489)**	**(109,489)**
Transfer to statutory surplus reserve	**–**	**–**	**–**	**–**	**14,655**	**(14,655)**	**–**
Others	**–**	**(991)**	**–**	**–**	**–**	**–**	**(991)**
At 31 December 2014	**(43,323)**	**1,947,445**	**21,870**	**76,808**	**98,844**	**285,776**	**2,387,420**
Balance at 1 January 2013	(139,994)	1,958,099	47,578	–	63,447	186,181	2,115,311
Total comprehensive income for the year	–	–	–	–	–	207,417	207,417
Shares vested under share scheme	–	–	–	–	–	–	–
– funded by the Company *(Note 39)*	26,776	–	(26,776)	–	–	–	–
– funded by scheme participants	24,717	–	–	–	–	–	24,717
Value of employee services under share scheme *(Note 39)*	–	–	17,292	–	–	–	17,292
2012 final dividend	–	–	–	–	–	(109,489)	(109,489)
Transfer to statutory surplus reserve	–	–	–	–	20,742	(20,742)	–
Others	–	(9,663)	–	–	–	–	(9,663)
At 31 December 2013	(88,501)	1,948,436	38,094	–	84,189	263,367	2,245,585

Notes:

(a) Movements in the reserves of the Group are set out in the consolidated statement of changes in equity on pages 64 to 65.

40 RESERVES (CONTINUED)

Notes: (Continued)

(b) Capital reserve

Capital reserve of the Company represents (i) the difference between the amount of share capital issued by the Company and the historical net value of the assets, liabilities and interests transferred to the Company upon its establishment, set off by net premium on issue of shares upon listing of the Company; and (ii) the difference between the fair value of shares issued and their respective par value.

Capital reserve of the Group also includes reserves arising from the issuance of additional shares by subsidiaries, capital contributions in associates and disposals to non-controlling interests without change in control. Upon group restructuring where there are acquisitions or distributions with holding company, the consideration is also accounted for in capital reserve of the Group.

(c) Currency translation reserve

Currency translation reserve arises from currency translations of all subsidiaries that have functional currencies different from the RMB being translated into the Group's presentation currency of RMB.

(d) Other reserves

(i) Statutory surplus reserve

In accordance with the relevant PRC laws and financial regulations, every year the Company is required to transfer 10% of the profit after taxation determined in accordance with the PRC accounting standards to the statutory surplus reserve until the balance reaches 50% of the paid-up share capital. Such reserve can be used to reduce any losses incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

(ii) Safety reserve

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside an amount to a safety reserve at the rate ranging from 0.1% to 2% on the total revenue of aviation products recognised for the year. The reserve can be utilised for improvements of safety on the manufacturing work of aviation products, and the amounts utilised are charged to the consolidated income statement as incurred. In 2014, RMB39,487,000 (2013: RMB42,863,000) was appropriated as special reserve, and RMB19,155,000 (2013: RMB13,003,000) was utilised.

(e) Retained earnings available for distribution

In accordance with the relevant PRC regulations and Articles of Association of the Company, retained earnings available for distribution by the Company will be deemed to be the lower of the amounts determined in accordance with the China Accounting Standards and the amount determined in accordance with IFRS. As at 31 December 2014, the retained earnings available for distribution was approximately RMB285,776,000 (2013: RMB263,367,000).

41 CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Profit before income tax	**2,003,019**	1,760,720
Adjustments for:		
Share of profit of a joint venture	**(15,792)**	(3,574)
Share of profits of associates	**(127,921)**	(73,135)
Fair value gain on financial assets held for trading	**(60)**	(38)
Loss/(gain) on disposals of		
– property, plant and equipment	**3,038**	(7,287)
– investment properties	**(83,321)**	(83,579)
– interests in associates	**(25,615)**	(45,495)
– available-for-sale financial assets	**(92,033)**	(55,826)
– financial assets held for trading	**(5,197)**	(1,209)
Amortisation on		
– Intangible assets	**22,207**	6,278
– Land use rights	**33,845**	27,655
Depreciation on		
– Investment properties	**881**	1,674
– Property, plant and equipment	**762,580**	699,890
Provision/(reversal of provision) for impairment		
– Inventories	**86,130**	52,092
– Receivables	**43,509**	(35,372)
Value of employee services under share scheme	**8,072**	17,292
Dividend income from available-for-sale financial assets and financial assets held for trading	**(39,990)**	(30,071)
Interest income	**(233,385)**	(226,173)
Interest expense	**352,388**	279,325
	2,692,355	2,283,167
Changes in working capital:		
– Increase in accounts receivable	**(1,655,569)**	(1,809,688)
– Increase in advances to suppliers, other receivables and prepayments	**(19,598)**	(263,662)
– Increase in inventories	**(1,879,277)**	(3,010,081)
– Decrease/(increase) in pledged deposits	**327,048**	(618,166)
– Increase in accounts payable	**869,231**	3,172,185
– (Decrease)/increase in advance from customers, other payables and accruals	**(338,325)**	1,093,513
Net cash (used in)/generated from operations	**(4,135)**	847,268

41 CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) (i) Proceeds from disposals of property, plant and equipment comprise:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Net book amount	**56,962**	9,222
(Loss)/gain on disposals of property, plant and equipment *(Note 7)*	**(3,038)**	7,287
Cash proceeds	**53,924**	16,509

(ii) Proceeds from disposals of investment properties comprise:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Net book amount	**3,220**	2,395
Gain on disposal of investment properties *(Note 7)*	**83,321**	83,579
Cash proceeds from disposals in current year	**86,541**	85,974
Cash proceeds from disposals in previous year	**–**	47,605
	86,541	133,579

41 CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Analysis of cash and cash equivalents

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank balances and cash	**5,186,544**	6,069,318	**50,741**	153,472
Term deposits with initial term of less than three months	**611,442**	656,198	**421,000**	620,000
	5,797,986	6,725,516	**471,741**	773,472

The cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Renminbi**	**5,678,675**	6,623,544	**462,523**	760,716
Other currencies	**119,311**	101,972	**9,218**	12,756
	5,797,986	6,725,516	**471,741**	773,472

The weighted average effective interest rates of the Group and the Company on term deposits with initial term of less than three months were 2% (2013: 5%) per annum. Bank balances earn interest at floating rates based on daily bank deposit rates.

** The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

42 COMMITMENTS

(a) Capital commitments

The Group has the following capital commitments not provided for as at 31 December 2014:

	Group		Company	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Acquisition of property, plant and equipment				
– Authorised but not contracted for	**519**	–	**–**	–
– Contracted but not provided for	**107,047**	162,874	**–**	–
	107,566	162,874	**–**	–
Construction commitments				
– Authorised but not contracted for	**–**	–	**–**	–
– Contracted but not provided for	**1,346,337**	352,987	**–**	–
	1,346,337	352,987	**–**	–
Investments in subsidiaries, associates and available-for-sale financial assets				
– Authorised but not contracted for	**25,500**	–	**–**	–
– Contracted but not provided for	**10,000**	52,850	**–**	52,850
	35,500	52,850	**–**	52,850
	1,489,403	568,711	**–**	52,850

(b) Operating lease commitments

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases as at 31 December 2014:

	Group	
	2014 **RMB'000**	2013 RMB'000
Land and buildings		
– Not later than one year	**7,867**	10,555
– Later than one year and not later than five years	**28,113**	26,269
– Later than five years	**15,210**	20,299
	51,190	57,123

Generally, the Group's operating leases are for terms of 1 to 20 years. The Company did not have any significant operating lease commitment as at 31 December 2014 (2013: Nil).

43 BUSINESS COMBINATION

As disclosed in Note 1(c), on 31 October 2014, the Group acquired 51% equity interest and obtained control in Xiangtong Photoelectric. The goodwill of RMB46,207,000 arising from the acquisition is attributable to synergy and economies of scale expected from combining the operations of JONHON Optronic and Xiangtong Photoelectric.

The following table summarises the consideration paid for Xiangtong Photoelectric, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration:

	RMB'000
Cash	**122,400**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	**65,127**
Land use rights	**3,955**
Intangible assets	
– Technology know-how	**66,531**
Deferred income tax assets	**297**
Inventories	**19,920**
Accounts receivable	**39,126**
Advances to suppliers	**3,880**
Other receivables and prepayments	**4,429**
Cash and cash equivalents	**10,636**
Total identifiable assets acquired	**213,901**
Borrowings	**(26,663)**
Accounts payable	**(28,441)**
Advances from customers	**(629)**
Other payables and accruals	**(8,769)**
Total identifiable liabilities assumed	**(64,502)**
Non-controlling interests at 49% of total net identifiable assets	**(73,206)**
Goodwill *(Note 19)*	**46,207**
	122,400

43 BUSINESS COMBINATION (CONTINUED)

Net cash paid for acquisition:

	RMB'000
Total consideration paid in cash	**122,400**
Cash and cash equivalents acquired	**(10,636)**
	111,764

Notes:

(a) Acquisition-related costs of RMB2,180,000 have been charged to general and administrative expenses in the consolidated income statement for the year ended 31 December 2014.

(b) The contingent consideration arrangement sets the annual profit target of Xiangtong Photoelectric for each of the years from 2014 to 2016, and requires the former owners who disposed their 51% equity interests to compensate the Group in cash, for the Group's share of the shortage against the annual profit target for such years when its annual profit target is not met.

The fair value of all future compensation payments to which the Group could be entitled under this arrangement is not material through estimation by applying the income approach based on a pre-tax discount rate of 13%.

Assuming all other variables are held constant; a decrease in revenue by 5% each year would increase the asset by a further RMB1,830,000, a decrease in gross margin by 5% each year would increase the asset by RMB10,796,000.

(c) The fair value of acquired accounts and other receivables is RMB43,555,000 including trade receivables with a fair value of RMB39,126,000. The gross contractual amount for trade receivables is RMB39,126,000.

(d) Non-controlling interests in Xiangtong Photoelectric were recognised at proportionate share of the fair value of its net assets.

(e) The revenue and net profit included in the consolidated income statement during the period from 31 October 2014 to 31 December 2014 contributed by Xiangtong Photoelectric was approximately RMB27,057,000 and RMB1,884,000 respectively.

Had Xiangtong Photoelectric been consolidated from 1 January 2014, the consolidated income statement would show pro-forma revenue and net profit of approximately RMB25,810,336,000 and RMB1,746,920,000 respectively.

44 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by AVIC, which owns 51.26% of the Company's shares as at 31 December 2014. The remaining 48.74% of the shares are widely held.

Related parties refer to entities in which AVIC has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; or directors or officers of the Company and of its ultimate holding company, associates or joint ventures. Given that the PRC government still owns a significant portion of the productive assets in the PRC despite the continuous reform of the government structure, a majority of the Group's business activities had been conducted with enterprises directly or indirectly owned or controlled by the PRC government ("state-owned enterprises"), including AVIC, its subsidiaries, associates and joint ventures in the ordinary course of business.

In accordance with IAS 24, "Related Party Disclosures", state-owned enterprises and their subsidiaries, other than entities under AVIC (also a state-owned enterprise), directly or indirectly controlled by the PRC government are also defined as related parties of the Group. Neither AVIC nor the PRC government publishes financial statements for public use. In the normal course of the Group's business, it may either enter into various transactions with one or more of such state-owned enterprises and their subsidiaries. However, the Company adopts IAS 24 (revised 2009) which grants exemptions on disclosure requirements about government-related entities.

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions in addition to the related party information shown elsewhere in the financial statements. Management of the Group are of the opinion that meaningful information relating to related party disclosures has been adequately disclosed.

44 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Income		
Revenue from sale of goods and materials		
– Fellow subsidiaries	**16,570,259**	12,848,197
– A joint venture	**1,075**	1,135
– Associates	**173,376**	102,185
– Others	**39,125**	26,533
Other income from rendering of services		
– Fellow subsidiaries	**4,278**	7,788
Expenses		
Purchases of goods and raw materials		
– Fellow subsidiaries	**10,832,010**	9,291,799
– A joint venture	**73,560**	27,592
– Associates	**327,799**	50,953
Service fees payable		
– Ultimate holding company	**14,650**	18,245
– Fellow subsidiaries	**639,857**	513,867
– Associates	**32,301**	2,459
Rental expenses		
– Fellow subsidiaries	**84,114**	40,627
Key management compensations		
Key management includes directors (executive and non-executive), supervisors, senior management and the Company secretary. The compensation paid or payable to key management for employee services is shown below:		
– Salaries, bonuses and other welfares	**4,284**	4,117
– Employee share scheme for value of services provided	**1,087**	2,218

44 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

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 as follows:

- *Sales/purchases of goods and materials & rendering/receiving services*

  The products and ancillary services are provided: (i) according to the State-prescribed price; (ii) if there is no State-prescribed price, then according to the State-guidance price; (iii) if there is no State-guidance price, then according to the market price; and (iv) if none of the above is applicable, then according to the contractual price.

- *Rental expenses*

  The annual rental is reviewed and adjusted regularly and not be higher than the prevailing market annual rental as determined by an independent valuer with reference to the market rent of land or properties with similar conditions and locations.

44 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Assets		
Trade receivables		
– Fellow subsidiaries	**4,742,931**	4,676,688
– A joint venture	**164**	485
– Associates	**3,886**	17,043
– Others	**6,059**	12,033
Notes receivable		
– Fellow subsidiaries	**1,421,873**	1,333,416
Advances to suppliers		
– Fellow subsidiaries	**596,053**	565,467
– Associates	**35**	7,570
Other receivables and prepayments		
– Ultimate holding company	**1,820**	2,479
– Fellow subsidiaries	**31,961**	199,651
– Associates	**37,690**	190
Deposits		
– A fellow subsidiary	**1,605,483**	1,563,257
Liabilities		
Trade payables		
– Fellow subsidiaries	**2,495,861**	2,095,018
Notes payable		
– Fellow subsidiaries	**2,649,640**	2,899,868
Advances from customers		
– Fellow subsidiaries	**3,099,165**	2,548,542
Other payables and accruals		
– Ultimate holding company	**–**	6,107
– Fellow subsidiaries	**954,788**	1,098,087

Balances with related parties above are unsecured, non-interest bearing, and are repayable or settled in accordance with the relevant trading terms.

44 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Other items:

(i) During the year ended 31 December 2014, Hongdu Aviation purchased equipment amounted to approximately RMB69,617,000 (2013: Nil) from fellow subsidiaries of the Group. As at 31 December 2014, these balances are mainly included in construction-in-progress of the Group's property, plant and equipment.

(ii) AVIC granted certain leasehold land for the Group's use at no cost, details of which are disclosed in Note 16(a).

45 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including: interest-rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Interest-rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for the bank deposits and cash and cash equivalents, details of which have been disclosed in Notes 30, 31 and 41(c). The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Note 36. Borrowings carried at floating rates expose the Group to cash flow interest-rate risk whereas those carried at fixed rates expose the Group to fair value interest-rate risk. As of 31 December 2014, 74% (2013: 66%) of the Group's borrowings were at fixed rates. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

At 31 December 2014, if the interest rates on bank borrowings, deposits and bank balances had been 50 basis points higher/lower than the prevailing rate announced by People's Bank of China, with all other variables held constant, profit for the year would have been RMB29,081,000 (2013: RMB35,095,000) higher/lower.

(ii) Price risk

The Group is principally exposed to equity securities price risk in respect of investments held by the Group which are classified as financial assets held for trading and available-for-sale financial assets. Some of these financial assets are publicly traded in recognised stock exchanges. At 31 December 2014, if the quoted market price of these financial assets held for trading and available-for-sale financial assets held by the Group had increased/decreased by 10%, with all other variables held constant, profit for the year and equity would have been RMB26,000 (2013: RMB21,000) and RMB50,133,000 (2013: RMB23,654,000) higher/lower respectively as a result of the changes in fair value of these financial assets.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iii) Credit risk

84% (2013: 87%) of the Group's pledged deposits, term deposits and cash and cash equivalents are held in state-owned financial institutions, which management believes are of high credit quality. Most of the Group's financial assets held for trading and available-for-sale financial assets are also publicly traded in recognised stock exchanges. Management does not expect any losses from non-performance by these counterparties.

The Group has significant related party balances (Note 44(b)) with low credit risk, and for the balances with third parties, the Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. Normally, the Group does not require collaterals from trade debtors. Management makes periodic collective assessment as well as individual assessment on the recoverability of account and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the financial statements.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for additions of and upgrades on property, plant and equipment, payment on related debts and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of internal resources and long-term and short-term bank borrowings.

As at 31 December 2014, the net current assets of the Group amounted to RMB11,313,973,000 (2013: RMB11,131,184,000). Management monitors regularly the Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed banking facilities to meet its working capital requirements. The amount of undrawn credit facilities at the balance sheet date are disclosed in Note 36(h) to the financial statements. The directors believe that the Group's current operating cash flows and credit facilities from PRC banks are sufficient for financing its capital commitments in the near future and for working capital purposes.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*
Group				
At 31 December 2014				
Bank and other borrowings	**6,026,434**	**656,247**	**1,295,048**	**61,266**
Accounts and other payables	**16,650,804**	**–**	**14,087**	**–**
Amounts payable to ultimate holding company	**268,827**	**–**	**–**	**–**
At 31 December 2013				
Bank and other borrowings	4,534,363	456,796	1,427,293	339,782
Accounts and other payables	15,753,279	–	17,433	–
Amounts payable to ultimate holding company	462,737	–	–	–
Company				
At 31 December 2014				
Accounts and other payables	**22,436**	**–**	**–**	**–**
Amounts payable to ultimate holding company	**212,600**	**–**	**–**	**–**
At 31 December 2013				
Accounts and other payables	46,698	–	–	–
Amounts payable to ultimate holding company	406,511	–	–	–

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may consider the macro economic conditions, prevailing borrowing rates in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity as shown in the consolidated balance sheet.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management (Continued)

The gearing ratios at 31 December 2014 and at 31 December 2013 were as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Total borrowings *(Note 36)*	**7,418,087**	6,117,877
Total equity	**23,301,359**	21,806,897
Gearing ratio	**32%**	28%

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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***
At 31 December 2014				
Available-for-sale financial assets				
– listed equity securities	**589,495**	**–**	**–**	**589,495**
Financial assets held for trading	**307**	**–**	**–**	**307**
At 31 December 2013				
Available-for-sale financial assets				
– listed equity securities	278,033	–	–	278,033
Financial assets held for trading	247	–	–	247

There were no transfers between different levels during the year.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- Other techniques, such as discounted cash flow analysis

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, deposits, trade receivables, notes receivable and other receivables, financial assets held for trading and the Group's current financial liabilities, including trade and other payables and current borrowings, approximate their fair values. The fair values of non-current portion of borrowings are disclosed in Note 36(f) to the financial statements.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments (level 2) (Note 36(f)).

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES

Name	Registered and paid up capital	Effective equity interests held by the Group	Effective equity interests held by non-controlling interests	Place of incorporation and kind of legal entity	Principal activities and place of operation
Subsidiaries					
Directly held					
Harbin Aviation Industry (Group) Ltd (哈爾濱航空工業(集團)有限公司)	RMB450,000,000	100%	–	the PRC, limited liability company	Manufacture and sale of general-purpose aeroplane and helicopter in the PRC
Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司)	RMB717,114,512	43.63% *(note (a))*	56.37%	the PRC, joint stock company (listed on the Shanghai Stock Exchange)	Design, development, manufacture and sale of basic trainers, general-purpose aeroplane and other aero products, including parts and components in the PRC
China Aviation Optical-Electrical Technology Co., Ltd. (中航光電科技股份有限公司)	RMB463,472,988	41.57% *(note (a))*	58.43%	the PRC, joint stock company (listed on the Shenzhen Stock Exchange)	Research and development, manufacturing and sales of electrical connectors, optical components and cable assemblies in the PRC
China AVIC Electronics Co., Ltd. (中航機載電子股份有限公司)	RMB1,759,162,938	43.22% *(note (b))*	56.78%	the PRC, joint stock company (listed on the Shanghai Stock Exchange)	Holding investments engaged in aviation equipment business in the PRC
Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空機電有限公司)	RMB293,163,439	100%	–	the PRC, limited liability company	Manufacture and sale of aviation electrical engineering products and accessories in the PRC
China Aviation Publishing & Media Co., Ltd. (中航出版傳媒有限責任公司)	RMB48,779,000	53.63%	46.37%	the PRC, limited liability company	Advertising, public relations, consulting services, professional exhibition, information development, audio and video equipment sales in the PRC
AviChina HongKong Limited (中航科工香港有限公司)	HKD1,000	100%	–	Hong Kong, limited liability company	Aviation product development, designing, selling, finance and investment, information consulting, training and house rental in Hong Kong

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES (CONTINUED)

Name	Registered and paid up capital	Effective equity interests held by the Group	Effective equity interests held by non-controlling interests	Equity interests directly held by non-controlling interests of each entity	Place of incorporation and kind of legal entity	Principal activities and place of operation
Subsidiaries						
Indirectly held						
China AVIC Helicopter Co., Ltd. (previously know as "Hafei Aviation Industry Co., Ltd.") (中航直升機股份有限公司，原名為「哈飛航空工業股份有限公司」)	RMB589,476,716	35.10% *(note(b))*	64.90%	64.90%	the PRC, joint stock company (listed on the Shanghai Stock Exchange)	Research, development, design, manufacture and sale of aero products, including parts and components in the PRC
Jiangxi Changhe Aviation Industry Company Limited (江西昌河航空工業有限公司)	RMB470,142,916	35.10% *(note(b))*	64.90%	–	the PRC, limited liability company	Manufacture and sale of general-purpose aeroplane and helicopter in the PRC
Shanghai Aviation Electric Co., Ltd. (上海航空電器有限公司)	RMB60,000,000	43.22% *(note (b))*	56.78%	–	the PRC, limited liability company	Manufacture and sale of aviation electrical engineering products and accessories in the PRC
Lanzhou Wanli Aviation Electric Co., Ltd. (蘭州萬里航空機電有責任公司)	RMB173,542,800	43.22% *(note (b))*	56.78%	–	the PRC, limited liability company	Manufacture and sale of aviation electrical engineering products and accessories in the PRC
Lanzhou Flight Control Co., Ltd. (蘭州飛行控制有限責任公司)	RMB146,773,263	43.22% *(note (b))*	56.78%	–	the PRC, limited liability company	Research, manufacture and sale of aviation auto control equipment and instruments in the PRC
Chengdu CAIC Electronics Co., Ltd. (成都凱天電子股份有限公司)	RMB321,680,000	39.05% *(note (b))*	60.95%	11.70%	the PRC, joint stock company	Research, manufacture and sale of air data systems and various types of aviation instruments in the PRC
Shaanxi Baocheng Aviation Instrument Co., Ltd. (陝西寶成航空儀錶有限責任公司)	RMB200,000,000	43.22% *(note (b))*	56.78%	–	the PRC, limited liability company	Manufacture and sale of aviation electrical engineering products and accessories in the PRC

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES (CONTINUED)

Name	Registered and paid up capital	Effective equity interests held by the Group	Effective equity interests held by non-controlling interests	Equity interests directly held by non-controlling interests of each entity	Place of incorporation and kind of legal entity	Principal activities and place of operation
Indirectly held						
AVIC Taiyuan Aviation Instrument Co., Ltd. (太原航空儀錶有限公司)	RMB48,334,292	43.22% *(note (b))*	56.78%	–	the PRC, limited liability company	Manufacture and sale of aviation electrical engineering products and accessories in the PRC
AVIC Shaanxi Qianshan Avionics Co., Ltd. (陝西千山航空電子有限責任公司)	RMB245,340,701	43.22% *(note (b))*	56.78%	–	the PRC, limited liability company	Manufacture and sale of aviation electrical engineering products and accessories in the PRC
AVIC Shaanxi Huayan Aero-Instrument Co., Ltd. (陝西華燕航空儀錶有限公司)	RMB160,000,000	34.58% *(note (b))*	65.42%	20.00%	the PRC, limited liability company	Manufacture and sale of aviation electrical engineering products and accessories in the PRC
Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司)	RMB63,440,000	43.22% *(note (b))*	56.78%	–	the PRC, limited liability company	Manufacture and sales of aviation instrument, sensor and autopilot and related products in the PRC
Suzhou Changfeng Avionics Co., Ltd. (蘇州長風航空電子有限公司)	RMB59,630,000	43.22% *(note (b))*	56.78%	–	the PRC, limited liability company	Research, manufacture, sales and services of avionics, airborne equipment and aviation products in the PRC
Shaanxi Oriental Aeronautic Instrument Manufacture Co., Ltd. (陝西東方航空儀錶有限責任公司)	RMB100, 000,000	43.22% *(note (b))*	56.78%	–	the PRC, limited liability company	Manufacture and sales of aeronautic instrument and other civil mechanical and electrical instruments in the PRC
Huiyang Aviation Propeller Limited (惠陽航空螺旋槳有限責任公司)	RMB86,830,000	35.10% *(note (b))*	64.90%	–	the PRC, limited liability company	Manufacture aviation propeller, speed governor, feathering pump, helicopter rotor, tail rotor, hovercraft with propeller in the PRC

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES (CONTINUED)

Name	Registered and paid up capital	Effective equity interests held by the Group	Effective equity interests held by non-controlling interests	Equity interests directly held by non-controlling interests of each entity	Place of incorporation and kind of legal entity	Principal activities and place of operation
Indirectly held						
Tianjin Helicopter Co., Ltd. (天津直升機有限責任公司)	RMB250,000,000	35.10% *(note (b))*	64.90%	–	the PRC, limited liability company	Research and manufacture helicopters and other aircraft, aerospace components, production, sales and maintenance services in the PRC
AVIC Shenyang Xinghua Aero-Electric Appliance Co., Ltd. (瀋陽興華航空電器有限責任公司)	RMB61,265,300	26.14% *(note (a))*	73.86%	37.13%	the PRC, limited liability company	Research, manufacture, sales, maintenance and service of aviation electric equipment, electric connector and related products in the PRC
Xi'an Forstar S&T Co., Ltd. (西安富士達科技股份有限公司)	RMB41,800,000	24.19% *(note (a))*	75.81%	41.82%	the PRC, joint stock company	Manufacture electric connector, wire and cable, cable components, microwave components, optoelectronic devices, antennas, power supplies, instruments and meters production and marketing in the PRC
Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司)	RMB2,360,000	21.20% *(note (a))*	78.80%	49%	the PRC, limited liability company	Research and development, manufacturing and sales of optical-fibre connector, optical-fibre adapter, optical-module ceramic core, active and passive optical fibre communicating devises, new ceramic material in the PRC

Notes:

(a) Although the Company holds less than 50% of the equity interests and voting rights in these entities, it is deemed to have control since the balances of other shareholdings are dispersed and the other shareholders have not organised their interests in such a way that they exercise more votes than the Group.

(b) Although the Company, directly or indirectly, owns less than half of the equity interest in these entities, it is able to gain power over more than one half of the voting rights by virtue of an agreement with other investors. Consequently, the Group consolidates these entities.

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES (CONTINUED)

Name	Registered and paid up capital	Interest held	Place of incorporation and kind of legal entity	Principal activities and place of operation
Joint venture				
Indirectly held				
Hisense Jonhon Optical-Electrical Technologies Co, Ltd. (中航海信光電技術有限公司))	RMB70,000,000	50%	the PRC, limited liability company	Research and development, manufacturing and sales of electrical connectors, optical components and cable assemblies in the PRC
Associates				
Indirectly held				
Harbin Embraer Aircraft Industry Co., Ltd. (哈爾濱安博威飛機工業有限公司)	USD 25,000,000	49%	the PRC, limited liability company	Production of regional jets and provision of relevant sales and after sale services in the PRC
Jiangxi Hongdu Commercial Aircraft Corporation Limited (江西洪都商用飛機股份有限公司)	RMB1,200,000,000	25.50%	the PRC, joint stock company	Production of commercial aircraft components and parts in the PRC
Tianjin Merlin Gerin Co., Ltd. (天津梅蘭日蘭有限公司)	RMB14,809,000	25%	the PRC, limited liability company	Manufacture of electrical apparatus mainly including air breaker, switch box and other electrical components in the PRC
Schneider Electric Low Voltage (Tianjin) Co., Ltd. (施耐德低壓電器(天津)有限公司)	USD 10,000,000	25%	the PRC, limited liability company	Manufacture of high-voltage and low-voltage smart electric products in the PRC
Schneider Shanghai Low Voltage Terminal Apparatus Co., Ltd. (上海施耐德低壓終端電器有限公司)	USD 4,200,000	25%	the PRC, limited liability company	Manufacture of modulus low – voltage terminal electric products in the PRC

The English names of certain above entities referred to herein represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

Definitions

In this Annual Report, unless the context otherwise requires, the following terms shall have the meanings indicated.

"Airbus Helicopters"	Airbus Helicopters, a subsidiary of Airbus Group and formerly known as Eurocopter
"AMES"	AVIC Electromechanical Systems Company Limited (中航機電系統有限公司), a wholly-owned subsidiary of AVIC
"Articles of Association"	Articles and Association of the Company (as amended from time to time)
"AVIC"	Aviation Industry Corporation of China (中國航空工業集團公司), a controlling shareholder of the Company holding 51.26% equity interest of the Company as at 31 December 2014
"AVIC Avionics"	China AVIC Electronics Co., Ltd. (中航機載電子股份有限公司), a joint stock limited liability company whose shares are listed on the Shanghai Stock Exchange with 43.22% of its equity interest being held by the Company as at 31 December 2014. On 9 April 2015, its name was changed into "China Avionics Systems Co., Ltd."
"AVIC Avionics Systems"	AVIC Avionics Systems Co., Ltd., (中航航空電子系統有限責任公司), a wholly-owned subsidiary of AVIC
"AVIC Capital"	AVIC Capital Co., Ltd. (中航資本控股股份有限公司), a joint stock limited liability company whose shares are listed on the Shanghai Stock Exchange, is a subsidiary of AVIC
"AVIC Group"	AVIC and its subsidiaries (excluding the Group)
"AVIC Huiyang"	Huiyang Aviation Propeller Limited (惠陽航空螺旋槳有限責任公司), a wholly-owned subsidiary of AVICOPTER
"AVIC I"	China Aviation Industry Corporation I (中國航空工業第一集團公司), the predecessor of AVIC
"AVIC II"	China Aviation Industry Corporation II (中國航空工業第二集團公司), a former controlling shareholder of the Company and the predecessor of AVIC
"AVIC Kaitian"	Chengdu CAIC Electronics Co., Ltd. (成都凱天電子股份有限公司), which is held as to 86.74% by and a subsidiary of AVIC Avionics, and held as to 1.56% by the Company directly

"AVIC Lanfei"	Lanzhou Flight Control Co., Ltd., (蘭州飛行控制有限責任公司), a wholly-owned subsidiary of AVIC Avionics
"AviChina" or "the Company"	AviChina Industry & Technology Company Limited (中國航空科技工業股份有限公司), a joint stock limited company established in the PRC with limited liability on 30 April 2003
"AviChina Hong Kong"	AviChina Hong Kong Limitied (中航科工香港有限公司), a wholly-owned subsidiary of AviChina
"AVICOPTER"	AVICOPTER PLC (中航直升機股份有限公司), formerly named as Hafei Aviation Industry Co., Ltd, a joint stock limited liability company whose shares are listed on the Shanghai Stock Exchange with 28.65% of its interests being held by Harbin Aviation Group and 6.45% of its interests being held by the Company
"Board" or "Board of Directors"	the board of directors of the Company
"CAIG"	Changhe Aircraft Industries Group Co., Ltd. (昌河飛機工業(集團)有限責任公司), a non wholly-owned subsidiary of AVIC
"CAPMC"	China Aviation Publishing & Media Co., Ltd. (中航出版傳媒有限責任公司), which is held as to 53.63% by and a subsidiary of the Company
"Changfeng Avionics"	Suzhou Changfeng Avionics Co., Ltd. (蘇州長風航空電子有限公司, a wholly-owned subsidiary of AVIC Avionics
"Changhe Aviation"	Jiangxi Changhe Aviation Industry Co., Ltd. (江西昌河航空工業有限公司), a wholly-owned subsidiary of AVICOPTER
"CITC"	Sichuan Chengfei Integration Technology Co., Ltd. (四川成飛集成科技股份有限公司), a joint stock limited liability company whose shares are listed on the Shenzhen Stock Exchange
"Directors"	the director(s) of the Company
"Domestic Shares"	ordinary shares of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in Renminbi by PRC nationals and/or PRC corporate entities

"Former AVIC"	Aviation Industry of China Corporation (中國航空工業總公司), the predecessor of AVIC I and AVIC II
"Group"	the Company and its subsidiaries
"H Shares"	overseas listed foreign invested shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and listed on the Stock Exchange
"Hafei Aviation"	Hafei Aviation Industry Co., Ltd. (哈飛航空工業股份有限公司), a joint stock limited liability company whose shares are listed on the Shanghai Stock Exchange with 28.65% of its interests being held by Harbin Aviation Group and 6.45% of its interests being held by the Company; and the name was changed into "AVICOPTER PLC" on 25 September 2014
"Harbin Aviation"	Harbin Hafei Aviation Industry Limited Liability Company (哈爾濱哈飛航空工業有限責任公司), a wholly-owned subsidiary of AVICOPTER
"Harbin Aviation Group"	Harbin Aviation Industry (Group) Co., Ltd. (哈爾濱航空工業(集團)有限公司), a wholly-owned subsidiary of the Company
"Helicopter Tianjin"	Tianjin Helicopter Company Limited (天津直升機有限責任公司), a wholly-owned subsidiary of AVICOPTER
"Hongdu Aviation"	Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司), a joint stock liability limited company whose shares are listed on the Shanghai Stock Exchange with 43.63% of its interests being held by the Company
"Jingdezhen Helicopter Branch"	AVIChina Industry and Technology Company Limited Jingdezhen Helicopter Research and Development Branch (中國航空科技工業股份有限公司景德鎮直升機研發分公司)
"Jiujiang Auto"	Jiujiang Changhe Automobile Co., Ltd (九江昌河汽車有限公司), a wholly-owned subsidiary of CAIG
"JONHON Optronic"	China Aviation Optical-Electrical Technology Co., Ltd., (中航光電科技股份有限公司), a joint stock limited liability company whose shares are listed on the Shenzhen Stock Exchange, with 41.57% of its equity interest held by the Company

"Keeven Instrument"	Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司), a wholly-owned subsidiary of AVIC Avionics
"Lanzhou Aviation Electrical"	Lanzhou Wanli Aviation Electrical Co., Ltd. (蘭州萬里航空機電有限責任公司), a wholly-owned subsidiary of AVIC Avionics
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Oriental Instrument"	Shaanxi Oriental Aeronautic Instrument Manufacture Co., Ltd. (陝西東方航空儀錶有限責任公司), a wholly-owned subsidiary of AVIC Avionics
"Qianshan Avionics"	AVIC Shaanxi Qianshan Avionics Co., Ltd. (陝西千山航空電子有限責任公司), a wholly-owned subsidiary of AVIC Avionics
"Restricted Shares"	the H Shares granted/to be granted under the Scheme and has the meanings ascribed to such term in the Scheme
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council
"Scheme"	the restricted share incentive scheme adopted by the Company at the extraordinary general meeting of the Company held on 29 March 2011
"Shaanxi Baocheng"	Shaanxi Baocheng Aviation Instrument Co., Ltd. (陝西寶成航空儀錶有限責任公司), a wholly-owned subsidiary of AVIC Avionics
"Shaanxi Huayan"	AVIC Shaanxi Huayan Aero-Instrument Co., Ltd. (陝西華燕航空儀錶有限公司), which is held as to 80% by and a subsidiary of AVIC Avionics
"Shanghai Aviation Electric"	Shanghai Aviation Electric Co., Ltd. (上海航空電器有限公司), a wholly-owned subsidiary of AVIC Avionics
"Shares"	Domestic Shares and H Shares
"Shenyang Xinghua"	AVIC Shenyang Xinghua Aero-Electric Appliance Co., Ltd. (沈陽興華航空電器有限責任公司), which is held as to 62.87% by and a subsidiary of JONHON Optronic
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisors"	the supervisor(s) of the Company

"Taiyuan Instrument"	AVIC Taiyuan Aviation Instrument Co., Ltd. (太原航空儀錶有限公司), a wholly-owned subsidiary of AVIC Avionics
"the PRC"	People's Republic of China
"Tianjin Aviation"	Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空機電有限公司), a wholly-owned subsidiary of the Company
"trainer"	aeroplanes designed and used for pilot training purposes
"Xi'an Forstar"	Xi'an Forstar S&T Company Limited. (西安富士達科技股份有限公司), with 58.182% of its equity interest being held by JONHON Optronic
"Xiangtong Photoelectric"	Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司), with 51% of its equity interest being held by JONHON Optronic

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	Sheng Mingchuan
Non-Executive Director	Maurice Savart
Independent Non-Executive Director	Guo Chongqing
Independent Non-Executive Director	Lau Chung Man, Louis
Independent Non-Executive Director	Liu Renhuai

SENIOR MANAGEMENT

President	Tan Ruisong
Vice President	Chen Yuanxian
	Ni Xianping
	Zheng Qiang
	Zhang Kunhui
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

Unit 2202A, 22nd Floor, Fairmont House,
8 Cotton Tree Drive, Central, Hong Kong

AUTHORISED REPRESENTATIVES

Tan Ruisong
Yan Lingxi

PRINCIPAL BANKERS

Shanghai Pudong Development Bank Limited
No.12, Zhongshan Dong Yi Road,
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

8th Floor, Tower 2, No. 5A Rongchang East Street,
Beijing Economic Technological Development Area,
Beijing, the PRC

WEBSITE

www.avichina.com

CORRESPONDENCE ADDRESS

Postal Code: 100007
9/F., Easyhome Tower,
No. 3A Dongzhimen South Avenue,
Dongcheng District, Beijing, the PRC

Telephone: 86-10-58354309
Facsimile: 86-10-58354300/10
E-mail Box: avichina@avichina.com

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year 2014 will be held at 9:00 a.m. on Friday, 12 June 2015 at AVIC Hotel, No. 10 Yi, Central East Third Ring Road, Chaoyang District, Beijing, the PRC.

AUDITORS

International Auditors

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

Auditors in the PRC

PricewaterhouseCoopers Zhong Tian LLP
11/F, PricewaterhouseCoopers Center,
No. 202 Hu Bin Road,
Shanghai, the PRC

LEGAL ADVISERS

As to Hong Kong law

Linklaters
10th Floor,
Alexandra House,
Chater Road,
Hong Kong

As to PRC law

Beijing Jiayuan Law Firm
F407, Ocean Plaza,
158 Fuxingmennei Street,
Xicheng District,
Beijing, the PRC

Download this Report: