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 2013

10th ANNIVERSARY 週年 2003-2013

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 of 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 European Aeronautics Defence and Space Company (the "EADS", whose name has been changed to 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.

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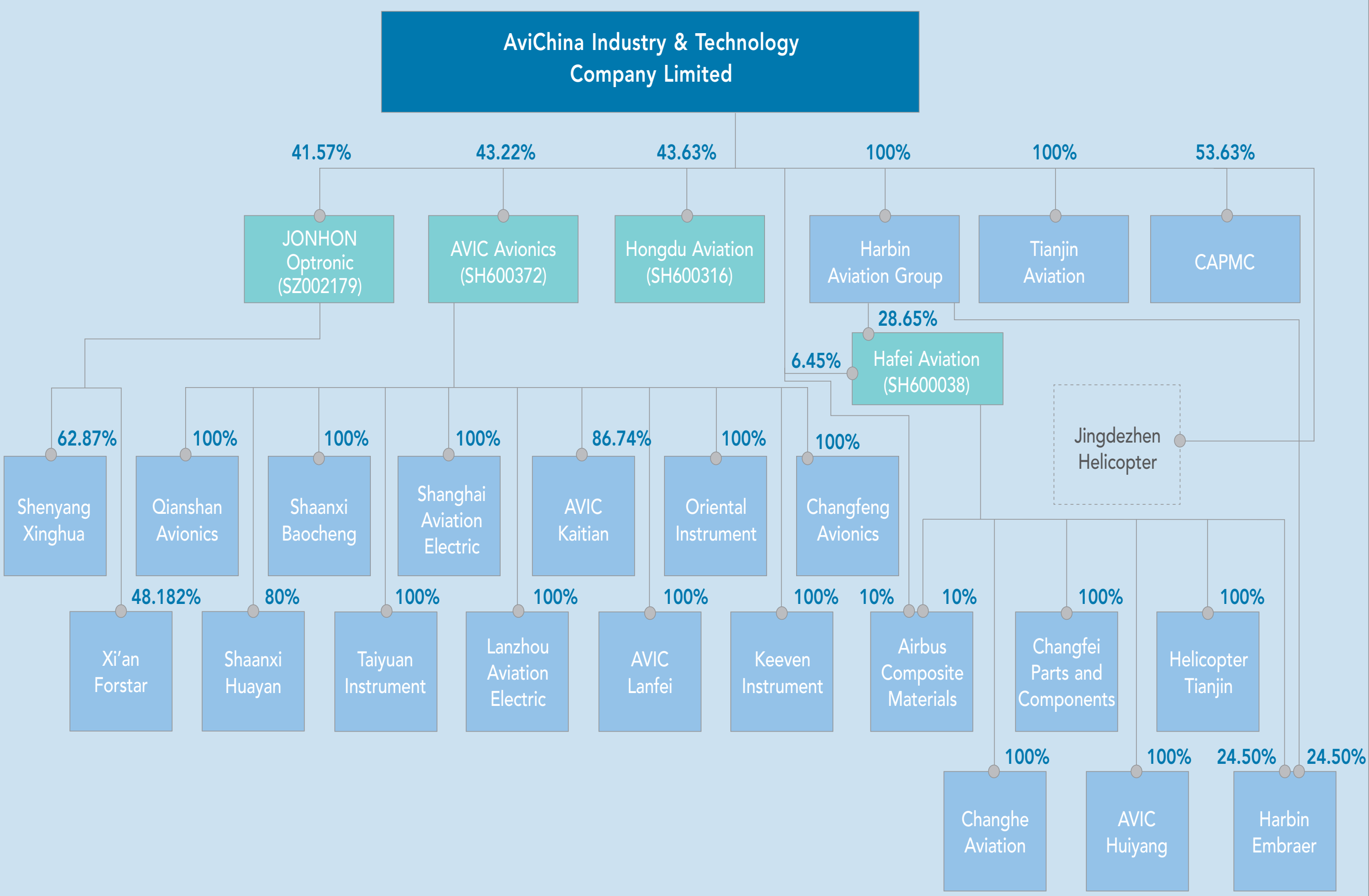
PRINCIPAL PRODUCTS OF THE GROUP

The Z-8, Z-9, Z-11 and HC-I20 helicopters series; L15, K-8 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		
	2013	2012 (restated)	Changes
Revenue	22,193	18,368	20.82%
Profit before income tax	1,761	1,540	14.35%
Profit attributable to the equity holders of the Company	713	664	7.38%
Gross profit margin	19.41%	21.36%	(1.95%)
Earnings per share for profit attributable to the equity holders of the Company (RMB)			
– Basic	0.131	0.124	5.65%
– Diluted	0.131	0.124	5.65%

CONSOLIDATED ASSETS AND LIABILITIES

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

	As at 31 December		
	2013	2012 (restated)	Changes
Total assets	50,928	41,665	22.23%
Total liabilities	29,121	22,457	29.67%
Non-controlling interests	11,684	9,052	29.08%
Owner’s equity (other than non-controlling interests)	10,123	10,156	(0.32%)

Financial Highlights

Financial information on the Group's comprehensive business in the recent five years starting from 1 January 2009 is summarized as follows:

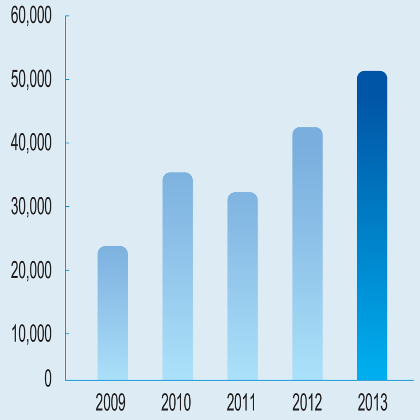
(Prepared under International Financial Reporting Standards)
(RMB million, other than basic and diluted earnings per Share)

	As at 31 December/For the year ended 31 December				
	2013	2012 (restated)	2011 (restated)	2010 (restated)	2009 (restated)
Total assets	50,928	41,665	30,973	34,035	22,071
Total liabilities	29,121	22,457	16,855	17,267	12,464
Non-controlling interests	11,684	9,052	6,573	8,353	4,244
Owner's equity (other than non-controlling interests)	10,123	10,156	7,545	8,416	5,363
Revenue	22,193	18,368	14,136	17,324	16,613
Profit before income tax	1,761	1,540	1,223	2,257	998
Profit attributable to the equity holders of the Company	713	664	499	885	237
Gross profit margin	19.41%	21.36%	20.28%	23.23%	18.32%
Earnings per share for profit attributable to the equity holders of the Company (RMB)					
– Basic	0.131	0.124	0.101	0.181	0.051
– Diluted	0.131	0.124	0.101	0.181	0.051

Financial Highlights

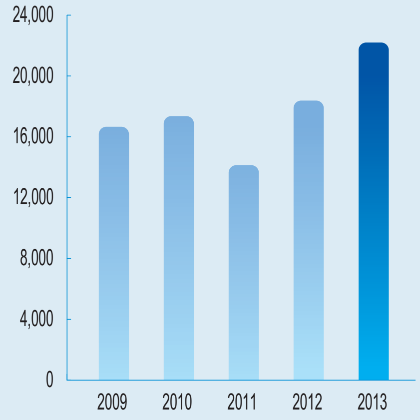
TOTAL ASSETS

(RMB million)



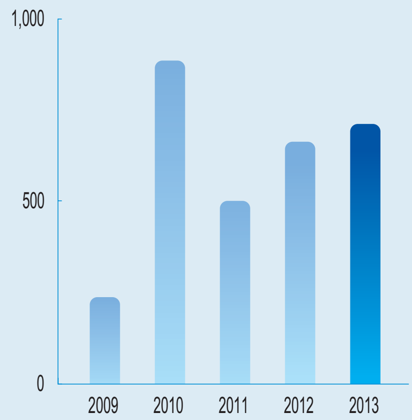
REVENUE

(RMB million)



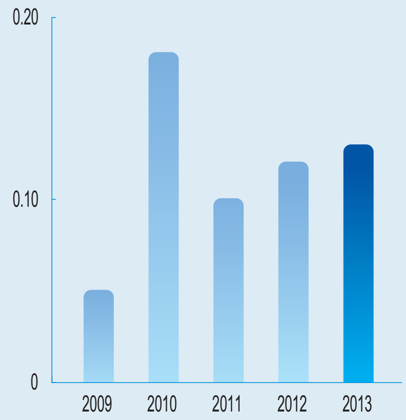
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

(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 2013.

2013 is the 10th listing anniversary of AviChina. Looking backward, with the constant growth of China economy, continuous strengthening of national defense construction and booming of China's aviation industry, the Company advanced with confidence by leveraging the favorable situation to achieve good performance through optimizing its development strategies, successfully completing the business transformation, gradually expanding its business scale, constantly refining the industry chain, continuously making technological innovation breakthroughs and steadily improving its results."

Chairman

Mr. Lin Zuoming

ANNUAL RESULTS

For the year ended 31 December 2013, the Group recorded a revenue of RMB22,193 million and the profit attributable to the equity holders of the Company amounted to RMB713 million, realizing a steady rise in its results.

BUSINESS REVIEW

In 2013, against the backdrop of a slow recovery in the global economy, China's economy maintained solid growth pace. As a representative of the high-end equipment manufacturing industry in China, the aviation industry developed with a high speed. AVIC, the controlling shareholder of the Company, achieved good performance in 2013 as well and its ranking rose to the 212th place in the Fortune Global 500; it was elected as one of the "500 Most Valuable Brands in China" for a second time, with a brand value of RMB76 billion; and it ranked 28th in the "2013 Top 500 Chinese Enterprises". The newly developed large transport aircraft made its flight in the sky and the carrier-borne aircraft completed its perfect landing. Whilst triumphant news on the research and manufacture of aviation products was reported successively, the non-aviation products industry also developed rapidly. Furthermore, the capitalization operation was unceasingly pushed forward and market competitive capabilities were significantly improved. The international competitive capabilities of AVIC were therefore constantly developed, showing a blowout style development.

Driven by the vigorous development of the aviation industry of China and according to its established strategies, the Company followed the growth trend in 2013. The development of the research and manufacture of major aviation products was accelerated and the market sales recorded a constant increase in consecutive years. Its exported products were transforming to be high-end-oriented. The Company maintained a good interaction with the capital market. After successfully completing the reorganization of its helicopters and avionics businesses, the Company steadily enhanced its products series and continually expanded its assets scale. The assembled components for large scale passenger aircraft C919 were delivered smoothly and the general aviation market was progressively formed. The international cooperation was in steady progress and new project investments were launched conspicuously. Notwithstanding the volatility of Hong Kong and domestic securities markets, the market value of the Company increased at a smooth pace due to its good momentum of business development. The Company also upgraded its corporate governance at the same time, and the establishment of the internal control system was improved constantly. The Company was granted the award of 2013 Asia's

Chairman's Statement

Most Promising Company on Corporate Governance by the Corporate Governance Asia magazine. The Company was also committed to the continuous strengthening of the communication with international investors to enhance the image and visibility of the Company in the international capital market. Meanwhile, as a responsible listed company, the Company also emphasized on building social responsibilities and proactively nurtured its company culture to establish a core value system and actively fulfill its social responsibilities.

OUTLOOK

2014 is a crucial year for China to realize the goals set in the *"Outline of the Twelfth Five-Year Plan for National Economic and Social Development of China"* (the "12th Five-Year Plan"). With series of new policies on encouraging and supporting the high-end equipment manufacturing industry introduced by the government, the government will continue to enhance its support to the emerging industries of strategic importance. The *Decision on Major Issues Concerning Comprehensively Deepening Reforms* published in 2013 illustrated that the government would deepen the reform of State-owned enterprises including the science and technology system reform. In the meantime, the continuous acceleration of the opening up of low airspace in China will create a new economic growth point – air resources economy of the general aviation. AviChina will continue to benefit from the nationwide economic development environment and policy support. In the favorable situation of new reforms, new development and new opportunities, the Company will stick to its established strategic blueprint, proceed with confidence in its strategies, maintain its commitment and integrity, strive to be innovative and preeminent, deepen the reform, focus on development, and attach equal importance to the management innovation and technological innovation. The development of the aviation industry and the non-aviation industry will be coordinated to achieve good interaction between them. The capitalization operation will be continuously carried on to gain support from both the government and the market. The Company will also put emphasis on the development of the market and its capabilities system, intensify its efforts through use of resources to developing the general aviation business, focus on investment returns and further perfect the development strategy in respect of civil aviation products, and raise the brand value and perform social responsibilities.

In 2014, the recovery of global economy will continue and China's economic fundamentals will remain sound. The external environment tends to be improved and the market expectation will constantly grow. The reform on systems and mechanisms is expected to stimulate economic growth. The Board and the Company will stride forward with gratitude while inheriting ten years' experience of practice of AviChina, eliminate the maladies to make a steady and speedy advancement, implement and sort out the management system to lay a foundation for the long term development, vigorously deepen the reform, and manage innovatively to develop a transnational company with global competitive capabilities. Our staff and I have full confidence in our future. We will dedicate to work with diligence and make persistent efforts to establish the brand image of China's aviation industry in the international capital market and strive to 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 Shareholders for their constant support on the Company's development. In addition, I would like to take this opportunity to express my appreciations for the hard work and contributions by the Company's operational management teams and staff over the past year.

Lin Zuoming
Chairman
Beijing, 25 March 2014

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

In 2013, the Group continued to promote the reorganization of assets according to its established development strategies. Hafei Aviation completed the acquisition of helicopter business related assets and raised funds by issuance of shares, thereby promoting the rapid development of helicopter business. AVIC Avionics completed the acquisition of 100% equity interest in three avionics companies. The Company also participated in the capital increase of CAPMC and held 53.63% of its equity interest. The operating results of the aforementioned acquired companies had been consolidated into that of the Company during the reporting period, which brought to the Company new profit contribution and was favorable for the continuous extension and development of the aviation industry chain.

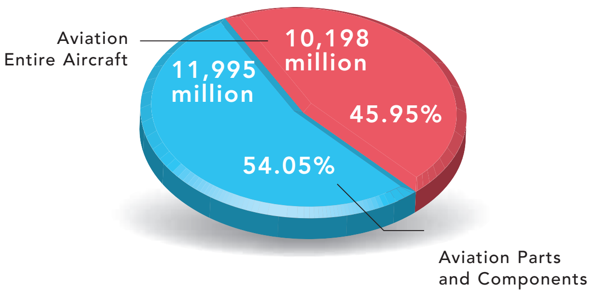
For the year ended 31 December 2013, the Group recorded a sales revenue of RMB22,193 million, representing an increase of 20.82% as compared with that of RMB18,368 million in the corresponding period of the preceding year. Profit attributable to the equity holders of the Company amounted to RMB713 million, representing an increase of 7.38% as compared with that of RMB664 million in the corresponding period of the preceding year.

The following shows the comparison between the consolidated operating results of the Company for the year ended 31 December 2013 and that of 2012:

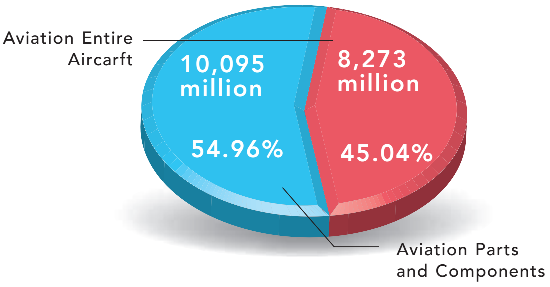
CONSOLIDATED OPERATING RESULTS

1 Composition of revenue

The revenue of the Group for 2013 was RMB22,193 million, representing an increase of 20.82% as compared with a revenue of RMB18,368 million in the corresponding period of the preceding year, which was mainly attributable to the increase in the revenue derived from the helicopter and avionics businesses during the reporting period. Among that, affected by the increase in helicopter sales volume, the revenue derived from the helicopter business amounted to RMB9,381 million, representing an increase of RMB2,164 million, or 29.98% as compared with that of the corresponding period of the preceding year. Due to the steady development of avionics business, the revenue derived from the avionics business amounted to RMB7,688 million, representing an increase of RMB785 million, or 11.37% as compared with that of the corresponding period of the preceding year.



Revenue Composition in 2013



Revenue Composition in 2012

The revenue of the Group's aviation entire aircraft business for 2013 amounted to RMB10,198 million, representing an increase of RMB1,925 million, or 23.27% as compared with that of RMB8,273 million in the corresponding period of the preceding year, and accounting for 45.95% of the total revenue of the Group. Among the aviation entire aircraft business, the helicopter business realized a rapid increase while the trainer aircraft business represented a decrease as compared with the corresponding period of the preceding year. The revenue of the Group's aviation parts and components business amounted to RMB11,995 million, representing an increase of RMB1,900 million, or 18.82% as compared with that of RMB10,095 million in the corresponding period of the preceding year and accounting for 54.05% of the total revenue of the Group. Such increase was mainly attributable to the growth in the avionics business.

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 2013 amounted to RMB2,386 million, representing an increase of RMB221 million, or 10.21% as compared with that of RMB2,165 million in the corresponding period of the preceding year. This was mainly attributable to the increase in expenses such as staff costs. In 2013, the growth in general and administrative expenses was lower than that in the total revenue through the implementation of the comprehensive budget management and strict expenses control by the Group. In 2013, the general and administrative expenses accounted for 10.75% of the operating revenue, representing a decrease of 1.04 percentage points as compared with that in the corresponding period of the preceding year.

3 Sales and distribution expenses

The Group's sales and distribution expenses for 2013 amounted to RMB415 million, representing an increase of RMB46 million, or 12.47% as compared with that of RMB369 million in the corresponding period of the preceding year. Such increase was mainly attributable to the increase of transportation and after-sales service expenses caused by the increase in the sales volume. In 2013, the sales and distribution expenses accounted for 1.87% of the revenue for the year 2013, representing a decrease of 0.14 percentage points as compared with that in the corresponding period of the preceding year. The growth of sales and distribution expenses was slower than the growth of the revenue.

4 Operating profit

The operating profit of the Group for 2013 amounted to RMB1,758 million, representing an increase of RMB209 million, or 13.49% as compared to that of RMB1,549 million in the corresponding period of the preceding year. This was mainly attributable to the increase of RMB384 million, or 9.79% of the gross profit driven by the increase of revenue during the reporting period on one hand, and the increase of other gains from sales of part of non-major business assets by its subsidiaries such as the financial assets and long-term equity investment on the other hand.

5 Finance costs, net

The Group's net finance costs in 2013 amounted to RMB74 million, representing an increase of RMB8 million as compared with that of RMB66 million in the corresponding period of the preceding year. This was mainly attributable to the increase in interest expenses as a result of the newly increased bank loans of AVIC Avionics and bonds issuances of JONHON Optronic. Please refer to note 9 to the financial statements for details.

6 Income tax expense

The Group's income tax in 2013 was RMB250 million, representing an increase of RMB15 million, or 6.38% as compared with that of RMB235 million in the corresponding period of the preceding year, which was mainly due to the increase in the profit for the period. Please refer to note 10 to the financial statements for details.

7 Profit attributable to equity holders of the Company

The profit attributable to the equity holders of the Company amounted to RMB713 million in 2013, representing an increase of RMB49 million as compared with that of RMB664 million in the corresponding period of the preceding year. This was mainly attributable to the increase of gross profit driven by the increase of revenue during the period on one hand, and the increase of other gains resulted from sales of part of the non-major business assets by the Company's subsidiaries such as the financial assets and long-term equity investment on the other hand.

GUARANTEED AND SECURED LOANS

As at 31 December 2013, the Group's total borrowings amounted to RMB6,118 million, of which RMB796 million was secured by receivables with a net book value of approximately RMB829 million.

Borrowings placed under guarantees amounted to RMB1,440 million, of which RMB1,045 million represented guarantees amongst the members of the Group and RMB390 million represented guarantees provided by AVIC and its 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 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 2013, 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 2013, the Group's net cash and cash equivalents amounted to RMB6,726 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 2013 and 2012 were as follows:

Unit: RMB million (except percentage)

Main items of cash flow	2013	2012 (restated)	Changes (amount)	Changes (percentage)
Net cash (used in)/generated from operating activities	572	(710)	1,282	N/A
Net cash used in investing activities	(3,409)	(2,733)	(676)	24.73%
Net cash generated from financing activities	3, 976	2,191	1,785	81.47%

2. Operating, investing and financing activities

Net cash inflows generated from operating activities of the Group for the year 2013 increased by RMB1,282 million as compared with that of the corresponding period of the preceding year, which was mainly due to the increase in sales revenue and improved conditions of some subsidiaries' collections of sales revenue during the reporting period.

Net cash outflows used in investing activities of the Group for the year 2013 increased by RMB676 million or 24.73% as compared with that of the corresponding period of the preceding year, which was mainly attributable to the purchase of properties, plants and equipment by its subsidiaries and payments of cash by AVIC Avionics and JONHON Optronic for the acquisition of avionics companies during the reporting period.

Net cash inflows generated from financing activities of the Group for the year 2013 increased by RMB1,785 million as compared with that in the corresponding period of the preceding year, which was mainly attributable to the newly increased bank loans of AVIC Avionics and refinancing and issuance of bonds by JONHON Optronic.

As at 31 December 2013, the Group's total borrowings amounted to RMB6,118 million, of which the short-term borrowings, current portion of long-term borrowings and non-current portion of long-term borrowings amounted to RMB3,952 million, RMB255 million and RMB1,911 million, respectively.

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

Maturity	RMB million
Within one year	255
In the second year	358
In the third to fifth year	1,230
After the fifth year	323
Total	2,166

As at 31 December 2013, the Group's bank borrowings amounted to RMB3,540 million with a weighted average interest rate of 6% per annum, accounting for 57.86% of the total borrowings. Other borrowings amounted to RMB2,578 million with a weighted average interest rate of 5%, accounting for 42.14% of the total borrowings.

As at 31 December 2013, there were no borrowings denominated in foreign currencies.

GEARING RATIO

As at 31 December 2013, the Group's gearing ratio was 12.01% (31 December 2012: 11.03% as restated), which was arrived at by dividing the total borrowings by the total assets as at 31 December 2013.

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 2013 was RMB10,198 million, representing an increase of 23.27% as compared with that of the corresponding period of the preceding year. The above revenue includes: (1) the revenue derived from the helicopter business which represented a rapid increase in helicopter sales volume, amounted to RMB9,381 million, representing an increase of RMB2,164 million, or 29.98% as compared with that of the corresponding period of the preceding year and accounting for 91.99% of the total revenue of the aviation entire aircraft business; (2) the revenue of general purpose aircraft, which also represented an increase in its sales volume, amounted to RMB252 million, representing an increase of RMB76 million, or 43.18% as compared with that of the corresponding period of the preceding year and accounting for 2.47% of the total revenue of the aviation entire aircraft business; (3) the revenue of the trainer aircraft business, which had a decreased sales volume, amounted to RMB565 million, representing a decrease of RMB315 million, and accounting for 5.54% of the total revenue of the aviation entire aircraft business.

The revenue of the aviation entire aircraft business of the Group in 2013 accounted for 45.95% of the Group's total revenue, representing an increase of 0.91 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 2013 was 7.91%, representing a decrease of 0.19 percentage points as compared with that of the corresponding period of the preceding year, mainly due to the decline in gross profit margin of trainer aircraft business.

AVIATION PARTS AND COMPONENTS BUSINESS

Revenue

The Group's revenue derived from aviation parts and components for 2013 was RMB11,995 million, representing an increase of 18.82% as compared with that of the corresponding period of the preceding year, which was mainly attributable to the increase in sales volume of avionics products. In particular, the revenue derived from avionics products amounted to RMB7,688 million, representing an increase of RMB785 million, or 11.37% as compared with that of the corresponding period of the preceding year and accounting for 64.09% of the total revenue of aviation parts and components business.

The revenue derived from aviation parts and components business for 2013 accounted for 54.05% of the Group's total revenue, representing a decrease of 0.91 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 2013 was 29.19%, representing a decrease of 3.04 percentage points as compared with that in the corresponding period of the preceding year. This was mainly attributable to the change in the products composition in aviation parts and components business and the increased costs such as testing costs of some products.

Business Review and Outlook

In 2013, the global economy showed a slow recovery. Guided by the PRC government's macro-control, the national economy represented a trend of steady development with good progress. Notwithstanding the complicated overseas and domestic economic situations, China's aviation industry experienced a boom and the aviation technologies achieved historical breakthroughs, due to the government's policy encouragement and support to high-end equipment manufacturing industry. AVIC, the controlling shareholder of the Company, was listed in the Fortune Global 500 for five consecutive years with its ranking 214 places cumulatively up in the past five years from 426th to 212th, and ranked 6th in the segment of aviation, aerospace and defense. It also ranked 26th in the China's 500 Most Valuable Brands by the World Brand Laboratory, with a brand value of RMB76 billion.

Driven by the rapid development of China's aviation industry, the Group continuously pushed forward its established strategies, proactively explored the market of its products, promoted the assets reorganization, developed the aviation business, and achieved stable growth in its operating results.

The Company actively explored the market and enhanced its corporate governance, thereby significantly improving its image and brand influence in the market. During the reporting period, a number of the Group's products were displayed in various international air shows, expanding the market influence of our aviation products and further expanding our international market. Mr. Lin Zuoming, Chairman of the Board, was listed as one of the "China's Most Influential Business Leaders" for the third time and was named as the "14th China Economic Person of the Year". The Company was also, for the first time, awarded as "Asia's Most Promising Company on Corporate Governance in 2013" by Corporate Governance Asia Magazine.

The Company's asset reorganization was progressed smoothly and a high-efficient coordination platform was established through resources integration. The completion of assets reorganization in the helicopter business helped to form a comparatively complete civil helicopter industry chain. Meanwhile, the acquisition of three avionics companies was completed and the scale of avionics business was further expanded.

The existing aviation business of the Company recorded a significant increase. The helicopter business was promoted actively and realized remarkable achievements in marketing. Orders of helicopters were constantly received from home and abroad, and the Company entered into the new general aviation market for the first time. The upgraded and remodeled Z-9 has been widely used in public affairs, tourism, salvage and rescue, scientific investigation, police investigations and law enforcements domestically and overseas. The new model of helicopters developed by Airbus Helicopters, in which the Group participated, received the EASA airworthiness certificate.

The Group focused on the general aviation market of Y-12 based on its good market adaptabilities. During the reporting period, Y-12 was successfully delivered to new customers such as the State Sports General Administration and general aviation companies, and the Group obtained new export orders for Y-12. The research and development of new model of Y-12F were progressed smoothly and Y-12F was expected to obtain model certificates from China and the U.S. in 2014. In May 2013, Hafei Aviation signed a strategic cooperation agreement with Air Canada, pursuant to which, Air Canada would purchase at least 50 Y-12 series aircraft within 5 years, signifying the first entry of Y-12 series aircraft into the Canadian market.

The upgraded new model of L15 export-oriented aircraft made its maiden flight successfully. The Group actively explored international market for L15 trainer aircraft. N5B No.004 aircraft completed its adjustment test flight and proceeded to airworthiness test flight. The research and development of projects, such as new model of basic trainers, were also advanced steadily.

The Company's avionics and electromechanical business also achieved good operating results. JONHON Optronic and COMAC Shanghai Aircraft Manufacturing Co., Ltd. executed the master contract for C919 large aircraft project, making JONHON Optronic the sole supplier of integrated interconnection mounting platform. JONHON Optronic and National University of Defense Technology jointly designed the supercomputer project and provided batch support to Samsung of South Korea, which laid the foundation for its products to step into new areas and the international market. AVIC Avionics established a commercial innovation center to attract high-end talents of electronic communications, machinery and equipment industries, and focused on developing new product projects and creating new profit growth points. Oriental Instrument, a company newly acquired by the Group in 2013 became an important component supplier for Beidou satellite navigation system.

The Company's international cooperation projects were developed at a steady pace. In September 2013, Airbus Composite Materials successfully delivered the first elevator for Airbus A350XWB wide-body aircraft. Five percent of the body structure work of this model of Airbus will be completed in China. Airbus Composite Materials will gradually become the exclusive elevator supplier of wide-body aircraft A350XWB. Legacy650, the first large executive jet assembled in Harbin Embraer successfully completed the first flight.

Meanwhile, the Company proactively launched investment projects. The Company increased its contribution to the registered capital of Tianjin Aviation with an amount of RMB250 million and subscribed for 18,628,912 shares through a private placement of JONHON Optronic, and participated in the non-public issuance of shares by ZEMIC. JONHON Optronic successfully acquired part of the equity interest in Xi'an Forstar. Tianjin Tianli, an indirect subsidiary of the Company, completed the acquisition of 5% equity interest in Schneider Shanghai.

In 2014, China's economy is faced with the great need of upgrading and transformation. After the 12th Five-Year Plan clarified the strategic position of the aviation industry as the high-end equipment manufacturing industry, the comprehensively deepening reform also provided State-owned enterprises with a series of opportunities, such as resources integration, global mergers and acquisitions and the change of incentive mechanisms. Various policies on the general aviation industry reform were promulgated by the PRC government successively. Meanwhile, the International Air Transport Association published the 2014 global air transportation industry forecast which predicted an optimistic future and a stronger demand for air transportation driven by the recovering economy conditions. The acceleration of opening up of low altitude space will promote a new economy increasing point general aviation air resources economy, which will lead to a rapid development in the related industries including general aviation manufacturing, maintenance, operation and investment and construction of general aviation airports.

The Company will, driven by the new policies and the new market, further improve the development strategies, comprehensively deepen the reforms, and launch innovative management to maintain a steady and rapidly increasing trend by the following strategies:

1. Continuously deepening internal reforms to promote the rapid development, upgrading and transformation of businesses;

2. Unceasingly improving management, enhancing economic efficiency and focusing on developing the Group's value creating capabilities;

3. Building an industry development platform with complementary advantages, and high efficiency and coordination through assets reorganization;

4. Actively integrating into the air resources economic industry chain and expanding the research and manufacture of general aviation products;

5. Strengthening the existing market, and tapping into new market and overseas market with innovative market exploring means and marketing strategies;

6. Following the guidance of the market, serving for the public needs, and refining the current products research and development system;

7. Improving manufacturing capabilities through subcontracting and participating in international cooperation to expand international market shares; and

8. Continuously enhancing its corporate governance and promoting internal control to establish a governance system with higher standards.

Orders for Aviation Products

As at the date of this report, the Group has received orders for 243 helicopters, 74 trainers, 52 general aeroplanes. The Group is endeavoring to get more orders for its aviation products.

USE OF PROCEEDS

Up to 31 December 2013, a total of RMB3,239 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 2013, the Group had 40,339 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	40,155	99.54
Entire Aircraft business	18,169	45.04
Parts and components business	21,986	54.50
Other businesses	184	0.46
Total	40,339	100

For the year ended 31 December 2013, total staff costs of the Group amounted to RMB3,127 million, representing an increase of RMB295 million as compared with that of RMB2,832 million (as restated) 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 2013, 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, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Lin Zuoming（林左鳴）

(Chairman of Development and Strategy Committee and Nomination Committee)

56, chairman of the Board. He is a doctorate degree holder and 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 since July 2008. Mr. Lin also serves as vice chairman of the board of Commercial Aircraft Corporation of China, Ltd. and chairman of the board of Chinese Aeronautical Establishment, 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)

52, 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 II. Mr. Tan is also vice chairman of the board of Chinese Aeronautical Establishment. 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.

Directors, Supervisors and Senior Management

Non-executive Directors

Mr. Gu Huizhong（顧惠忠）

(Member of Audit Committee and Development and Strategy Committee)

57, a master degree holder and 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 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)

50, a doctorate degree holder and 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 director of Chinese Aeronautical Establishment. Mr. Gao has been appointed as a Supervisor of the Company since August 2008 and was appointed as a non-executive Director of the Company in June 2009.

Mr. Sheng Mingchuan (生明川)

55, 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)

55, 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 managing 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.

Directors, Supervisors and Senior Management

Independent Non-executive Directors

Mr. Guo Chongqing (郭重慶)

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

81, 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. Li Xianzong (李現宗)

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

57, a professor and supervisor for master degree students majoring in accounting and one of the first batch of senior non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. Li graduated from Zhengzhou Institute of Aeronautical Industry Management in 1982. He then graduated from Tianjin Finance and Economics Academy in 1996 with a master degree majoring in accounting. Mr. Li was the deputy chairman and subsequently the chairman of the Accounting Department of Zhengzhou Institute of Aeronautical Industry Management. Mr. Li was an independent non-executive director of Guizhou Guihang Automobile Parts Joint Stock Company Limited. Mr. Li is also a member of the Association of Accounting in the PRC, non-practicing member of the Chinese Institute of Certified Public Accountants, an asset appraiser, member of the Institute of International Internal Auditors, member of specialized committee on management accounting and application of Accounting Society of China and vice chairman of Accounting Society of Henan Province. Mr. Li has been appointed as an independent non-executive Director of the Company since December 2004, and was no longer the Chairman of Audit Committee since 25 March 2014.

* *Assumed the position during the reporting period.*

Mr. Lau Chung Man, Louis（劉仲文）

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

55, 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.

SUPERVISORS

Ms. Bai Ping（白萍）

59, 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.

* *Assumed the position during the reporting period.*

Directors, Supervisors and Senior Management

Mr. Yu Guanghai（于廣海）

44, 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）

35, 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）

53, 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. Wang Jun（王軍）

60, a first class senior accountant. Mr. Wang graduated from Zhengzhou Aviation Industry Management Institution majoring in finance and business management. He commenced his career in aviation industry in August 1969 and used to be a division chief of planning department, secretary of company officer, deputy director of financial department of Harbin Dongan Engine Manufacturing Company; general manager of Shanghai Andong Industry & Trading Corporation. From February 2002, he had been the general accountant, vice general manager of Harbin Dongan Engine Manufacturing Company; director, vice general manager of Harbin Dongan Engine (Group) Co., Ltd., director, vice general manager and general manager of Harbin Aviation Group; Chairman of the board of the directors of Dongan Heibao Co., Ltd.; Chairman of the board of the directors and general manager of Harbin Dongan Engine (Group) Co., Ltd. Mr. Wang was appointed as the vice president and chief financial officer of the Company on 9 April 2010. On 25 March 2014, Mr. Wang resigned his position as the vice president and chief financial officer of the Company.

Directors, Supervisors and Senior Management

Mr. Ni Xianping（倪先平）

58, 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 Company, a director of China National Aero-Technology Import & Export Corporation, 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）

50, 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; 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.

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Mr. Zhang Kunhui（張昆輝）

51, 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. Mr. Zhang was appointed as the vice president of the Company on 9 April 2010.

COMPANY SECRETARY

Mr. Yan Lingxi（閆靈喜）

44, a master degree holder, senior engineer, Company Secretary and Assistant to General Manager. He is also a director of AVIC Avionics and Hafei Aviation. 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.

Report of the Board

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 2013.

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 2013 are set out in the Consolidated Income Statement on page 65 of this Annual Report.

The Board recommends the payment of a final dividend for the year 2013 in an aggregate amount of RMB109,488,583.34, representing a dividend of RMB0.02 per share (2012: 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 2014 (the "Record Date"). To determine the identity of the shareholders entitled to receive the final dividend, the Company's register of members will be closed from 20 June 2014 to 25 June 2014 (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 2014.

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 13 June 2014.

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 26 June 2013.

SHARE CAPITAL

The Company's capital structure as at 31 December 2013 was as follows:

Class of shares	Number of shares as at 31 December 2013	Percentage of total number of shares in issue as at 31 December 2013 (%)
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 4 to 6 of this Annual Report.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, pursuant to the register kept under Section 336 of the Securities and Futures Ordinance (the "SFO"), shareholders holding 5% or more than 5% equity interests in the Company and its associated corporations were as follows:

Name of Shareholders	Class of Shares	Capacity	Number of Shares	Approximate percentage of shareholdings to the same class of Shares	Approximate percentage to share capital in issue	Nature of Shares held
AVIC (Note 1)	Domestic Shares	Beneficial owner, Interest in Controlled Corporation	2,989,492,900	95.88%	54.61%	Long position
European Aeronautic Defence and Space Company – EADS N.V. (Note 2)	H Shares	Beneficial owner	274,909,827	11.67%	5.02%	Long position

Notes:

1. Out of 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.

2. On 1 January 2014, European Aeronautic Defence and Space Company – EADS N.V. was renamed as Airbus Group (空中客車集團).

Save as disclosed above, as at 31 December 2013, 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 2013.

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 2013, 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 2013 are set out in the Consolidated Statement of Changes in Equity and note 39 to the financial statements.

DISTRIBUTABLE RETAINED EARNINGS

As at 31 December 2013, the Company had distributable retained earnings of RMB263,367,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, the Group's total purchases from the five largest suppliers for the aviation business accounted for 27.15% of the Group's total purchases, of which, purchases from the largest supplier accounted for 11.91% of the Group's total purchases. The Group's sales to the five largest customers accounted for 45.91% of the Group's total sales, of which, sales to the largest customer accounted for 28.25% of the Group's total sales.

Purchases from the five largest suppliers in the aviation entire aircraft segment accounted for 34.67% of the total purchases in the Group in that segment, of which, purchases from the largest supplier accounted for 15.21% of the total purchases in that segment. Sales to the five largest customers in the aviation entire aircraft segment accounted for 72.78% of the total sales in that segment, of which, sales to the largest customer accounted for 45.98% of the total sales in that segment.

Purchases from the five largest suppliers in the aviation parts and components segment accounted for 9.94% of the total purchases in the Group in that segment, of which, purchases from the largest supplier accounted for 2.77% of that segment. Sales to the five largest customers in the aviation parts and components segment accounted for 17.27% of the total sales in that segment, of which, sales to the largest customer accounted for 5.63% 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 the Annual Report, none of the Directors, their associates or any shareholder holding more than 5% interest in the share capital of the Company has any interest in the above major suppliers and customers.

SUBSIDIARIES AND ASSOCIATES

Details of subsidiaries and associates are set out in note 45 to the financial statements.

DIRECTORS

Details of the Directors of the Company during the financial year ended 31 December 2013 are set out from pages 21 to 25 of this Annual Report.

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

1. On 16 April 2013, JONHON Optronic completed the issuance of new JONHON Optronic A Shares with 61,847,988 shares issued to six subscribers including the Company. Among that, 18,628,912 shares were subscribed by the Company. The net proceeds raised amounted to RMB807,332,365.72. Upon completion of the placing, the total issued share capital of JONHON Optronic increased from 401,625,000 shares to 463,472,988 shares, and the Company held 192,681,823 shares of JONHON Optronic, accounting for 41.57% of JONHON Optronic's total shares, and remained as the controlling shareholder of JONHON Optronic. For details, please refer to the announcements of the Company dated 17 April 2012, 4 May 2012, 30 July 2012 and 16 April 2013, respectively.

2. On 6 June 2013, the Company entered into the Share Subscription Agreement with ZEMIC. For details of the transaction, please refer to the section headed "One-off Connected Transactions" of this report of the Board.

3. On 17 June 2013, the Company acquired 1.56% equity interest in AVIC Kaitian from Chengdu Xiwu Technical Group Co., Ltd., an independent third party, through Beijing Equity Exchange at the listing price of RMB12,294,828 (the "Share Acquisition"). The transaction contemplated under the Share Acquisition was an exempted transaction under Chapter 14 of the Listing Rules. AVIC Kaitian is a subsidiary indirectly held by the Company, and was held as to 86.74% by AVIC Avionics. Upon completion of the Share Acquisition, the Company directly and indirectly held 88.30% equity interest in AVIC Kaitian. For details, please refer to the announcement of the Company dated 17 June 2013.

4. On 26 June 2013, AVIC Avionics entered into the acquisition agreement with AVIC Avonics Systems, pursuant to which, AVIC Avionics conditionally agreed to purchase the 100% equity interest in each of Keeven Aviation and Changfeng Avionics from AVIC Avonics Systems. For details of the transaction, please refer to the section headed "One-off Connected Transactions" of this report of the Board.

5. On 5 September 2013, AVIC Avionics entered into the acquisition agreement with Hanzhong Aviation, pursuant to which, AVIC Avionics conditionally agreed to purchase the 100% equity interest in Oriental Instrument from Hanzhong Aviation. For details of the transaction, please refer to the section headed "One-off Connected Transactions" of this report of the Board.

6. On 13 November 2013, JONHON Optronic entered into equity transfer agreements with China-Belgium Direct Equity Investment Fund, Shaanxi Venture Capital Guiding Fund Centre and a few individual shareholders, respectively, all of which were third parties independent of the Company and its connected persons, pursuant to which, JONHON Optronic agreed to acquire 48.182% equity interest in Xi'an Forstar in aggregate, for a consideration of RMB126,881,609.40 in cash. For details, please refer to the announcements of the Company dated 24 October 2013 and 13 November 2013, respectively.

7. On 25 October 2013, JONHON Optronic convened a board meeting to consider and approve a capital injection of RMB110 million into Shenyang Xinghua. Upon completion of the registered capital increase, the registered capital of Shenyang Xinghua increased from RMB61,265,300 to RMB80,856,400 and JONHON Optronic's interest in Shenyang Xinghua increased from 51% to 62.87%. For details, please refer to the announcements of the Company dated 20 May 2013 and 27 October 2013, respectively.

8. On 7 November 2013, Tianjin Tianli entered into the equity transfer agreement with AVIC International Beijing, pursuant to which AVIC International Beijing conditionally agreed to sell and Tianjin Tianli agreed to purchase 5% equity interest in Schneider Shanghai. For details of the transaction, please refer to the section headed "One-off Connected Transactions" of this report of the Board.

9. On 6 November 2013, the private placement of new Hafei Aviation A Shares to the Company, AVIC Helicopter and AVIC Hafei was completed and the relevant share registration formalities were also completed. In particular, the Company subscribed for 38,029,758 new Hafei Aviation A Shares, which was subject to a lock-up period of 36 months. On 13 November 2013, the cash subscription of 55,300,000 new Hafei Aviation A Shares by independent qualified investors (subject to a lock-up period of 12 months) was all completed and raised RMB1,106 million funds. For details, please refer to the announcements of the Company dated 25 May 2012, 14 June 2012, 11 July 2012, 6 September 2012, 22 March 2013, 3 April 2013, 8 August 2013, 31 October 2013, 6 November 2013 and 13 November 2013, respectively, and circulars despatched by the Company to its shareholders dated 20 July 2012 and 13 May 2013, respectively.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

For the year ended 31 December 2013, the Group engaged in continuing connected transactions with AVIC Group, AVIC Avionics and its subsidiaries ("AVIC Avionics Group"), Hafei Aviation and its subsidiaries ("Hafei Aviation 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, following completion of the placing of new Hafei Aviation A Shares by Hafei Aviation, the Company directly and indirectly holds 35.10% equity interest in Hafei Aviation, and Hafei Aviation remains to be a subsidiary of the Company. AVIC Helicopter and AVIC Hafei, both of which are subsidiaries of AVIC, hold 18.78% and 8.15% equity interest in Hafei Aviation, respectively. Hafei Aviation 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 party of the Company.

AVIC

During the year 2013, the Group entered into continuing connected transactions with AVIC pursuant to the four connected transaction agreements entered into between the Company and AVIC:

1. On 30 August 2011, the Company entered into a new framework agreement, namely, the Mutual Supply of Products Agreement, with AVIC to continue certain continuing connected transactions contemplated under the then existing mutual supply agreement. With the Group's streamlining of its business to focus on the aviation business following its assets reorganization, the scope of products and the ancillary services subject to the Mutual Supply of Products Agreement was amended to cover aviation related materials, components and products and their related sale and ancillary services. AVIC Group agreed to provide certain products and services to the Group and the Group agreed to provide certain products and services to AVIC Group for a term of three years expiring on 31 December 2014.

2. On 30 August 2011, the Company entered into a new framework agreement, namely, the Mutual Provision of Services Agreement, with AVIC to continue certain continuing connected transactions contemplated under the then existing comprehensive services agreement. The scope of services to be mutually provided by the parties subject to the Mutual Provision of Services Agreement was amended and extended to cover services relating to the production and business operations of each party. AVIC Group agreed to provide certain services relating to the production and business operations of the Group and the Group agreed to provide certain services relating to the production and business operations to AVIC Group for a term of three years expiring on 31 December 2014.

3. On 30 August 2011, the Company entered into a new framework agreement, namely, the Trademarks and Technology Cooperation Framework Agreement, with AVIC to continue certain continuing connected transactions contemplated under the then existing technology cooperation agreement. The scope of cooperation was extended to cover the licence of trademarks. AVIC Group agreed to provide, among others certain licences of trademarks and technology cooperation services to the Group for a further term of three years expiring on 31 December 2014 and the Group agreed to provide, among others certain licence of trademarks and technology cooperation services to the AVIC Group for a term of three years expiring on 31 December 2014.

4. On 30 August 2011, the Company combined the then existing land use rights leasing agreement and the properties leasing agreement by entering into a new framework agreement, namely, the Land Use Rights and Properties Leasing Agreement, with AVIC. After the Land Use Rights and Properties Leasing Agreement came into effect, it superseded the then existing land use rights leasing agreement and the properties leasing agreement. Pursuant to the new framework agreement, 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.

AVIC Avionics

5. On 30 August 2011, the Company entered into a continuing connected transaction agreement with AVIC Avionics, the terms of which were substantially the same as that of the then existing framework agreement. 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; and AVIC Avionics Group agreed to provide aviation parts and components and related ancillary services to the Group for a term of three years expiring on 31 December 2014.

Hafei Aviation

6. On 18 December 2013, the Company entered into the Products and Services Mutual Supply and Guarantee Agreement with Hafei Aviation in respect of the continuing connected transactions between the Group and Hafei Aviation Group. Accordingly, the Company (on behalf of the Group) agreed to provide aviation parts and components, raw materials and related production and labour services to Hafei Aviation Group, as well as providing continuing guarantee(s) to Hafei Aviation Group in relation to its bank loans during its ordinary course of business; and Hafei Aviation (on behalf of Hafei Group) agreed to provide aviation parts and components, raw materials and related production and labour services to the Group from 13 November 2013 up to 31 December 2014.

AVIC Finance

7. As the Existing Financial Services Framework Agreement expired on 18 May 2013, the Group conditionally entered into the Proposed Financial Services Framework Agreement on 25 March 2013, pursuant to which AVIC Finance agreed to provide the Group with 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.

Details of the above continuing connected transactions can be referred to in the announcement dated 30 August 2011 and the circular dated 23 September 2011 respectively, the announcement dated 1 April 2010 and the circular dated 16 April 2010 respectively, the announcements dated 25 March 2013, 14 June 2013 and the circular dated 13 May 2013 respectively, and the announcement dated 18 December 2013.

The annual caps for the continuing connected transaction as compared with the actual transaction amounts incurred or received by the Group in 2013 are set out below. For the year ended 31 December 2013, the continuing connected transactions of the Group were calculated on a consolidated basis as follows:

		2013	
		Actual amount (RMB million)	Annual Cap (RMB million)
1	Mutual Supply of Products Agreement		
	(a) Annual expenditures of the Group	9,370	11,615
	(b) Annual revenues of the Group	12,978	21,772
2	Mutual Provision of Services Agreement		
	(a) Annual expenditures of the Group	535	2,224
	(b) Annual revenues of the Group	10	581
3	Land Use Rights and Properties Leasing Agreement		
	Annual expenditures of the Group	44	50

Report of the Board

		2013 Actual amount (RMB million)	2013 Annual Cap (RMB million)
4	Trademarks and Technology Cooperation Framework Agreement		
	(a) Annual expenditures of the Group	2	74
	(b) Annual revenues of the Group	0	25
5	AVIC Avionics CCT Agreement		
	(a) Expenditures of the Group	556	818
	(b) Revenue of the Group	72	104
		For the period from 13 November 2013 to 31 December 2013	
6	Products and Services Mutual Supply and Guarantee Agreement with Hafei Aviation Group		
	(a) Expenditures of the Group	157	170
	(b) Revenue of the Group	2	27

		2013 Maximum daily outstanding balance of deposits (RMB million)	2013 Cap for the maximum daily outstanding balance of deposits (RMB million)
7	Financial Services Framework Agreement with AVIC Finance		
	(a) Maximum daily outstanding balance of deposits (including accrued interests) placed by the Group with AVIC Finance	1,563	3,000

	Actual amount (RMB million)	Annual Cap (RMB million)
(b) Other financial services supplied by AVIC Finance	455	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) The transactions have received the approval of the Board;

(b) The pricing of the transactions has been fixed in accordance with the pricing policies of the Group;

(c) The transactions have been entered into in accordance with the terms of the respective 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 43 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 6 June 2013, the Company entered into the Share Subscription Agreement with ZEMIC (whose A shares are listed on the Shenzhen Stock Exchange), pursuant to which, the Company conditionally agreed to subscribe for approximately 4,579,700 A shares issued by ZEMIC for a total consideration of approximately RMB52.85 million. Upon completion of the subscription, the Company will directly hold approximately 2.28% equity interest in ZEMIC. The aforementioned number of shares to be subscribed and the consideration are subject to the approval of the competent government authorities. Pursuant to Chapter 14A of the Listing Rules, the entering into of the Share Subscription Agreement by the Company with ZEMIC constituted a connected transaction of the Company and was only 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 7 June 2013.

2. On 26 June 2013, AVIC Avionics entered into the acquisition agreement with AVIC Avonics Systems, pursuant to which, AVIC Avionics conditionally agreed to purchase the 100% equity interest in each of Keeven Investment and Changfeng Avionics from AVIC Avonics Systems for an aggregate consideration of RMB1,417,700,361 in cash. Pursuant to Chapter 14A of the Listing Rules, the transactions constituted discloseable and connected transactions of the Company and were therefore subject to the reporting, announcement and the independent shareholders' approval requirements. For details, please refer to the announcements of the Company dated 9 December 2012, 14 June 2013, 26 June 2013, and 21 August 2013 respectively, and the circular of the Company dated 19 July 2013.

3. On 5 September 2013, AVIC Avionics entered into the acquisition agreement with Hanzhong Aviation, pursuant to which, AVIC Avionics conditionally agreed to purchase the 100% equity interest in Oriental Instrument from Hanzhong Aviation for an aggregate consideration of RMB176,044,942.15 in cash. Pursuant to Chapter 14A of the Listing Rules, the transaction constituted a connected transaction of the Company and was only subject to the reporting and announcement requirements, but was exempt from the independent shareholder's approval requirement. For details, please refer to the announcement of the Company dated 5 September 2013.

4. On 7 November 2013, Tianjin Tianli entered into the equity transfer agreement with AVIC International Beijing, pursuant to which AVIC International Beijing conditionally agreed to sell and Tianjin Tianli agreed to purchase the 5% equity interest in Schneider Shanghai (the "Equity Transfer Agreement"), for a consideration of RMB49,230,000. Pursuant to Chapter 14A of the Listing Rules, the Equity Transfer Agreement constituted a connected transaction of the Company. The aggregation of the Equity Transfer Agreement and the equity transfer agreements entered into by the above two parties on 22 November 2012 in relation to the acquisition of 5% equity interest in each of Tianjin Merlin Gerin Co., Ltd. and Schneider Electric Low Voltage (Tianjin) Co., Ltd. was only subject to the reporting and announcement requirements, but was exempt from the independent shareholders' approval requirement. For details, please refer to the announcements of the Company dated 22 November 2012 and 7 November 2013, respectively.

5. On 25 March 2013, in order to enhance the competitive capabilities and to support the development of AVIC Avionics, the Company entered into the guarantee agreement with AVIC Avionics, pursuant to which the Company agreed to provide a guarantee of RMB600 million to AVIC Avionics for the issuance of the corporate bonds in the aggregate principal amount of not more than RMB1.5 billion with a maturity term of not more than 5 years. Pursuant to Chapter 14A of the Listing Rules, the entering into of the guarantee agreement constituted a connected transaction of the Company and was only 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 25 March 2013.

6. On 10 October 2013, the Company and the Beijing Dongdan Branch of the Bank of Communications Co., Ltd. entered into the entrusted loan agreement with AVIC Kaitian, pursuant to which the Company granted an entrusted loan of RMB50 million to AVIC Kaitian, with a term of three years to facilitate the construction project of a new production line of AVIC Kaitian. Pursuant to Chapter 14A of the Listing Rules, the entering into of the entrusted loan agreement constituted a connected transaction of the Company and was only subject to the reporting and announcement requirements, but was exempt from the independent shareholders' approval requirement. For details, please refer to the announcements of the Company dated 14 June 2013 and 10 October 2013 respectively.

SIGNIFICANT EVENT DURING THE REPORTING YEAR

1. On 29 January 2013, the issuance of corporate bonds by JONHON Optronic was completed with a final issuance size of RMB500 million and a maturity term of 5 years. The Company provided a full, unconditional and irrevocable joint liability guarantee in respect of the issuance of the corporate bonds. For details, please refer to the announcements of the Company dated 23 January 2013 and 29 January 2013, respectively.

2. On 25 March 2013, the Board resolved that the conditions for unlocking of restricted shares were fulfilled in full by the Company and the scheme participants, according to the rules of the Scheme. Accordingly, one-third of the restricted shares granted to the eligible scheme participants under the initial grant were unlocked on 2 April 2013. For details, please refer to the announcement of the Company dated 25 March 2013.

3. In view of the latest regulatory environment of the PRC and to cater for the development of the Company, the Board approved the amendments to the Articles of Association in relation to the voting requirements for the transfer or conversion and listing of domestic invested shares issued by the Company and traded on overseas stock exchange(s). In the meantime, the means of corporate communication were adjusted to improve the operational efficiency of the Company. The amendments to the Articles of Association were approved by the shareholders by way of special resolution at the extraordinary general meeting and class meetings convened on 21 August 2013. For details, please refer to the announcements of the Company dated 14 June 2013, 5 July 2013, 19 July 2013, 24 July 2013, and 21 August 2013, respectively, and the circulars of the Company dated 5 July 2013 and 19 July 2013, respectively.

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 2013 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. In the forthcoming annual general meeting, a resolution for the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP, as the international and domestic auditors of the Company for the financial year of 2014 will be proposed. 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. According to Article 89 of the Articles of Association in relation to the composition of the Board, the Board consists of nine Directors, including three independent non-executive directors. Accordingly, the Company proposed that, a new independent non-executive director who would fill his vacancy shall be elected at the annual general meeting to be 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. Mr. Li Xianzong's term of office will not be terminated until the appointment of a candidate for the new independent non-executive director has been approved at the AGM. For further details, please refer to the announcements of the Company published on 6 January 2014 and 25 March 2014, respectively.

Mr. Liu Renhuai has been nominated as the new independent non-executive Director with a term of office commencing from the date on which his proposed appointment is approved at the AGM until the date on which the resolution relating to the re-election of the 5th Session of the Board is considered at the annual general meeting to be convened in 2015.

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 with effect from 25 March 2014. Mr. Wang Jun resigned as vice president and chief financial officer of the Company due to reaching the statutory retirement age with effect from 25 March 2014.

Saved as above, there was no change of the other directors, supervisors and senior management of the company for the year ended 31 December 2013.

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 its subsidiaries was a party.

THE INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2013, 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 Restricted Shares granted	Approximate percentage of shareholdings to the same class of shares	Approximate percentage of shareholdings to share capital in issue	Nature of shares hold
Lin Zuoming	H Share	Beneficial owner	515,273	0.022%	0.009%	Long position
Tan Ruisong	H Share	Beneficial owner	462,579	0.020%	0.008%	Long position
Gu Huizhong	H Share	Beneficial owner	462,579	0.020%	0.008%	Long position
Gao Jianshe	H Share	Beneficial owner	462,579	0.020%	0.008%	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 2013, 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 2013.

Report of the Supervisory Committee

To all Shareholders:

During the year of 2013, 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 2013, the Supervisory Committee convened two meetings, at which the Procedural Rules for Meetings of the Supervisory Committee were amended, and 9 resolutions were considered and approved. The Supervisory Committee fulfilled its tasks on reviewing the 2012 Annual Report, 2013 Interim Report, and the profits distribution plans for 2012 and the first six months of 2013 respectively. The Supervisory Committee had also attended the Board meetings and the general meetings held in 2013 to monitor the validity of procedures undertaken leading to the convening of and decisions made during 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 Group, as well as the performance of Directors and senior management officers in discharging their duties, and provided suggestions to the Board.

The Supervisors attended the meetings of the audit committee for the year 2013, followed on the implementation and progress of issues attended to by the audit committee, and communicated with the independent directors and auditors in respect of the Company's major operating matters.

The Supervisory Committee inspected on the clean-up of new long-term equity investments of AviChina since 2009 and provided the corresponding corrective comments and suggestions on the existing major issues of long-term investment management of the Company.

The Supervisory Committee gave suggestions and guidance on AviChina's internal control system and the internal control model between the parent company and the subsidiaries.

The Supervisory Committee had a number of meetings with chief financial officers of the Group's subsidiaries, and provided guidance to subsidiaries, the restructuring of which were newly completed or which newly received its capital contribution, in relation to their financial management and control.

The Supervisory Committee had reviewed the Report of the Board which the Board submitted to the general meeting, and considered that the report has fairly reflected the current position of the Company. In 2013, the Board and the senior management of the Company had duly exercised various powers conferred by the shareholders pursuant to the laws, performed various obligations, and used their best endeavors to make important contributions to the development of the Company.

Report of the Supervisory Committee

To better fulfill its supervisory role on 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 are prepared regularly with clear records and complete information.

The Supervisory Committee is fully confident in the prospect of the Company. In 2014, The Supervisory Committee will enhance its supervision over the Company's compliant operation and its construction of the internal control system based on its work plan for this year. The Supervisory Committee will continue to strictly perform its duties in accordance with the Articles of Association and the relevant requirements to safeguard shareholders' interests.

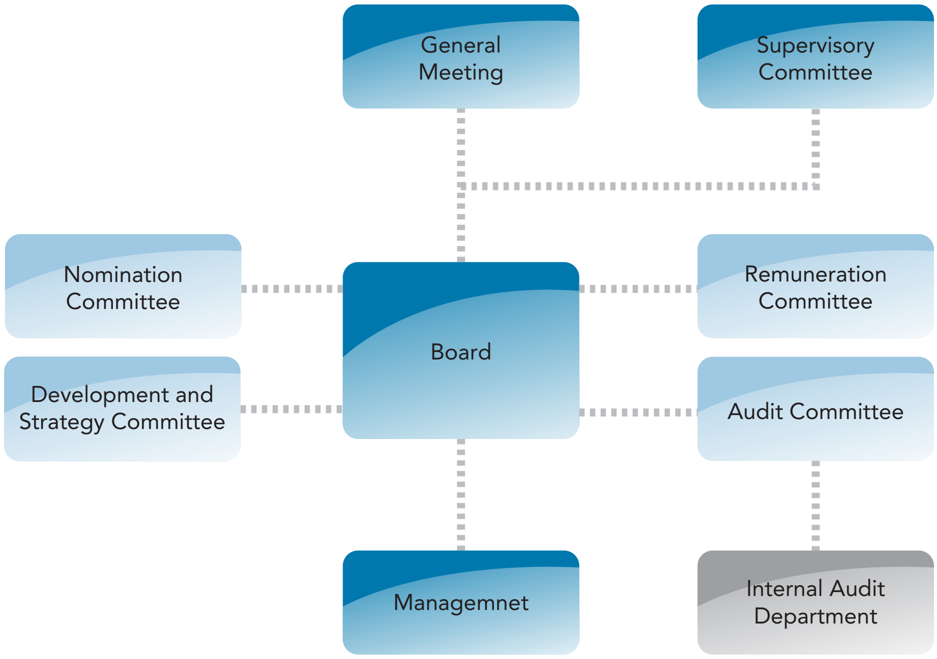
Chairman of the Supervisory Committee
Bai Ping

Beijing, 25 March 2014

Corporate Governance Report

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, Rules Governing the Operation of General Meetings, Rules Governing the Operation of Board Meetings, the terms of reference of the Supervisory Committee, Working Guidelines for the Management, 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 2013 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 2013, the Company discussed on risks and management of risks in the meetings of the Board and the relevant specialized committees. The Board conducted continuous assessment on potential influence of ever-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: According to the change of the Listing Rules and operation conditions of the Company, the Company timely reviewed its relevant regulations, newly formulated the Shares Trading Management Rules, and made certain amendments on the Articles of Association, the terms of reference of the Supervisory Committee, the terms of reference of the nomination committee and Information Disclosure Management Rules.

– 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 2013 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, except for the deviation that the chairman of the Board was not able to attend the annual general meeting of the Company held on 14 June 2013 for urgent business matters and Mr. Tan Ruisong, vice chairman of the Board, was authorized to chair the annual general meeting and answered the questions raised at the meeting.

Corporate Governance Report

THE BOARD

The Company is managed by the Board, which is responsible for leading and supervising the Company. The Board assumes the role to promote the business of the Company through 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. Li Xianzong and Mr. Lau Chung Man, Louis. 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 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 independency; 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 the shareholders of the Company approved. Relevant standards including appropriate professional knowledge and industry experience, personal ethics, integrity and the 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 21 to 25 of the 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 operational 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 updated 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

Every Director will receive upon his appointment to the Board information in relation to guidelines on ethnics and other major governance matters. Director 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.

During the reporting period, the Directors emphasized on updating their specialized knowledge and techniques to meet with the requirement of the development of the Company. The Company also arranged workshops and seminars for the Directors on updates of the Directors' responsibilities under the Securities and Futures Ordinance, the Listing Rules and the Corporate Governance Code, including arranging for the Directors to receive trainings on revisions to the Listing Rules and the Corporate Governance Code and organizing 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 actively studied and learnt knowledge on corporate governance through reading relevant materials in order to consolidate their development in their respective specialties. The Directors of the Company also attended lectures on strategies, group management, finance, cost improvement and talent appraisal and introduction and received trainings from famous international and domestic scholars and entrepreneurs on corporate governance and from famous economists on China macro economy. 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. Li Xianzong	✓	✓	✓
Mr. Lau Chung Man, Louis	✓	✓	✓

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 board procedures 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 every 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 2013, the Company convened two meetings of the audit committee, one meeting of the remuneration committee and one meeting of 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.

Four meetings were held by the Board during 2013. The attendance of every Director at the Board meetings in 2013 is set out below:

Directors	Times of meeting should attend	Times of attendance	Times of attendance by proxy
Executive Director			
Mr. Lin Zuoming	4	2	2
Mr. Tan Ruisong	4	4	0
Non-executive Director			
Mr. Gu Huizhong	4	1	3
Mr. Gao Jianshe	4	3	1
Mr. Sheng Mingchuan	4	2	2
Mr. Maurice Savart	4	3	1
Independent Non-executive Directors			
Mr. Guo Chongqing	4	4	0
Mr. Li Xianzong	4	4	0
Mr. Lau Chung Man, Louis	4	2	2

In 2013, 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 2013 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. For the year ended 31 December 2013, the remuneration committee convened one meeting to consider and approve the unlocking of shares under the initial grant according to the Scheme.

For the year ended 31 December 2013, 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 2013 are set out in Note 15 to the financial statements.

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

Name of Director	Position	Times of meetings should attend	Times of attendance	Times of attendance by Proxy
Mr. Lau Chung Man, Louis	Chairman of the Remuneration Committee, Independent Non-executive Director	1	1	0
Mr. Gao Jianshe	Non-executive Director	1	1	0
Mr. Li Xianzong	Independent Non-executive Director	1	1	0
Mr. Guo Chongqing	Independent Non-executive Director	1	1	0

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 control 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 department 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. During the reporting period, Mr. Li Xianzong was the chairman of the committee. Mr. Li Xianzong, Mr. Lau Chung Man, Louis and Mr. Gu Huizhong have appropriate professional qualifications in accounting or related financial management expertise as required by the Listing Rules.

During 2013, the audit committee:

– reviewed the financial statements and the annual results announcement for the year ended 31 December 2012;

– reviewed the interim financial statements and relevant interim results announcement for the six months ended 30 June 2013;

– reviewed the Company's profit distribution plan for the year 2012 and the interim profit distribution plan for the year 2013;

– reviewed the proposal relating to the appointment of international and domestic auditors of the Company for the year 2013 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 2012 and the first half of 2013, the internal control report of the Company for the year 2012, and listened to the report from the external auditor on its audit work in relation to the year 2012 and on its review of 2013 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 2013.

The audit committee held two meetings during 2013. 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 Member	Position	Times of meetings should attend	Times of attendance	Attendance by alternate director
Mr. Li Xianzong	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. Lau Chung Man, Louis	Independent Non-executive Director	2	2	0

EXTERNAL AUDITORS

In 2013, 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 re-appoint PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP, as the international and PRC auditors of the Company to assume statutory audit work of the Company for the financial year 2014. The proposal is subject to the approval of shareholders at the annual general meeting of the Company for the year 2013.

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 63 to 64 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, 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 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. 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 2013. The nomination committee discussed the board composition, size and qualification of Directors to ensure the compliance with the relevant regulatory requirements and made amendments to its terms of reference in respect of the diversity of the Board composition pursuant to the Listing Rules. The attendance of the nomination committee members at the meeting is as follows:

Name of Member	Position	Times of meetings should attend	Times of attendance	Attendance by alternate director
Mr. Lin Zuoming	Chairman of the Nomination Committee, Executive Director	1	1	0
Mr. Li Xianzong	Independent Non-executive Director	1	1	0
Mr. Guo Chongqing	Independent Non-executive Director	1	1	0
Mr. Lau Chung Man, Louis	Independent Non-executive Director	1	1	0

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 2013 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 employees of the Company. All Directors and Supervisors have been provided with a copy of the Model Code and the Shares Trading Management Rules upon appointments. Two months 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 will be provided to the Directors and the Supervisors. All Directors and Supervisors of the Company have confirmed their compliance with the Model Code in 2013 upon specific enquiries with them.

Employees who may likely possess unpublished price sensitive 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 2013.

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 2013, 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 has established an Internal Audit Department which acts as a daily operational office of the audit committee of the Board 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 2013, the listed A share 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 2013. 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 state of establishment of the internal control system of other subsidiaries, the Internal Audit Department 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 2013, 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 the employees for performing the Group's accounting and financial reporting functions, the adequacy of the employee 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 2013, the Supervisory Committee held two meetings and considered and approved nine 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 2013, the Company convened one annual general meeting, at which seven resolutions were considered and approved; one extraordinary general meeting, at which two resolutions were considered and approved; one H Shareholders class meeting, in which one resolution was considered and approved; one Domestic Shareholders class meeting, in which one resolution was 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	Time(s) of meeting(s) should attend	Times of attendance
Mr. Lin Zuoming	4	3
Mr. Tan Ruisong	4	4
Mr. Gu Huizhong	4	0
Mr. Gao Jianshe	4	4
Mr. Sheng Mingchuan	4	1
Mr. Maurice Savart	4	3
Mr. Guo Chongqing	4	4
Mr. Li Xianzong	4	4
Mr. Lau Chung Man, Louis	4	3

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 latest consolidated version of the Articles of Association is set out on the websites of the Company and the Stock Exchange. In the year 2013, in view of the latest regulatory environment of the PRC and to cater for the development of the Company, the Board approved the amendments to the Articles of Association in relation to the voting requirements for the transfer or conversion and listing of domestic invested shares issued by the Company and traded on overseas stock exchange(s). In the meantime, the means of corporate communication were adjusted by the Board to improve the operational efficiency of the Company. Accordingly, the provisions of the Articles of Association were amended.

Please refer to the circular despatched to the Shareholders on 4 July 2013 by the Company for details of the amendments made to the Articles of Association.

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 made in a timely manner. During the reporting period, the Company published its annual report, interim report and other relevant announcements (including the overseas regulatory announcements published by the subsidiaries of the Company whose shares are listed on other 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 2013, the requirements of the Company maintained continuous dialogues and communications with shareholders pursuant to 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. Through discussion with hundreds of analysts, fund managers and institutional shareholders via routine roadshows and reverse roadshows, meetings held by investment banks, receptions of investor visits and answering phone calls, shareholders and investors are able to timely and fully understand the operations and development plans of the Company. Senior management of the Company attend and preside over the presentation on annual results and interim results in Hong Kong and various activities of global roadshow to provide key information to the capital market and media and respond to 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.

Independent Auditor's Report

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 65 to 165, which comprise the consolidated and company balance sheets as at 31 December 2013, 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.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

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 2013, 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, 25 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Revenue	5	22,192,749	18,368,204
Cost of sales		(17,885,023)	(14,444,274)
Gross profit		4,307,726	3,923,930
General and administrative expenses		(2,386,380)	(2,164,627)
Selling and distribution expenses		(414,669)	(368,864)
Other income	6	57,776	77,501
Other gains, net	7	193,434	81,243
Operating profit		1,757,887	1,549,183
Finance income	9	226,173	177,941
Finance costs	9	(300,049)	(243,670)
Finance costs, net		(73,876)	(65,729)
Share of profit/(loss) of a joint venture	21	3,574	(893)
Share of profits of associates	22	73,135	57,689
Profit before income tax		1,760,720	1,540,250
Income tax expense	10	(249,686)	(234,879)
Profit for the year		1,511,034	1,305,371
Attributable to:			
Equity holders of the Company		712,623	664,168
Non-controlling interests		798,411	641,203
		1,511,034	1,305,371
Earnings per share for profit attributable to equity holders of the Company during the year		RMB	RMB
– Basic	12	0.131	0.124
– Diluted	12	0.131	0.124
		RMB'000	RMB'000
Dividend	13	109,489	109,489

The notes on pages 73 to 165 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000 (Restated)
Profit for the year	1,511,034	1,305,371
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	79,766	(73,890)
Transfer from available-for-sale financial assets reserve to income statement upon disposal of available-for-sale financial assets	(29,134)	11,084
Currency translation differences	1,903	125
	52,535	(62,681)
Total comprehensive income for the year	1,563,569	1,242,690
Attributable to:		
Equity holders of the Company	737,639	638,105
Non-controlling interests	825,930	604,585
	1,563,569	1,242,690

The notes on pages 73 to 165 are an integral part of these consolidated financial statements.

Balance Sheets

As at 31 December 2013

	Note	Group 2013 RMB'000	Group 2012 RMB'000 (Restated)	Company 2013 RMB'000	Company 2012 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	16	9,243,070	7,134,489	19,304	20,260
Investment properties	17	31,451	26,529	–	–
Land use rights	18	1,416,191	1,261,338	–	–
Intangible assets	19	112,177	63,585	1,513	2,108
Interests in subsidiaries	20	–	–	5,284,481	4,762,540
Interests in a joint venture	21	37,681	34,107	–	–
Interests in associates	22	1,055,141	1,079,773	60,956	163,015
Available-for-sale financial assets	23	1,152,361	1,128,935	321,911	219,866
Deferred income tax assets	24	166,771	165,507	5,726	4,078
Accounts receivable	25	154,358	51,342	–	–
Other receivables and prepayments	27	–	–	65,000	–
Total non-current assets		13,369,201	10,945,605	5,758,891	5,171,867
Current assets					
Accounts receivable	25	8,958,429	7,136,004	265	5,726
Advances to suppliers	26	1,219,315	812,238	6,051	5,152
Other receivables and prepayments	27	1,183,255	1,329,575	281,715	236,075
Inventories	28	14,780,402	11,757,145	–	–
Financial assets held for trading		247	557	–	–
Pledged deposits	30	1,313,240	683,874	–	–
Term deposits with initial term of over three months	31	3,378,697	3,394,290	1,364,081	2,455,320
Cash and cash equivalents		6,725,516	5,605,572	773,472	210,177
Total current assets		37,559,101	30,719,255	2,425,584	2,912,450
Total assets		50,928,302	41,664,860	8,184,475	8,084,317

The notes on pages 73 to 165 are an integral part of these consolidated financial statements.

Balance Sheets

As at 31 December 2013

	Note	Group 2013 RMB'000	Group 2012 RMB'000 (Restated)	Company 2013 RMB'000	Company 2012 RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	37	5,474,429	5,474,429	5,474,429	5,474,429
Reserves	39	4,648,396	4,681,998	2,245,585	2,115,311
		10,122,825	10,156,427	7,720,014	7,589,740
Non-controlling interests		11,684,072	9,051,850	–	–
Total equity		21,806,897	19,208,277	7,720,014	7,589,740
LIABILITIES					
Non-current liabilities					
Long-term borrowings	36	1,910,696	771,677	–	–
Deferred income from government grants		747,122	478,476	–	–
Deferred income tax liabilities	24	20,036	7,718	–	–
Other payables and accruals	34	15,634	–	–	–
Total non-current liabilities		2,693,488	1,257,871	–	–
Current liabilities					
Accounts payable	32	14,031,733	10,796,028	40	941
Advances from customers	33	3,802,493	3,028,293	–	–
Other payables and accruals	34	3,739,745	2,923,813	57,910	83,484
Amounts payable to ultimate holding company	35	462,737	466,379	406,511	410,152
Current portion of long-term borrowings	36	255,080	665,320	–	–
Short-term borrowings	36	3,952,101	3,159,544	–	–
Current income tax liabilities		184,028	159,335	–	–
Total current liabilities		26,427,917	21,198,712	464,461	494,577
Total liabilities		29,121,405	22,456,583	464,461	494,577
Total equity and liabilities		50,928,302	41,664,860	8,184,475	8,084,317
Net current assets		11,131,184	9,520,543	1,961,123	2,417,873
Total assets less current liabilities		24,500,385	20,466,148	7,720,014	7,589,740

Director
Tan Ruisong

Director
Gu Huizhong

The notes on pages 73 to 165 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to equity holders of the Company									Non-controlling interests	
	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		Total
	RMB'000 (Note 37)	RMB'000	RMB'000 (Note 39(b))	RMB'000	RMB'000	RMB'000 (Note 39(c))	RMB'000 (Note 39(d))	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2013											
Balance at 1 January 2013, as restated	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 (Note 1(a) and 1(h))											
– 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 (Note 1(b))	–	–	(2,309)	–	–	–	–	–	(2,309)	(9,986)	(12,295)
Consideration of acquisitions to holding company (Note 1 (d) and 1(e))	–	–	(689,037)	–	–	–	–	–	(689,037)	(904,708)	(1,593,745)
Dilution of interests in subsidiaries (Note 1(f) and 1(g))	–	–	(265,631)	–	–	–	–	–	(265,631)	265,631	–
Non-controlling interests arising on business combination (Note 1(i))	–	–	–	–	–	–	–	–	–	129,891	129,891
Shares vested under share scheme											
– funded by the Company (Note 38)	–	26,776	–	(26,776)	–	–	–	–	–	–	–
– funded by scheme participants	–	24,717	–	–	–	–	–	–	24,717	–	24,717
Value of employee services under share scheme (Note 38)	–	–	–	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
	–	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 73 to 165 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to equity holders of the Company									Non-controlling interests	
	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	(Accumulated losses)/ retained earnings	Subtotal		Total
	RMB'000 (Note 37)	RMB'000	RMB'000 (Note 39(b))	RMB'000	RMB'000	RMB'000 (Note 39(c))	RMB'000 (Note 39(d))	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2012											
Balance at 1 January 2012, as restated	4,949,025	(139,994)	3,631,957	20,390	177,731	4,062	43,048	(440,823)	8,245,396	7,612,036	15,857,432
Total comprehensive (loss)/income for the year	–	–	–	–	(26,188)	125	–	664,168	638,105	604,585	1,242,690
Transactions with owners:											
Issuance of new shares	525,404	–	628,265	–	–	–	–	–	1,153,669	–	1,153,669
Consideration of acquisition to holding company	–	–	(376,591)	–	–	–	–	–	(376,591)	–	(376,591)
Disposal of subsidiaries (Note 40(c))	–	–	–	–	–	–	–	–	–	(1,966)	(1,966)
Dilution of interests in a subsidiary	–	–	257,242	–	–	–	–	–	257,242	(257,242)	–
Purchase of non-controlling interests of subsidiaries	–	–	122	–	–	–	–	–	122	(52,947)	(52,825)
Value of employee services under share scheme (Note 38)	–	–	–	27,188	–	–	–	–	27,188	–	27,188
2011 final dividend	–	–	–	–	–	–	–	(54,744)	(54,744)	–	(54,744)
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	734,681	734,681
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(99,805)	(99,805)
Transfer to statutory surplus reserve	–	–	–	–	–	–	20,399	(20,399)	–	–	–
Other appropriations	–	–	–	–	–	–	30,763	(30,763)	–	–	–
Contributions from previous shareholders	–	–	304,527	–	–	–	–	–	304,527	563,071	867,598
Distributions to previous shareholders	–	–	–	–	–	–	–	(38,487)	(38,487)	(50,563)	(89,050)
	525,404	–	813,565	27,188	–	–	51,162	(144,393)	1,272,926	835,229	2,108,155
Balance at 31 December 2012, as restated	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

The notes on pages 73 to 165 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Cash flows from operating activities			
Net cash generated from/(used in) operations	40(a)	847,268	(424,350)
Interest received		226,173	177,941
Interest paid		(279,325)	(230,960)
Enterprise income tax paid		(222,014)	(233,046)
Net cash generated from/(used in) operating activities		572,102	(710,415)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,687,059)	(1,067,054)
Purchase of land use rights		(172,124)	(139,327)
Payments for intangible assets		(3,222)	(2,656)
Addition of available-for-sale financial assets		(3,939)	(541,025)
Disposal of available-for-sale financial assets		95,906	30,817
Disposal of financial assets held for trading		1,557	137
Redemption of term deposits with initial term of over three months		3,394,290	2,347,969
Addition of term deposits with initial term of over three months		(3,378,697)	(3,394,290)
Proceeds from disposals of property, plant and equipment	40(b)(i)	16,509	26,958
Proceeds from disposals of investment properties	40(b)(ii)	133,579	3,000
Acquisition of subsidiaries, net of cash acquired		(989,289)	(193,186)
Net cash inflow from disposal of subsidiaries	40(c)	–	119,433
New investments in a joint venture		–	(35,000)
Additional investments in associates		(92,020)	(68,607)
Disposal of interests in associates		158,651	7,482
Dividends received from associates		87,158	147,257
Dividends received from available-for-sale financial assets and financial assets held for trading		30,071	24,722
Net cash used in investing activities		(3,408,629)	(2,733,370)

The notes on pages 73 to 165 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Cash flows from financing activities			
Issuance of new shares		–	970,265
Proceeds from borrowings		6,237,334	4,010,642
Repayments of borrowings		(4,730,998)	(3,505,168)
Contributions from non-controlling shareholders of subsidiaries		2,705,440	686,216
Purchase of non-controlling interests of subsidiaries		(12,295)	(7,856)
Dividends paid to equity holders of the Company		(109,489)	(54,744)
Dividends paid to non-controlling shareholders of subsidiaries		(113,912)	(54,709)
Contributions from previous shareholders		–	318,983
Distributions to previous shareholders		–	(172,290)
Net cash generated from financing activities		3,976,080	2,191,339
Net increase/(decrease) in cash and cash equivalents		1,139,553	(1,252,446)
Cash and cash equivalents at 1 January		5,605,572	6,857,820
Exchange (losses)/gains on cash and cash equivalents		(19,609)	198
Cash and cash equivalents at 31 December		6,725,516	5,605,572

The notes on pages 73 to 165 are an integral part of these consolidated financial statements.

Notes to the 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 25 March 2014.

Major changes of Group structure

(a) On 3 April 2013, China Aviation Optical-Electrical Technology Co., Ltd. ("JONHON Optronic", a subsidiary of the Company) issued approximately 62 million new shares (equivalent to approximately RMB807 million) to six subscription targets including the Company.

Upon this share issuance, the equity interests held by the Company in JONHON Optronic was diluted from 43.34% to 41.57%. Although the Company holds less than 50% of the equity interests and voting rights in JONHON Optronic, it is deemed to have remained 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 Company.

(b) On 17 June 2013, the Company acquired an additional 1.56% equity interests in Chengdu CAIC Electronics Co., Ltd. ("AVIC Kaitian", a subsidiary of the Company) at a cash consideration of approximately RMB12 million.

Upon this acquisition, the total equity interests held by the Company and a subsidiary of the Company in AVIC Kaitian increased from 86.74% to 88.30%.

(c) On 5 September 2013, the Company made a capital injection in cash of RMB30 million to China Aviation Publishing & Media Co., Ltd. ("CAPMC", a subsidiary of AVIC). Upon this injection, the Company holds 53.63% equity interests in CAPMC and thereby obtained its control which became a subsidiary of the Company since then.

Notes to the Financial Statements

1 ORGANISATION AND PRINCIPAL ACTIVITIES (Continued)

Major changes of Group structure (Continued)

(d) On 30 September 2013, China AVIC Electronics Co., Ltd. ("AVIC Avionics", a subsidiary of the Company) acquired from AVIC Avionics Systems Co., Ltd. ("AVIC Avionics Systems", a subsidiary of AVIC) its 100% equity interests in each of Beijing Keeven Aviation Instrument Co., Ltd. ("Keeven Instrument") and Suzhou Changfeng Avionics Co., Ltd. ("Changfeng Avionics") at an aggregate cash consideration of approximately RMB1,418 million which was recognised in the Group's equity during the year.

(e) On 30 September 2013, AVIC Avionics acquired from Hanzhong Aviation Industry Group Co., Ltd. ("Hanzhong Aviation", a subsidiary of AVIC) its entire 100% equity interests in Shaanxi Oriental Aeronautic Instrument Manufacture Co., Ltd. ("Oriental Instrument") at a cash consideration of approximately RMB176 million which was recognised in the Group's equity during the year.

(f) On 6 November 2013, Hafei Aviation Industry Co., Ltd. ("Hafei Aviation", a subsidiary of the Company) issued and the Company subscribed approximately 38 million new shares of Hafei Aviation (equivalent to approximately RMB642 million). The share issuance was satisfied by the Company by transferring its entire 100% equity interests in Jiangxi Changhe Aviation Industry Co., Ltd. ("Changhe Aviation", a subsidiary of the Company), being valued at the same amount, to Hafei Aviation.

Upon this share issuance, the equity interests held by the Group in Hafei Aviation increased from 50.05% to 55.11% with the Group's effective interests in Changhe Aviation being diluted to 55.11%.

(g) On 6 November 2013, Hafei Aviation issued and AVIC Helicopter Limited ("AVIC Helicopter", a subsidiary of AVIC) and Harbin Aircraft Industry Group Limited ("AVIC Hafei", a subsidiary of AVIC) subscribed an aggregate of approximately 159 million new shares of Hafei Aviation (equivalent to approximately RMB2,679 million). The share issuance was satisfied by AVIC Helicopter and AVIC Hafei by transferring their entire 100% equity interests in each of Jingdezhen Changfei Aviation Parts and Components Co., Ltd. ("Changfei Parts and Components"), Tianjin Helicopter Co., Ltd. ("Helicopter Tianjin") and Huiyang Aviation Propeller Limited ("AVIC Huiyang") respectively, as well as certain helicopter component manufacturing assets, being valued at the same aggregate amount, to Hafei Aviation.

Upon these share issuances, the equity interests held by the Group in Hafei Aviation was diluted from 55.11% to 38.73%.

Notes to the Financial Statements

1 ORGANISATION AND PRINCIPAL ACTIVITIES (Continued)

Major changes of Group structure (Continued)

(h) On 13 November 2013, Hafei Aviation issued approximately 55 million new shares (equivalent to approximately RMB1,070 million) to certain independent investors.

Upon this share issuance, the equity interests held by the Group in Hafei Aviation was further diluted from 38.73% to 35.10%.

Notwithstanding the dilution of interests in Note 1(g) and 1(h), Hafei Aviation remains a subsidiary of the Group since the Company, AVIC Helicopter and AVIC Hafei had entered into an agreement that upon the abovementioned share issuances, AVIC Helicopter and AVIC Hafei would undertake to exercise their then entire 26.94% voting rights in Hafei Aviation in accordance with the instructions of the Company and as a result the Company has power over more than half of the voting rights in Hafei Aviation before and after these transactions.

(i) On 20 November 2013, JONHON Optronic acquired 48.18% equity interests in Xi'an Forstar S&T Co., Ltd. ("Xi'an Forstar") from third parties with a cash consideration of approximately RMB127 million. In connection with this transaction, JONHON Optronic had entered into an agreement with a non-controlling shareholder of Xi'an Forstar that he would undertake to exercise his entire 5.5% voting rights in Xi'an Forstar in accordance with the instructions of JONHON Optronic. As a result JONHON Optronic has power over more than half of the voting rights in Xi'an Forstar and thereby obtained its control since then. Further information is set out in Note 42.

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.

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.

(a) Restatement of prior year's financial statements due to business combinations under common control

Corresponding to Note 1(c), 1(d), 1(e) and 1(g), given that CAPMC, Keeven Instrument, Changfeng Avionics, Oriental Instrument, Changfei Parts and Components, Helicopter Tianjin and AVIC Huiyang are all under common control of AVIC immediately before and after the business combinations, the Company applies the principles of merger accounting in preparing these consolidated financial statements of the Company.

Notes to the Financial Statements

2 BASIS OF PREPARATION (Continued)

(a) Restatement of prior year's financial statements due to business combinations under common control (Continued)

By applying the principles of merger accounting, these consolidated financial statements of the Company also includes the financial positions, results and cash flows of CAPMC, Keeven Instrument, Changfeng Avionics, Oriental Instrument, Changfei Parts and Components, Helicopter Tianjin and AVIC Huiyang as if they had been combined with the Group throughout the year ended 31 December 2013, and from the earliest date presented. Comparative figures as at 31 December 2012 and for the year then ended have been restated as a result of such.

The following are reconciliations of the effects arising from the abovementioned common control combinations on the consolidated balance sheet as at 31 December 2012, consolidated income statement and consolidated statement of cash flows for the year ended 31 December 2012.

(i) The consolidated balance sheet as at 31 December 2012:

	Balances as previously reported RMB'000	Merger of CAPMC RMB'000	Merger of Keeven Instrument, Changfeng Avionics and Oriental Instrument RMB'000	Merger of Changfei Parts and Components, Helicopter Tianjin and AVIC Huiyang RMB'000	Elimination of inter-company balances RMB'000	Balances as restated RMB'000
Total non-current assets	7,801,746	4,575	1,372,365	1,766,919	–	10,945,605
Total current assets	28,094,366	52,109	1,999,886	891,520	(318,626)	30,719,255
Total non-current liabilities	915,953	–	292,668	49,250	–	1,257,871
Total current liabilities	18,486,571	32,766	1,999,055	974,253	(293,933)	21,198,712
Total equity	16,493,588	23,918	1,080,528	1,634,936	(24,693)	19,208,277

Notes to the Financial Statements

2 BASIS OF PREPARATION (Continued)

(a) Restatement of prior year's financial statements due to business combinations under common control (Continued)

(ii) The consolidated income statement for the year ended 31 December 2012:

	Amounts as previously reported RMB'000	Merger of CAPMC RMB'000	Merger of Keeven Instrument, Changfeng Avionics and Oriental Instrument RMB'000	Merger of Changfei Parts and Components, Helicopter Tianjin and AVIC Huiyang RMB'000	Elimination of inter-company transactions RMB'000	Amounts as restated RMB'000
Revenues	16,800,189	94,792	1,283,624	506,865	(317,266)	18,368,204
Profit for the year	1,156,992	2,678	137,889	7,812	–	1,305,371

(iii) The consolidated statement of cash flows for the year ended 31 December 2012:

	Amounts as previously reported RMB'000	Merger of CAPMC RMB'000	Merger of Keeven Instrument, Changfeng Avionics and Oriental Instrument RMB'000	Merger of Changfei Parts and Components, Helicopter Tianjin and AVIC Huiyang RMB'000	Amounts as restated RMB'000
Net cash (used in)/generated from operating activities	(746,162)	10,014	43,436	(17,703)	(710,415)
Net cash used in investing activities	(2,166,807)	(1,461)	(176,179)	(388,923)	(2,733,370)
Net cash generated from financing activities	1,828,878	–	43,477	318,984	2,191,339

Notes to the Financial Statements

2 BASIS OF PREPARATION (Continued)

(b) New/revised standards, amendments to standards and interpretations

The following revised/new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013:

IAS 1 (Amendment)	Presentation of financial statements
IAS 19 (Amendment)	Employee benefits
IAS 27 (revised 2011)	Separate financial statements
IAS 28 (revised 2011)	Associates and joint ventures
IFRS 1 (Amendment)	Government loans
IFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurements
IFRIC 20	Stripping costs in the production phase of a surface mine

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

The following new/revised standards, amendments to standards and interpretation have been issued but are not yet effective for the financial year beginning 1 January 2013 and have not been early adopted:

		Effective for accounting periods beginning on or after
IAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
IAS 36 (Amendment)	Impairment of assets: recoverable amount disclosures	1 January 2014
IAS 39 (Amendments)	Financial instruments: Recognition and Measurement – Novation of derivatives	1 January 2014
IFRS 9	Financial instruments	1 January 2015
IFRS 10, IFRS 12 and IAS 27 (revised 2011) (Amendment)	Consolidation for investment entities	1 January 2014
IFRIC 21	Levies	1 January 2014

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

Notes to the Financial Statements

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.

(i) Merger accounting and subsidiaries

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.

Subsidiaries are all entities 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.

Notes to the Financial Statements

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

(i) Merger accounting and subsidiaries (Continued)

Except for combination of businesses under common control by using merger accounting as described in Note 2(a), 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. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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.

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.

Notes to the Financial Statements

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

Notes to the Financial Statements

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

(v) Associates (Continued)

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.

Notes to the Financial Statements

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	3 – 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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Intangible assets (Continued)

(iv) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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 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.

Notes to the Financial Statements

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, held-to-maturity 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, cash and cash equivalents.

- Held-to-maturity investments

  Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any financial asset in this category.

- 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.

Notes to the Financial Statements

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Financial assets (Continued)

(ii) Recognition and measurement

Regular 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.

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).

Notes to the Financial Statements

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(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.

(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.

(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).

Notes to the Financial Statements

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(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.

(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.

Notes to the Financial Statements

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(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.

(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 and associates, 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.

Notes to the Financial Statements

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Current and deferred income tax (Continued)

(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.

(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.

Non-market performance and service conditions are included in assumptions about the number of restricted shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. 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.

Notes to the Financial Statements

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(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.

(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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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 Board of Directors that makes strategic decisions.

Notes to the Financial Statements

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 Xi'an Forstar as disclosed in Note 42 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.

Notes to the Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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.

(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.

Notes to the Financial Statements

5 SEGMENT INFORMATION

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

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

- Manufacturing, assembly, sales and servicing of helicopters, trainers and other aircraft ("Aviation entire aircraft'')

- Manufacturing and sales of aviation parts and components ("Aviation parts & components'')

The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the consolidated income statement.

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

Notes to the Financial Statements

5 SEGMENT INFORMATION (Continued)

	Aviation entire aircraft RMB'000	Aviation parts & components RMB'000	Total RMB'000
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
For the year ended 31 December 2012 (restated)			
Total segment revenue	8,273,277	11,253,991	19,527,268
Inter-segment revenue	–	(1,159,064)	(1,159,064)
Revenue (from external customers)	8,273,277	10,094,927	18,368,204
Segment results	273,737	1,329,262	1,602,999
Other profit & loss disclosures:			
Depreciation and amortisation	223,341	417,805	641,146
Provision for impairments on receivables and inventories	19,789	62,560	82,349
Finance costs, net	15,076	50,653	65,729
Share of loss of a joint venture	–	893	893
Share of losses/(profits) of associates	28,611	(86,300)	(57,689)
Income tax expense	52,762	182,117	234,879

Notes to the Financial Statements

5 SEGMENT INFORMATION (Continued)

Reconciliation of segment results to profit for the year:

	2013 RMB'000	2012 RMB'000 (Restated)
Segment result for aviation entire aircraft and aviation parts & components	1,816,945	1,602,999
Corporate overheads	(56,225)	(62,749)
Profit before income tax	1,760,720	1,540,250
Income tax expense	(249,686)	(234,879)
Profit for the year	1,511,034	1,305,371

6 OTHER INCOME

	2013 RMB'000	2012 RMB'000 (Restated)
Rental income	9,894	18,475
Profit from sale of scrap materials	10,023	6,818
Income from rendering of maintenance and other services	7,788	27,486
Dividend income from available-for-sale financial assets and financial assets held for trading	30,071	24,722
	57,776	77,501

Notes to the Financial Statements

7 OTHER GAINS, NET

	2013 RMB'000	2012 RMB'000 (Restated)
Fair value gain on financial assets held for trading	38	27
Gain/(loss) on disposal of:		
– property, plant and equipment	7,287	(1,633)
– investment properties	83,579	49,465
– interests in subsidiaries	–	7,779
– interests in associates	45,495	(1,618)
– available-for-sale financial assets	55,826	27,086
– financial assets held for trading	1,209	137
	193,434	81,243

Notes to the Financial Statements

8 EXPENSES BY NATURE

	2013 RMB'000	2012 RMB'000 (Restated)
Advertising costs	7,018	7,942
Amortisation on:		
– Intangible assets	6,278	6,037
– Land use rights	27,655	27,478
Auditors' remuneration	9,586	10,978
Raw materials and consumables used	7,855,511	8,338,768
Changes in inventories of finished goods and work-in-progress	(1,915,104)	(2,301,547)
Contract costs incurred	7,994,183	4,548,647
Depreciation on:		
– Investment properties	1,674	1,206
– Property, plant and equipment	699,890	606,425
Less: amortisation of deferred income from government grants	(39,931)	(25,499)
	661,633	582,132
Fuel	318,770	315,938
Insurance	12,077	18,321
Operating lease rentals	91,326	73,365
Provision/(reversal of provision) for impairment on:		
– Inventories	52,092	34,244
– Receivables	(35,372)	48,105
Repairs and maintenance expense	208,923	175,810
Research expenditures and development costs	801,522	798,466
Staff costs, including directors' emoluments (Note 14)	3,127,048	2,831,893
Sub-contracting charges	373,370	407,790
Sundries	847,759	841,094
Transportation expenses	92,370	78,139
Travelling	149,427	134,165
Total cost of sales, general and administrative expenses, and selling and distribution expenses	20,686,072	16,977,765

Notes to the Financial Statements

9 FINANCE COSTS, NET

	2013 RMB'000	2012 RMB'000 (Restated)
Finance income:		
Interest income on bank balances and deposits	226,173	177,941
Finance costs:		
Interest expense on bank borrowings		
– Wholly repayable within 5 years	169,850	188,740
– Not wholly repayable within 5 years	2,294	–
Interest expense on other borrowings		
– Wholly repayable within 5 years	131,506	38,556
– Not wholly repayable within 5 years	16,345	31,651
	319,995	258,947
Less: Amount capitalised in property, plant and equipment (note)	(40,670)	(27,987)
	279,325	230,960
Other finance costs	20,724	12,710
	300,049	243,670
	(73,876)	(65,729)

Note:

Interest rates per annum at which finance costs were capitalised	4.70%-6.55%	3.51%-6.55%

Notes to the Financial Statements

10 INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000 (Restated)
Current income tax	244,857	239,969
Deferred income tax	4,829	(5,090)
	249,686	234,879

Notes:

(a) Except for certain subsidiaries which are taxed at a preferential rate of 15% (2012:15%), in accordance with the relevant PRC enterprise income tax rules and regulations, provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 25% (2012: 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:

	2013 RMB'000	2012 RMB'000 (Restated)
Profit before income tax	1,760,720	1,540,250
Tax calculated at the statutory tax rate of 25%	440,180	385,063
Preferential tax rates on the income of certain subsidiaries	(139,855)	(115,316)
Non-taxable income	(55,900)	(48,091)
Expenses not deductible for tax purposes	24,104	23,793
Utilisation of previously unrecognised tax losses	(9,256)	(6,775)
Others	(9,587)	(3,795)
Tax charge	249,686	234,879

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 RMB207,417,000 (2012: RMB203,985,000).

Notes to the Financial Statements

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 38).

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:

	2013 RMB'000	2012 RMB'000 (Restated)
Profit attributable to equity holders of the Company	712,623	664,168
Weighted average number of ordinary shares in issue less shares held for restricted share scheme for calculating basic earnings per share (thousands)	5,447,626	5,372,773
Potential dilutive effect arising from restricted shares (thousands)	9,197	3,763
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	5,456,823	5,376,536

Notes to the Financial Statements

13 DIVIDEND

	2013 RMB'000	2012 RMB'000
Final dividend, proposed of RMB0.02 (2012: 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 2014.

14 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2013 RMB'000	2012 RMB'000 (Restated)
Wages, salaries and bonuses	2,014,202	1,824,086
Housing benefits	241,704	218,890
Restricted shares (Note 38)	17,292	27,188
Contributions to pension plans	402,840	364,817
Welfare and other expenses	451,010	396,912
	3,127,048	2,831,893

Notes to the Financial Statements

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 2013 and 2012 are set out below.

	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 (note (i))	–	–	–	–	–
	1,070	950	–	–	2,020

Notes to the Financial Statements

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

(a) Directors' emoluments (Continued)

	Year ended 31 December 2012				
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
Wu Xiandong (note (iii))	–	188	–	–	188
Non-executive directors					
Gu Huizhong	380	–	–	–	380
Xu Zhanbin (note (iii))	158	–	–	–	158
Geng Ruguang (note (iii))	158	–	–	–	158
Zhang Xinguo (note (iii))	158	–	–	–	158
Gao Jianshe	380	–	–	–	380
Li Fangyong (note (iii))	158	–	–	–	158
Chen Yuanxian (note (iii))	133	–	–	–	133
Sheng Mingchuan (note (ii))	–	–	–	–	–
Wang Yong (note (iii))	–	–	–	–	–
Maurice Savart	60	–	–	–	60
Independent non-executive directors					
Lau Chungman	150	–	–	–	150
Guo Chongqing	100	–	–	–	100
Li Xianzong	–	–	–	–	–
	1,835	1,138	–	–	2,973

Notes:

(i) Applied for resignation on 6 January 2014

(ii) Appointed on 25 May 2012

(iii) Resigned on 25 May 2012

* Chief executive of the Company

Notes to the Financial Statements

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 2013 and 2012 are set out below.

	Year ended 31 December 2013				
Name of supervisor	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
Supervisors					
Bai Ping	320	–	–	–	320
Yu Guanghai	40	–	–	–	40
Li Jing	187	–	–	–	187
	547	–	–	–	547

Notes to the Financial Statements

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

(b) Supervisors' emoluments (Continued)

	Year ended 31 December 2012				
Name of supervisor	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
Supervisors					
Bai Ping	320	–	–	–	320
Wang Yuming (note(ii))	17	–	–	–	17
Yu Guanghai	40	–	–	–	40
Li Jing (note (i))	119	–	–	–	119
Li Yuhai (note (iii))	158	–	–	–	158
Tang Jianguo (note (iii))	158	–	–	–	158
	812	–	–	–	812

Notes:

(i) Appointed on 25 May 2012

(ii) Resigned on 25 May 2012

(iii) Resigned on 30 December 2011 but were paid for supervisor responsibility during the transition period before new supervisor was appointed on 25 May 2012

(c) Five highest paid individuals

The five individuals whose emoluments were highest in the Group for the year included five (2012: five) directors/supervisors whose emoluments are reflected in the analyses presented above.

(d) No directors or supervisors of the Company waived any emoluments during the years ended 31 December 2012 and 2013. 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 (2012: Nil).

Notes to the Financial Statements

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 2013	1,583,495	3,384,112	4,387,251	1,759,625	11,114,483
Acquisition of business (Note 42)	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

Notes to the Financial Statements

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group				
	Construction in progress RMB'000 (Restated)	Buildings RMB'000 (Restated)	Plant and equipment RMB'000 (Restated)	Furniture and fixtures, other equipment and motor vehicles RMB'000 (Restated)	Total RMB'000 (Restated)
Cost					
As at 1 January 2012	677,528	3,205,264	4,285,778	1,550,812	9,719,382
Additions	1,111,634	163,105	120,744	217,397	1,612,880
Transfer upon completion	(146,000)	44,580	65,319	36,101	–
Disposals/write-off	–	(13,658)	(60,364)	(43,386)	(117,408)
Disposal of subsidiaries	(59,667)	(15,179)	(24,226)	(1,299)	(100,371)
As at 31 December 2012	1,583,495	3,384,112	4,387,251	1,759,625	11,114,483
Accumulated depreciation and impairment					
As at 1 January 2012	–	831,561	1,878,716	774,791	3,485,068
Depreciation	–	88,728	304,684	213,013	606,425
Disposals/write-off	–	(12,214)	(45,764)	(30,839)	(88,817)
Disposal of subsidiaries	–	(4,188)	(17,282)	(1,212)	(22,682)
As at 31 December 2012	–	903,887	2,120,354	955,753	3,979,994
Net book value					
As at 31 December 2012	1,583,495	2,480,225	2,266,897	803,872	7,134,489

Notes to the Financial Statements

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 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
Cost				
As at 1 January 2012	14,647	3,402	11,364	29,413
Additions	–	–	755	755
Disposals/write-off	–	–	(941)	(941)
As at 31 December 2012	14,647	3,402	11,178	29,227
Accumulated depreciation and impairment				
As at 1 January 2012	949	956	6,390	8,295
Depreciation	468	11	1,103	1,582
Disposals/write-off	–	–	(910)	(910)
As at 31 December 2012	1,417	967	6,583	8,967
Net book value				
As at 31 December 2012	13,230	2,435	4,595	20,260

Note:

As at 31 December 2013, certain of the Group's property, plant and equipment with carrying value of approximately RMB294,770,000 (2012: RMB303,313,000) 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 2013 ranged from 9 to 36 years (2012: 10 to 37 years).

Notes to the Financial Statements

17 INVESTMENT PROPERTIES

	Group 2013 RMB'000	2012 RMB'000 (Restated)
Cost		
As at 1 January	34,676	36,132
Transfer from property, plant and equipment (Note 16)	9,871	–
Additions	–	829
Disposals	(4,261)	(2,285)
As at 31 December	40,286	34,676
Accumulated depreciation		
As at 1 January	8,147	8,086
Transfer from property, plant and equipment (Note 16)	880	–
Depreciation	1,674	1,206
Disposals	(1,866)	(1,145)
As at 31 December	8,835	8,147
Net book value		
As at 31 December	31,451	26,529
At valuation	37,580	28,221

All investment properties are located in the PRC and their valuations as at 31 December 2013 and 2012 stated above were determined by management on an open market value basis.

Notes to the Financial Statements

18 LAND USE RIGHTS

	Group	
	2013	2012
	RMB'000	RMB'000
		(Restated)
Cost		
As at 1 January	1,354,181	989,286
Acquisition of business (Note 42)	10,384	–
Additions	172,124	414,898
Disposal of subsidiaries	–	(50,003)
As at 31 December	1,536,689	1,354,181
Accumulated amortisation		
As at 1 January	92,843	85,092
Amortisation	27,655	27,478
Disposal of subsidiaries	–	(19,727)
As at 31 December	120,498	92,843
Net book amount		
As at 31 December	1,416,191	1,261,338

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 RMB116,400,000 as at 31 December 2013.

Notes to the Financial Statements

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 2013	36,041	50,025	–	–	–	86,066	3,859
Acquisition of business (Note 42)	–	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
	(Restated)	(Restated)				(Restated)	
Cost							
As at 1 January 2012	33,825	49,585	–	–	–	83,410	3,535
Additions	2,216	440	–	–	–	2,656	324
As at 31 December 2012	36,041	50,025	–	–	–	86,066	3,859
Accumulated amortisation							
As at 1 January 2012	–	16,444	–	–	–	16,444	832
Amortisation	–	6,037	–	–	–	6,037	919
As at 31 December 2012	–	22,481	–	–	–	22,481	1,751
Net book amount							
As at 31 December 2012	36,041	27,544	–	–	–	63,585	2,108

Notes to the Financial Statements

19 INTANGIBLE ASSETS (Continued)

Note:

The goodwill acquired in the acquisition of Xi'an Forstar (Note 42) is fully allocated to this unit. As of 31 December 2013, the Group has performed an impairment assessment of goodwill based on the recoverable amount of this CGU and concluded that no impairment provision was necessary. The recoverable amount of this 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 2013 are annual volume growth rate of 9%, long-term growth rate of 0% and discount rate of 13%.

Management determined annual volume growth rate covering over the five-year forecast period to be a key assumption. 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. The discount rate used is pre-tax and reflects specific risks relating to the relevant business.

20 INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	RMB'000	RMB'000
Investments, at cost		
– Shares listed in the PRC	3,655,818	3,001,321
– Unlisted investments	1,628,663	1,493,219
	5,284,481	4,494,540
Loans to subsidiaries (note (a))	–	268,000
	5,284,481	4,762,540
Market value of listed shares	27,832,819	15,929,970

Particulars of principal subsidiaries of the Group as at 31 December 2013 are set out in Note 45.

Notes to the Financial Statements

20 INTERESTS IN SUBSIDIARIES (Continued)

Notes:

(a) Loans to subsidiaries are unsecured and non-interest bearing. These loans have no fixed terms of repayment and are regarded as equity contributions to the subsidiaries.

(b) 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

	Hafei Aviation		AVIC Avionics		JONHON Optronic	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Non-current assets	3,729,865	2,173,657	4,129,060	3,749,895	1,316,541	1,029,070
Current assets	16,349,046	5,251,174	9,466,381	8,125,971	4,021,874	2,430,996
Total assets	20,078,911	7,424,831	13,595,441	11,875,866	5,338,415	3,460,066
Non-current liabilities	229,750	49,600	1,224,440	751,990	926,509	425,731
Current liabilities	13,883,255	4,135,071	7,438,539	5,403,564	1,510,851	1,305,582
Total liabilities	14,113,005	4,184,671	8,662,979	6,155,554	2,437,360	1,731,313
Net assets	5,965,906	3,240,160	4,932,462	5,720,312	2,901,055	1,728,753
Non-controlling interests	3,925,627	1,868,655	2,966,849	3,352,390	1,870,940	1,058,095

(ii) Summarised statements of comprehensive income

	Hafei Aviation		AVIC Avionics		JONHON Optronic	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	5,723,107	3,382,068	5,992,589	5,584,296	2,601,763	2,203,478
Net profit	209,535	150,051	701,425	640,475	261,620	202,869
Other comprehensive loss	–	–	(16,642)	(24,304)	–	–
Total comprehensive income	209,535	150,051	684,783	616,171	261,620	202,869
Attributable to non-controlling interests	107,758	76,080	407,326	364,668	157,988	115,044

Notes to the Financial Statements

20 INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(b) Non-controlling interests (Continued)

(iii) Summarised statements of cash flows

	Hafei Aviation		AVIC Avionics		JONHON Optronic	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Net cash flows from operating activities	231,026	(445,806)	304,838	(12,554)	202,876	82,273
Net cash flows from investing activities	(258,970)	(129,403)	(1,005,961)	(815,523)	(282,956)	(216,046)
Net cash flows from financing activities	631,540	24,066	935,905	776,900	1,137,586	38,892
Net increase/(decrease) in cash and cash equivalents	603,596	(551,143)	234,782	(51,177)	1,057,506	(94,881)

21 INTERESTS IN A JOINT VENTURE

	Group	
	2013 RMB'000	2012 RMB'000 (Restated)
Share of net assets, as at 1 January	34,107	–
Share of profit/(loss) of a joint venture		
– profit/(loss) before income tax	3,574	(893)
– income tax expense	–	–
	3,574	(893)
New investments	–	35,000
Share of net assets, as at 31 December	37,681	34,107

Particulars of the joint venture of the Group as at 31 December 2013 are set out in Note 45.

Notes to the Financial Statements

22 INTERESTS IN ASSOCIATES

	Group	
	2013	2012
	RMB'000	RMB'000
		(Restated)
Share of net assets, as at 1 January	1,079,773	1,072,532
Share of profits of associates		
– profit before income tax	117,911	96,238
– income tax expense	(44,776)	(38,549)
	73,135	57,689
Acquisition of business (Note 42)	2,552	–
Additional investments	92,020	68,607
Dividends received from associates	(79,183)	(109,757)
Disposal of interests in associates	(113,156)	(9,298)
Share of net assets, as at 31 December	1,055,141	1,079,773

	Company	
	2013	2012
	RMB'000	RMB'000
Unlisted investment, at cost	60,956	163,015

Particulars of principal associates of the Group as at 31 December 2013 are set out in Note 45.

Notes to the Financial Statements

22 INTERESTS IN ASSOCIATES (Continued)

Notes:

(a) Summarised financial information for significant associates

(i) Summarised balance sheets

	Harbin Embraer Aircraft Industry Co., Ltd.		Harbin Hafei Airbus Composite Materials Manufacturing Centre Co., Ltd.		Jiangxi Hongdu Commercial Aircraft Corporation Ltd.		Schneider Electric Low Voltage (Tianjin) Co., Ltd.	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Current assets								
Cash and cash equivalents	212,664	416,482	73,661	77,556	891,288	937,473	12,776	24,397
Other current assets	408,958	90,646	553,600	155,340	29,431	34,962	248,032	260,527
Total current assets	621,622	507,128	627,261	232,896	920,719	972,435	260,808	284,924
Non-current assets	48,238	68,849	495,075	801,173	327,502	124,009	279,967	288,388
Current liabilities								
Financial liabilities	133,748	54,484	106,789	181,150	23,575	9,491	121,699	167,428
Other current liabilities	159,404	91,245	50	556	–	46,966	52,298	98,513
Total current liabilities	293,152	145,729	106,839	181,706	23,575	56,457	173,997	265,941
Non-current liabilities								
Financial liabilities	–	–	327,890	18,045	–	–	–	–
Other non-current liabilities	–	–	13,513	10,983	16,031	–	–	–
Total non-current liabilities	–	–	341,403	29,028	16,031	–	–	–
Net assets	376,708	430,248	674,094	823,335	1,208,615	1,039,987	366,778	307,371

Notes to the Financial Statements

22 INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

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

(i) Summarised balance sheets (Continued)

	Harbin Embraer Aircraft Industry Co., Ltd.		Harbin Hafei Airbus Composite Materials Manufacturing Centre Co., Ltd.		Jiangxi Hongdu Commercial Aircraft Corporation Ltd.		Schneider Electric Low Voltage (Tianjin) Co., Ltd.	
	2013	2012	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reconciliation to carrying amounts:								
Opening net assets	430,248	483,287	823,335	934,636	1,039,987	784,522	307,371	313,688
Net (loss)/profit and total comprehensive (loss)/income for the year	(33,264)	(53,039)	(149,241)	(111,301)	4,831	1,665	283,988	324,581
Dividends paid	–	–	–	–	–	–	(224,581)	(330,898)
Other changes in equity	(20,276)	–	–	–	163,797	253,800	–	–
Closing net assets	376,708	430,248	674,094	823,335	1,208,615	1,039,987	366,778	307,371
Group's share in %	49%	49%	20%	20%	26%	26%	25%	20%
Carrying amount	184,932	211,168	134,823	164,671	308,104	306,872	126,635	62,145

(ii) Summarised statements of comprehensive income

	Harbin Embraer Aircraft Industry Co., Ltd.		Harbin Hafei Airbus Composite Materials Manufacturing Centre Co., Ltd.		Jiangxi Hongdu Commercial Aircraft Corporation Ltd.		Schneider Electric Low Voltage (Tianjin) Co., Ltd.	
	2013	2012	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	7	–	27,156	16,016	55,175	10,611	981,770	1,046,790
Cost of sales	(10)	–	(43,658)	(32,283)	(49,502)	(9,208)	(561,556)	(590,691)
Other (expenses)/income	(33,261)	(53,039)	(132,739)	(95,034)	(842)	262	(136,226)	(131,518)
Net (loss)/profit and total comprehensive (loss)/ income	(33,264)	(53,039)	(149,241)	(111,301)	4,831	1,665	283,988	324,581

Notes to the Financial Statements

22 INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(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.

	2013 RMB'000	2012 RMB'000
Aggregate net assets of individually immaterial associates	775,806	850,605
Aggregate amounts of the Group's share thereon	300,647	334,917
Aggregate net profit and total comprehensive income	282,683	184,378

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2013 RMB'000	2012 RMB'000 (Restated)	2013 RMB'000	2012 RMB'000
Listed equity securities, at fair value	278,033	217,897	–	–
Unlisted investments (note)	876,496	914,205	321,911	219,866
Less: provision for impairment	(2,168)	(3,167)	–	–
	874,328	911,038	321,911	219,866
	1,152,361	1,128,935	321,911	219,866

Note:

These assets principally represent interests in certain unlisted companies and investments on structured deposits 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. Balance as at 31 December 2013 includes structured deposits of RMB350,000,000 (2012: RMB350,000,000) with variable returns and a maturity of 2 years.

Notes to the Financial Statements

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	
	2013	2012	2013	2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Deferred income tax assets	166,771	165,507	5,726	4,078
Deferred income tax liabilities	(20,036)	(7,718)	–	–
Total deferred income tax assets less total deferred income tax liabilities	146,735	157,789	5,726	4,078

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

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
As at 1 January	157,789	141,615	4,078	–
Acquisition of business (Note 42)	2,710	–	–	–
(Charged)/credited to consolidated income statement	(4,829)	5,090	1,648	4,078
(Charged)/credited to available-for-sale financial assets reserve	(8,935)	11,084	–	–
As at 31 December	146,735	157,789	5,726	4,078

Notes to the Financial Statements

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	
	2013	2012	2013	2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Deferred income tax assets:				
Provision for impairment of receivables	45,922	50,683	–	–
Provision for impairment of inventories	27,982	23,652	–	–
Other temporary differences	124,728	127,201	5,726	4,078
	198,632	201,536	5,726	4,078
Deferred income tax liabilities:				
Development costs	5,096	5,096	–	–
Fair value changes on available-for-sale financial assets	39,724	30,789	–	–
Other temporary differences	7,077	7,862	–	–
	51,897	43,747	–	–
Total deferred income tax assets less total deferred income tax liabilities	146,735	157,789	5,726	4,078

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 RMB80 million (2012: RMB82 million) in respect of tax losses amounting to approximately RMB353 million (2012: RMB358 million) that can be carried forward against future taxable income. These unrecognised tax losses are expiring within 5 years.

Notes to the Financial Statements

25 ACCOUNTS RECEIVABLE

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Trade receivables, gross (note (a))				
– Fellow subsidiaries (Note 43(b))	4,676,688	3,207,234	265	5,726
– A joint venture (Note 43(b))	485	–	–	–
– Associates (Note 43(b))	17,043	10,399	–	–
– Other related party (Note 43(b))	12,033	–	–	–
– Others	2,738,880	2,663,755	–	–
	7,445,129	5,881,388	265	5,726
Less: provision for impairment of receivables	(247,966)	(285,290)	–	–
	7,197,163	5,596,098	265	5,726
Notes receivable (note (c))				
– Fellow subsidiaries (Note 43(b))	1,333,416	1,079,271	–	–
– Others	582,208	511,977	–	–
	1,915,624	1,591,248	–	–
	9,112,787	7,187,346	265	5,726
Less: non-current portion	(154,358)	(51,342)	–	–
Current portion	8,958,429	7,136,004	265	5,726

Notes to the Financial Statements

25 ACCOUNTS RECEIVABLE (Continued)

Notes:

(a) Certain of the Group's sales were on advance payment or documents against 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	
	2013	2012	2013	2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Current to 1 year	6,012,460	4,988,477	265	5,726
1 year to 2 years	990,769	617,156	–	–
Over 2 years	441,900	275,755	–	–
	7,445,129	5,881,388	265	5,726

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 2013, trade receivables of RMB2,395,440,000 (2012: RMB1,823,276,000 as restated) 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	
	2013	2012	2013	2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Up to 1 year	1,202,492	1,144,129	265	–
1 year to 2 years	892,933	560,441	–	–
Over 2 years	300,015	118,706	–	–
	2,395,440	1,823,276	265	–

Notes to the Financial Statements

25 ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(a) As of 31 December 2013, trade receivables of RMB247,966,000 (2012: RMB285,290,000 as restated) 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	
	2013 RMB'000	2012 RMB'000 (Restated)	2013 RMB'000	2012 RMB'000
Current to 1 year	8,245	71,526	–	–
1 year to 2 years	97,836	56,715	–	–
Over 2 years	141,885	157,049	–	–
	247,966	285,290	–	–

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

	Group		Company	
	2013 RMB'000	2012 RMB'000 (Restated)	2013 RMB'000	2012 RMB'000
At 1 January	285,290	240,111	–	–
(Reversal of provision)/provision for impairment	(35,372)	48,105	–	–
Write-off	(1,952)	(2,926)	–	–
At 31 December	247,966	285,290	–	–

(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 43(b).

(c) Substantially all of the notes receivable are bank acceptance notes with average maturity period of within six months.

(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)).

Notes to the Financial Statements

26 ADVANCES TO SUPPLIERS

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		
Fellow subsidiaries (Note 43(b))	565,467	254,726	5,000	5,000
Associates (Note 43(b))	7,570	2,577	–	–
Others	646,278	554,935	1,051	152
	1,219,315	812,238	6,051	5,152

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	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		
Amounts due from customers for contract work (Note 29)	31,578	66,658	–	–
Dividends receivable from				
– subsidiaries	–	–	–	106,620
– associates	190	8,165	–	–
Other advances to (note (a))				
– ultimate holding company	2,479	3,735	–	–
– fellow subsidiaries	199,651	114,205	109,351	109,351
Other receivables	570,580	777,585	–	–
Prepayments and deposits	134,507	128,102	4,364	4,721
Other current assets (note (b))	244,270	231,125	233,000	15,383
	1,183,255	1,329,575	346,715	236,075
Less: non-current portion (note (b))	–	–	(65,000)	–
	1,183,255	1,329,575	281,715	236,075

Notes to the Financial Statements

27 OTHER RECEIVABLES AND PREPAYMENTS (Continued)

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 43(b).

(b) Balance of the Company at 31 December 2013 represents entrusted loans granted to certain subsidiaries of the Company with terms of one to three years and bear interests at 4.8% to 6% per annum.

28 INVENTORIES

	Group	
	2013 RMB'000	2012 RMB'000 (Restated)
Raw materials	5,875,653	4,746,513
Work in progress	7,457,485	5,587,677
Finished goods	1,489,476	1,444,180
Consumables	154,627	132,697
	14,977,241	11,911,067
Less: provision for impairment losses	(196,839)	(153,922)
	14,780,402	11,757,145

The cost of inventories recognised as expense and included in 'cost of sales' amounted to RMB17,423,899,000 (2012: RMB13,989,265,000 as restated).

Notes to the Financial Statements

29 CONTRACTS IN PROGRESS

	Group 2013 RMB'000	Group 2012 RMB'000 (Restated)
Contracts in progress at balance sheet date:		
Contract costs incurred plus recognised profit	9,648,340	6,873,596
Progress billings	(9,616,762)	(6,806,938)
Amounts due from customers for contract work (Note 27)	31,578	66,658

30 PLEDGED DEPOSITS

	Group 2013 RMB'000	Group 2012 RMB'000 (Restated)
Renminbi denominated deposits	1,313,240	683,874

As at 31 December 2013, trade finance facilities utilised by the Group for issuing notes payable to its suppliers amounting to RMB3,288,767,000 (2012: RMB2,333,819,000 as restated) were secured by these pledged deposits (Note 32(c)).

Pledged deposits earn interest at rates ranging from 0.35% to 3.30% (2012: 0.35% to 3.19%). 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.

Notes to the Financial Statements

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	
	2013	2012	2013	2012
Currency	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Renminbi **	3,244,616	2,606,245	1,230,000	1,715,136
Hong Kong Dollar	134,081	788,045	134,081	740,184
	3,378,697	3,394,290	1,364,081	2,455,320

The weighted average effective interest rates of the Group and the Company on term deposits with initial term of over three months were 3.13% (2012: 2.97%) and 3.08% (2012: 2.81%) 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	
	2013	2012	2013	2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Trade payables (note (a))				
– Fellow subsidiaries (Note 43 (b))	2,095,018	2,094,267	–	901
– Others	8,090,975	5,948,346	40	40
	10,185,993	8,042,613	40	941
Notes payable (note (c))				
– Fellow subsidiaries (Note 43 (b))	2,899,868	1,392,063	–	–
– Others	945,872	1,361,352	–	–
	3,845,740	2,753,415	–	–
	14,031,733	10,796,028	40	941

Notes to the Financial Statements

32 ACCOUNTS PAYABLE (Continued)

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	
	2013	2012	2013	2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Current to 1 year	7,030,113	5,936,848	–	941
1 year to 2 years	1,335,667	1,559,210	40	–
2 years to 3 years	1,418,780	271,072	–	–
Over 3 years	401,433	275,483	–	–
	10,185,993	8,042,613	40	941

(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 43(b).

(c) Substantially all of the notes payable are bank acceptance notes with average maturity period of within six months. As at 31 December 2013, notes payable of RMB3,288,767,000 (2012: RMB2,333,819,000 as restated) were secured by pledged deposits to the extent of RMB1,313,240,000 (2012: RMB683,874,000 as restated).

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

33 ADVANCES FROM CUSTOMERS

	Group	
	2013	2012
	RMB'000	RMB'000 (Restated)
– Fellow subsidiaries (Note 43(b))	2,548,542	1,703,532
– Others	1,253,951	1,324,761
	3,802,493	3,028,293

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.

Notes to the Financial Statements

34 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Payable for acquisition of equity interests in subsidiaries				
– Fellow subsidiaries (Note 1(d) and 1(e); note (i))	697,937	–	–	–
– Others (Note 1 (i))	15,634	–	–	–
Payable for property, plant and equipment				
– Fellow subsidiaries (note (i))	61,925	109,855	–	–
– Others	144,664	83,871	–	–
Wages, salaries, bonuses and other employee benefits	1,345,144	1,361,782	7,846	7,971
Accrued expenses	500,261	515,849	276	288
Deferred income from government grants	39,625	34,992	–	–
Consumption tax, business tax and other taxes payable	133,169	86,072	3,130	3,954
Other advances from (note (ii))				
– Ultimate holding company	6,107	9,430	1,834	1,834
– Fellow subsidiaries	338,225	231,046	3,129	4,730
Dividend payable to non-controlling shareholders of subsidiaries	164,058	148,413	–	–
Advances from participants of restricted share scheme (Note 38)	41,695	64,707	41,695	64,707
Other current liabilities	266,935	277,796	–	–
	3,755,379	2,923,813	57,910	83,484
Less: non-current portion	(15,634)	–	–	–
	3,739,745	2,923,813	57,910	83,484

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 43(b).

Notes to the Financial Statements

35 AMOUNTS PAYABLE TO ULTIMATE HOLDING COMPANY

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		
Balance arising from changes in Group structure in prior years	109,145	150,091	109,145	150,090
Others	353,592	316,288	297,366	260,062
	462,737	466,379	406,511	410,152

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

Notes to the Financial Statements

36 BORROWINGS

	Group 2013 RMB'000	Group 2012 RMB'000 (Restated)
Short-term borrowings		
Bank borrowings		
– Secured (note (g))	691,101	465,510
– Unsecured	1,935,000	1,001,500
	2,626,101	1,467,010
Other borrowings (note (c))		
– Secured (note (g))	150,000	175,000
– Unsecured	1,176,000	1,517,534
	3,952,101	3,159,544
Current portion of long-term borrowings	255,080	665,320
	4,207,181	3,824,864
Long-term borrowings		
Bank borrowings		
– Secured (note (g))	896,044	775,997
– Unsecured	18,000	–
	914,044	775,997
Other borrowings (note (c))		
– Secured (note (g))	498,732	–
– Unsecured	753,000	661,000
	2,165,776	1,436,997
Less: Current portion of long-term borrowings	(255,080)	(665,320)
	1,910,696	771,677
Total borrowings	6,117,877	4,596,541

Notes to the Financial Statements

36 BORROWINGS (Continued)

Notes:

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

	Group 2013 RMB'000	2012 RMB'000 (Restated)
Wholly repayable within five years		
– Bank borrowings	903,544	775,997
– Other borrowings	939,482	161,250
	1,843,026	937,247
Not wholly repayable within five years		
– Bank borrowings	10,500	–
– Other borrowings	312,250	499,750
	322,750	499,750
	2,165,776	1,436,997

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

	Group 2013 RMB'000	2012 RMB'000 (Restated)
Bank borrowings		
– Within one year	255,080	645,320
– In the second year	334,000	130,677
– In the third to fifth year	314,464	–
– After the fifth year	10,500	–
	914,044	775,997
Other borrowings		
– Within one year	–	20,000
– In the second year	24,000	13,000
– In the third to fifth year	915,482	128,250
– After the fifth year	312,250	499,750
	1,251,732	661,000
	2,165,776	1,436,997

Notes to the Financial Statements

36 BORROWINGS (Continued)

Notes: (Continued)

(c) As at 31 December 2013, other borrowings represent:

– corporate bonds in an aggregate principal amount of RMB500,000,000 (31 December 2012: Nil) which bear interests at 5.08% per annum and guaranteed by the Company.

– loans granted by a fellow subsidiary of the Group amounting to RMB2,079,000,000 (31 December 2012: RMB2,353,534,000) 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	
	2013 RMB'000	2012 RMB'000 (Restated)
Bank borrowings		
– Fixed rates	2,061,131	896,507
– Floating rates	1,479,014	1,346,500
	3,540,145	2,243,007
Other borrowings		
– Fixed rates	1,997,982	1,622,784
– Floating rates	579,750	730,750
	2,577,732	2,353,534
	6,117,877	4,596,541

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

	Group	
	2013 RMB'000	2012 RMB'000 (Restated)
Weighted average effective interest rates		
– Bank borrowings	6%	6%
– Other borrowings	5%	6%

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

Notes to the Financial Statements

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	
	2013 RMB'000	2012 RMB'000 (Restated)	2013 RMB'000	2012 RMB'000 (Restated)
Bank borrowings	658,964	130,677	637,928	129,375
Other borrowings	1,251,732	641,000	1,087,139	574,206
	1,910,696	771,677	1,725,067	703,581

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 6.15% to 6.55% as at 31 December 2013 (2012: 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 44(c)).

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

	Group	
	2013 RMB'000	2012 RMB'000 (Restated)
Securities over the Group's assets, at carrying value		
– Accounts receivable (Note 25(e))	828,942	656,852
Guarantees provided by:		
– Ultimate holding company	5,080	20,400
– Fellow subsidiaries	384,964	115,597
– Entities within the Group	1,044,732	680,000
– Key management of a subsidiary	5,000	–
	1,439,776	815,997

(h) As at 31 December 2013, the Group had the following undrawn committed borrowing facilities.

	Group	
	2013 RMB'000	2012 RMB'000 (Restated)
At floating rates		
– Expiring within one year	3,844,097	2,599,904

Notes to the Financial Statements

37 SHARE CAPITAL

	Company 2013 RMB'000	2012 RMB'000
Registered, issued and fully paid:		
3,117,995,265 (2012: 3,117,995,265) Domestic Shares of RMB1 each	3,117,995	3,117,995
2,356,433,902 (2012: 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 and H Shares may only be subscribed for by, and traded in Hong Kong dollars between legal or natural persons of Hong Kong, Macau, Taiwan or any other country other than the PRC. The transfer of the Domestic Shares is subject to such restrictions as the PRC laws may impose from time to time.

Notes to the Financial Statements

38 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.

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

	2013		2012	
	Fair value (per share) HK$	Number of restricted shares granted (Thousands)	Fair value (per share) HK$	Number of restricted shares granted (Thousands)
At 1 January	4.15	37,014	4.15	37,014
Vested	4.15	(13,164)	–	–
Lapsed	4.15	(450)	–	–
At 31 December	4.15	23,400	4.15	37,014

The fair value of restricted shares charged to the consolidated income statement was RMB17,292,000 during the year ended 31 December 2013 (2012: RMB27,188,000).

Notes to the Financial Statements

39 RESERVES

	Company					
	Shares held for restricted share scheme RMB'000	Capital reserve RMB'000 (note (b))	Share-based compensation reserve RMB'000	Other reserves RMB'000 (note (d))	Retained earnings RMB'000 (note (e))	Total RMB'000
Balance at 1 January 2013	(139,994)	1,958,099	47,578	63,447	186,181	2,115,311
Profit for the year	–	–	–	–	207,417	207,417
Shares vested under share scheme	–	–	–	–	–	–
– funded by the Company (Note 38)	26,776	–	(26,776)	–	–	–
– funded by scheme participants	24,717	–	–	–	–	24,717
Value of employee services under share scheme (Note 38)	–	–	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
Balance at 1 January 2012	(139,994)	925,076	20,390	43,048	57,339	905,859
Profit for the year	–	–	–	–	203,985	203,985
Issuance of new shares	–	628,265	–	–	–	628,265
Deemed contribution from holding company	–	404,758	–	–	–	404,758
Value of employee services under share scheme (Note 38)	–	–	27,188	–	–	27,188
2011 final dividend	–	–	–	–	(54,744)	(54,744)
Transfer to statutory surplus reserve	–	–	–	20,399	(20,399)	–
At 31 December 2012	(139,994)	1,958,099	47,578	63,447	186,181	2,115,311

Notes:

(a) Movements in the reserves of the Group are set out in the consolidated statement of changes in equity on pages 69 to 70.

(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.

Notes to the Financial Statements

39 RESERVES (Continued)

Notes: (Continued)

(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.

(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 2013, the retained earnings available for distribution was approximately RMB263,367,000 (2012: RMB186,181,000).

Notes to the Financial Statements

40 CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Group 2013 RMB'000	Group 2012 RMB'000 (Restated)
Profit before income tax	1,760,720	1,540,250
Adjustments for:		
Share of (profit)/loss of a joint venture	(3,574)	893
Share of profits of associates	(73,135)	(57,689)
Fair value gain on financial assets held for trading	(38)	(27)
(Gain)/loss on disposal of		
– property, plant and equipment	(7,287)	1,633
– investment properties	(83,579)	(49,465)
– interests in subsidiaries	–	(7,779)
– interests in associates	(45,495)	1,618
– available-for-sale financial assets	(55,826)	(27,086)
– financial assets held for trading	(1,209)	(137)
Amortisation on		
– Intangible assets	6,278	6,037
– Land use rights	27,655	27,478
Depreciation on		
– Investment properties	1,674	1,206
– Property, plant and equipment	699,890	606,425
Provision/(reversal of provision) for impairment		
– Inventories	52,092	34,244
– Receivables	(35,372)	48,105
Value of employee services under share scheme	17,292	27,188
Dividend income from available-for-sale financial assets and financial assets held for trading	(30,071)	(24,722)
Interest income	(226,173)	(177,941)
Interest expense	279,325	230,960
	2,283,167	2,181,191
Changes in working capital:		
– Increase in accounts receivable	(1,809,688)	(1,761,655)
– (Increase)/decrease in advances to suppliers, other receivables and prepayments	(263,662)	262,020
– Increase in inventories	(3,010,081)	(3,069,144)
– Increase in pledged deposits	(618,166)	(183,656)
– Increase in accounts payable	3,172,185	3,018,080
– Decrease in amounts payable to ultimate holding company	(3,642)	(3,642)
– Increase/(decrease) in advance from customers, other payables and accruals	1,097,155	(867,544)
Net cash generated from/(used in) operations	847,268	(424,350)

Notes to the Financial Statements

40 CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

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

	Group 2013 RMB'000	Group 2012 RMB'000 (Restated)
Net book amount	9,222	28,591
Gain/(loss) on disposals of property, plant and equipment (Note 7)	7,287	(1,633)
Cash proceeds	16,509	26,958

(ii) Proceeds from disposals of investment properties comprise:

	Group 2013 RMB'000	Group 2012 RMB'000 (Restated)
Net book amount	2,395	1,140
Gain on disposal of investment properties (Note 7)	83,579	49,465
Total consideration	85,974	50,605
in the form of:		
– receivables	–	47,605
– cash proceeds	85,974	3,000

Notes to the Financial Statements

40 CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Disposal of subsidiaries:

	Group 2013 RMB'000	2012 RMB'000
Non-current assets	–	107,485
Current assets	–	89,101
Total assets	–	196,586
Total liabilities	–	(44,621)
Non-controlling interests	–	(1,966)
Net assets disposed	–	149,999
Total consideration	–	(157,778)
	–	(7,779)
Net cash inflow/(outflow) is determined as follows:		
Cash proceeds received	–	157,778
Less: cash and cash equivalents disposed	–	(38,345)
	–	119,433

Notes to the Financial Statements

40 CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(d) Analysis of cash and cash equivalents

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		
Bank balances and cash	6,069,318	5,134,364	153,472	95,313
Term deposits with initial term of less than three months	656,198	471,208	620,000	114,864
	6,725,516	5,605,572	773,472	210,177

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

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		
Renminbi**	6,623,544	5,507,990	140,716	161,526
Other currencies	101,972	97,582	632,756	48,651
	6,725,516	5,605,572	773,472	210,177

The weighted average effective interest rates of the Group and the Company on term deposits with initial term of less than three months were 5% (2012: 2%) 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.

Notes to the Financial Statements

41 COMMITMENTS

(a) Capital commitments

The Group has the following capital commitments not provided for as at 31 December 2013:

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Acquisition of property, plant and equipment				
– Authorised but not contracted for	–	30,880	–	–
– Contracted but not provided for	162,874	20,351	–	–
	162,874	51,231	–	–
Construction commitments				
– Authorised but not contracted for	–	507,475	–	–
– Contracted but not provided for	352,987	191,218	–	–
	352,987	698,693	–	–
Investments in subsidiaries, associates and available-for-sale financial assets				
– Contracted but not provided for	52,850	30,000	52,850	30,000
	568,711	779,924	52,850	30,000

Notes to the Financial Statements

41 COMMITMENTS (Continued)

(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 2013:

	Group	
	2013 RMB'000	2012 RMB'000 (Restated)
Land and buildings		
– Not later than one year	10,555	–
– Later than one year and not later than five years	26,269	–
– Later than five years	20,299	–
	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 2013 (2012: Nil).

Notes to the Financial Statements

42 BUSINESS COMBINATION

As disclosed in Note 1(i), on 20 November 2013, the Group acquired 48.18% equity interest and obtained control in Xi'an Forstar.

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

Consideration:

	RMB'000
Cash	125,083
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	78,432
Land use rights	10,384
Intangible assets	
– Technology know-how	8,235
– Trademarks and licences	8,173
– Contractual customer relationship	19,302
Interests in associates	2,552
Deferred income tax assets	2,710
Inventories	65,268
Accounts receivable	127,986
Advances to suppliers	1,014
Other receivables and prepayments	4,055
Pledged deposits	11,200
Cash and cash equivalents	15,968
Total identifiable assets acquired	355,279
Borrowings	(15,000)
Accounts payable	(78,891)
Other payables and accruals	(5,655)
Current income tax liabilities	(2,300)
Deferred income from government grants	(14,397)
Total identifiable liabilities assumed	(116,243)
Non-controlling interests	(129,891)
Goodwill (Note 19)	15,938
	125,083

Notes to the Financial Statements

42 BUSINESS COMBINATION (Continued)

Acquisition-related costs of RMB2,240,000 have been charged to general and administrative expenses in the consolidated income statement for the year ended 31 December 2013.

Non-controlling interests in Xi'an Forstar were recognised at proportionate share of its net assets.

The revenue and net profit included in the consolidated income statement during the period from 20 November 2013 to 31 December 2013 contributed by Xi'an Forstar was approximately RMB59,532,000 and RMB5,939,000 respectively.

Had Xi'an Forstar been consolidated from 1 January 2013, the consolidated income statement would show pro-forma revenue and net profit of approximately RMB22,452,110,000 and RMB1,523,167,000 respectively.

43 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by AVIC, which owns 51.26% of the Company's shares as at 31 December 2013. 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.

Notes to the Financial Statements

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Significant transactions with related parties:

	Group	
	2013	2012
	RMB'000	RMB'000 (Restated)
Income		
Revenue from sale of goods and materials		
– Fellow subsidiaries	12,848,197	12,614,371
– A joint venture	1,135	–
– Associates	102,185	9,886
– Others	26,533	–
Income from rendering of services		
– Fellow subsidiaries	7,788	27,486
Expenses		
Purchases of goods and raw materials		
– Fellow subsidiaries	9,291,799	8,110,027
– A joint venture	27,592	–
– Associates	50,953	7,969
Service fees payable		
– Ultimate holding company	18,245	11,163
– Fellow subsidiaries	513,867	401,131
– Associates	2,459	–
Rental expenses		
– Fellow subsidiaries	40,627	21,824
Key management compensations		
– Salaries, bonuses and other welfares	4,117	5,336
– Employee share scheme for value of services provided	2,218	2,107

Notes to the Financial Statements

43 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.

Notes to the Financial Statements

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Significant balances with related parties:

	Group	
	2013	2012
	RMB'000	RMB'000
		(Restated)
Assets		
Trade receivables		
– Fellow subsidiaries	4,676,688	3,207,234
– A joint venture	485	–
– Associates	17,043	10,399
– Others	12,033	–
Notes receivable		
– Fellow subsidiaries	1,333,416	1,079,271
Advances to suppliers		
– Fellow subsidiaries	565,467	254,726
– Associates	7,570	2,577
Other receivables and prepayments		
– Ultimate holding company	2,479	3,735
– Fellow subsidiaries	199,651	114,205
– Associates	190	8,165
Deposits		
– A fellow subsidiary	1,563,257	1,444,739
Liabilities		
Trade payables		
– Fellow subsidiaries	2,095,018	2,094,267
Notes payable		
– Fellow subsidiaries	2,899,868	1,392,063
Advances from customers		
– Fellow subsidiaries	2,548,542	1,703,532
Other payables and accruals		
– Ultimate holding company	6,107	9,430
– Fellow subsidiaries	1,098,087	340,901

Notes to the Financial Statements

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Other items:

(i) During the year ended 31 December 2013, the Group acquired from AVIC International Beijing Co., Ltd. (a subsidiary of AVIC) its 5% equity interests in each of Tianjin Merlin Gerin Co., Ltd., Schneider Electric Low Voltage (Tianjin) Co., Ltd. and Schneider Shanghai Low Voltage Terminal App. Co., Ltd. at an aggregate cash consideration of RMB91,120,000. Upon these acquisitions, the equity interests held by the Group in each of these three associates increased from 20% to 25%.

(ii) During the year ended 31 December 2013, Jiangxi Hongdu Aviation Industry Co., Ltd (a subsidiary of the Company) received construction and design services amounted to approximately RMB331,452,000 (2012: RMB292,023,000) from a fellow subsidiary of the Group. As at 31 December 2013, these balances are mainly included in construction-in-progress of the Group's property, plant and equipment.

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

44 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 40(d). 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 2013, 66% (2012: 55%) 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 2013, 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 RMB35,095,000 higher/lower.

Notes to the Financial Statements

44 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(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 2013, if the quoted market price of these equity investments held by the Group had increased/decreased by 10%, with all other variables held constant, equity would have been RMB23,654,000 higher/lower as a result of the changes in fair value of these financial assets.

(iii) Credit risk

87% (2012: 92%) 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 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.

Notes to the Financial Statements

44 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (continued)

As at 31 December 2013, the net current assets of the Group amounted to RMB11,131,184,000 (2012: RMB9,520,543,000 as restated). 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.

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 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	–	–	–
At 31 December 2012 (restated)				
Bank and other borrowings	4,083,896	184,808	218,006	525,519
Accounts and other payables	11,721,146	–	–	–
Amounts payable to ultimate holding company	466,379	–	–	–
Company				
At 31 December 2013				
Accounts and other payables	46,698	–	–	–
Amounts payable to ultimate holding company	406,511	–	–	–
At 31 December 2012				
Accounts and other payables	72,212	–	–	–
Amounts payable to ultimate holding company	410,152	–	–	–

Notes to the Financial Statements

44 FINANCIAL RISK MANAGEMENT (Continued)

(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.

The gearing ratios at 31 December 2013 and at 31 December 2012 were as follows:

	Group	
	2013 RMB'000	2012 RMB'000 (Restated)
Total borrowings (Note 36)	6,117,877	4,596,541
Total equity	21,806,897	19,208,277
Gearing ratio	28%	24%

The increase in gearing ratio during 2013 is primarily resulted from changes of Group structure (Note 1).

(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).

Notes to the Financial Statements

44 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

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 2013				
Available-for-sale financial assets				
– listed equity securities	278,033	–	–	278,033
Financial assets held for trading	247	–	–	247
At 31 December 2012				
Available-for-sale financial assets				
– listed equity securities	217,897	–	–	217,897
Financial assets held for trading	557	–	–	557

There were no transfers between different levels during the year.

(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

Notes to the Financial Statements

44 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

(ii) Financial instruments in level 2 (Continued)

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.

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES

Name	Registered and paid up capital	Attributable equity interest	Type of legal entity	Principal activities
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%	Limited liability company	Manufacture and sale of general-purpose aeroplane and helicopter
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))	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
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))	Joint stock company (listed on the Shenzhen Stock Exchange)	Research and development, manufacturing and sales of electrical connectors, optical components and cable assemblies.

Notes to the Financial Statements

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES (Continued)

Name	Registered and paid up capital	Attributable equity interest	Type of legal entity	Principal activities
Directly held				
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))	Joint stock company (listed on the Shanghai Stock Exchange)	Holding investments engaged in aviation equipment business
Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空機電有限公司)	RMB293,163,439	100%	Limited liability company	Manufacture and sale of aviation electrical engineering products and accessories
China Aviation Publishing & Media Co., Ltd. (中航出版傳媒有限責任公司)	RMB48,779,000	53.63%	Limited liability company	Advertising, public relations, consulting services, professional exhibition, information development, audio and video equipment sales
AviChina HongKong Limited (中航科工香港有限公司)	HKD1,000	100%	Limited liability company	Aviation product development, designing, selling, finance and investment, information consulting, training and house rental
Indirectly held				
Hafei Aviation Industry Co., Ltd. (哈飛航空工業股份有限公司)	RMB589,476,716	35.10% (note(b))	Joint stock company (listed on the Shanghai Stock Exchange)	Research, development, design, manufacture and sale of aero products, including parts and components

Notes to the Financial Statements

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES (Continued)

Name	Registered and paid up capital	Attributable equity interest	Type of legal entity	Principal activities
Indirectly held				
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))	Limited liability company	Manufacture and sale of general-purpose aeroplane and helicopter
Shanghai Aviation Electric Co., Ltd. (上海航空電器有限公司)	RMB60,000,000	43.22% (note (b))	Limited liability company	Manufacture and sale of aviation electrical engineering products and accessories
Lanzhou Wanli Aviation Electric Co., Ltd. (蘭州萬里航空機電有限責任公司)	RMB173,542,800	43.22% (note (b))	Limited liability company	Manufacture and sale of aviation electrical engineering products and accessories
Lanzhou Flight Control Co., Ltd. (蘭州飛行控制有限責任公司)	RMB146,773,263	43.22% (note (b))	Limited liability company	Research, manufacture and sale of aviation auto control equipments and instruments
Chengdu CAIC Electronics Co., Ltd. (成都凱天電子股份有限公司)	RMB321,680,000	39.05% (note (b))	Joint stock company	Research, manufacture and sale of air data systems and various types of aviation instruments
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))	Limited liability company	Manufacture and sale of aviation electrical engineering products and accessories

Notes to the Financial Statements

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES (Continued)

Name	Registered and paid up capital	Attributable equity interest	Type of legal entity	Principal activities
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))	Limited liability company	Manufacture and sale of aviation electrical engineering products and accessories
AVIC Shaanxi Qianshan Avionics Co., Ltd. (千山航空電子有限責任公司)	RMB245,340,701	43.22% (note (b))	Limited liability company	Manufacture and sale of aviation electrical engineering products and accessories
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))	Limited liability company	Manufacture and sale of aviation electrical engineering products and accessories
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))	Limited liability company	Manufacture and sales of aviation instrument, sensor and autopilot and related products
Suzhou Changfeng Avionics Co., Ltd. (蘇州長風航空電子有限公司)	RMB59,630,000	43.22% (note (b))	Limited liability company	Research, manufacture, sales and services of avionics, airborne equipment and aviation products
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))	Limited liability company	Manufacture and sales of aeronautic instrument and other civil mechanical and electrical instruments

Notes to the Financial Statements

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES (Continued)

Name	Registered and paid up capital	Attributable equity interest	Type of legal entity	Principal activities
Indirectly held				
Jingdezhen Changfei Aviation Parts and Components Co., Ltd. (景德鎮昌飛航空零部件有限公司)	RMB200,000,000	35.10% (note (b))	Limited liability company	Manufacture and sales of aviation parts and components
Huiyang Aviation Propeller Limited (惠陽航空螺旋槳有限責任公司)	RMB86,830,000	35.10% (note (b))	Limited liability company	Manufacture aviation propeller, speed governor, feathering pump, helicopter rotor, tail rotor, hovercraft with propeller
Tianjin Helicopter Co., Ltd. (天津直升機有限責任公司)	RMB250,000,000	35.10% (note (b))	Limited liability company	Research and manufacture helicopters and other aircraft, aerospace components, production, sales and maintenance services
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	21.20% (note (a))	Limited liability company	Research, manufacture sales, maintenance and services of aviation electric equipment, electric connector and related products
Xi'an Forstar S&T Co., Ltd. (西安富士達科技股份有限公司)	RMB41,800,000	20.03% (note (b))	Joint stock company	Manufacture electric connector, wire and cable, cable components, microwave components, optoelectronic devices, antennas, power supplies, instruments and meters production and marketing

Note:

(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.

Notes to the Financial Statements

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES (Continued)

Name	Registered and paid up capital	Interest held	Type of legal entity	Principal activities
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%	Limited liability company	Research and development, manufacturing and sales of electrical connectors, optical components and cable assemblies
Associates				
Indirectly held				
Harbin Embraer Aircraft Industry Co., Ltd. (哈爾濱安博威飛機工業有限公司)	USD25,000,000	49%	Limited liability company	Production of regional jets and provision of relevant sales and after-sale services
Harbin Hafei Airbus Composite Materials Manufacturing Centre Company Limited. (哈爾濱哈飛空客複合材料製造中心有限公司)	RMB1,020,329,930	20%	Limited liability company	Production of commercial aircraft components and parts
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%	Joint stock company	Production of commercial aircraft components and parts

Notes to the Financial Statements

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES (Continued)

Name	Registered and paid up capital	Interest held	Type of legal entity	Principal activities
Associates				
Indirectly held				
Tianjin Merlin Gerin Co., Ltd. (天津梅蘭日蘭有限公司)	RMB14,809,000	25%	Limited liability company	Manufacture of electrical apparatus mainly including air breaker, switch box and other electrical components
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%	Limited liability company	Manufacture of high-voltage and low-voltage smart electric products
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%	Limited liability company	Manufacture of modulus low-voltage terminal electric products

All of the above subsidiaries, joint venture and associates are established and operating 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.

"Agusta"	Agusta S. p. A.
"Airbus Composite Materials"	Harbin Hafei Airbus Composite Materials Manufacture Centre Company Limited, a company in which the Group has 20% equity interest
"Airbus Helicopters"	Airbus Helicopters, is 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"	the 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 2013
"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 2013
"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 Group"	AVIC and its subsidiaries (excluding the Group)
"AVIC Hafei"	Harbin Aircraft Industry Group Limited (哈爾濱飛機工業集團有限責任公司), which is held as to 81.12% by and a subsidiary of AVIC
"AVIC Helicopter"	AVIC Helicopter Limited (中航直升機有限責任公司), which is held as to 68.75% by and a subsidiary of AVIC
"AVIC Huiyang"	Huiyang Aviation Propeller Limited (惠陽航空螺旋槳有限責任公司), a wholly-owned subsidiary of Hafei Aviation
"AVIC I"	China Aviation Industry Corporation I (中 國 航 空 工 業 第 一 集 團 公 司), the predecessor of AVIC

Definitions

"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 International Beijing"	AVIC International Beijing Company Limited. (中國航空技術北京有限公司), an indirect subsidiary of AVIC
"AVIC Kaitian"	Chengdu CAIC Electronics Co., Ltd. (成都凱天電子股份有限公司), a subsidiary of, and is held as to 86.74% by AVIC Avionics, and as to 1.56% by the Company
"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", "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
"Board" or "Board of Directors"	the board of directors of the Company
"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
"Changfei Parts and Components"	Jingdezhen Changfei Aviation Parts and Components Co., Ltd. (景德鎮昌飛航空零部件有限公司), a wholly-owned subsidiary of Hafei Aviation
"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 Hafei Aviation
"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

Definitions

"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 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
"Hanzhong Aviation"	Hanzhong Aviation Industry Group Co., Ltd. (漢中航空工業(集團)有限公司), an indirect subsidiary of AVIC
"Harbin Embraer"	Harbin Embraer Aircraft Industry Co., Ltd. (哈爾濱安博威飛機工業有限公司), in which the Group had 49% equity interest
"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 Hafei Aviation
"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 limited company whose shares are listed on the Shanghai Stock Exchange with 43.63% of its interests being held by the Company
"Jingdezhen Helicopter"	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)
"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, which the Company became the registered holder of 41.57% of its equity interest
"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

Definitions

"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 of the PRC
"Scheme"	the restricted share incentive scheme adopted by the Company at the extraordinary general meeting of the Company held on 29 March 2011
"Schneider Shanghai"	Schneider Shanghai Low Voltage Terminal Apparatus Co., Ltd. (上海施耐德低壓終端電器有限公司), with 25% of its interests being held by an indirect subsidiary of the Company, Tianjin Tianli
"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), a wholly-owned 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. (瀋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

Definitions

"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
"Tianjin Tianli"	Tianjin Tianli Aviation Electro-mechanical Co., Ltd. (天津天利航空機電有限公司), an indirect subsidiary of the Company held through Tianjin Aviation, which holds 75% of its equity interest
"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 48.182% of its interests being held by JONHON Optronic
"ZEMIC"	Zhonghang Electronic Measuring Instruments Co., Ltd. (中航電測儀器股份有限公司), a joint stock limited liability company whose A shares are listed on the Shenzhen Stock Exchange

Corporate Information

BOARD OF DIRECTORS

Executive Director (Chairman)	Lin Zuoming
Executive Director (Vice Chairman)	Tan Ruisong
Non-Executive Director	Gu Huizhong
Non-Executive Director	Gao Jianshe
Non-Executive Director	Sheng Mingchuan
Non-Executive Director	Maurice Savart
Independent Non-Executive Director	Guo Chongqing
Independent Non-Executive Director	Li Xianzong
Independent Non-Executive Director	Lau Chung Man, Louis

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 B, 15/F, United Center, Queensway 95, 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 Limited
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)
StockName: 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

Corporate Information

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 Address: avichina@avichina.com

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Room 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 2013 will be held at 9:00 a.m. on Friday, 13 June 2014 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