



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
2023



Contents

2	Company Profile
4	Financial Highlights
7	Chairman's Statement
11	Management Discussion and Analysis
24	Directors, Supervisors and Senior Management
31	Report of the Board
59	Report of the Supervisory Committee
61	Corporate Governance Report
85	Independent Auditor's Report
91	Consolidated Balance Sheet
95	Balance Sheet of the Company
97	Consolidated Income Statement
100	Income Statement of the Company
102	Consolidated Cash Flow Statement
104	Cash Flow Statement of the Company
106	Consolidated Statement of Changes in Shareholders' Equity
108	Statement of Changes in Shareholders' Equity of the Company
110	Notes to the Financial Statements
326	Definitions
332	Corporate Information

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 Hong Kong Stock Exchange since 30 October 2003 (stock code: 2357). As at the date of this report, the Shareholders of the Company mainly include AVIC, Airbus, National Industrial Investment Fund and Tianjin Free Trade Zone Investment.

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

- the development, manufacture, sales and upgrade of civil aviation products and defense products such as provision of helicopters, trainer aircraft, general-purpose aircraft and regional jets for domestic and overseas customers; and
- the co-development and manufacture of aviation products with foreign aviation products manufacturers.

PRINCIPAL PRODUCTS OF THE GROUP

Helicopter: Z-series and AC series;

Trainer: L15, K8 and CJ6 trainers series;

General-purpose aircraft: Y12 multi-purpose aeroplanes series and the N5 agricultural aeroplanes series;

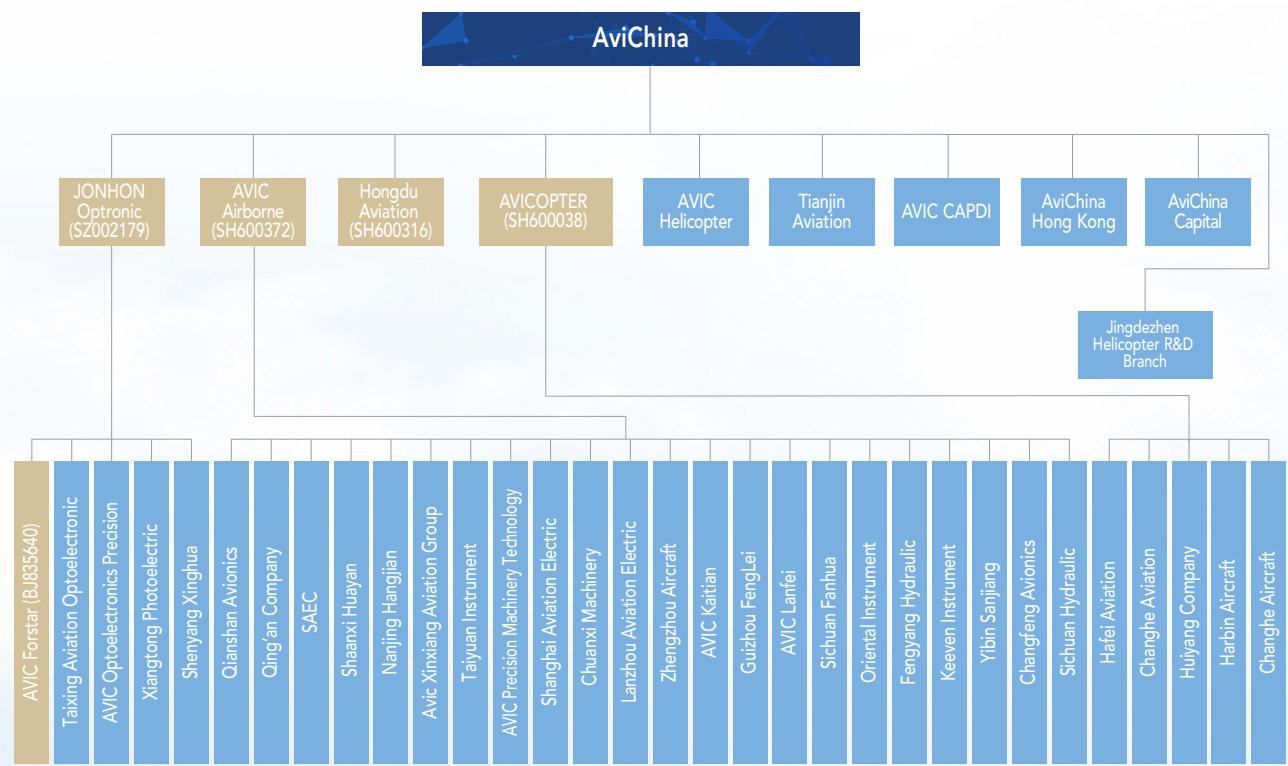
Aviation ancillary system: avionics products, mechanical electronics, connectors and its accessories; and

Aviation engineering services: planning, design and consultation services, etc.



Company Profile

CORPORATE STRUCTURE OF THE GROUP



Financial Highlights

CONSOLIDATED PROFIT AND LOSS

(Prepared under China Accounting Standards for Business Enterprises)

(RMB million, other than basic and diluted earnings per share)

	For the year ended 31 December		Changes
	2023	2022 (as restated)	
Revenue	84,725	78,761	7.57%
Profit before tax	7,069	6,242	13.25%
Net profit attributable to the owners of the parent company	2,447	2,320	5.47%
Gross profit margin	25.18%	23.91%	1.27 percentage points
Earnings per share (RMB)			
– Basic	0.311	0.301	3.32%
– Diluted	0.311	0.301	3.32%

CONSOLIDATED ASSETS AND LIABILITIES

(Prepared under China Accounting Standards for Business Enterprises)

(RMB million)

	As at 31 December		Changes
	2023	2022 (as restated)	
Total assets	185,018	179,122	3.29%
Total liabilities	96,962	103,603	-6.41%
Minority equity	56,484	45,626	23.80%
Shareholders' equity attributable to parent company	31,572	29,894	5.61%



Financial Highlights

Financial information on the Group's comprehensive business in the recent five years starting from 1 January 2019 is summarized as follows:

(Prepared under China Accounting Standards for Business Enterprises)

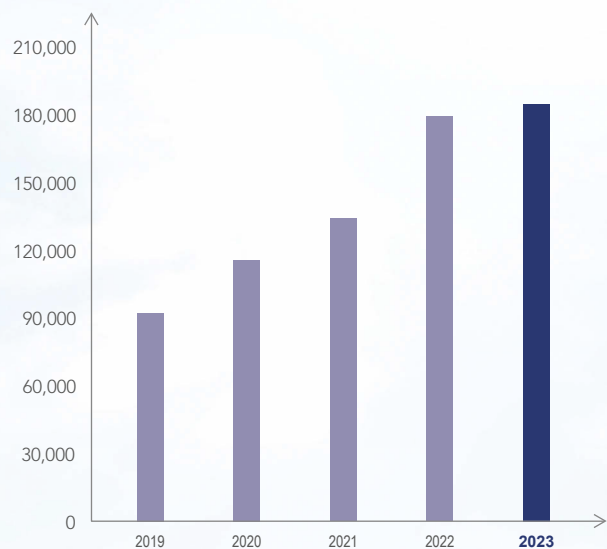
(RMB million, other than basic and diluted earnings per share)

	As at 31 December/For the year ended 31 December				
	2023	2022	2021	2020	2019
	(as restated)				
Total assets	185,018	179,122	133,889	115,587	92,209
Total liabilities	96,962	103,603	79,123	69,483	53,252
Minority equity	56,484	45,626	27,859	23,173	20,095
Shareholders' equity attributable to parent					
company	31,572	29,894	26,907	22,930	18,862
Revenue	84,725	78,761	60,296	50,924	42,906
Profit before tax	7,069	6,242	5,315	4,268	3,186
Net profit attributable to the owners of the parent					
company	2,447	2,320	2,369	1,932	1,360
Gross profit margin	25.18%	23.91%	21.06%	20.88%	21.49%
Earnings per share (RMB)					
– Basic	0.311	0.301	0.307	0.250	0.220
– Diluted	0.311	0.301	0.307	0.250	0.220

Financial Highlights

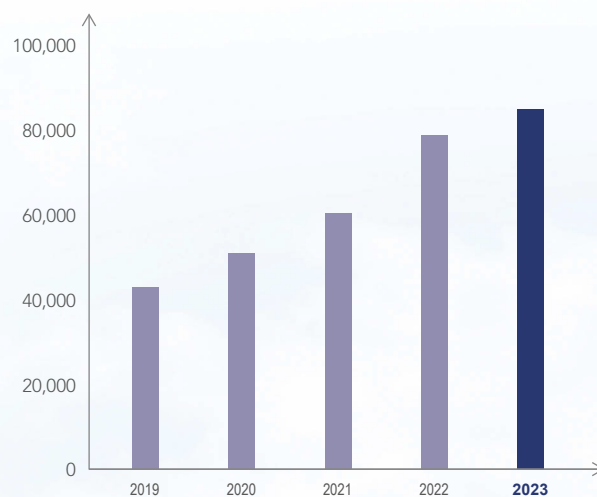
TOTAL ASSETS

(RMB million)



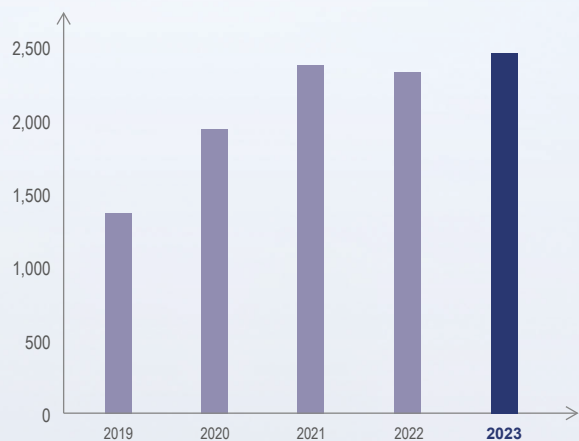
REVENUE

(RMB million)



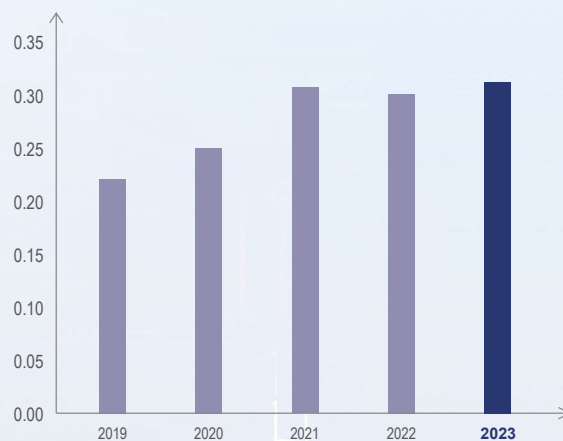
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

(RMB million)



BASIC EARNINGS PER SHARE OF THE COMPANY

(RMB)



Chairman's Statement



Yan Lingxi
Chairman

Chairman's Statement

To all Shareholders:

On behalf of the Board of the Company, I am pleased to present the consolidated annual results for the year 2023 of AviChina Industry & Technology Company Limited (the "Company") and its subsidiaries (the "Group").

ANNUAL RESULTS

For the year ended 31 December 2023, the Group recorded a revenue of RMB84,725 million, and the net profit attributable to the owners of the parent company amounted to RMB2,447 million, achieving good growth in revenue and profits.

BUSINESS REVIEW

In 2023, confronted with the intricate and challenging international environment, China's economy continued to rebound toward upswing, characterized by robust high-quality development alongside a more consummate modern industrial system. AVIC, the Company's controlling Shareholder, made persistent efforts to strive and forge ahead, ushering in significant improvements in technological innovation and continuous breakthroughs in aviation equipment, entering into new landscape in the civil aircraft industry, accelerating the enhancement of capabilities and yielding remarkable achievements in governance modernization. The aviation emergency rescue system project and comprehensive drills on aviation emergency rescue equipment were launched. AG600M was equipped with fire-fighting capabilities for actual combat, whereas AS700 and AG100 successfully obtained the airworthiness certification from the Civil Aviation Administration of China. The Wing Loong UAV was successfully delivered. The first demonstration project for the application of full-space unmanned system was completed. All efforts were made to safeguard the trial flight, mass production for delivery and commercial operation of the C919 aircraft. AVIC was listed in the Fortune Global 500 for the 15th successive year with the ranking of 150, and was ranked the second among the global 500 top companies in the aerospace and defense industry.

The year 2023 not only marks a pivotal milestone for the high-quality development of the aviation industry, but also commemorates the 20th anniversary of the establishment of AviChina and its listing on the Hong Kong Stock Exchange. Over the past 20 years, the Company has gone through three stages: start-up development, industrial adjustment and industrial extension. With its ever-expanding asset scale, steadily growing profitability, increasingly perfect business, and ever-increasing comprehensive strength, it has become an internationally competitive aviation high-tech industrial group. In 2023, the Company smoothly proceeded with diverse tasks in accordance to its established strategies. By issuing Domestic Shares and successfully introducing the National Industrial Investment Fund as a strategic investor, we have consolidated the capital foundation for business development. The Group has completed restructuring of its aviation airborne business and successfully raised funds, facilitating the aviation airborne industry to develop in a systematic, integrated and intelligent manner. The restructuring of the helicopter business has been smoothly promoted, laying the foundation for the high-quality development of the helicopter industry. The joint research and development of high-speed electric vertical take-off and landing aircraft has been reinforcing the foundation for accelerating the formation of new quality productive forces in the aviation industry. The construction of Tianjin Civil Helicopter Base has been actively promoted, so as to fully promote the industrialization development platform of helicopter. AC313A completed its high-altitude trial flight, AC332 completed its first full-state flight, and AC352 passed the initial review of the Aircraft Evaluation Group (AEG) under the Civil Aviation Administration of China. Civil CJ-6 made its first flight for airworthiness. L15 made



Chairman's Statement

a spectacular show in Dubai with a new coating, and was successfully contracted at the International Defense Exhibition. Y-12F obtained the type certificate issued by the European Aviation Safety Agency (EASA). Aviation ancillary systems fully guaranteed the acquirement of airworthiness certification for AG600 aircraft and the development of domestic large aircraft. The service capabilities of aviation engineering services, which are adaptable to the entire value chain, have continued to improve. By strengthening green and low-carbon technological innovation in the aviation industry and continuously improving value creation capabilities and brand perception, the Company and its subsidiaries have consistently elevated their influence in the capital market. AviChina won the "Golden Bauhinia Award – Outstanding High-quality Development Listed Company" and the "China Top 100 Enterprises Award", and JONHON Optronics was awarded the "Golden Bull Award – Most Valuable Investment Award" and the "Most Valuable 100 Listed Companies on the Main Board".

OUTLOOK

The year 2024 marks the 75th anniversary of the founding of the People's Republic of China and is a critical year for achieving the goals and tasks of the "14th Five-Year Plan". The global economy presents a formidable and intricate situation, with major challenges remaining unabated. China's economy has embarked on a phase of high-quality development, where the imperative lies in harnessing technological innovation to propel industrial innovation and cultivate newly quality productive forces. Subsequent to the issuance of relevant bills by four authorities, including the Ministry of Industry and Information Technology, proposing the application of innovative products such as new aircraft, the Central Economic Work Conference has advocated "the cultivation of several strategic emerging industries such as low-altitude economy", which has been followed by several policies introduced in succession to develop a novel logistics model that integrates platform-based economy, low-altitude economy and unmanned flight. Simultaneously, the construction of the aviation emergency rescue system has been actively promoted, aiming to consummate the supporting conditions, promote the equipment research and development and elevate aviation emergency rescue capabilities, so as to embrace with the promising development prospects of civil aviation. As an emerging industry in alignment with the national policies, low-altitude economy will inaugurate a new horizon for the expansion of China's economic development.

In 2024, the Company will continue to demonstrate unwavering dedication to its strategic objectives, emerging as a trailblazing force in technology, manufacturing and industry leadership within the low-altitude economy in virtue of its robust aviation technology innovation capabilities, efficient and collaborative aviation manufacturing capabilities, as well as all-encompassing industrial layout. Being committed to establishing itself as a world-class helicopter company with excellent products, outstanding brands, cutting-edge innovation, and modern governance, the Company will vigorously pioneer technological innovation, advanced creation, and collaborative partnerships within the helicopter industry and low-altitude economy-related industries; perfect the industrial layout of airborne systems based on professional integration, and strengthen technological integration and product innovation to cater to diversified application scenarios; enhance the competitiveness of pivotal links within the industrial chain, improve the supply chain system of key industries, deepen the integrated innovation and consolidated application of new generation information technology, and forge new advantages for emerging digital industries; deepen collaboration with domestic aeronautical research institutions, delve into the creation of innovation consortiums, and accelerate the transformation of technological achievements; continuously optimize its capital structure and shareholder structure, while comprehensively enhancing its corporate governance capabilities; pay attention to market value management and steadfastly pursue value creation and shareholder returns; strengthen green and low-carbon technological innovation of aviation, further propel forward the green aviation manufacturing, and facilitate the high-end, intelligent, and green development of the aviation industry.

Chairman's Statement

With aspiration and determination in heart, forge ahead under the starlight. In 2024, the inaugural year of groundbreaking low-altitude economy, the Board will lead the Company to unwaveringly pursue its strategic goals as always, amplify the expansion of strategic emerging industries, propel forward the implementation of future industrial pattern, accelerate the formation of newly quality productive forces, and create new competitive advantages in sustainable development. We will take it as our responsibility to enhance our core competitiveness and spearhead the advancement of the industry, so as to unceasingly promote the Company's development and progress. I and all our staff will exert all-out effort to build a world-class aviation high-tech industrial group through genuine unity, dedicated integrity, vigorous undertaking, and triumphing over adversities.

APPRECIATION

Last but not least, on behalf of the Board, I would like to take this opportunity to express my appreciation to the investors, clients and cooperative partners for their trust and support, and express my appreciation to our management team and all our staff for their hard work and contributions in the past year.



Yan Lingxi
Chairman
Beijing, 15 March 2024



Management Discussion and Analysis



Sun Jizhong
General Manager

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 therein.

SUMMARY

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

Due to AVIC Airborne (previously known as China Avionics Systems Co., Ltd. (中航航空電子系統股份有限公司), a subsidiary of the Company) completed the share swap and absorption of AVIC Electromechanical in April 2023, the financial data of the Group in the corresponding period of the preceding year was restated pursuant to the relevant regulations and requirements. Unless otherwise stated, the financial data in the corresponding period of the preceding year referred in this report has been restated.

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

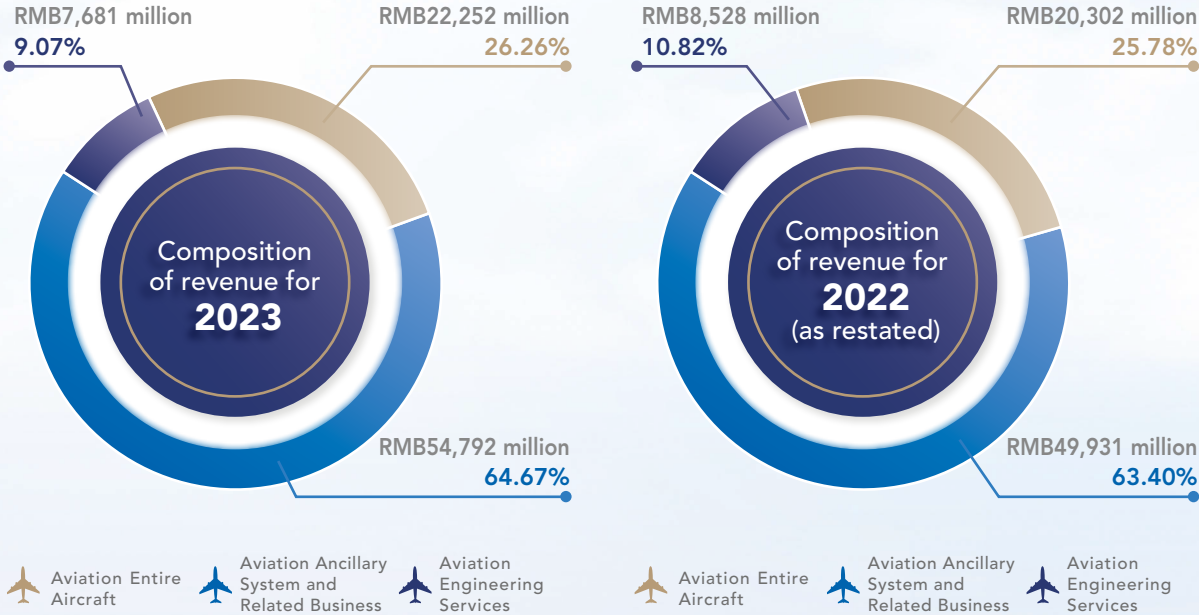
Management Discussion and Analysis

The following shows the comparison between the consolidated operating results of the Group for the year ended 31 December 2023 and those for the year ended 31 December 2022:

CONSOLIDATED OPERATING RESULTS

1 Composition of revenue

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



The revenue of the Group’s aviation entire aircraft business for the year 2023 amounted to RMB22,252 million, representing an increase of RMB1,950 million or 9.60% as compared with that of RMB20,302 million in the corresponding period of the preceding year, which was mainly attributable to the increase in sales volume of helicopter products and the price adjustment of certain helicopter products during the reporting period. The revenue of the aviation entire aircraft business for the year 2023 accounted for 26.26% of the total revenue of the Group, representing an increase of 0.48 percentage point as compared with that in the corresponding period of the preceding year.

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

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

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

2 Selling expenses

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

3 Administrative expenses

The Group's administrative expenses for the year 2023 amounted to RMB5,647 million, representing an increase of RMB281 million or 5.24% as compared with that of RMB5,366 million in the corresponding period of the preceding year, which was mainly attributable to the year-on-year increase in staff salary of certain subsidiaries and the year-on-year increase in amortization of the equity incentive during the reporting period due to the completion of the grant of shares under the A-share Restricted Stock Incentive Plan (Phase III) by JONHON Optronic (a subsidiary of the Company) at the end of December 2022. In 2023, the administrative expenses accounted for 6.67% of the revenue of the Group, representing a decrease of 0.14 percentage point as compared with that in the corresponding period of the preceding year.

4 Research and development expenses

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

Management Discussion and Analysis

5 Finance costs

The Group's finance costs in 2023 amounted to RMB-147 million, representing a decrease of RMB59 million or 67.05% as compared with that of RMB-88 million in the corresponding period of the preceding year, which was mainly attributable to the year-on-year increase in interest income driven by the increase of existing funds and the year-on-year decrease in interest expenses caused by the repayment of interest bearing liabilities. Please refer to Note VI.54 to the financial statements for details.

6 Operating profit

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

7 Income tax expenses

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

8 Net profit attributable to the owners of the parent company

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

GUARANTEED AND SECURED LOANS

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

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

EXCHANGE RATE RISKS

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

CONTINGENT LIABILITIES

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

CASH FLOW AND FINANCIAL RESOURCES

1 Liquidity and capital resources

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

- cash and bank deposits at the beginning of the 2023;
- funds generated from non-public issuance of Domestic Shares by the Company during the reporting period;
- funds generated from non-public issuance of A shares by a subsidiary during the reporting period; and
- funds generated from its operations.

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

Unit: RMB million (except for percentage)

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

2 Operating, investing and financing activities

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

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

Management Discussion and Analysis

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

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

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

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

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

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

GEARING RATIO

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

SEGMENT INFORMATION

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

THE AVIATION ENTIRE AIRCRAFT BUSINESS

Revenue

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

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

Gross Profit Margin

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

THE AVIATION ANCILLARY SYSTEM AND RELATED BUSINESS

Revenue

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

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

Gross Profit Margin

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

THE AVIATION ENGINEERING SERVICES BUSINESS

Revenue

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

Gross Profit Margin

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

BUSINESS REVIEW AND OUTLOOK

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

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

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

The Group further penetrated into the international market in term of general-purpose aircraft. The Y-12F has obtained the type certificate issued by the European Aviation Safety Agency (EASA), becoming the only China-made civil aircraft that has obtained type certificates from the Civil Aviation Administration of China (CAAC), the Federal Aviation Administration (FAA) and EASA.

The Group seized strategic development opportunities in the trainer business. Hongdu Aviation has made new progress in pre-research, bidding, and project approval of a number of new arrivals, laying inexhaustible impetus for subsequent development. L15 advanced trainer was showed at the Dubai Airplane Exhibition, and made a positive progress in exploiting the international market. The civil CJ-6 primary trainer obtained the standard airworthiness certificate (AC) and officially entered the civil general aviation market.

The Group continued to promote technological innovation in the aviation ancillary systems and related businesses. JONHON Optronic basic devices industrial park was successfully completed and the community projects of high-end interconnection technology industry commenced in a comprehensive way. Its first phase of German Production Base has been substantially completed and went into service, leaving international footprint to a new horizon. JONHON Optronic was selected into the Ministry of Industry and Information Technology's "2023 Intelligent Manufacturing Demonstration Factory". AVIC Kaitian focused on breakthroughs in key core technologies such as smart sensors and was recognized as a "National Advanced Enterprise for Intellectual Property". The core components of the high-lift system developed by Qing'an Company has passed the verification test of performance loading for the domestic large aircraft C929, breaking through the technological bottleneck in the development of high-voltage motor. Zhengzhou Aircraft completed the relevant airborne experiments to spare no effort to guarantee the airworthiness certification of AG600 aircraft.

The Group made steady progression in the aviation engineering services business. AVIC CAPDI won the bid for the design project named Zhengzhou Airport International Logistics Customs Clearance Base to implement the strategic arrangements under the Belt and Road Initiative. It won the bid for the reconstruction and expansion engineering of the GAMECO Landing Gear Maintenance Base project and continued to explore the market in the Guangdong-Hong Kong-Macao Greater Bay Area. It won multiple bids for ecological and environmental protection projects, contributing aviation wisdom and strength to the construction of ecological energy environment. The commencement of the construction of comprehensive laboratory for C929 aircraft system was to escort the operation of C929 project. The launch of the second final assembly line of Airbus Tianjin A320 Series aircraft further improved the final assembly capacity of Airbus Tianjin A320 and A321 aircraft, which promoted the vertical integration of industry chain and supply chain in the aviation industry.

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

Management Discussion and Analysis

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

1. The Group will seize unprecedented opportunities for low-altitude economic development, accelerate the research and development of new aircraft, accelerate the construction of strategic emerging industries, and establish its exploratory presence in future promising industries;
2. The Group will deepen cooperation with domestic scientific research institutions for aviation to accelerate the transformation of technological achievements, while exploring the creation of innovation consortium to intensify the synergistic effect of technological strengths;
3. The Group will complete the integration of helicopter businesses, and promote the construction of the Tianjin Helicopter R&D Center and the Civil Helicopter Base, while seizing the development opportunities of aviation emergency rescue equipment to build itself as a key force for national emergency rescue;
4. The Group will accelerate the business structure adjustment and the professional integration of aviation ancillary system, striving to position itself as a world-class aviation industry system integration supplier with international competitiveness;
5. The Group will consolidate the leading advantages of interconnection system business, promote the construction of intelligent manufacturing capabilities, actively expand emerging market areas, and promote the extension the development of industries;
6. The Group will deepen the construction of its ESG management system and integrate the green development philosophy into the overall layout of high-quality development, by adhering to the concept of green aviation development and implementing the “carbon peaking and carbon neutrality goals”; and
7. The Group will comprehensively improve its corporate governance capabilities and governance systems, continue to optimize its capital structure and shareholder structure, persevere in value creation and shareholder returns, maintain the renowned reputation of the Company in the capital market, and enhance the value contribution of our brand.

USE OF PROCEEDS

As at 31 December 2023, a total of RMB6,658 million out of the proceeds raised by the Company had been utilized in the manufacturing and research and development of advanced trainers, helicopters and aviation composite materials, the acquisition of assets in aviation business and equity investments as well as for general corporate purposes. In the end of 2018, the net proceeds raised by the Company through H share placing were approximately HK\$1,346 million (the “H Share Placing”), the balance of such net proceeds as at 1 January 2023 was approximately RMB236 million. In June 2023, the net proceeds raised by the Company through non-public issuance of domestic shares were approximately RMB1,000 million (the “Domestic Shares Issuance”). At the date of the report, the Company has utilized the proceeds from the H Share Placing and the Domestic Shares Issuance according to the plan for use of proceeds as disclosed in the announcements of the Company dated 14 December 2018 and 9 May 2023 respectively. Due to factors disclosed in the Company’s 2022 annual report, the Company was unable to implement the potential acquisition of aviation equity interest or aviation assets. As affected by the international situation and the macroeconomic environment, the timeline for completion of utilization of the net proceeds from the H Share Placing may be delayed from the planned timetable, and the Company will continue to disclose the progress of the actual utilization of the net proceeds from the H Share Placing in its future periodic reports. Set out below is the information regarding the use of proceeds from the H Share Placing and the Domestic Shares Issuance:

Use of proceeds	Net proceeds utilized in 2023	Utilized net proceeds up to 31 December 2023	Unutilized net proceeds as of 31 December 2023	Expected timeline for completion of utilization of the net proceeds
H Share Placing				
Investment in aviation product businesses, the industrialization projects of aviation research institutes and industry investment fund for aviation business, the funding of acquisitions of aviation equity interest or aviation assets and for general corporate purposes	Approximately RMB137 million, used for general corporate purposes	Approximately RMB1,100 million, of which approximately RMB812 million was used in investment in aviation product businesses, approximately RMB151 million was used in industrialization projects of aviation research institutes and investment fund for aviation business, and approximately RMB137 million was used for general corporate purpose	Approximately RMB99 million will all be intended to use in investment in aviation product businesses and for general corporate purposes	By the end of 2024

Management Discussion and Analysis

Use of proceeds	Net proceeds utilized in 2023	Utilized net proceeds up to 31 December 2023	Unutilized net proceeds as of 31 December 2023	Expected timeline for completion of utilization of the net proceeds
Domestic Shares Issuance				
To supplement working capital	Approximately RMB1,000 million, all used to supplement the working capital	Approximately RMB1,000 million, all used to supplement the working capital	Nil	All had been used to supplement the working capital

EMPLOYEES

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

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

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

REMUNERATION OF EMPLOYEES

The remuneration of the employees of the Group (including Directors) is determined on the fair and reasonable basis and with reference to comparable market standards. Such remuneration comprises basic salary, contribution to a public housing fund, and contributions to pension schemes. The Group will also, at its discretion, pay year-end bonus to employees according to their respective performance.



Management Discussion and Analysis

TRAINING FOR EMPLOYEES

With the goal of “cultivating and creating compound industrial capital talents with international vision”, the Group attaches great importance to talent training, always adheres to the high-goal traction and systematic promotion, and continuously upgrades the talent training system.

In 2023, the Group focused on the development strategy and carried out targeted international operation and management system training. At the same time, the Group established specialized teams for young employees in areas such as performance and risk management and internal control, investor relations and securities market research, further developed young employees’ broad vision, forward-looking judgment, interdisciplinary understanding and organizational leadership, and formed a youth reserve talent echelon. By building the communication and training platform, employees can broaden their horizons, increase their abilities, and continuously enhance the core competitiveness of enterprise.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors



Mr. Yan Lingxi (閻靈喜)

53, a master's degree holder and a senior engineer. Mr. Yan graduated from Beihang University with a bachelor's degree in engineering in 1991 and with a master's 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 Aviation Industry Corporation of China, respectively. From August 2014 to September 2016, Mr. Yan had been a director of AVICOPTER. From October 2016 to February 2018, Mr. Yan had successively been the head of the Office of the Board of Directors and the deputy director of Capital Management Department of AVIC, and the deputy general manager and the secretary of the board of directors of AVIC Industry-Finance. From March 2019 to November 2021, Mr. Yan served as director of the Capital Operation Department of AVIC. From April 2004 to August 2016, Mr. Yan had been the director of the securities and legal department, the secretary of the Board and the assistant to the general manager of the Company, respectively. Mr. Yan was the standing deputy general manager of the Company from February 2018 to March 2019. He was the non-executive Director of the Company from May 2019 to May 2021. Mr. Yan has been the general manager of the Company from December 2021 to February 2023. Mr. Yan has been the executive Director of the Company since January 2022, and the Chairman of the Board of the Company since February 2023. Since January 2022, Mr Yan has been the director, chairman of the board of AVICOPTER.



Mr. Sun Jizhong (孫繼忠)

56, a master's degree holder. Mr. Sun graduated from Beihang University in management engineering. Mr. Sun commenced his career in the aviation industry in 1990, and served as deputy section chief of the finance and accounting department, deputy director of the finance and accounting department, director of the finance and accounting department, deputy chief accountant and director of finance department, as well as deputy general manager and the chief accountant of Shenyang Aircraft Corporation. From December 2019 to February 2023, Mr. Sun has been a director and the general manager of AVIC Finance. He has been the general manager of the Company since February 2023. Mr. Sun has been the executive Director of the Company since May 2023.



Directors, Supervisors and Senior Management

Non-executive Directors



Mr. Lian Dawei (廉大為)

61, a doctorate's degree holder and a researcher level senior engineer. Mr. Lian graduated from the Department of Urban Construction of Harbin Institute of Architectural Engineering with a bachelor of engineering degree majoring in heating and ventilation, and successively obtained his master's degree in technology economy and management from Tsinghua University and doctorate degree in engineering and project management from Beijing Jiaotong University. Mr. Lian had successively been the deputy division director, division director, department chief, vice president and president of China Aviation Planning and Design Institute, the general manager of AVIC CAPDI, etc. Mr. Lian had been the chairman of the board of AVIC CAPDI from August 2016 to December 2022. He has been the non-executive Director of the Company since May 2019.



Mr. Liu Bingjun (劉秉鈞)

48, a master's degree holder. Mr. Liu has served as the director of Asset Enterprise Management Department of AVIC II; senior business manager of Capital Operation Department of AVIC; director of Listing Office and vice director of Securities Affairs Department of AVIC Helicopter; vice director of Planning and Development Department, vice president and board secretary of AVICOPTER; and vice director of Compliance and Risk Control Department of the Company. Since April 2022, Mr. Liu has served as vice director of the Capital Operation Department of AVIC. He has been the non-executive Director of the Company since October 2022.

Directors, Supervisors and Senior Management



Mr. Xu Gang (徐崗)

52, a doctorate's degree holder. Mr. Xu graduated from Tianjin University with a bachelor's degree in information management system engineering. Mr. Xu also holds a master's degree in business administration from Roosevelt University in Chicago and a doctorate degree in economics from Nankai University. In 1995, Mr. Xu worked for the Tianjin Economic and Technology Development Area Administrative Committee. He was nominated as the deputy head of the Investment Promotion Bureau of Tianjin Free Trade Zone in 2003 and was promoted as its head in 2005, when he started to actively participate in the Airbus A320 Series Final Assembly Line program jointly initiated by Airbus and its Chinese partners. From 2008 to 2011, Mr. Xu was the deputy general manager of Airbus Tianjin A320 Series Final Assembly Line and the head of the Investment Promotion Bureau of Tianjin Free Trade Zone Administrative Committee. In 2011, he was appointed as the chairman of board of Airbus Tianjin Final Assembly Line and the director of Tianjin Free Trade Zone Administrative Committee. From 2014 to 2017, Mr. Xu was appointed as the Party Secretary of Tianjin Youth League. Since January 2018, Mr. Xu has served as the chief executive officer of Airbus China and the head of Airbus China, responsible for all commercial aircraft operations and helicopter, defense and aerospace operations of Airbus in China. He has been the non-executive Director of the Company since May 2019.



Mr. Wang Jun (王軍)

70, a first level senior accountant. Mr. Wang graduated from Zhengzhou Aviation Industry Management Institution majoring in finance and business management. Mr. Wang commenced his career in aviation industry in August 1969 and used to be a division chief of planning department, secretary of company office, 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 and vice general manager of Dongan Engine Manufacturing Group; director and vice general manager of Dongan Engine Manufacturing Group; director, vice general manager and general manager of Harbin Aviation Group; Chairman of the board of directors of Dongan Heibao Co., Ltd.; Chairman of the board of directors and general manager of Harbin Dongan Engine (Group) Co., Ltd. Mr. Wang had been the vice general manager and chief financial officer of the Company since April 2010 to March 2014. Mr. Wang had been an independent director of AVIC BIAM New Materials Technology and Engineering Co., Ltd. from 2018 to June 2020. Mr. Wang has been a director of AVIC BIAM New Materials Technology and Engineering Co., Ltd. since July 2020. He has been the non-executive Director of the Company since May 2021.



Directors, Supervisors and Senior Management

Independent Non-executive Directors



Mr. Liu Weiwu (劉威武)

60, a master's degree holder. Mr. Liu is a director of the finance (property) department of China Merchants Group Limited. Mr. Liu was the head of treasury division of financial department of Guangzhou Ocean Shipping Company, the manager of financial department of Hong Kong Mingwah Co., Ltd. Mr. Liu has been the deputy general manager of financial department of China Merchants Group Limited from August 2004 to February 2009. Mr. Liu had successively been the director, the chief financial officer and the deputy general manager of China Merchants Energy Shipping Co., Ltd* since February 2009. Mr. Liu was an executive director of China Merchants Port Holding Co., Ltd from March 2021 to December 2022. Mr. Liu has been the independent non-executive Director of the Company since June 2018.



Mr. Mao Fugen (毛付根)

61, a holder of the doctorate's degree, a senior management accountant and a committee member of the Cost Research Society of China. Mr. Mao graduated from the School of Accounting of Xia Men University in 1985 and achieved a master's degree in economics (accounting) from Xia Men University in 1988, and a doctorate degree in economics (accounting) from Xiamen University in 1994. Mr. Mao is a long-term EMBA lecture professor at Xiamen University and other universities with main research areas including management accounting, corporate finance, crossborder corporate finance management and other areas and he has extensive experience in senior management training. Mr. Mao successively served as the lecturer, deputy professor and professor of the School of Accounting of Xiamen University. He has been an independent non-executive director of Zhonghong Pulin Medical Product Co., Ltd. since July 2021. He has been an independent non-executive director of Haitong Securities Co., Ltd. since October 2023. He has been the independent non-executive Director of the Company since May 2021.



Mr. Lin Guiping (林貴平)

58, a holder of doctorate's degree. Mr. Lin graduated from Beihang University with a bachelor's degree majoring in automotive engine in 1986, a master's degree majoring in engineering thermal physics in 1989, and a doctorate degree majoring in man-machine and environmental engineering in 1993. Mr. Lin was promoted successively as the deputy professor in 1993, the professor in 1998, and was elected as the doctoral tutor in 2000. Mr. Lin has engaged in research work in multiple national projects including projects and sub-projects of major projects launched by the National Natural Science Foundation of China and the National High-tech R&D Program. Mr. Lin is a member of the Aviation Medical and Rescue Committee of the Chinese Society of Aeronautics and Astronautics. He has been the independent non-executive Director of the Company since May 2021.

Directors, Supervisors and Senior Management

SUPERVISORS



Mr. Zheng Qiang (鄭強)

60, chairman of the supervisory committee, a master's degree holder and a researcher. He graduated from Northwestern Polytechnical University with a master's degree majoring in aircraft design in 1988. Mr. Zheng commenced his career in aviation industry from 1988, and served as 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 System Engineering Research Division of CASERI since March 1996; deputy director and director of CASERI since October 1996; deputy head and head of Civil Aircraft Department of AVIC I since August 2001; and assistant to the general manager of AVIC I since September 2004. Mr. Zheng was appointed as vice general manager of the Company from June 2009 to June 2015. Mr. Zheng also served as director of AVICOPTER from August 2014 to March 2015. Mr. Zheng has been appointed as director of the management innovation office of AVIC since June 2015. From April 2017 to October 2019, Mr. Zheng was a supervisor of Sichuan Chengfei Integration Technology Corporation Limited. Mr. Zheng had been a director of AVIC Industry-Finance from May 2017 to October 2020. Mr. Zheng has been the Supervisor of the Company since October 2016.



Mr. Guo Guangxin (郭廣新)

54, a bachelor's degree holder. Mr. Guo graduated with a bachelor of engineering from the department of computer and science technology in Harbin College of Shipbuilding Engineering in 1991 and majoring in computer application technology. Mr. Guo served successively as a member of technology department and then a senior staff member of disciplinary committee in Heilongjiang Branch of Industrial and Commercial Bank of China from July 1991 to January 2000. Mr. Guo served successively as the deputy head of the equity management department, the head of the debt comprehensive operation department, the head of the comprehensive management department and the assistant to senior manager of the innovation business department in Harbin Branch of China Huarong Asset Management Co., Ltd. from January 2000. Mr. Guo served as a senior deputy manager and senior manager of Business Division VII in Heilongjiang Branch of China Huarong Asset Management Co., Ltd. from 2013 to 2020. Mr. Guo served as a senior manager of Business Division IV in Heilongjiang Branch of China Huarong Asset Management Co., Ltd. in January 2021. Mr. Guo has been a senior specialist and the head of Business Division IV in Heilongjiang Branch of China Huarong Asset Management Co., Ltd. since January 2022. Mr. Guo has been a level 3 specialist and the head of Business Division IV in Heilongjiang Branch of CITIC Financial Asset Management Co., Ltd. since 2024. Mr. Guo has been the Supervisor of the Company since June 2018.



Directors, Supervisors and Senior Management



Mr. Zhao Zhuo (趙卓)

51, a master's degree holder and a researcher. Mr. Zhao successively graduated from Beijing Institute of Chemical Technology with a bachelor's degree of engineering majoring in industrial management engineering and from the school of management of Beihang University with a master's degree of engineering majoring in management. Mr. Zhao has obtained an EMBA degree from University of Texas at Arlington. Mr. Zhao has commenced his career in aviation industry since 1995. He successively served for AVIC Economics & Technology Research Establishment, the planning and development department of Former AVIC, and the general affairs division of AVIC II. Since 2005, Mr. Zhao has served as the deputy director of the comprehensive management department, the deputy director, director of the internal audit department, the director of the capital market department, and the director of the comprehensive management department of the Company. Mr. Zhao had been a supervisor of JONHON Optronic from October 2017 to August 2018 and a director of AVIC BIAM New Materials Technology and Engineering Co., Ltd. from May 2017 to May 2018. Mr. Zhao has been the deputy general manager of AVICOPTER since April 2022, and the Board Secretary of AVICOPTER since August 2022. Mr. Zhao has been the Supervisor of the Company since December 2020.

SENIOR MANAGEMENT



Mr. Wang Jingmin (王敬民)

Chief Accountant

51, senior accountant. Mr. Wang graduated from Zhengzhou Aviation Industry Management College in 1996 with a bachelor's degree in accounting. In 2009, he graduated from Northeast Normal University majoring in business management with a master's degree in management. Mr. Wang commenced his career in the aviation industry in 1996 and has served as the accountant of the Finance Department of Beijing Changkong Machinery Co., Ltd., the chief staff member of the Financial Audit Department, the chief staff member of the Finance Department, and the deputy director and director of the Corporate Finance Department of AVIC II, director of the Corporate Finance Department of the Financial Management Department of AVIC, director of the Financial Management Department of AVIC Helicopter, the deputy director of Culture Center of AVIC and director and deputy general manager of AVIC Culture Co., Ltd. He has been the Chief Accountant of the Company since December 2021.

Directors, Supervisors and Senior Management



Mr. Xu Bin (徐濱)

Board Secretary

47, a master's degree holder and a senior economist. Mr. Xu graduated from Nanchang University in 2000 majoring in law, and then obtained an MBA degree in 2012 from Beihang University. Mr. Xu served as a lawyer at Jiangxi Ganxing Law Firm since June 2000, and in-house legal counsel at Hongdu Group since October 2001. He also successively served as senior manager, director assistant, and deputy director of the Securities and Legal Department of the Company from February 2003 to June 2014. Mr. Xu had been a director of AVIC Kaitian from December 2013 to 2020, the director of the Compliance Department of the Company from June 2014 to February 2021, the director of the Planning and Investment Department of the Company since February 2021, a supervisor of Hongdu Aviation from October 2019 and a director of AVIC Airborne from December 2020. Mr. Xu has been serving as the Board Secretary of the Company since August 2020.



Report of The Board

The Board hereby presents its Report of the Board together with the audited financial statements of the Group for the year ended 31 December 2023. All references made below to other sections, reports or notes of this annual report form part of this Report of the Board.

BUSINESS OF THE GROUP

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

For details of the business and future business development of the Group, please refer to the section headed “Business Review and Outlook” from page 18 to page 20 of this annual report.

ENVIRONMENTAL POLICIES

The Company has made and implemented the following environmental policies, aiming to continuously improve the level of the Group’s environmental governance: (i) the Company fully complies with the PRC laws and regulations in relation to environmental protection; (ii) the Company actively raises environmental protection awareness of its employees, and encourages its employees’ participation in environmental protection work; and (iii) the Company also supervises the performance of its subsidiaries in environmental protection to build up the harmonious environment together.

During this reporting period, the Company continuously strengthened the management of environmental protection, actively participated in energy saving and emission reduction, and pursued green development. For details, please refer to the “Environmental, Social and Governance Report” of the Company dated 26 April 2024.

RESULTS, DIVIDEND AND DIVIDEND POLICY

The results of the Group for the year 2023 are set out in the Consolidated Income Statement on page 97 of this annual report.

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

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

Report of The Board

In accordance with Article 144 of the Articles of Association, the dividend will be declared in RMB to the shareholders. The dividend payable to Domestic Shares Shareholders will be paid in RMB within three months after the dividend declaration date, the dividend payable to H Shares Shareholders will be denominated and declared in RMB and paid in Hong Kong Dollars within three months after the dividend declaration date. The dividend to be paid in Hong Kong Dollars will be converted based on the average closing exchange rate between RMB and Hong Kong Dollars issued by the People's Bank of China for the five business days prior to the declaration of dividends at the annual general meeting of the Company to be held on Tuesday, 21 May 2024 (the "2023 AGM"). Subject to the approval of the Company's shareholders at the 2023 AGM, the aforementioned dividend is expected to be paid by the Company on or before 30 June 2024.

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

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

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

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



Report of The Board

INFORMATION ON TAX DEDUCTION

H shareholders shall be taxed for the dividends distributed by the Company in accordance with the Enterprise Income Tax Law of the PRC, the Detailed Rules for the Implementation of 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 2 June 2023.

In addition, pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127), for domestic individual shareholders who invest in H Shares of the Company through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the dividends. For domestic shareholders whose securities investment funds investing in H Shares of the Company through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the dividends. As to the withholding tax having been paid abroad, an individual shareholder may file an application for tax credit with the competent tax authority which exercises jurisdiction over China Securities Depository and Clearing Corporation Limited with an effective tax credit document. For domestic enterprise shareholders who invest in H Shares of the Company through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the Company will not withhold or pay enterprise income tax on their behalf in the distribution of the dividends, and the domestic enterprise shareholders shall report and pay the relevant taxes payable by themselves. Any dividend received in respect of H Shares of the Company which have been continuously held by a domestic resident enterprise shareholder for 12 months shall be exempted from enterprise income tax.

SHARE CAPITAL

The Company's structure of share capital as at 31 December 2023 was as follows:

	Number of Shares as at 31 December 2023	Percentage of total number of Shares in issue as at 31 December 2023 (%)
Domestic Shares	1,762,191,406	22.10
H Shares	6,210,662,836	77.90
Total	7,972,854,242	100

Report of The Board

FIVE-YEAR FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the recent five financial years is set out on page 5 to page 6 of this annual report.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, pursuant to the register kept under Section 336 of the Securities and Futures Ordinance (the "SFO"), Shareholders holding 5% or more equity interests in the Shares and underlying Shares of the Company were as follows:

Name of Shareholders	Type of Shares	Capacity	Number of Shares	Approximate percentage of shareholdings to the same type of Shares in issue	Nature of Shares held
AVIC (Note 1)	H Shares	Beneficial owner; Interest in controlled corporation	3,553,069,569	57.21%	Long position
	Domestic Shares (Note 2)	Beneficial owner	1,250,899,906	70.99%	Long position
National Industrial Investment Fund	Domestic Shares (Note 3)	Beneficial owner	261,522,000	14.84%	Long position
Tianjin Free Trade Zone Investment	Domestic Shares (Note 2)	Beneficial owner	249,769,500	14.17%	Long position
Airbus (Note 4)	H Shares	Beneficial owner	312,255,827	5.03%	Long position

Notes:

- 1 Out of the 3,553,069,569 H Shares held by AVIC, 3,297,780,902 H Shares are held as beneficial owner and 183,404,667 H Shares are held through AVIC Airborne Systems, its wholly-owned subsidiary, 18,346,000 H Shares are held by AVIC through China Aviation Industry (Hong Kong) Company Limited, its wholly-owned subsidiary, and 53,538,000 H Shares are held by AVIC Industry-Finance, its non-wholly-owned subsidiary.
- 2 Pursuant to the equity acquisition and share issuance agreement dated 28 November 2019, the Company issued a number of 1,500,669,406 Domestic Shares as the consideration for the acquisition, among which, a number of 1,250,899,906 and 249,769,500 Domestic Shares were issued to AVIC and Tianjin Free Trade Zone Investment, respectively. The issuance of Domestic Shares was completed on 24 December 2020.
- 3 Pursuant to the share subscription agreement dated 9 May 2023, the Company issued 261,522,000 Domestic Shares to National Industrial Investment Fund. The issuance of Domestic Shares was completed on 3 July 2023.
- 4 European Aeronautic Defence and Space Company – EADS N.V. officially changed its name to Airbus on 1 January 2014.

Save as disclosed above, as at 31 December 2023, the Company had not been notified of any interests and short positions in 5% or more of the Shares and underlying Shares of the Company which had been recorded in the register kept under Section 336 of the SFO.



Report of The Board

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

DONATION

For the year ended 31 December 2023, for details of major donation of the Group, please refer to the "Environmental, Social and Governance Report" of the Company dated 26 April 2024.

RESERVES

Details of movement in reserves of the Group for the year ended 31 December 2023 are set out in the Consolidated Statement of Changes in Shareholders' Equity and Note VI. 44-48 to the financial statements.

DISTRIBUTABLE RETAINED EARNINGS

As at 31 December 2023, the Company had distributable retained earnings of RMB1,182,634,191.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, the Group's total purchases from the five largest suppliers for the aviation business accounted for 14.60% of the Group's total purchases, of which, purchases from the largest supplier accounted for 4.23% of the Group's total purchases. The Group's sales to the five largest customers accounted for 43.94% of the Group's total sales, of which, sales to the largest customer accounted for 28.28% of the Group's total sales.

Purchases from the five largest suppliers in the aviation entire aircraft segment accounted for 34.60% of the total purchases in the Group in that segment, of which, purchases from the largest supplier accounted for 10.48% of the total purchases in that segment. Sales to the five largest customers in the aviation entire aircraft segment accounted for 99.92% of the total sales in that segment, of which, sales to the largest customer accounted for 94.46% of the total sales in that segment.

Purchases from the five largest suppliers in the aviation ancillary system and related business segment accounted for 5.32% of the total purchases in the Group in that segment, of which, purchases from the largest supplier accounted for 1.66% of the total purchase in that segment. Sales to the five largest customers in the aviation ancillary system and related business segment accounted for 22.45% of the total sales in that segment, of which, sales to the largest customer accounted for 7.59% of the total sales in that segment.

Report of The Board

Purchases from the five largest suppliers in the aviation engineering services segment accounted for 19.23% of the total purchases in the Group in that segment, of which, purchases from the largest supplier accounted for 8.95% of the total purchase in that segment. Sales to the five largest customers in the aviation engineering services segment accounted for 23.12% of the total sales in that segment, of which, sales to the largest customer accounted for 6.33% of the total sales in that segment.

During the reporting period, save for the connected transactions with AVIC as disclosed in the section headed “Connected Transactions” in this annual report, none of the Directors or their close associates or any Shareholder holding more than 5% has any interest in the above major suppliers and customers.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in Note VIII.1 to the financial statements.

DIRECTORS

Details of the Directors are set out on pages 24 to 27 of this annual report. Details of changes of the Directors during the year 2023 are set out on pages 55 of this annual report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES DURING THE REPORTING PERIOD

1. On 13 April 2023, AVIC Airborne issued 2,567,240,755 A shares as a result of the share swap and absorption, and the total issued share capital of AVIC Airborne increased from 1,917,798,835 shares to 4,485,039,590 shares. On 18 July 2023, AVIC Airborne issued 353,857,040 A shares as a result of the subscription, and the total issued share capital of AVIC Airborne increased from 4,485,039,590 shares to 4,838,896,630 shares. By then, the share swap and absorption and subscription has been completed. For details, please refer to the announcements of the Company dated 26 May 2022, 10 June 2022, 26 October 2022, 13 April 2023 and 18 July 2023, and the circular of the Company dated 29 September 2022.



Report of The Board

2. On 18 July 2023, (i) the Company, AVIC and AVICOPTER entered into the Asset Acquisition Supplemental Agreement II to, among others, agree the Consideration and the number of Consideration Shares; (ii) the Company and AVICOPTER entered into the Profit Undertaking Agreement pursuant to which the Company agreed to compensate AVICOPTER under certain events; (iii) the Company and AVICOPTER entered into the Supplemental Agreement I of Share Subscription Agreement I to, among others, amend the conditions to effectiveness of the Share Subscription Agreement I; and (iv) AVIC Airborne Systems and AVICOPTER entered into the Supplemental Agreement I of Share Subscription Agreement II to, among others, amend the conditions to effectiveness of the Share Subscription Agreement II. Immediately prior to and after completion, (i) the Company shall be directly interested in approximately 92.43% and indirectly interested in approximately 53.62% in Changhe Aircraft, respectively; and (ii) the Company shall be directly interested in approximately 80.79% and indirectly interested in approximately 53.62% in Harbin Aircraft, respectively. As the transactions contemplated under the Asset Acquisition Agreements involve (i) a disposal of interest in Changhe Aircraft and Harbin Aircraft by the Company; and (ii) an acquisition of the same by AVICOPTER (being a subsidiary of the Company), they are in substance a group reorganization which will result in an effective net disposal of approximately 38.81% and 27.17% equity interest in Changhe Aircraft and Harbin Aircraft, respectively, to the minority shareholders of AVICOPTER. The profits deriving from the patented technology and software copyright owned by Changhe Aircraft and Harbin Aircraft, and the profits deriving from the 81% equity interests in Jinjiang Engineering Company during the Transitional Period shall be borne by AVICOPTER, while the losses deriving from the same shall be borne by the Company and AVIC pursuant to the terms of the Asset Acquisition Agreements. Save as the above assets of the Target Companies, the profits and losses deriving from the Target Companies during the Transitional Period shall be borne by AVICOPTER. Application has been made to, and approval has been obtained from, the Hong Kong Stock Exchange for the adoption of the Alternative Tests in respect of the Net Disposals pursuant to Rule 14.20 of the Hong Kong Listing Rules. As the highest of the relevant percentage ratios (after adopting the Alternative Tests) in respect of the Net Disposals are less than 25%, the Net Disposals constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules. On 18 July 2023, AVICOPTER was a subsidiary of the Company and was held directly and indirectly as to 49.30% in aggregate by the Company. Immediately upon Completion, the Company shall be directly and indirectly interested in approximately 53.62% of the total issued shares of AVICOPTER. Therefore, the issue of 120,850,378 Consideration Shares to the Company shall constitute an acquisition by the Company under Chapter 14 of the Hong Kong Listing Rules. As the highest of the relevant percentage ratios in respect of the acquisition is less than 5%, the acquisition does not constitute a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules. On 18 July 2023, AVIC was the controlling Shareholder of the Company and it held approximately 60.25% equity interests in the Company directly and indirectly. The acquisition of 7.57% and 19.21% equity interests in Changhe Aircraft and Harbin Aircraft, respectively, by AVICOPTER from AVIC constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the relevant percentage ratios (other than the profit ratio) for the acquisition of 7.57% and 19.21% equity interests in Changhe Aircraft and Harbin Aircraft by AVICOPTER is more than 0.1% but less than 5%, the acquisition is subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. Besides, On 18 July 2023, other than the interests held by the Group in AVICOPTER, AVIC was indirectly interested in approximately 0.95% of the total issued shares of AVICOPTER. Immediately upon Completion, AVIC will be directly and indirectly interested in approximately 3.67% of the total

Report of The Board

issued shares of AVICOPTER (other than the interests held by the Group in AVICOPTER). As the Company's interests in AVICOPTER will be diluted upon the issue of an aggregate of 21,278,892 Consideration Shares to AVIC, such issue of an aggregate of 21,278,892 Consideration Shares constitutes deemed disposal of interests in AVICOPTER and a connected transaction of the Company under Rule 14A.24 of the Hong Kong Listing Rules. As the highest of the relevant percentage ratios (other than the profit ratio) for the issue of an aggregate of 21,278,892 Consideration Shares to AVIC is more than 0.1% but less than 5%, such issue of Consideration Shares is subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. On 15 September 2023, AVIC and AVICOPTER entered into a profit undertaking agreement, pursuant to which AVIC agreed to compensate AVICOPTER under certain events. On 22 March 2024, a total of 142,129,270 A shares of AVICOPTER have been issued by AVICOPTER (the "Newly Issued Shares") in connection with the Proposed Restructuring. Upon the issuance of the Newly Issued Shares, the total number of issued shares of AVICOPTER has increased from 589,476,716 shares to 731,605,986 shares. The Company's shareholding in AVICOPTER has increased to 53.62%. For details, please refer to the announcements of the Company dated 23 December 2022, 9 January 2023, 15 March 2023, 18 July 2023, 15 September 2023 and 22 March 2024. Unless otherwise defined, terms used in this paragraph shall have the same meanings as those defined in such announcements.

Save as disclosed above, no other material acquisitions and disposals of subsidiaries and associated companies of the Company occurred during the reporting period.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

(a) *Continuing connected transactions between the Company and connected persons in 2023*

For the year ended 31 December 2023, the Group engaged in continuing connected transactions with AVIC Group, AVIC Airborne and its subsidiaries ("AVIC Airborne Group") and Shenyang Xinghua. 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 more than 10% in AVIC Airborne and Shenyang Xinghua, which are subsidiaries of the Company and are consolidated in the audited accounts of the Company. AVIC Airborne and Shenyang Xinghua are therefore connected subsidiaries of the Company under the Hong Kong Listing Rules. The Group also entered into continuing connected transactions with AVIC Finance, AVIC Trust and AVIC Lease, which are subsidiaries of AVIC and therefore are connected persons of the Company.



Report of The Board

With AVIC

During the year 2023, the Group carried out the following continuing connected transactions with AVIC Group pursuant to the three continuing connected transaction agreements entered into between the Company and AVIC:

- 1 On 21 August 2020, the Company entered into the mutual supply of products agreement with AVIC to continue certain continuing connected transactions, pursuant to which, AVIC Group and the Group agreed to mutually supply the manufacturing raw materials, parts and components, finished and semi-finished aviation products (including but not limited to aviation entire aircraft and aviation parts and components to the Group, and the helicopters, airplanes and aviation parts and component to AVIC Group) required by aviation products used in their respective production and business operation activities and the related sale and ancillary services for a term of three years ended 31 December 2023. On 28 October 2022, the Board proposed to revise and increase the proposed annual cap for the expenditure transaction of the mutual supply of products agreement for the year ended 31 December 2023 to not more than RMB23,640 million, and to revise and increase the proposed annual cap for the revenue transaction of the mutual supply of products agreement for the year ended 31 December 2023 to not more than RMB34,516 million. Such new annual caps for the year ended 31 December 2023 had been approved by the independent shareholders at the general meeting held on 10 February 2023.

As the existing mutual product supply agreement was due to expire on 31 December 2023, on 22 August 2023, the Company entered into a new mutual product supply agreement with AVIC to continue certain continuing connected transactions, pursuant to which, AVIC Group and the Group agreed to AVIC Group and the Group mutually supply the manufacturing raw materials, parts and components, finished and semi-finished aviation products involved in the production and operations of the respective aviation products of each other (including but not limited to aviation entire aircraft and aviation parts and components to the Group, and the helicopters, airplanes and aviation parts and component to AVIC Group) required by aviation products used in their respective production and business operation activities and the related sales and ancillary services for a term of three years ending 31 December 2026.

- 2 On 21 August 2020, the Company entered into the mutual service supply agreement with AVIC to continue certain continuing connected transactions, pursuant to which, AVIC Group agreed to provide certain services relating to the production and business operations of the Group for a term of three years ended 31 December 2023 and the Group also agreed to provide certain services relating to the production and business operations of AVIC Group including but not limited to engineering technologies, engineering general contracting and equipment general contracting services for a term of three years ended 31 December 2023. On 22 August 2023, the Board approved to increase the proposed annual cap under the mutual service supply agreement for the year ended 31 December 2023 to not more than RMB1,200 million.

Report of The Board

As the existing mutual service supply agreement was due to expire on 31 December 2023, on 22 August 2023, the Company entered into a new mutual service supply agreement with AVIC to continue certain continuing connected transactions, pursuant to which, AVIC Group agreed to provide certain services relating to the production and business operations of the Group for a term of three years ending 31 December 2026 and the Group also agreed to provide certain services relating to the production and business operations of AVIC Group including but not limited to engineering technologies, engineering general contracting and equipment general contracting services for a term of three years ending 31 December 2026.

- 3 On 21 August 2020, the Company entered into the land use rights and properties leasing agreement with AVIC to continue certain continuing connected transactions, pursuant to which, AVIC Group and the Group agreed to mutually lease certain land and properties for manufacturing and operation for a term of three years ended 31 December 2023. On 30 August 2022, the Board proposed to revise and increase the annual caps (in relation to the total value of the right-of-use assets relating to the leases) of the land use rights and properties lease agreement for the financial years ended 31 December 2022 and 2023 to not more than RMB300 million and RMB200 million respectively.

As the existing land use rights and properties leasing agreement was due to expire on 31 December 2023, on 22 August 2023, the Company entered into a new land use rights and properties leasing agreement with AVIC to continue certain continuing connected transactions, pursuant to which, AVIC Group and the Group agreed to mutually lease certain land and properties for manufacturing and operation for a term of three years ending 31 December 2026.



Report of The Board

With AVIC Airborne

- 4 On 21 August 2020, the Company entered into the mutual product and service supply and guarantee agreement with AVIC Airborne to continue certain continuing connected transactions. Pursuant to which, the Group agreed to supply to AVIC Airborne Group aviation parts and components, raw materials, related manufacturing, labour and guarantee services, and engineering technology (including but not limited to planning, consultation, design and supervision), project engineering main contracting and equipment main contracting services, etc.; and AVIC Airborne Group agreed to supply to the Group aviation electronic products, electromechanical parts and components, related manufacturing and labour services, and engineering and equipment subcontracting services. On 28 October 2022, the Company entered into the supplemental mutual product and service supply and guarantee agreement with AVIC Airborne. Pursuant to which, the Group agreed to supply to AVIC Airborne Group aviation parts and components, raw materials, related manufacturing, labour and guarantee services, and engineering technology (including but not limited to planning, consultation, design and supervision), project engineering main contracting and equipment main contracting services, etc.; and AVIC Airborne Group agreed to supply to the Group aviation electronic products, electromechanical products, parts and components, related manufacturing and labour services, and engineering and equipment subcontracting services. The proposed annual cap for the expenditure transactions of the supplemental mutual product and service supply and guarantee agreement for the year ended 31 December 2023 was increased to not more than RMB3,830 million, and the proposed annual cap for the revenue transactions of the supplemental mutual product and service supply and guarantee agreement for the year ended 31 December 2023 was increased to not more than RMB1,022 million. The new annual cap for the expenditure transaction for the year ended 31 December 2023 had been approved by the independent shareholders at the general meeting held on 10 February 2023, and the new annual cap for the revenue transaction for the year ended 31 December 2023 had been approved by the Board on 28 October 2022.

The mutual product and service supply and guarantee agreement was due to expire on 31 December 2023. As the Group continues to have the need to procure from and supply to AVIC Airborne Group various products and services in its business (but expects that the Group will not supply guarantee services), on 22 August 2023, the Company entered into AVIC Airborne mutual product and service supply framework agreement with AVIC Airborne, with the transaction scope no longer including guarantee services. Pursuant to which, the Group agreed to supply to AVIC Airborne Group aviation parts and components, raw materials, related manufacturing, labour services, and engineering technology (including but not limited to planning, consultation, design and supervision), project engineering main contracting and equipment main contracting services for a term of three years ending 31 December 2026. AVIC Airborne Group agreed to supply to the Group aviation electronic products, mechanical electronics, parts and components, related manufacturing and labour services, and engineering and equipment subcontracting services for a term of three years ending 31 December 2026.

Report of The Board

With Shenyang Xinghua

- 5 On 22 January 2021, the Company entered into the Shenyang Xinghua mutual supply of products and services framework agreement with Shenyang Xinghua for certain continuing connected transactions for a term commencing on 1 January 2021 and ending on 31 December 2023. On 22 August 2023, the Board approved to increase the proposed annual cap for the expenditure transactions under the Shenyang Xinghua products and services mutual supply framework agreement for the year ended 31 December 2023 to not more than RMB120 million, and to increase the proposed annual cap for the revenue transactions under the Shenyang Xinghua products and services mutual supply framework agreement for the year ended 31 December 2023 to not more than RMB180 million.

On 22 August 2023, the Company entered into the Shenyang Xinghua mutual product and service supply framework agreement with Shenyang Xinghua, pursuant to which the Group agreed to supply to Shenyang Xinghua Group aviation parts, raw materials, related manufacturing and labour services and the engineering technology (including but not limited to planning, consulting, design and supervision, etc.), project engineering main contracting and equipment main contracting services for a term of three years ended 31 December 2026. Shenyang Xinghua Group agreed to supply to the Group aeroengine components, connectors, cables, power electronic components, aircraft blowers, fans, mounting frame control boxes, components, related manufacturing and labour services, etc. for a term of three years ending 31 December 2026.

With Harbin Aircraft

- 6 On 15 March 2023, the Company entered into the Harbin Aircraft mutual products and services supply agreement with Harbin Aircraft, pursuant to which the Group agreed to supply the manufacturing raw materials, parts and components, finished and semi-finished aviation products (including but not limited to helicopters and aviation parts and components) and provide services in relation to production and labour services to Harbin Aircraft and its subsidiaries for the years ending 31 December 2024. Harbin Aircraft and its subsidiaries agreed to supply the manufacturing raw materials, parts and components, and provide services in relation to production, labour, leasing (including but not limited to equipment leasing and property leasing) and other comprehensive services to the Group for the years ending 31 December 2024.



Report of The Board

With AVIC Finance

- 7 On 21 August 2020, the Company entered into the financial services framework agreement with AVIC Finance, pursuant to which, AVIC Finance has agreed to provide the Group with the deposit services, the loan services, the settlement services, the guarantee services, the AVIC finance factoring services and the other financial services (i.e. such other financial services (including but not limited to bill acceptance and discount services) as approved by the China Banking and Insurance Regulatory Commission) for a term of three years ended 31 December 2023. On 28 October 2022, the Company entered into a supplemental financial services framework agreement with AVIC Finance, pursuant to which, the proposed annual cap for the deposit services of the supplemental financial services framework agreement for the year ended 31 December 2023 was increased to not more than RMB45,000 million. Such new annual cap had been approved by the independent shareholders at the general meeting held on 10 February 2023. On 22 August 2023, the Company and AVIC Finance entered into another supplemental agreement to the financial services framework agreement, pursuant to which the proposed annual cap for factoring services under the supplemental agreement to the financial services framework agreement for the year ended 31 December 2023 was increased to not more than RMB2,500 million. Such new annual cap had been approved by the independent shareholders at the general meeting held on 19 December 2023.

As the existing financial services framework agreement was due to expire on 31 December 2023, on 22 August 2023, the Company entered into a new financial services framework agreement with AVIC Finance, pursuant to which, AVIC Finance has agreed to provide the Group with the deposit services, the loan services, the settlement services, the non-financing guarantee letter services, the AVIC Finance factoring services and the other financial services (i.e. such other financial services (including but not limited to bill acceptance, bill payable and discount services) as approved by the National Administration of Financial Regulation).

With AVIC Trust

- 8 On 10 July 2018, the Company entered into the financial service framework agreement with AVIC Trust, pursuant to which, the Group will, from time to time, utilise the financial services provided by AVIC Trust as and when the Group deems necessary for a term of three years ended 9 July 2021. Such services include the tailored financial products offered by AVIC Trust to the Group which will enhance the Group's capital operation efficiency. On 9 July 2021, the Company and AVIC Trust, agreed to renew the financial service framework agreement on similar terms and/or covering similar scope of services, and the term of the financial service framework agreement was extended from 9 July 2021 to 31 December 2023.

Report of The Board

With AVIC Lease

- 9 On 21 August 2020, the Company entered into the finance lease and factoring framework agreement with AVIC Lease, pursuant to which, AVIC Lease has agreed to provide the Group with the finance lease services by itself and provide the Group with the AVIC lease factoring services through the AVIC Lease Factoring Subsidiary for a term of three years ended 31 December 2023.

As the existing finance lease and factoring framework agreement was due to expire on 31 December 2023, On 22 August 2023, the Company entered into a new finance lease and factoring framework agreement with AVIC Lease, pursuant to which, AVIC Lease has agreed to provide the Group with the finance lease services by itself and provide the Group with the AVIC lease factoring services through the AVIC Lease Factoring Subsidiary for a term of three years ending 31 December 2026.

(b) *Continuing connected transactions between the subsidiaries of the Company and connected persons in 2023*
Entrusted Loan and Guarantee Framework Agreement entered by AVIC CAPDI and AVIC Construction and Development Technology

- 10 On 18 March 2020, AVIC CAPDI, a wholly-owned subsidiary of the Company, entered into the framework agreement with AVIC Construction and Development (Beijing) Technology Co., Ltd.* (中航建發(北京)科技有限 公司) (“**AVIC Construction and Development Technology**”), pursuant to which, AVIC CAPDI agreed to grant the entrusted loans (each for a term of not more than one year) to AVIC Institute of Geotechnical Engineering Co., Ltd.* (中航勘察設計研究院有限公司) (“**AVIC Geotechnical**”) and China Aviation Changsha Design and Research Co., Ltd.* (中航長沙設計研究院有限公司) (“**AVIC Changsha Design**”), both being subsidiaries of AVIC Construction and Development Technology, through AVIC Finance for the three years ended 31 December 2022. The daily balance of the outstanding entrusted loans under the framework agreement shall not be more than RMB200 million during the three years ended 31 December 2022. Pursuant to the Framework Agreement, AVIC CAPDI also agreed to provide guarantees to AVIC Geotechnical and AVIC Changsha Design, both being subsidiaries of AVIC Construction and Development Technology, for the economic businesses with banks and financial institutions for the three years ended 31 December 2022. The daily balance of the outstanding guarantees under the framework agreement shall not be more than RMB200 million during the three years ended 31 December 2022. AVIC is the controlling Shareholder of the Company, and AVIC Construction and Development Technology, AVIC Geotechnical and AVIC Changsha Design are subsidiaries of AVIC. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC Construction and Development Technology, AVIC Geotechnical and AVIC Changsha Design are connected persons of the Company and the grant of the entrusted loans and guarantees under the framework agreement by AVIC CAPDI to AVIC Geotechnical and AVIC Changsha Design constituted continuing connected transactions of the Company.



Report of The Board

As the 2020 Framework Agreement was due to expire on 31 December 2022, on 15 March 2023, AVIC CAPDI entered into the 2023 framework agreement with AVIC Construction and Development Technology, pursuant to which, AVIC CAPDI agreed to grant the entrusted loans (each for a term of not more than one year (inclusive)) to AVIC Geotechnical and AVIC Changsha Design, both being subsidiaries of AVIC Construction and Development Technology, through AVIC Finance for the three years ending 31 December 2025. The daily balance of the outstanding Entrusted Loans under the 2023 framework agreement shall not be more than RMB200 million during the three years ending 31 December 2025. Pursuant to the 2023 framework agreement, AVIC CAPDI also agreed to provide Guarantees to AVIC Geotechnical and AVIC Changsha Design for the economic businesses with banks and financial institutions for the three years ending 31 December 2025. The daily balance of the outstanding guarantees under the 2023 framework agreement shall not be more than RMB200 million during the three years ending 31 December 2025.

Financial Service Framework Agreement entered by Tianjin Tianli and AVIC Securities

11 On 1 November 2021, Tianjin Tianli Aviation Electro-Mechanical Co., Ltd.* (天津天利航空機電有限公司) (“**Tianjin Tianli**”), a subsidiary of the Company, entered into the financial service framework agreement with AVIC Securities Co., Ltd.* (中航證券有限公司) (“**AVIC Securities**”), pursuant to which Tianjin Tianli and its subsidiaries will, from time to time, utilise the financial services provided by AVIC Securities as and when they deem necessary. Such services include the tailored financial products offered by AVIC Securities to Tianjin Tianli and its subsidiaries which suit their preferences and will enhance their capital operation efficiency. The maximum daily balance for the income certificate products to be purchased by Tianjin Tianli and its subsidiaries from 1 November 2021 to 31 December 2023 under the financial service framework agreement shall not exceed RMB200 million. AVIC is the controlling Shareholder of the Company, and AVIC Securities is a subsidiary of AVIC. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC Securities is a connected person of the Company and the entering into of the financial service framework agreement with AVIC Securities constitutes continuing connected transactions of the Company.

As the 2021 Financial Service Framework Agreement was due to expire on 31 December 2023, on 19 December 2023, Tianjin Tianli entered into the 2023 financial service framework agreement with AVIC Securities, pursuant to which, Tianjin Tianli and its subsidiaries will, from time to time, utilise the financial services provided by AVIC Securities as and when they deem necessary. Such services include the tailored financial products offered by AVIC Securities to Tianjin Tianli and its subsidiaries that suit their preferences and will enhance their capital operation efficiency. The maximum daily balance for the income certificate products to be purchased by Tianjin Tianli and its subsidiaries for the period from 1 January 2024 to 31 December 2026 under the 2023 Financial Service Framework Agreement shall not exceed RMB200 million.

For details of the aforementioned continuing connected transactions, please refer to the announcements of the Company dated 10 July 2018, 18 March 2020, 21 August 2020, 9 July 2021, 1 November 2021, 30 August 2022, 5 September 2022, 28 October 2022, 15 March 2023, 22 August 2023 and 19 December 2023 and the circulars dated 10 November 2020, 16 January 2023, 27 April 2023 and 28 November 2023.

Report of The Board

The annual caps of the year 2023 or the continuing connected transactions and the actual transaction amounts incurred by the Group in 2023 are set out below. For the year ended 31 December 2023, such continuing connected transactions of the Group were calculated on a consolidated basis as follows:

	For the year 2023	
	Actual Amount (RMB million)	Annual Cap (RMB million)
1 Mutual Supply of Products Agreement with AVIC		
(a) Annual expenditure of the Group	12,686	23,640
(b) Annual revenue of the Group	25,378	34,516
2 Mutual Supply of Services Agreement with AVIC		
(a) Annual expenditure of the Group	726	1,200
(b) Annual revenue of the Group	3,177	6,780
3 Land Use Rights and Properties Leasing Agreement with AVIC		
(a) The Group as the lessee		
– Right-of-use assets	114	200
– Other payments	0	30
(b) The Group as lessor		
– Lease payments	32	40
4 Mutual Products and Services Supply and Guarantee Agreement with AVIC Airborne		
(a) Annual expenditure of the Group	1,478	3,830
(b) Annual revenue of the Group	710	1,022
5 Mutual Supply of Products and Services Framework Agreement with Shenyang Xinghua		
(a) Annual expenditure of the Group	86	120
(b) Annual revenue of the Group	34	180
6 Mutual Products and Services Supply Agreement with Harbin Aircraft		
(a) Annual expenditure of the Group	250	300
(b) Annual revenue of the Group	14,289	18,600
(c) Right-of-use assets leased by the Group	315	400

Note: According to the announcement of the Company dated 15 March 2023 in relation to mutual products and services supply agreement with Harbin Aircraft, the annual cap and the actual amount for the year set out in the table above are for the period from 1 May 2023 to 31 December 2023.



Report of The Board

	Maximum daily outstanding balance (RMB million)	Cap for the maximum daily outstanding balance (RMB million)
7 Financial Services Framework Agreement with AVIC Finance		
(a) Maximum daily outstanding balance of deposits (including accrued interests)	32,166	45,000
(b) Maximum daily outstanding balance of AVIC Finance factoring services	229	2,500
	Actual Amount (RMB million)	Annual Cap (RMB million)
(c) Other financial services provided by AVIC Finance to the Group	223	1,200
	Maximum daily outstanding balance (RMB million)	Cap for the maximum daily outstanding balance (RMB million)
8 Financial Services Framework Agreement with AVIC Trust		
The daily maximum balance of the Group's wealth management products at AVIC Trust	500	1,150
9 Finance Lease and Factoring Framework Agreement entered with AVIC Lease		
(a) Finance lease		
– Direct lease	0	2,000
– Sale and leaseback	0	2,000
(b) Maximum daily outstanding balance of AVIC lease factoring services	156	1,500

	Maximum daily outstanding balance (RMB million)	Cap for the maximum daily outstanding balance (RMB million)
10 Entrusted Loan and Guarantee Framework Agreement with AVIC Construction and Development		
(a) The daily maximum entrusted loan balance of the Group (including interests)	0	200
(b) The daily maximum guarantee provided by the Group	0	200
11 Financial Service Framework Agreement entered by Tianjin Tianli and AVIC Securities		
The daily maximum balance of the Group's wealth management products at AVIC Securities	200	200

The Company has reviewed the above non-exempt continuing connected transactions and relevant internal control procedures, the results of which have been submitted to independent non-executive Directors. The Company also provided sufficient materials to independent non-executive Directors for review.

The Board (including independent non-executive Directors) has reviewed the above continuing connected transactions and confirmed that the aforementioned transactions had been entered into in accordance with 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, and the terms thereunder were fair and reasonable and in the interests of the Company and its shareholders as a whole; and
- (d) the aggregate amounts of the transactions have not exceeded the respective caps as set out above.



Report of The Board

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

- (a) the transactions were approved by the Board;
- (b) the prices for such transactions were determined in accordance with the pricing policies of the Group in all material aspects if the transactions involve the provision of goods or services by the Group;
- (c) the transactions were entered into in accordance with the relevant agreements governing the transactions; and
- (d) the amounts of the transactions did not exceed the respective annual caps as set out above.

According to the Hong Kong Listing Rules, both the above transactions and part of the related party transactions mentioned in Note XI. (II) to the financial statements also constituted continuing connected transactions or one-off connected transactions as defined under Chapter 14A of the Hong Kong Listing Rules. Such transactions were in compliance with the requirements of Chapter 14A of the Hong Kong Listing Rules.

One-Off Connected Transactions

1. On 6 January 2023, (i) the Company, AVIC and Changhe Aircraft entered into Capital Contribution Agreement I, pursuant to which AVIC agreed to make a capital contribution of RMB124,630,126.37 in Changhe Aircraft by way of capitalisation of capital reserve (exclusively state-owned); and (ii) the Company, AVIC and Harbin Aircraft entered into Capital Contribution Agreement II, pursuant to which AVIC agreed to make a capital contribution of RMB604,948,510.10 in Harbin Aircraft by way of capitalisation of capital reserve (exclusively state-owned). Upon completion of the Capital Contribution, (i) the registered capital of Changhe Aircraft would increase from RMB442,591,998.72 to RMB478,821,686.62, the equity interests of the Company in Changhe Aircraft would be diluted from 100% to approximately 92.43%; and the registered capital of Harbin Aircraft would increase from RMB1,184,958,700 to RMB1,466,723,259.90, the equity interests of the Company in Harbin Aircraft would be diluted from 100% to approximately 80.79%. As at the date of this report, AVIC is the controlling shareholder of the Company. AVIC is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. Accordingly, the Capital Contribution constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the Company's equity interests in Changhe Aircraft and Harbin Aircraft will be diluted upon completion of the Capital Contribution, the Capital Contribution also constitutes deemed disposal of equity interests in Changhe Aircraft and Harbin Aircraft under Rule 14A.24 of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 6 January 2023. Unless otherwise defined, terms used in this paragraph shall have the same meanings as those defined in such announcement.

Report of The Board

2. On 10 February 2023, the Company, AviChina Capital(a wholly-owned subsidiary of the Company) and Beijing AviChina Phase I Aviation Industrial Investment Fund (Limited Partnership)* (北京中航一期航空工業產業投資基金(有限合夥)) (“**Aviation Industrial Fund**”) entered into the Property Transfer Agreements. Pursuant to the Property Transfer Agreements, the Company and AviChina Capital agreed to sell, and Aviation Industrial Fund agreed to acquire (i) the 19.19% equity interests held by the Company in AVIC Jincheng Unmanned Systems Co., Ltd.* (中航金城無人系統有限公司); (ii) the 10.00% equity interests held by the Company in AVIC Nanjing Electromechanical Technology Co., Ltd.* (中航工業南京機電科技有限公司); (iii) the 35.26% equity interests held by the Company in AVIC Nanjing Servo Control Systems Co., Ltd.* (中航工業南京伺服控制系統有限公司); (iv) the 18.44% equity interests held by AviChina Capital in AVIC Guohua (Shanghai) Laser Display Technology Co., Ltd.* (中航國畫(上海)激光顯示科技有限公司); (v) the 23.4481% equity interests held by the Company in AVIC GYRO (Xian) Photoelectricity Technology Co., Limited* (中航捷銳(西安)光電技術有限公司); (vi) the 33.00% equity interests held by the Company in AVIC ATM System & Equipment Corporation Limited* (中航空管系統裝備有限公司); and (vii) the 10,300,000 shares held by the Company in AVIC Biam New Materials Technology Engineering Co., Ltd.* (中航百慕新材料技術工程股份有限公司) (representing 9.44% of the then total share capital of AVIC Biam New Materials Technology Engineering Co., Ltd.*) (collectively “**the Target Equity Interests**”) at the total Consideration of RMB562.3924 million. As at the date of this report, AVIC is the controlling shareholder of the Company. The executive partner of Aviation Industrial Fund is AVIC Rongfu Fund Management Co., Ltd.* (中航融富基金管理有限公司) (“**AVIC Rongfu Fund**”), which is held as to more than 30% by AVIC. Therefore, AVIC Rongfu Fund and Aviation Industrial Fund are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules. Therefore, the Disposals constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 10 February 2023. Unless otherwise defined, terms used in this paragraph shall have the same meanings as those defined in such announcement.
3. On 28 April 2023, AVIC Kaitian has entered into the Subscription Agreement and the Supplemental Subscription Agreement with AVIC Airborne, AVIC Investment Holdings Co., Ltd.* (中航投資控股有限公司), AVIC Chengdu Aircraft Design Institute* (中國航空工業集團成都飛機設計研究所) and AVIC Chengdu Aircraft Industrial (Group) Co., Ltd.* (成都飛機工業(集團)有限責任公司), Guangdong Hongtu Technology Co., Ltd.* (廣東鴻圖科技股份有限公司), Aviation Industrial Fund, Royal Wind (Beijing) Aviation Asset Restructuring Private Equity Investment Partnership (Limited Partnership)* (禦風(北京)航空資產結構調整私募股權投資基金合夥企業(有限合夥)) and AIC Yuhua (Shenzhen) Airborne Systems Industry Investment Partnership (Limited Partnership)* (航投譽華(深圳)機載系統產業投資合夥企業(有限合夥)) (the “**External Strategic Investors**”), AVIC, and Chengdu Hengchuang Enterprise Management Partnership (Limited Partnership)* (成都衡創企業管理合夥企業(有限合夥)), Chengdu Gengchuang Corporate Management Partnership (Limited Partnership)* (成都耘創企業管理合夥企業(有限合夥)), Chengdu Lingchuang Enterprise Management Partnership (Limited Partnership)* (成都凌創企業管理合夥企業(有限合夥)) and Chengdu Shengchuang Enterprise Management Partnership Enterprise (Limited Partnership)* (成都勝創企業管理合夥企業(有限合夥)) (the “**Employee Stock Ownership Platforms**”). Pursuant to the Subscription Agreement and the Supplemental Subscription Agreement, the External Strategic Investors, AVIC and the Employee Stock Ownership Platforms have agreed to subscribe for new shares of AVIC Kaitian. Upon completion, the shareholding of AVIC Airborne in AVIC Kaitian has been diluted from approximately 88.30% to approximately 61.16%, and AVIC Kaitian remained as a subsidiary of the Company. For details, please refer to the announcement of the Company dated 1 May 2023. Unless otherwise defined, terms used in this paragraph shall have the same meanings as those defined in such announcement.



Report of The Board

4. On 8 September 2023, JONHON Optronic, Aviation Industrial Fund, Royal Wind (Beijing) Aviation Asset Restructuring Private Equity Investment Partnership (Limited Partnership)* (禦風(北京)航空資產結構調整私募股權投資基金合夥企業(有限合夥)) (“**Aviation Asset Restructuring Fund**”) and Shenyang Xinghua entered into the Capital Contribution Agreement. Pursuant to the Capital Contribution Agreement, JONHON Optronic, Aviation Industrial Fund and Aviation Asset Restructuring Fund, as the existing shareholders, agreed to make a capital contribution of RMB41,420,000, RMB50,000,000 and RMB398,580,000 in cash to Shenyang Xinghua, respectively. Upon Completion, the registered capital of Shenyang Xinghua will increase from RMB110,925,200 to RMB141,878,131. The equity interests of JONHON Optronic in Shenyang Xinghua will be diluted from approximately 62.87% to approximately 51.00%, and Shenyang Xinghua will remain as a subsidiary of the Company. As at the date of this report, JONHON Optronic is a non-wholly owned subsidiary of the Company, and AVIC is the controlling shareholder of the Company. AVIC Rongfu, the executive partner of Aviation Industrial Fund, and Beijing Yufeng Private Equity Fund Management Co., Ltd.* (北京禦風私募基金管理有限公司), the executive partner of Aviation Asset Restructuring Fund, are both held as to more than 30% by AVIC. Shenyang Xinghua is a non-wholly owned subsidiary of the Company and is indirectly held as to more than 10% by AVIC. Therefore, Aviation Industrial Fund and Aviation Asset Restructuring Fund are both connected persons of the Company and Shenyang Xinghua is a connected subsidiary of the Company under Chapter 14A of the Hong Kong Listing Rules. The Capital Contributions, which also constitute a deemed disposal, constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 8 September 2023. Unless otherwise defined, terms used in this paragraph shall have the same meanings as those defined in such announcement.
5. On 24 October 2023, the board of directors of AVIC Airborne approved to enter into the Capital Contribution Agreement with Zhonghang Electric Measuring Instruments Co., Ltd.* (中航電測儀器股份有限公司) (“**Zhonghang Electric Measuring**”) and Shaanxi Huayan, pursuant to which AVIC Airborne and Zhonghang Electric Measuring as the existing shareholders, will make capital contribution on a pro-rata basis to Shaanxi Huayan in the amount of RMB160 million and RMB40 million in cash, respectively. Upon Completion, the registered capital of Shaanxi Huayan will increase from RMB500 million to RMB700 million, and the shareholdings of AVIC Airborne and Zhonghang Electric Measuring in Shaanxi Huayan will remain unchanged. As at the date of this report, AVIC is the controlling shareholder of the Company, and AVIC Airborne is a non-wholly-owned subsidiary of the Company. Shaanxi Huayan is a connected subsidiary of AVIC Airborne by virtue of being owned as to over 10% by AVIC indirectly through its subsidiary, Zhonghang Electric Measuring. Therefore, the capital contribution by AVIC Airborne in Shaanxi Huayan constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 24 October 2023. Unless otherwise defined, terms used in this paragraph shall have the same meanings as those defined in such announcement.

Report of The Board

- On 27 October 2023, the Company and Aviation Industrial Fund entered into the Property Transfer Agreement. Pursuant to the Property Transfer Agreement, the Company agreed to sell, and Aviation Industrial Fund agreed to acquire, the 23.55% equity interests in Beijing Hangwei High-Technology Connection Technology Co., Ltd.* (北京航為高科連接技術有限公司) (“**Hangwei High-tech**”) at the Consideration of RMB134,470,500. Upon the Completion, the Company will cease to hold any shareholding in Hangwei High-tech. As at the date of this report, AVIC is the controlling shareholder of the Company, and the executive partner of Aviation Industrial Fund is AVIC Rongfu, which is held as to more than 30% shares by AVIC. Accordingly, AVIC Rongfu and Aviation Industrial Fund are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules, and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 27 October 2023. Unless otherwise defined, terms used in this paragraph shall have the same meanings as those defined in such announcement.

For other one-off connected transactions of the Group, please refer to “Material Acquisitions and Disposal of Subsidiaries and Associated Companies During the reporting period” of this session from page 36 to page 38.

OTHER SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- On 9 May 2023, the Company and National Industrial Investment Fund entered into the Share Subscription Agreement, pursuant to which the Company has agreed to issue and National Industrial Investment Fund has agreed to subscribe for an aggregate of 261,522,000 Domestic Shares at the subscription price of HK\$4.34 (equivalent to approximately RMB3.82) per subscription share, which represents a premium of approximately 0.93% to the closing price of HK\$4.30 per H Share as quoted on the Hong Kong Stock Exchange on 9 May 2023 (i.e. the date of the Share Subscription Agreement). The Company intends to use all the net proceeds from the non-public issuance to replenish working capital. The total number of 261,522,000 Domestic Shares to be issued under the Share Subscription Agreement, with an aggregate nominal value of RMB261,522,000, represents (i) approximately 17.43% of the total number of issued Domestic Shares of the Company and approximately 3.39% of the total number of issued Shares of the Company as at the date of the Share Subscription Agreement; and (ii) approximately 14.84% of the enlarged total number of issued Domestic Shares after the completion and approximately 3.28% of the enlarged total number of issued Shares of the Company after the completion. After deducting the issuance expense, the net proceeds from the non-public issuance are approximately RMB999,798,848 and the net price per subscription share is approximately RMB3.82. The subscription shares were issued under the General Mandate. On 3 July 2023, the non-public issuance has been completed. Upon completion, the total number of issued shares of the Company increased from 7,711,332,242 Shares to 7,972,854,242 Shares, among which 6,210,662,836 Shares are overseas listed foreign invested Shares and 1,762,191,406 Shares are Domestic Shares. For details, please refer to the announcements of the Company dated 9 May 2023 and 3 July 2023. Unless otherwise defined, terms used in this paragraph shall have the same meanings as those defined in such announcements.



Report of The Board

- On 8 January 2024, the Company, AVIC (the controlling shareholder of the Company), AVIC Airborne Systems (a wholly-owned subsidiary of AVIC) and Xi'an Aircraft Asset Management Co., Ltd.* (西安飛機資產管理有限公司) ("XAAM", a wholly-owned subsidiary of AVIC, together with the Company, AVIC and AVIC Airborne Systems, collectively referred to the "Parties") entered into an equity transfer framework agreement (the "Framework Agreement"). Pursuant to the Framework Agreement, AVIC, AVIC Airborne Systems and XAAM proposed to sell 100% of the equity interest of Aerospace Life-Support Industries, Ltd.* (航空救生裝備有限公司) and Xi'an Aviation Brake Technology Co., Ltd.* (西安航空制動科技有限公司) to the Company (the "Proposed Equity Transfer(s)"). The respective consideration for the Proposed Equity Transfers is subject to the commercial negotiation of the Parties and will be determined in compliance with the requirements of the applicable PRC laws and regulations and the relevant rules of Hong Kong securities regulators, which is proposed to be settled by shares of the Company and/or by cash or in any other manner permitted by laws and regulations. Upon execution of the Framework Agreement, the Parties will use their best endeavors to proceed with the Proposed Equity Transfers, perform the legal procedures where necessary and sign the relevant transaction documents in accordance with the relevant requirements of laws of the PRC and Hong Kong. As at the date of this report, AVIC is the controlling shareholder of the Company. The Proposed Equity Transfers, if proceeded with, will constitute connected transactions under Chapter 14A and/or transactions under Chapter 14 of the Hong Kong Listing Rules. As the terms of the Proposed Equity Transfers (including but not limited to the consideration, payment method and closing arrangement) are subject to the negotiation of the Parties and execution of formal agreement(s), the Company will make further announcement(s) on the Proposed Equity Transfers as and when appropriate in accordance with the requirements of the Hong Kong Listing Rules in due course. For details, please refer to the announcement of the Company dated 8 January 2024. Unless otherwise defined, terms used in this paragraph shall have the same meanings as those defined in such announcement.
- On 25 September 2023, the Company, AVICOPTER and Chinese Aeronautical Establishment entered into the high-speed electric vertical take-off and landing aircraft (H-eVTOL) joint research and development agreement. Pursuant to the agreement, the Company and AVICOPTER would each contribute RMB5.9 million for the research and development of H-eVTOL. As at the date of this report, AVIC is the controlling shareholder of the Company and Chinese Aeronautical Establishment is a subsidiary of AVIC. Accordingly, Chinese Aeronautical Establishment is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules and the aforesaid transaction constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio (other than the profits ratio) is less than 0.1%, the transaction is exempted from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under the Hong Kong Listing Rules.

Save as disclosed in this annual report, no other significant events occurred during the reporting period.

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 2023 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 Hong Kong Listing Rules.

AUDITOR

In view of the convergence of China Accounting Standards for Business Enterprises and International Financial Reporting Standards, since the accounting year from 1 January 2021, the Company has changed to only adopt and comply with the China Accounting Standards for Business Enterprises to prepare financial statements of the Company. Therefore, at the 2020 annual general meeting of the Company, the Company did not re-appoint ShineWing (HK) CPA Ltd. as the international auditor of the Company for the year of 2021, and re-appoint ShineWing Certified Public Accountant LLP as the domestic auditor of the Company for the year of 2021. At the 2021 annual general meeting of the Company, the Company appointed Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合伙)) as the auditor of the Company for 2022. At the 2022 annual general meeting of the Company, the Company re-appointed Da Hua Certified Public Accountants (Special General Partnership) as the auditor of the Company for 2023 and would hold office for a term of office from the 2022 annual general meeting until the end of the 2023 annual general meeting. For further details, please refer to the announcements of the Company dated 20 April 2021, 28 May 2021, 27 May 2022 and 18 May 2023, and the circulars of the Company dated 27 April 2021, 26 April 2022 and 27 April 2023.

The financial statements for the year 2023 have been audited by Da Hua Certified Public Accountants (Special General Partnership).

Saved as disclosed above, there is no change of the auditor of the Company in the past three years.



CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Due to change in work arrangement, on 21 February 2023, Mr. Yan Lingxi applied to the Board for resignation from his position as general manager.

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

BOARD AND SUPERVISORY COMMITTEE

As at the date of this report, the seventh session of the Board consists of the following members: Mr. Yan Lingxi (Chairman, executive Director), Mr. Sun Jizhong (executive Director), Mr. Lian Dawei (non-executive Director), Mr. Liu Bingjun (non-executive Director), Mr. Xu Gang (non-executive Director), Mr. Wang Jun (non-executive Director), Mr. Liu Weiwu (independent non-executive Director), Mr. Mao Fugen (independent non-executive Director) and Mr. Lin Guiping (independent non-executive Director).

The seventh session of the Supervisory Committee is composed of the following members: Mr. Zheng Qiang (Shareholder Representative Supervisor), Mr. Guo Guangxin (Shareholder Representative Supervisor) and Mr. Zhao Zhuo (Employee Representative Supervisor).

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 or 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', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS IN BUSINESSES WHICH CONSTITUTE COMPETITION WITH THE COMPANY

As at 31 December 2023, none of the Directors or Supervisors or senior management had any interest in any businesses which may constitute competition, directly or indirectly, with the Company.

DIRECTORS' AND SUPERVISORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, during or at the end of the reporting year, none of the Directors or Supervisors or any entity connected with them had any material interest, directly or indirectly, in any transaction, arrangement, contract of significance or contract of significance for provision of services to the business of the Group, in which the Company, subsidiaries of the Company, its holding company or subsidiary of the holding company was a party.

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

As the date of this report, based on information provided by Directors and Supervisors, save as disclosed below, none of the Directors, Supervisors or Chief Executive of the Company had interests or held short positions in the Shares, underlying Shares and/or debentures of the Company and/or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers".

Name	Type of Shares	Capacity	Number of Shares	Approximate percentage of shareholdings to share capital in issue	Nature of Shares held
Director					
Yan Lingxi	H Share	Beneficial owner	267,740	0.003%	Long position
Supervisors					
Zheng Qiang	H Share	Beneficial owner	239,687	0.003%	Long position
		Interest of spouse	966	0.000%	Long position
Zhao Zhuo	H Share	Beneficial owner	69,110	0.001%	Long position

Note: As at the date of this report, Mr. Zheng Qiang held 33,500 A shares in AVIC Industry-Finance, representing approximately 0.0003% of the total issued share capital of AVIC Industry-Finance. AVIC Industry-Finance is a subsidiary of AVIC, and therefore is an associated corporation (within the meaning of Part XV of the SFO) of the Company.



Report of The Board

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of remuneration of the Directors, Supervisors and senior management during the reporting period are set out in the Corporate Governance Report and Note XI. (V) to the financial statements.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2023, none of the Directors or Supervisors was entitled to acquiring 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 existing during the year of 2023.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group mainly operates through its subsidiaries in the PRC, accordingly, the operations of the Group shall comply with relevant laws and regulations in the PRC including but not limited to the laws and regulations regarding quality, safety production, environmental protection, intellectual property and labor. Meanwhile, as a joint stock limited company incorporated in the PRC with limited liability and listed on the Hong Kong Stock Exchange, the Company is governed by various applicable domestic laws and regulations including the Company Law of the PRC, as well as the Hong Kong Listing Rules and the SFO.

The Group has implemented internal control measures to ensure its compliance with such laws and regulations. During the year ended 31 December 2023, within the knowledge of the Directors, the Group does not have any violation of relevant laws and regulations in the PRC which gives rise to significant impact to the Group's development, performance and business.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

For details of relationship with the employees, customers and suppliers, please refer to the subsections headed "Remuneration of Employees" and "Training for Employees" in the section headed "Management Discussion and Analysis", and the subsection headed "Major Customers and Suppliers" in this section.

PRINCIPAL RISKS AND UNCERTAINTIES

For details of the financial risks of the Group, please refer to Note IX to the financial statements in this annual report. For details of the exchange rate risks of the Group, please refer to the section headed "Management Discussion and Analysis" in this annual report. Save as disclosed above, a number of other factors, including international policies, domestic and overseas economic conditions, may affect the results and business operations of the Group.

Report of The Board

PERMITTED INDEMNITY PROVISION

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.

EVENTS AFTER THE BALANCE SHEET DATE

For the Group's events after the balance sheet date, please refer to Note XV to the financial statements.



Report of The Supervisory Committee

To all Shareholders,

In 2023, in strict accordance with the Hong Kong Listing Rules, the Company Law of the PRC, the Articles of Association, the Procedural Rules for Meetings of the Supervisory Committee and other relevant requirements, the Supervisory Committee independently performed functions, earnestly fulfilling supervisory duties, safeguarding the interests of the Shareholders and the Company, observing the principles of integrity, trying their best to fulfill duties, and discharging duties with reasonable care, diligence and initiative.

As at the date of this report, the Supervisory Committee comprises two Shareholder representative Supervisors (Mr. Zheng Qiang and Mr. Guo Guangxin) and one employee representative Supervisor (Mr. Zhao Zhuo), and Mr. Zheng Qiang is the chairman of the Supervisory Committee.

In 2023, the Supervisory Committee convened two meetings, at which eight resolutions were considered and approved. The Supervisory Committee fulfilled its tasks on reviewing the 2022 annual report, 2023 interim report, and the profits distribution plans for 2022 and the first six months of 2023. The Supervisory Committee also attended the general meetings and the Board meetings held in 2023 to monitor the validity of procedures for the convening of and resolutions of the general meetings and the Board meetings. Through convening Supervisory Committee meetings and attending the general meetings and the Board meetings, the Supervisory Committee performed its duties of reviewing all resolutions of the Board, conducting risk analysis and alerts on major operating activities of the Company, as well as supervising the performance of Directors and senior management in discharging their duties, and made suggestions to the Board and senior management. During the year, the Supervisory Committee continued to supervise key links including strategy implementation, profits distribution, risk management and internal control system, and conducted research on the Huanan Industrial Base of JONHON Optronic to gain a deeper understanding of technological innovation achievements in the field of interconnection. At the same time, the Supervisory Committee actively promoted the improvement of relevant systems of corporate governance. In 2023, the Company revised certain articles of the Articles of Association, Rules Governing the Operation of General Meetings, Rules Governing the Operation of Board Meetings, Terms of Reference of the Remuneration Committee, Measures for Equity Investment Management, Measures for Guarantee Management and Measures for Debt Financing Management, making the corporate governance more standardized and more efficient.

In order to have a more comprehensive understanding of the overall financial position of the Company, the Supervisors attended two meetings of the Audit and Risk Management Committee for the year 2023, heard the report of the auditors of the Company and communicated with the independent non-executive Directors and auditors in respect of the major operating matters. Through the communication and discussion with the senior management of the Company, the Supervisory Committee considered the financial report submitted to the general meeting had objectively and fairly reflected the financial position and operating results of the Group and the accounts of the Company has standard specification, clear record and complete figures.

Report of The Supervisory Committee

In addition, the Supervisory Committee had reviewed the Report of the Board which the Board submitted to the general meeting, and considered that the report had fairly reflected the current position of the Company. The Supervisory Committee considered that in 2023, the Board and the senior management were both operating in strict compliance with the laws, regulations and the provisions of the Articles of Association; whereas the decision-making processes were legal, the principle of good faith and due diligence was complied, and the authority was exercised in good faith in the best interests of the Shareholders.

In 2024, with the aim of protecting the legitimate rights and interests of the Company, Shareholders, employees and other stakeholders, the Supervisory Committee will conscientiously perform its supervisory duties in a compliant, efficient and accurate manner in accordance with relevant regulations, effectively leverage its important role in the Company's corporate governance system, and continuously promote the high-quality development of the Company.

the Supervisory Committee

Beijing, 15 March 2024

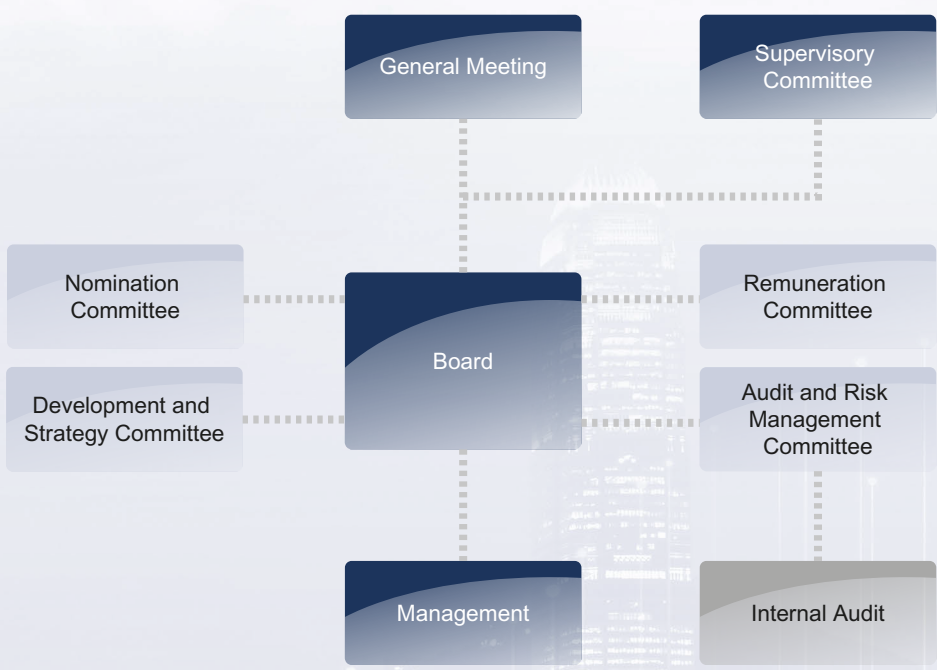


Corporate Governance Report

The Company is committed to “becoming the listed company with the most investment value in the aviation industry”, striving to establish itself as a world-class aviation high-tech industry group, facilitating aviation high-tech innovation, and promoting the high-quality development of China’s aviation industry. The Group adheres to the concept of “people-oriented”, solidly promotes the talent development strategy, attaches importance to human resource development, pays attention to talent team construction, creates a “family culture” corporate culture, and creates a good situation of “one family, one heart, one goal working together”.

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, Rules Governing the Operation of the Supervisory Committee, Working Guidelines for the Management, Terms of Reference of the Audit and Risk Management Committee, Terms of Reference of the Remuneration Committee, Terms of Reference of the Nomination Committee, Terms of Reference of the Development and Strategy Committee and the Rules on Information Disclosure and Measures for Connected Transactions Management, the Company continuously enhanced its corporate governance standard through the co-ordination and operation 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 its subsidiaries. The Company will give full play to the advantages of holding management, strengthen the strategic coordination of subsidiaries, actively develop aviation business and perfect the aviation industry chain. The details of the business and financial review of the Group for the year 2023 are set out in the section headed “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 complex international political and economic situation in 2023, the Company discussed risks and risk management at Board meetings, Supervisory Committee meetings and the meetings of the relevant specialized committees of the Board. 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 of the capacity of Directors and senior management: The Company from time to time provided information in relation to the supervision and the operations of the Company 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, Directors studied and discussed a series of topics such as connected transactions, inside information and disclosure of interests responsibilities. The Company also arranged for a series of forums on the hot topics and important issues relating to the aviation business.
- Compliance with laws and regulations: During this year, to emphasize the importance of compliance with the PRC laws and regulations, the Company revised certain articles of the Articles of Association, Rules Governing the Operation of General Meetings, Rules Governing the Operation of Board Meetings, Terms of Reference of the Remuneration Committee, Measures for Equity Investment Management, Measures for Guarantee Management and Measures for Debt Financing Management, making the corporate governance more standardized and more efficient. The Company continued to revise and improve the rules and regulations of the Company according to the business model of the Company and the new requirements of laws and regulations to assure the Company's operation in compliance with rules and regulations. In respect of risk management and internal control, the Company worked on seeking and establishing a risk management and internal control system fitting for the business development and operation model of the Company, and continued to review and appraise the underlying risks which may affect the realization of the Company's operation goals, so as to comprehensively improve the Company's risk management and internal control level.
- Corporate governance report: The Board reviewed the corporate governance report contained in this annual report before the publication of this annual report and was of the view that the corporate governance report was in compliance with the relevant requirements of the Hong Kong Listing Rules.



Corporate Governance Report

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 2023 and was of the view that the Company complied with the principles and code provisions set out in Part 2 of Appendix C1 (the “**Corporate Governance Code**”) to the Hong Kong Listing Rules.

BOARD

The Company is managed by the Board. The Board is responsible for leading and monitoring the Company and are collectively responsible for the overall management and supervision of the Company’s affairs.

DIRECTORS

As at the date of this report, the Board comprises nine Directors, including two executive Directors, namely Mr. Yan Lingxi (Chairman) and Mr. Sun Jizhong, four non-executive Directors, namely Mr. Lian Dawei, Mr. Liu Bingjun, Mr. Xu Gang and Mr. Wang Jun, and three independent non-executive Directors, namely Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping. 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 to make judgments independently and objectively in order to protect the interests of the Company and its shareholders 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 Hong Kong Listing Rules. In addition, the Company had received a written confirmation from each independent non-executive Director on their independence. Based on such confirmation and the relevant information available to the Board, the Company believes that each independent non-executive Director remains independent.

The Company adopts the formal procedures for the appointment of new Directors and the nomination process is duly determined with transparency. The Company has established the Nomination Committee in accordance with certain criteria, which is responsible for the nomination of Directors for the approval by the Shareholders of the Company. Relevant standards include appropriate professional knowledge and industry experience, personal ethics, integrity and skills, and commitment of adequate time.

Each Director (including any non-executive Director) holds office for a period of three years, and is eligible for re-election upon expiration of the term of office. A list of Directors, their respective profiles and roles in the Board are set out on pages 24 to 30 of this annual report. Relevant information is also published on the website of the Company. There is no relationship (including financial, business, family or other material or relevant relationships) among members of the Board except for working relationship.

The Company has made appropriate insurance arrangements for the legal action that the Directors and senior management may face 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, business goals and operation results. The Board exercises its power to formulate the objectives and strategies of the Group, and to monitor the operation and financial performance of the Group.

The Board shall also be responsible for the completeness of the financial information and the effectiveness of internal control systems and risk management procedures of the Group. The Board is also responsible for preparing the financial statements of the Group. All policies, material transactions or transactions involving conflicts of interest of the Group shall be decided by the Board. The general manager 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, the Working Guidelines for the Management, the List of Authority of the Board and the List of Authority of the General Manager. The Board regularly reviews the duties and power delegated to the general manager 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 updates on the Company and the industry to enhance the communication among the management and the Directors and Supervisors, facilitate the performance of the duties by the Directors and Supervisors and keep the Directors and Supervisors informed of the latest information of the overall performance, business operation, financial condition and management of the Company.

CHAIRMAN AND GENERAL MANAGER

The roles of the Chairman and the general manager have been clearly segregated to ensure a balance of power and authority. The current Chairman of the Company, Mr. Yan Lingxi, is responsible for leading the Board to ensure the effective operation of the Board. The current general manager, Mr. Sun Jizhong, is responsible for business operations of the Company. The Company has formulated the Working Guideline for the Management and the List of Authority of the General Manager to clearly set out the roles and responsibilities of the general manager. Meanwhile, duties reserved to the Chairman and those delegated to the general manager are also clearly set out in the Authorization System for Legal Person (as amended from time to time).



Corporate Governance Report

DIRECTORS TRAINING

Every newly appointed Director will receive relevant training based on his experience and background so as to deepen his understanding of the culture and operation of the Group. The training generally consists of introduction for organization, businesses and governance practice of the Group. During the reporting period, the newly appointed executive Director, Mr. Sun Jizhong, had received training upon his appointment into the Board of the Company, and obtained materials and professional advices required for Directors' duty performance provided by the Company from time to time.

In addition, every Director will receive information in relation to guidelines on ethnics and other major governance matters upon joining the Board. Director training is a constant process to ensure that 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 are encouraged to participate in relevant training courses with the expense covered by the Company.

The Company has been encouraging the Directors to attend continuous professional development courses and seminars organized by professional institutions or professional firms and read materials on relevant topics so that they can continuously update and further improve their relevant knowledge and skills. During the reporting period, Directors emphasized on updating their specialized knowledge and skills to meet the requirements of the development of the Company. The Company arranged for the Directors to attend trainings in respect of corporate governance, capital market, risk management and the business update in the Company etc., to learn the basic knowledge which shall be acquired by the directors of a listed company. The Company also arranged trainings for the Directors on revisions to the Hong Kong Listing Rules and the Corporate Governance Code, and organizing workshops and discussions on such new rules for the Board members, the board secretary and other relevant personnel participating in the daily operation and management of the Company.

Corporate Governance Report

In addition, the Directors also proactively studied and learned 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 corporate governance, Hong Kong Listing Rules, etc. The trainings received by each Director during the reporting period were as follows:

Directors	Training Scope		
	Corporate Governance	Laws and Regulations	Business Management
Executive Directors			
Mr. Zhang Minsheng*	√	√	√
Mr. Yan Lingxi	√	√	√
Mr. Sun Jizhong**	√	√	√
Non-executive Directors			
Mr. Lian Dawei	√	√	√
Mr. Liu Bingjun	√	√	√
Mr. Xu Gang	√	√	√
Mr. Wang Jun	√	√	√
Independent non-executive Directors			
Mr. Liu Weiwu	√	√	√
Mr. Mao Fugen	√	√	√
Mr. Lin Guiping	√	√	√

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

** On 18 May 2023, Mr. Sun Jizhong was appointed as an executive Director of the Company.



Corporate Governance Report

BOARD MEETINGS

The Board convenes four regular meetings every year. Matters to be considered at these regular Board meetings have been provided in writing. Further, extraordinary 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 Board Secretary assists the Chairman in preparing the resolutions and related materials for each Board meeting. To the extent possible, the meeting documents are delivered to the Directors or specialized committee members at least three days before the date of the relevant meeting. 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 manner. This ensures that the Directors and specialized committee members are well-informed of the Company's latest development so as to facilitate discharging their duties.

All Directors have access to the service of the Board Secretary. The Board Secretary is responsible for ensuring that the Board procedures are followed and advising the Board on compliance matters. The Directors, members of the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Development and Strategy Committee may seek independent professional advice at the Company's expenses when 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 inquiries 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 Board Secretary. The Board minutes, together with any materials related to the Board meetings are available for inspection by any member of the Board.

The Board has established a Development and Strategy Committee, a Nomination Committee, an Audit and Risk Management Committee and a Remuneration 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 Board Secretary. In 2023, the Company convened two meetings of the Audit and Risk Management Committee, two meetings of the Nomination Committee, two meetings of Remuneration Committee and one meeting of Development and Strategy Committee. The terms of reference of the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee are published on the websites of the Company and the Hong Kong Stock Exchange.

Corporate Governance Report

Seven meetings were held by the Board during 2023. The attendance record of every Director at the Board meetings in 2023 is set out below:

Directors	Times of meeting should attend	Times of attendance	Times of attendance by proxy
Executive Directors			
Mr. Zhang Minsheng*	1	1	0
Mr. Yan Lingxi	7	6	1
Mr. Sun Jizhong**	4	4	0
Non-executive Directors			
Mr. Lian Dawei	7	7	0
Mr. Liu Bingjun	7	6	1
Mr. Xu Gang	7	4	3
Mr. Wang Jun	7	4	3
Independent non-executive Directors			
Mr. Liu Weiwu	7	7	0
Mr. Mao Fugen	7	7	0
Mr. Lin Guiping	7	7	0

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

** On 18 May 2023, Mr. Sun Jizhong was appointed as an executive Director of the Company.

In 2023, Directors who did not attend the Board meeting in person due to other business commitments all read the related meeting materials and appointed other Directors as proxy to present their opinions and exercise their voting rights on their behalf at the meeting.



Corporate Governance Report

DEVELOPMENT AND STRATEGY COMMITTEE

As at the date of the report, the Development and Strategy Committee of the Company comprises the Directors, namely Mr. Yan Lingxi, Mr. Sun Jizhong and Mr. Liu Bingjun. Mr. Yan Lingxi is the chairman of the Development and Strategy Committee.

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

In 2023, the Development and Strategy Committee held one meeting to consider the committee's development and the Company's future development strategies. The attendance record of the members of the committee is set out as follows:

Name of Director	Position	Times of meetings should attend	Times of attendance	Times of attendance by proxy
Mr. Yan Lingxi	Chairman of the Development and Strategy Committee, executive Director	1	1	0
Mr. Sun Jizhong*	Executive Director	1	1	0
Mr. Liu Bingjun	Non-executive Director	1	1	0
Mr. Xu Gang*	Non-executive Director	0	0	0

* On 18 May 2023, Mr. Sun Jizhong was appointed as the member of the Development and Strategy Committee, Mr. Xu Gang was no longer as the member of the Development and Strategy Committee.

REMUNERATION COMMITTEE

As at the date of the report, the Remuneration Committee of the Company comprises the Directors, namely Mr. Liu Weiwu, Mr. Lian Dawei, Mr. Mao Fugen and Mr. Lin Guiping. Mr. Liu Weiwu is the chairman of the 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. In 2023, the remuneration policy for Directors implemented by the Remuneration Committee is that the Remuneration Committee shall consider various factors including salaries paid by comparable companies, time commitment, responsibilities and employment conditions of elsewhere in the group and whether performance based remuneration shall be adopted.

The Remuneration Committee is responsible for approving the emolument policies of the Directors, Supervisors and senior management and proposing to the Board amendments to the emolument policies and system. The Remuneration Committee will take into consideration factors such as work performance and experience of Directors and Supervisors when determining their remunerations and will report to the Board after each meeting. In 2023, the Remuneration Committee held two meetings to consider and approve the resolutions relating to the remuneration standard of new Director and the remuneration standard of Directors, Supervisors and senior management in 2023. The attendance record of the members of the committee is set out as follows:

Name of Director	Position	Times of meetings should attend	Times of attendance	Times of attendance by proxy
Mr. Liu Weiwu	Chairman of the Remuneration Committee, independent non-executive Director	2	2	0
Mr. Lian Dawei	Non-executive Director	2	2	0
Mr. Mao Fugen	Independent non-executive Director	2	2	0
Mr. Lin Guiping	Independent non-executive Director	2	2	0



Corporate Governance Report

For the year ended 31 December 2023, remunerations of senior management members by band are set out as follows:

Remuneration Band	Number
RMB1,000,000-1,100,000 (inclusive)	2
RMB1,200,000-1,300,000 (inclusive)	1

Details of remunerations of Directors and Supervisors for the year ended 31 December 2023 are set out in Note XI. (V) to the financial statements.

AUDIT AND RISK MANAGEMENT COMMITTEE

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

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

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

Corporate Governance Report

The Audit and Risk Management Committee mainly assists the Board for performing duties in risk management and internal control, including evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving its business objectives, overseeing management in the design and implementation of the risk management and internal control systems, so as to ensure the effectiveness of the risk management and internal control systems and in compliance with the Hong Kong Listing Rules and responsibilities (including the responsibilities to publish the financial results) stipulated under the applicable laws and regulations, and to verify the integrity of financial statements of the Company. In respect of internal audit function, the Audit and Risk Management Committee shall be directly responsible for selecting and monitoring the external auditors of the Company on behalf of the Board and the responsible persons of the internal audit institution and internal control institution and assessing the independence, qualifications and performance of the external auditors. The Audit and Risk Management Committee has the power to propose, through passing a resolution, to the Board on dismissing the external auditors and the responsible persons of the internal audit institution and internal control institution. To ensure co-ordination among the work of internal audit institution, internal control institution and external auditors, and to ensure that the operation of the internal audit function and internal control function are adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.

Mr. Mao Fugen, Mr. Wang Jun and Mr. Liu Weiwu have appropriate professional qualifications in accounting or related financial management expertise as required by the Hong Kong Listing Rules.

During 2023, the Audit and Risk Management Committee:

- reviewed the annual financial statements and the annual results announcement for the year ended 31 December 2022;
- reviewed the interim financial statements and the interim results announcement for the six months ended 30 June 2023;
- reviewed the Company's profit distribution plan for the year of 2022 and the interim profit distribution plan for the year of 2023;
- reviewed the proposal relating to the appointment of auditor of the Company for the year of 2023 and determination of its remuneration;
- reviewed the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2023, and regarded the systems being effective and sufficient;
- reviewed the Company's financial reporting system and risk management and internal control procedures; and
- reviewed the reports on operating results of the Company for the year of 2022 and the first half of 2023, the internal control report of the Company for the year of 2022, and listened to the report from the auditor on its audit work in relation to the year of 2022 and on its review of 2023 interim report as well as its recommendations to the senior management of the Company.



Corporate Governance Report

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

The Audit and Risk Management Committee held two meetings in 2023. The Audit and Risk Management Committee reviewed and evaluated the findings of the Auditor's Report issued by the auditor, the accounting principles applied by the Group and the risk management, internal control and the financial statements of the Company. The Audit and Risk Management Committee reported to the Board its scope of work, discussion results and recommendations after every meeting. The attendance record of the members of the committee is set out as follows:

Name of Director	Position	Times of meetings should attend	Times of attendance	Times of attendance by proxy
Mr. Mao Fugen	Chairman of the Audit and Risk Management Committee, independent non-executive Director	2	2	0
Mr. Wang Jun	Non-executive Director	2	0	2
Mr. Liu Weiwu	Independent non-executive Director	2	2	0
Mr. Lin Guiping	Independent non-executive Director	2	2	0

EXTERNAL AUDITORS

In 2023, the annual payment made by the Company to the Company's external auditors in relation to auditing services for the year of 2023 amounted to RMB2.42 million. Such payment had been approved by the Audit and Risk Management Committee, the Board and the general meeting. In addition, the payment made by the Company to the Company's external auditors in relation to auditing services for project amounted to RMB0.355 million. Saved for above, the Company's external auditors did not provide other non-auditing services to the Company and the Company did not make the payment in relation to non-auditing services.

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 89 to 90 of this annual report.

NOMINATION COMMITTEE

As at the date of the report, the Nomination Committee of the Company comprises the Directors, namely Mr. Yan Lingxi, Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping. Mr. Yan Lingxi is the chairman of the Nomination Committee.

The Nomination Committee shall perform the following duties: to review the structure, size and composition of the Board; to ensure the Board members have the skills, experience and diversity of perspectives appropriate to meet 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 suitable to act as 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 procedures for appointment of a new Director of the Company are: for any Director candidate recommended by the shareholders pursuant to the Articles of Association, the Nomination Committee shall nominate such Director candidate for consideration and approval by the Board, which is then put forward for election at a general meeting.

The Company understands and believes that the diversity of the Board can greatly help the Company, and views the diversity of the Board as an important element in maintaining the Company's competitive advantage. In order to achieve the purpose of the diversity of the Board, the Nomination Committee has established the following selection criteria for diversification policies and Directors:

- to select candidates with objective criteria, taking into account comprehensive factors like the gender, age, culture, educational background as well as professional experience of the Board members; The Nomination Committee will annually review and evaluate the composition of the Board and make recommendations to the Board on the appointment of new Directors;
- to select candidates for Directors according to the business characteristics and future development needs of the Company.

During the reporting period, members of the Nomination Committee had carefully studied the nomination standards and procedures for the Directors and senior management of the Company. The Directors possess a wealth of industry skills, knowledge, and experience. Their extensive background and professional knowledge provide a wide range of perspectives and insights for the operation of the Board. In terms of gender diversity in the Board, when selecting suitable candidates for Directors and making recommendations, the Board will seize the opportunity to increase the proportion of female members. The Directors and senior management of the Company are currently all male. According to the requirement of the Hong Kong Listing Rules, the Company will appoint a female Director by 31 December 2024.



Corporate Governance Report

As at 31 December 2023, the Group had a total of 74,584 formal employees, of which 22,519 were female, accounting for approximately 30.19%. The Group is committed to creating a diverse and inclusive work environment to attract and retain the best talent and promote business growth. The Group will continue to take measures, including but not limited to recruit and treat employees in accordance with the principle of gender equality, provide gender equality training and development opportunities, and ensure the rights and interests of female employees, to promote diversity among employees at all levels and focus on diversified management talent reserves.

The Nomination Committee held two meetings in 2023. The Nomination Committee discussed the composition and size of the Board and specialized committees, approved resolutions relating to the adjustment of members of the specialized committees, Directors and the general manager. The attendance record of the Nomination Committee members at the meetings is as follows:

Name of Director	Position	Times of meetings should attend	Times of attendance	Times of attendance by proxy
Mr. Zhang Minsheng*	Chairman of the Nomination Committee, executive Director	1	1	0
Mr. Yan Lingxi**	Chairman of the Nomination Committee, executive Director	1	1	0
Mr. Liu Weiwu	Independent non-executive Director	2	2	0
Mr. Mao Fugen	Independent non-executive Director	2	2	0
Mr. Lin Guiping	Independent non-executive Director	2	2	0

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

** On 15 March 2023, Mr. Yan Lingxi was appointed as the chairman of the Nomination Committee of the Company.

INDEPENDENT OPINION MECHANISM OF THE BOARD

The Company ensures that the Board can obtain independent views and opinions through the following mechanisms:

1. The Company currently has three independent non-executive directors, who account for more than one-third of the seats on the Board, which is conducive to maintaining the independent advice and judgment of the Board. In 2023, the Company has complied with the requirements of Rules 3.10(1), 3.10(2), and 3.10A, of the Hong Kong Listing Rules namely, at least one-third (not less than three) of its directors are independent non-executive directors, and at least one independent non-executive director has appropriate professional qualifications or accounting or related financial management expertise. The Company supervises the performance of independent non-executive directors. According to Rule 31 of the Rules Governing the Operation of the Board, if a Director fails to attend the board meeting in person for two consecutive times or does not entrust other Directors to attend the board meeting, the Board may request the general meeting to replace him.
2. The Company has received written confirmation from independent non-executive Directors on their independence in accordance with Rule 3.13 of the Hong Kong Listing Rules. The Company believes that all independent non-executive Directors are independent.
3. The Chairman meets with independent non-executive Directors at least once a year.
4. According to Rule 13 of the Rules Governing the Operation of the Board, the Company provides necessary working conditions for each specialized committee to perform its duties. When necessary, each specialized committee may hire intermediary institutions or professionals to provide professional advice, and the reasonable expenses incurred shall be borne by the Company.

After review, the Company believes that the above mechanism for ensuring the independent opinions of the Board and its implementation are effective.



Corporate Governance Report

COMPANY SECRETARY

As approved by the Board, Mr. Xu Bin has been appointed as the Company Secretary and authorized representative of the Company since 25 August 2016. During the reporting period, Mr. Xu Bin has attended relevant trainings with aggregated time of over 15 hours.

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 a 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 2023 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 C3 to the Hong Kong Listing Rules and the Shares Trading Management Rules for Directors, supervisors, senior management and employees of the Company (the “**Rules**”) as its own guidelines for securities transactions by Directors, Supervisors and employees of the Company. The Rules of the Company is stricter than the Model Code to a certain degree. All Directors and Supervisors have been provided with a copy of the Model Code and the Rules upon appointments. Prior to 60 days and 30 days before the announcement of the annual or interim results of the Company, respectively, written reminders of the restrictions on dealing in any securities or derivatives of the Company under the Hong Kong Listing Rules will be provided to the Directors and the Supervisors appropriately. All Directors and Supervisors of the Company have confirmed their compliance with the Model Code in 2023 upon specific enquiries with them.

Employees who are likely to possess unpublished inside information of the Group are also required to comply with the Model Code. The Company is not aware of any breach in this regard in 2023.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for monitoring the preparation of the consolidated financial statements for every financial year and ensuring those consolidated financial statements present 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 consolidated financial statements for the year ended 31 December 2023, the Directors have:

- selected appropriate accounting policies and applied them consistently;
- adopted all relevant standards in compliance with the China Accounting Standards for Business Enterprises; and
- made prudent and reasonable judgment and estimation and prepared the consolidated financial statements on a going concern basis.

In accordance with the requirements of the Hong Kong 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.

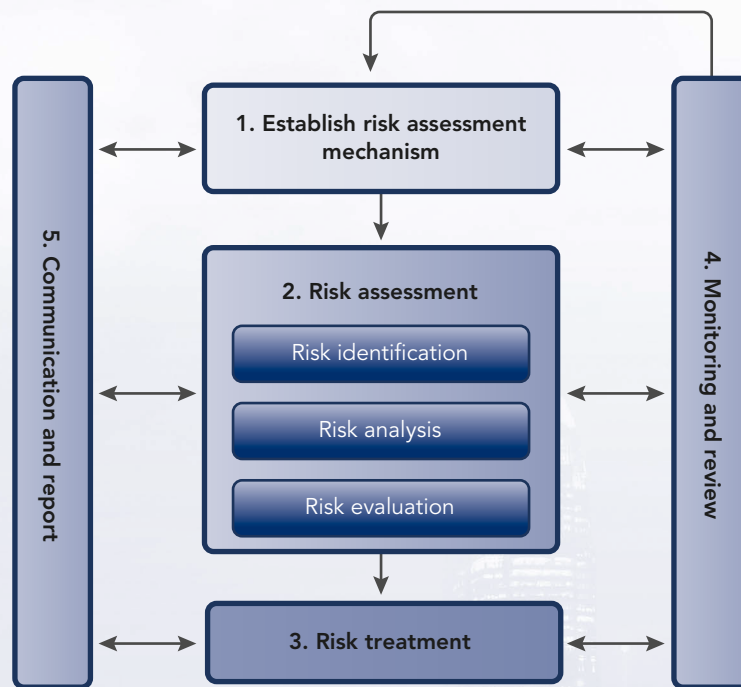
INTERNAL CONTROL

The Board is responsible for maintaining a steady, proper and effective risk management and internal control system for the Group to safeguard its assets. The responsibilities and obligations of the risk management and internal control system of the Group are clearly defined and complete systems have been established. Through the Audit and Risk Management Committee, the Board keeps continuous monitoring on the risk management and internal control system, performs the internal audit function, and reviews the effectiveness of the risk management and internal control system of the Group at least once a year, including change in the nature and extent of the significant risks, and the relevant handling capability of the Group, the ability of the management for monitoring the risk and internal control, the reporting of the monitoring results, significant weakness in monitoring and relevant foreseeable consequences and severity, and the effectiveness of the procedures for financial reporting and Hong Kong Listing Rules. The Directors are regularly informed of the major risks which may affect the performance of the Group through the Audit and Risk Management Committee.

The institution of the Company in charge of internal control and audit acts as a supporting institution of its Audit and Risk Management Committee to monitor and provide guidance on how the Company and its subsidiaries establish and improve their respective risk management and internal control systems, to supervise and review the implementation of regulations on risk management and internal control systems in a timely manner and to organize the conduct of internal audit and perform audit responsibilities.



The Group has embedded its risk management systems into the core operating practices of the business. In daily management, the Group formulate control strategies, and formulate specific strategies and management methods related to risk management and internal control requirements. In accordance with the relevant requirements of the Group, subsidiaries establish and improve their own risk management and internal control management systems, combined with external regulatory requirements and actual business conditions. Based on the results of risk assessment, the Company and all subsidiaries optimize business processes, improve business systems, and take necessary control measures to control the risks of business activities within an acceptable level. The respective subsidiaries of the Company review and assess the status of potential risks which may impact on their ability to achieve their business objectives, and determine the nature and extent of such risks they are willing to take in achieving their business objectives. The Group adopts the relevant risk management principles in China as its approach to manage its business and operational risks and monitor its internal control. The following diagram illustrates the key processes used to identify, evaluate and manage the Group's significant risks:



Notes:

- 1 Set up the risk assessment mechanism of the Group;
- 2 Each subsidiary identifies risks which may potentially impact the achievement of its business objectives, and analyzes and evaluates the significance of such risks;
- 3 Each subsidiary assesses the adequacy of existing monitoring and control, determines and implements treatment plans for mitigating such risks;
- 4 Each subsidiary monitors the risk mitigating measures;
- 5 The risk management departments track the progress of risk mitigating measures, and report the consolidated view of risks to the Audit and Risk Management Committee on a regular basis.

Corporate Governance Report

The Board is responsible for the aforesaid risk management and internal control systems, and for reviewing the effectiveness of such systems. The Board further explains that the aforesaid systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide a reasonable assurance, rather than an absolute assurance, against material misrepresentation and losses.

The Group strictly complies with the requirements of the Hong Kong Listing Rules and relevant laws and regulations on inside information management, and has established the Management Rules of Investor Relations and the Management Rules of Registration of Inside Information and Insiders to strictly supervise the dealing and publishing of inside information to keep such information in confidentiality before being disclosed, and be disclosed in an accurate and timely manner.

In 2023, in accordance with the requirements of The Basic Standard for Enterprise Internal Control of the PRC and its supporting guidelines, in order to ensure the effectiveness of internal control design and operation, timely detect of defects in internal control, and continuously improve the ability to prevent and control risks in various business links, the major subsidiaries of the Company issued internal control evaluation reports after evaluating the effectiveness of their own internal control and appointed accounting firms to conduct independent audit on their internal control in 2023. 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 evaluation on the internal control and the state of establishment of the internal control system of other subsidiaries and the risk management status of each subsidiary, the department of the Company which was responsible for internal control and audit evaluated the risk management and internal control of the Group as a whole and reported the evaluation conclusions to the Audit and Risk Management Committee and the Board. Through the Audit and Risk Management Committee, the Board reviewed the effectiveness of the risk management and internal control system of the Group for the year ended 31 December 2023, including all the significant financial, operational and control and risk management functions, and was satisfied that such system was effective and sufficient. The Audit and Risk Management 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. The Company also attaches high importance to continuously improve the Company's risk management and internal control system according to the business development model of the Company and the new requirements of laws and regulations, so as to adapt to new situations and new environment. However, due to the inherent limitations of the risk management and internal control system, the establishment of the Group's risk management and internal control system is for the purpose of managing potential risks rather than eliminating all the risks. 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 risk management and internal control system to completely eliminate all material inaccurate statements made or all the losses caused to the Group.



Corporate Governance Report

SUPERVISORY COMMITTEE

The Supervisory Committee is accountable to the general meetings of the Company. The seventh session of the Supervisory Committee comprises two Shareholder representative Supervisors (Mr. Zheng Qiang and Mr. Guo Guangxin) and one employee representative Supervisor (Mr. Zhao Zhuo). In 2023, the Supervisory Committee held two meetings and considered and approved eight resolutions. It supervised, on behalf of Shareholders of the Company, the financial position of the Group, the legality and compliance of the performance of duties by the Directors and senior management of the Company, attended the Board meetings and general meetings and fulfilled its duties diligently.

DIRECTORS' RESPONSIBILITY FOR THE 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 the China Accounting Standards for Business Enterprises and the disclosure provisions of 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 laws and makes decisions on major issues in relation to the Company. The annual general meeting and extraordinary general meetings of the Company provide a channel for Shareholders to communicate directly with the Board. In 2023, the Company convened three general meetings, at which twenty-six resolutions in total were considered and approved. All Directors, Supervisors and 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. Zhang Minsheng*	1	0
Mr. Yan Lingxi	3	2
Mr. Sun Jizhong**	1	1
Mr. Lian Dawei	3	3
Mr. Liu Bingjun	3	2
Mr. Xu Gang	3	2
Mr. Wang Jun	3	2
Mr. Liu Weiwu	3	3
Mr. Mao Fugen	3	2
Mr. Lin Guiping	3	3

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

** On 18 May 2023, Mr. Sun Jizhong was appointed as an executive Director of the Company.

Corporate Governance Report

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, 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. Upon receipt of such written request, the Board shall convene the extraordinary general 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 for Shareholders' approval 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 dispatch 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 Board Secretary, whose contact details are as follows:

AviChina Industry & Technology Company Limited

Postal Code: 100029

6/F, Building A, No. 14 Xiaoguan Dongli, Andingmenwai, Chaoyang District, Beijing, the PRC

Telephone: 86-10-58354348

Facsimile: 86-10-58354300/10

E-mail Address: avichina@avichina.com



ARTICLES OF ASSOCIATION

In 2023, to comply with the Hong Kong Listing Rules and the latest PRC laws and regulations and take into account the actual circumstances of the Company, the Company amended certain articles of the Articles of Association. For details of the revision of the Articles of Associations, please refer to announcements of the Company dated 15 March 2023 and 22 August 2023, and circulars of the Company dated 27 April 2023 and 28 November 2023.

The latest amended Articles of Association was uploaded on the website of the Company and the Hong Kong Stock Exchange on 19 December 2023.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

The Board Secretary is responsible for information disclosure of the Company. The Company has formulated and enforced the Management Rules of Investor Relations and the Management Rules of Registration of Inside Information and Insiders to ensure information disclosed by the Company is accurate, complete and made in a timely manner, and meanwhile, strictly supervise the dealing and publishing of inside information to keep such information in confidentiality before being disclosed. 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 Hong Kong Listing Rules and made detailed disclosures on material information and reported the progress of any significant issues relating to the Company.

According to the Management Rules of Investor Relations, the Company communicates with investors through multiple channels, platforms, and methods. Communication methods include but not limited to online and offline meetings, investor conferences, road shows and general meetings.

The Company has assigned specific employees to assume the role of investor relations management. Pursuant to information disclosure methods required by the Hong Kong 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 website continuously in accordance with the Hong Kong 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 website. Besides updating the website of the Company timely and periodically, the Company also enhances communication frequencies of Wechat public account so that investors can learn the recent situation of the Company more conveniently.

Corporate Governance Report

The Company also emphasizes the mutual communication with its investors. A specific department of the Company is in charge of the communication with shareholders, investors and other participants of the capital market pursuant to the requirements of the Corporate Governance Code. The year 2023 marked the 20th anniversary of the listing of the Company. Based on the concept of “Going-out and Inviting-in”, we organized related activities and restarted off-line meetings with overseas investors. The Company made regular roadshows in Hong Kong after announcements of results, organized specific investor events such as the communication meeting of “Step into AviChina for the Future”, the “Aviation Science and Technology Investment Forum – Power of the Country” with Shenwan Hongyuan Securities Co., Ltd, and the “AviChina and AVICOPTER Investors’ Communication Conference” with Shanxi Securities Co., Ltd., telling the aviation story through various channels to enhance market recognition and influence, opened the Investor Communication Center at the headquarters of the Company, and further improved investors’ reception process and management regulations, to upgrade the investor relations management to a higher level. The Company’s information disclosure and investor relations work won approval of the market. In 2023, the Company won the “Annual Special Award-2023 Outstanding Listed Company” and “Outstanding High-quality Development Listed Company” in the 13th China Securities Golden Bauhinia Awards and the “China Top 100 Enterprises Award”.

The Company had reviewed the implementation of the shareholder communication policy for the year of 2023 and considered it effective.



Independent Auditor's Report



大華會計師事務所

大華會計師事務所（特殊普通合伙）

Da Hua Certified Public Accountants (Special General Partnership)

北京市海澱區西四環中路16號院7號樓12層 [100039]

12th Floor, Building 7, No. 16, Xisihuan Middle Road, Haidian District, Beijing [100039]

電話：86 (10) 5835 0011 傳真：86 (10) 5835 0006

Tel: 86 (10) 5835 0011 Fax: 86 (10) 5835 0006

www.dahua-cpa.com

D.H.S.Z. [2024]0011001846

To the Shareholders of AviChina Industry & Technology Company Limited:

I. AUDIT OPINION

We have audited the financial statements of AviChina Industry & Technology Company Limited (hereinafter referred to as AviChina), which comprise the consolidated balance sheet and the balance sheet of the Company as at 31 December 2023, the consolidated income statement and the income statement of the Company, the consolidated cash flow statement and the cash flow statement of the Company, the consolidated statement of changes in shareholders' equity and the statement of changes in shareholders' equity of the Company for the year of 2023, and the corresponding notes to the financial statements.

In our opinion, the accompanying financial statements present in all material respects in accordance with the requirements of Accounting Standards for Business Enterprises, and fairly reflect AviChina's financial position at 31 December 2023 and the financial performance and cash flows for the year of 2023.

II. BASIS FOR AUDIT OPINION

We conducted our audit in accordance with CICPA Standards on Auditing ("CSAs"). In "CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS" of this report, our responsibilities under these standards are described. We are independent of AviChina in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical obligations. We believe that we have obtained sufficient and appropriate audit evidence as basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon and we do not provide a separate opinion on these matters.

Independent Auditor's Report (Continued)

The key audit matters identified in our audit are as follows:

1. Recognition and measurement of revenue

1) Item Description

See Note IV.34. Recognition principles and measuring methods of revenue and Note VI.49. Operating revenue and operating costs, in 2023, AviChina has achieved the operating revenue of RMB84,724,890,637.

Operating revenue is a key indicator of AviChina, which has a significant impact on the financial statements, and its recognition involves significant judgement and estimation by management; therefore, we have identified the recognition of operating revenue as a key audit matter.

2) How our audit addressed the key audit matter

Our major audit procedure for recognition of operating revenue include:

- (1) Understanding, testing, and evaluating the effectiveness of key internal control design and operation related to operating revenue;
- (2) Selecting important customers to inspect sales contracts, identify and review contractual terms and conditions relating to the transfer of control of goods sold, and evaluating whether the timing of operating revenue recognition complies with the requirements of Accounting Standards for Business Enterprises and the Company's revenue accounting policies;
- (3) Analysing the reasonableness of the changes in operating revenues and gross profit margins for the period, taking into account factors such as market and industry trends and performing analytical revenue procedures by product type;
- (4) Performing detailed testing of operating revenues by examining supporting evidence such as major customer contracts, warehouse receipts, sales invoices and shipping receipts to evaluate whether the relevant revenue recognition complies with the Company's accounting policies on revenue recognition;
- (5) Implementing revenue correspondence procedures to check the truth and accuracy of recognised operating revenues;
- (6) Sampling of transaction records with customers and confirmation of the authenticity of operating revenues by enquiring into customers' receipt and settlement records, etc.;
- (7) Testing to evaluate whether operating revenues are recorded in the proper accounting period.

Based on the audit work performed, we believe that the recognition of operating revenue of AviChina is in compliance with Accounting Standards for Business Enterprises.



Independent Auditor's Report (Continued)

2. Impairment of inventories

1) Item Description

See Note IV.15. Inventories and Note VI.8. Inventories to the financial statements.

As of December 31, 2023, the book balance of AviChina's inventory was RMB41,187,140,284, and the provision for inventory impairment was RMB1,066,149,624.

AviChina's inventories at the end of the period were measured at the lower of cost or net realizable value, with net realizable value determined as the estimated selling price of the finished goods produced less the estimated costs to be incurred to completion, estimated selling expenses and related taxes. We identified the provision for inventory impairment as a key audit matter due to the large amount of inventory falling price reserves and it requires significant judgment from management.

2) How our audit addressed the key audit matter

Our major audit procedure for impairment provision of inventories include:

- (1) Understanding, testing, and evaluating the effectiveness of key internal control design and operation related to inventory impairment;
- (2) Obtaining a inventory age list of inventory, conducting an analytical review of inventory with a longer inventory age, and analyzing the reasonableness of the provision for inventory impairment;
- (3) Implementing inventory monitoring, checking the quantity and condition of inventory, and paying attention to whether the backlog and damaged inventory have been effectively identified by management;
- (4) Obtaining a calculation table for inventory depreciation reserves, reviewing the inventory impairment testing process, evaluating whether the provision for inventory depreciation reserves has been reviewed in accordance with the company's accounting policies related to inventory, checking the reasonableness of changes in inventory depreciation reserves made in previous years during the current period, and analyzing the adequacy of the provision for inventory depreciation reserves.
- (5) Reviewing the adequacy of the presentation and disclosure of the provision for inventory impairment write-downs in the financial statements.

Based on the audit work performed, we believe that the management's judgment and estimation of the provision for inventory depreciation are reasonable.

Independent Auditor's Report (Continued)

IV. OTHER INFORMATION

The management of AviChina is responsible for the other information. The other information comprises the information included in the 2023 annual report of AviChina other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of AviChina is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises and for designing, implementing and maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management of AviChina is responsible for assessing AviChina's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and applying the going concern assumptions unless the Management either intend to liquidate AviChina or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing AviChina's financial reporting process.



Independent Auditor's Report (Continued)

VI. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions the users taken on the basis of these Financial Statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatements of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit 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 such internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting. Based on the audit evidence obtained, conclude on whether a material uncertainty exists related to events or conditions that may cast significant doubt on AviChina's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause AviChina to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Financial Statements, and evaluate whether Financial Statements fairly reflected the underlying transactions and events.
6. Obtain sufficient appropriate audit evidence regarding AviChina's financial information of the entities or business activities within the Group to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance the Group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (Continued)

We communicate with those charged with governance on audit scope, time schedule and significant audit findings, including internal control flaws that worth attention.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Da Hua Certified Public Accountants
(Special General Partnership)

Beijing, China

CICPA: Liu Li
(Engagement partner)
CICPA: Feng Shuo
15 March 2024

Consolidated Balance Sheet

31 December 2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	31 December 2023	31 December 2022 (Restated)
Current assets:			
Monetary funds	1	39,500,113,757	43,773,730,634
Settlement reserve		–	–
Loans to banks and other financial institutions		–	–
Financial assets held for trading	2	957,001,296	529,364,682
Derivative financial assets		–	–
Notes receivable	3	13,453,854,506	12,224,148,437
Accounts receivable	4	38,136,408,922	30,600,251,049
Receivables financing	5	383,654,710	407,969,551
Prepayments	6	6,807,845,117	7,805,827,864
Premium receivable		–	–
Reinsurance premium receivable		–	–
Reinsurance contract provision receivable		–	–
Other receivables	7	247,878,151	244,684,808
Including: Interest receivable		–	–
Dividends receivable		1,679,462	11,812,442
Financial assets purchased under agreements to resell		–	–
Inventories	8	40,120,990,660	39,945,910,540
Contract assets	9	3,930,570,520	4,135,452,071
Held-for-sale assets	10	–	11,184,603
Non-current assets due within one year	11	–	500,000,000
Other current assets	12	1,180,405,617	750,629,028
Total current assets		144,718,723,256	140,929,153,267

Consolidated Balance Sheet (Continued)

31 December 2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	31 December 2023	31 December 2022 (Restated)
Non-current assets:			
Loans and advances		–	–
Debt investment		–	–
Other debt investment		–	–
Long-term receivables	13	1,312,790	1,241,950
Long-term equity investments	14	2,836,611,006	3,083,328,235
Other equity instrument investments	15	3,795,695,305	3,792,710,496
Other non-current financial assets		–	–
Investment properties	16	561,848,339	521,870,564
Fixed assets	17	22,368,905,095	19,915,295,010
Construction-in-progress	18	4,437,643,212	4,362,983,096
Bearer biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets	19	415,088,884	402,549,365
Intangible assets	20	4,022,265,641	3,876,726,846
Development expenditure		–	–
Goodwill	21	93,193,010	167,540,481
Long-term deferred expenses	22	85,715,631	43,290,729
Deferred income tax assets	23	869,654,188	713,346,879
Other non-current assets	24	811,539,275	1,312,000,048
Total non-current assets		40,299,472,376	38,192,883,699
Total assets		185,018,195,632	179,122,036,966

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Deng Hui

Note: The comparative amounts of the consolidated balance sheet as at 31 December 2022, the consolidated income statement, consolidated statement of changes in equity, and consolidated cash flow statement for the period from January to December 2022 were restated for illustrative purposes as the Group has included AVIC Electromechanical, a subsidiary under common control, in the scope of consolidation.

Consolidated Balance Sheet (Continued)

31 December 2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	31 December 2023	31 December 2022 (Restated)
Current Liabilities:			
Short-term borrowings	25	4,997,783,753	6,876,412,133
Borrowings from the central bank		–	–
Placements from banks and other financial institutions		–	–
Financial liabilities held for trading	26	72,143,493	48,392,809
Derivative financial liabilities		–	–
Notes payable	27	11,668,891,622	13,387,068,195
Accounts payable	28	39,145,737,987	36,638,728,483
Advances	29	40,754,254	51,201,255
Contract liabilities	30	19,100,691,469	24,734,281,527
Financial assets sold under agreements to repurchase		–	–
Deposits and placements from other financial institutions		–	–
Securities brokering		–	–
Securities underwriting		–	–
Employee compensation payable	31	3,322,816,065	2,818,188,163
Tax payable	32	1,409,088,916	2,308,502,912
Other payables	33	3,218,637,683	3,736,744,970
Including: Interest payable		–	–
Dividends payable		62,556,162	142,061,557
Fees and commissions payable		–	–
Reinsurance amounts payable		–	–
Held-for-sale liabilities		–	–
Non-current liabilities due within one year	34	1,253,942,782	4,515,906,419
Other current liabilities	35	1,305,835,760	992,063,138
Total current liabilities		85,536,323,784	96,107,490,004

Consolidated Balance Sheet (Continued)

31 December 2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	31 December 2023	31 December 2022 (Restated)
Non-current liabilities:			
Insurance contract reserves		-	-
Long-term borrowings	36	6,067,549,104	2,121,629,735
Bonds payable		-	-
Including: Preferred shares		-	-
Perpetual bonds		-	-
Lease liabilities	37	342,661,974	336,411,229
Long-term payables	38	-740,318,530	-1,874,293,618
Long-term employee compensation payable	39	1,841,337,939	2,011,226,732
Estimated liabilities	40	518,798,851	647,899,871
Deferred income	41	1,239,107,675	1,217,267,125
Deferred income tax liabilities	23	596,571,580	583,750,508
Other non-current liabilities	42	1,560,361,049	2,451,370,702
Total non-current liabilities		11,426,069,642	7,495,262,284
Total liabilities		96,962,393,426	103,602,752,288
Shareholders' equity:			
Share capital	43	7,972,854,242	7,711,332,242
Other equity instruments		-	-
Including: Preferred shares		-	-
Perpetual bonds		-	-
Capital reserves	44	13,514,296,718	13,917,089,719
Less: treasury shares		-	-
Other comprehensive income	45	228,940,969	211,164,546
Special reserves	46	480,615,715	510,537,937
Surplus reserves	47	451,623,842	373,902,267
General risk reserve		-	-
Undistributed profits	48	8,923,873,029	7,169,523,872
Total shareholders' equity attributable to parent company		31,572,204,515	29,893,550,583
Minority equity		56,483,597,691	45,625,734,095
Total shareholders' equity		88,055,802,206	75,519,284,678
Total liabilities and shareholders' equity		185,018,195,632	179,122,036,966

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Deng Hui

Note: The comparative amounts of the consolidated balance sheet as at 31 December 2022, the consolidated income statement, consolidated statement of changes in equity, and consolidated cash flow statement for the period from January to December 2022 were restated for illustrative purposes as the Group has included AVIC Electromechanical, a subsidiary under common control, in the scope of consolidation.



Balance Sheet of the Company

31 December 2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note XVII	31 December 2023	31 December 2022 (Restated)
Current assets:			
Monetary funds		1,381,273,567	303,564,813
Financial assets held for trading		901,480,334	362,824,767
Derivative financial assets		—	—
Notes receivable		—	—
Accounts receivable	1	13,359	340,786
Receivables financing		—	—
Prepayments		—	—
Other receivables	2	250,706,487	249,082,153
Including: Interest receivable		—	—
Dividends receivable		—	—
Inventories		—	—
Contract assets		—	—
Held-for-sale assets		—	—
Non-current assets due within one year		254,986	500,000,000
Other current assets		—	—
Total current assets		2,533,728,733	1,415,812,519
Non-current assets:			
Debt investment		—	—
Other debt investment		—	—
Long-term receivables		1,172,706	1,191,952
Long-term equity investments	3	14,907,514,466	15,222,414,665
Other equity instrument investments		1,738,305,817	1,734,174,940
Other non-current financial assets		—	—
Investment properties		24,336,265	25,495,577
Fixed assets		1,300,449	452,440
Construction-in-progress		—	—
Bearer biological assets		—	—
Oil and gas assets		—	—
Right-of-use assets		10,616,383	14,137,265
Intangible assets		377,246	497,262
Development expenditure		—	—
Goodwill		—	—
Long-term deferred expenses		—	—
Deferred income tax assets		4,928,257	6,247,026
Other non-current assets		—	10,000,000
Total non-current assets		16,688,551,589	17,014,611,127
Total assets		19,222,280,322	18,430,423,646

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Deng Hui

Balance Sheet of the Company (Continued)

31 December 2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note XVII	31 December 2023	31 December 2022 (Restated)
Current liabilities:			
Short-term borrowings		-	-
Financial liabilities held for trading		-	-
Derivative financial liabilities		-	-
Notes payable		-	-
Accounts payable		-	-
Advances		-	-
Contract liabilities		-	-
Employee compensation payable		16,740,371	9,713,292
Tax payable		37,981,860	29,905,333
Other payables		131,004,619	472,394,752
Including: Interest payable		-	-
Dividends payable		-	-
Held-for-sale liabilities		-	-
Non-current liabilities due within one year		5,849,758	4,565,092
Other current liabilities		-	-
Total current liabilities		191,576,608	516,578,469
Non-current liabilities:			
Long-term borrowings		-	-
Bonds payable		-	-
Including: Preferred shares		-	-
Perpetual bonds		-	-
Lease liabilities		3,693,127	8,391,617
Long-term payables		-	-
Long-term employee compensation payable		-	-
Estimated liabilities		-	-
Deferred income		-	-
Deferred income tax liabilities		108,610,535	114,883,960
Other non-current liabilities		-	-
Total non-current liabilities		112,303,662	123,275,577
Total liabilities		303,880,270	639,854,046
Shareholders' equity:			
Share capital		7,972,854,242	7,711,332,242
Other equity instruments		-	-
Including: Preferred shares		-	-
Perpetual bonds		-	-
Capital reserves		8,991,439,677	8,276,651,521
Less: treasury shares		-	-
Other comprehensive income		319,848,100	330,433,384
Special reserves		-	-
Surplus reserves		451,623,842	373,902,267
Undistributed profits		1,182,634,191	1,098,250,186
Total shareholders' equity		18,918,400,052	17,790,569,600
Total liabilities and shareholders' equity		19,222,280,322	18,430,423,646

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Deng Hui

Consolidated Income Statement

2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	2023	2022 (Restated)
I. Total operating income		84,724,890,637	78,760,884,373
Including: Operating revenue	49	84,724,890,637	78,760,884,373
Interest income		—	—
Earned premium		—	—
Fee and commission income		—	—
II Total operating cost		78,047,544,018	72,587,187,807
Including: Operating cost	49	63,387,207,814	59,932,184,829
Interest expenses		—	—
Fee and commission expenses		—	—
Cash surrender amount		—	—
Net expenses of claim settlement		—	—
Net provision for insurance contract reserves		—	—
Policyholder dividend expenses		—	—
Reinsurance expenses		—	—
Taxes and surcharges	50	477,714,605	452,252,001
Selling expenses	51	1,109,002,041	928,261,960
Administrative expenses	52	5,647,258,468	5,366,378,121
Research and development expenses	53	7,573,007,040	5,996,453,413
Finance costs	54	-146,645,950	-88,342,517
Including: Interest expense		411,374,855	528,825,149
Interest income		580,395,557	444,619,763
Add: Other income	55	431,117,621	484,526,961
Investment income (loss to be listed with "-")	56	695,319,861	480,651,887
Including: In come from investment in associates and joint ventures		431,080,173	263,427,685
Derecognition income of financial assets at amortised cost		-24,565,459	-37,740,728
Exchange gain (loss to be listed with "-")		—	—
Net exposure hedging income (loss to be listed with "-")		—	—
Income from changes in fair value (loss to be listed with "-")	57	-18,849,783	-7,046,743
Credit impairment loss (loss to be listed with "-")	58	-318,257,156	-522,736,045
Asset impairment loss (loss to be listed with "-")	59	-508,288,292	-564,539,553
Income from assets disposal (loss to be listed with "-")	60	30,890,980	140,631,762

Consolidated Income Statement (Continued)

2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	2023	2022 (Restated)
III. Operating profit (loss to be listed with "-")		6,989,279,850	6,185,184,835
Add: Non-operating income	61	111,723,908	110,288,822
Less: Non-operating expenses	62	32,089,897	53,244,151
IV. Profit before tax (loss before tax to be listed with "-")		7,068,913,861	6,242,229,506
Less: income tax expenses	63	380,332,558	369,141,472
V. Net profit (net loss to be listed with "-")		6,688,581,303	5,873,088,034
(I) Classified according to operating continuity			
1. Net profit from continuing operations (net loss to be listed with "-")		6,688,581,303	5,873,088,034
2. Net profit from discontinuing operations (net loss to be listed with "-")		-	-
(II) Classified according to attribution of the ownership			
1. Net profit attributable to the owners of the parent company (net loss to be listed with "-")		2,446,952,909	2,320,449,837
2. Minority profit and loss (net loss to be listed with "-")		4,241,628,394	3,552,638,197
VI. Net of tax of other comprehensive income	64	162,767,452	-113,356,592
Net of tax of other comprehensive income attributable to the owner of the parent company		17,776,423	36,815,728
(I) Other comprehensive income that cannot be reclassified into profit or loss		17,743,338	686,711
1. Changes arising from re-measurement of the defined benefit plan		34,766,713	3,141,042
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		2,300,746	2,147,439
3. Changes in fair value of other equity instrument investments		-19,324,121	15,632,032
4. Changes in fair value of the enterprise's credit risk		-	-
5. Others		-	-20,233,802

Consolidated Income Statement (Continued)

2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	2023	2022 (Restated)
(II) Other comprehensive income that can be reclassified into profit or loss		33,085	36,129,017
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		-2,450	635
2. Changes in fair value of other debt investments		-	-
3. Amount charged into other comprehensive income arising from reclassification of financial assets		-	-
4. Provision for credit impairment of other debt investments		-	-
5. Reserves for cash flow hedge (effective parts of cash flow hedge profit or loss)		-	-
6. Translation difference of foreign currency financial statements		35,535	36,128,382
7. Others		-	-
Net of tax of other comprehensive income attributable to minority shareholders		144,991,029	-150,172,320
VII. Total comprehensive income		6,851,348,755	5,759,731,442
Total comprehensive income attributable to shareholders of the parent company		2,464,729,332	2,357,265,565
Total comprehensive income attributable to minority shareholders		4,386,619,423	3,402,465,877
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.311	0.301
(II) Diluted earnings per share (RMB/share)		0.311	0.301

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Deng Hui

Note: The comparative amounts of the consolidated balance sheet as at 31 December 2022, the consolidated income statement, consolidated statement of changes in equity, and consolidated cash flow statement for the period from January to December 2022 were restated for illustrative purposes as the Group has included AVIC Electromechanical, a subsidiary under common control, in the scope of consolidation.

The business combination under common control occurred in this year, the net profit realised by the acquired company before the acquisition was RMB292,316,477. The net profit realised by the acquired company in the previous year was RMB884,797,372.

Income Statement of the Company

2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note XVII	2023	2022 (Restated)
I. Operating income	4	1,171,030	1,778,432
Less: Operating cost	4	1,370,322	1,304,395
Taxes and surcharges		703,473	1,063,073
Selling expenses		–	–
Administrative expenses		52,721,869	44,937,718
Research and development expenses		13,157,362	–
Finance costs		-5,187,154	-26,667,148
Including: Interest expense		–	–
Interest income		7,953,954	15,882,837
Add: Other income		151,161	975,864
Investment income (loss to be listed with “-”)	5	897,045,901	704,129,833
Including: Income from investment in associates and joint ventures		9,775,911	29,063,710
Derecognition income of financial assets at amortised cost		–	–
Net exposure hedging income (loss to be listed with “-”)		–	–
Income from changes in fair value (loss to be listed with “-”)		-4,415,715	-13,865,631
Credit impairment loss (loss to be listed with “-”)		-1,700,844	137,412
Asset impairment loss (loss to be listed with “-”)		–	–
Income from assets disposal (loss to be listed with “-”)		–	–
II. Operating profit (loss to be listed with “-”)		829,485,661	672,517,872
Add: Non-operating income		109,479	–
Less: Non-operating expenses		2,188	2,899
III. Profit before tax (loss before tax to be listed with “-”)		829,592,952	672,514,973
Less: income tax expenses		52,377,191	14,976,896
IV. Net profit (net loss to be listed with “-”)		777,215,761	657,538,077
(I) Net profit from continuing operations (net loss to be listed with “-”)		777,215,761	657,538,077
(II) Net profit from discontinuing operations (net loss to be listed with “-”)		–	–



Income Statement of the Company (Continued)

2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	2023	2022 (Restated)
V. Net of tax of other comprehensive income	-10,585,284	-187,550,816
(I) Other comprehensive income that cannot be reclassified into profit or loss	-10,585,284	-187,550,816
1. Changes arising from re-measurement of the defined benefit plan	-	-
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method	2,066,556	2,000,777
3. Changes in fair value of other equity instrument investments	-12,651,840	-189,551,593
4. Changes in fair value of the enterprise's credit risk	-	-
5. Others	-	-
(II) Other comprehensive income that can be reclassified into profit or loss	-	-
1. Other comprehensive income that can be reclassified into profit or loss under the equity method	-	-
2. Changes in fair value of other debt investments	-	-
3. Amount charged into other comprehensive income arising from reclassification of financial assets	-	-
4. Provision for credit impairment of other debt investments	-	-
5. Reserves for cash flow hedge (effective parts of cash flow hedge profit or loss)	-	-
6. Translation difference of foreign currency financial statements	-	-
7. Others	-	-
VI. Total comprehensive income	766,630,477	469,987,261

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Deng Hui

Consolidated Cash Flow Statement

2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	2023	2022 (Restated)
I. Cash flow from operating activities:			
Cash received from sales of goods or rendering of services		76,714,397,790	76,622,163,599
Net increase in deposits and placements from customers and financial institutions		-	-
Net increase of borrowings from the central bank		-	-
Net increase in placements from other financial institutions		-	-
Cash received from premiums of original insurance contract		-	-
Net amount of reinsurance business		-	-
Net increase in deposits from policyholders		-	-
Cash received from interests, fees and commissions		-	-
Net increase in placement from banks and other financial institutions		-	-
Net increase in repurchasing		-	-
Net cash received from securities brokering		-	-
Refund of taxes and surcharges		1,772,287,855	633,437,781
Other cash received relating to operating activities	65	4,912,308,224	4,601,970,695
Subtotal of cash inflows from operating activities		83,398,993,869	81,857,572,075
Cash paid for purchase of goods and receipt of services		59,671,236,362	48,779,156,960
Net increase in loans and advances		-	-
Net increase in deposits with the central bank and other banks		-	-
Cash paid for claim settlements on original insurance contract		-	-
Net increase in financial assets held for trading		-	-
Net increase in loans to banks and other financial institutions		-	-
Cash paid for interests, fees and commissions		-	-
Cash paid for policy dividends		-	-
Cash paid to and for employees		16,632,575,185	15,724,352,733
Taxes and surcharges cash payments		5,259,748,148	2,001,905,769
Other cash paid relating to operating activities	65	5,918,928,869	5,130,694,933
Subtotal of cash outflow from operating activities		87,482,488,564	71,636,110,395
Net cash flow from operating activities		-4,083,494,695	10,221,461,680

Consolidated Cash Flow Statement (Continued)

2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	2023	2022 (Restated)
II. Cash flows from investing activities:			
Cash received from return of investment		8,027,837,075	7,557,804,353
Cash received from investment income		273,544,538	384,740,436
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		51,009,204	184,413,340
Net cash received from disposal of subsidiaries and other business entities		7,020,000	–
Other cash received relating to investing activities	65	1,041,667,287	2,340,576,876
Subtotal of cash inflows from investing activities		9,401,078,104	10,467,535,005
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		4,729,114,656	4,230,104,120
Cash paid to acquire investments		7,405,250,996	6,120,242,463
Net increase in pledge loans		–	–
Net cash paid for acquisition of subsidiaries and other business entities		–	–
Other cash paid relating to investing activities	65	880,394,499	3,032,624,141
Subtotal of cash outflows from investing activities		13,014,760,151	13,382,970,724
Net cash flows from investing activities		-3,613,682,047	-2,915,435,719
III. Cash flows from financing activities:			
Cash received from absorbing investment		6,453,928,847	1,795,204,184
Including: Cash received from minority shareholders' investment in subsidiaries		5,453,929,999	1,795,204,184
Cash received from borrowings		13,274,686,310	13,970,024,381
Cash received from bond issue		–	–
Other cash received relating to financing activities	65	1,362,535,828	1,007,734,500
Subtotal of cash inflow from financing activities		21,091,150,985	16,772,963,065
Cash paid for repayments of debts		14,035,712,626	10,094,622,862
Cash paid for distribution of dividends, profits or interest repayment		2,316,274,796	2,220,075,570
Including: Dividends and profits paid to minority shareholders by subsidiaries		1,336,240,629	1,145,062,001
Other cash paid relating to financing activities	65	1,191,331,503	1,046,076,759
Subtotal of cash outflow from financing activities		17,543,318,925	13,360,775,191
Net cash flow from financing activities		3,547,832,060	3,412,187,874
IV. Effect of foreign exchange rate changes on cash and cash equivalents		11,852,177	140,265,674
V. Net increase in cash and cash equivalents		-4,137,492,505	10,858,479,509
Add: Opening balance of cash and cash equivalents	65	41,296,794,143	30,438,314,634
VI. Closing balance of cash and cash equivalents	65	37,159,301,638	41,296,794,143

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting
department:

Deng Hui

Note: The comparative amounts of the consolidated balance sheet as at 31 December 2022, the consolidated income statement, consolidated statement of changes in equity, and consolidated cash flow statement for the period from January to December 2022 were restated for illustrative purposes as the Group has included AVIC Electromechanical, a subsidiary under common control, in the scope of consolidation.

Cash Flow Statement of the Company

2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	2023	2022
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering of services	–	–
Refund of taxes and surcharges	–	2,039,540
Other cash received relating to operating activities	209,355,260	489,256,687
Subtotal of cash inflows from operating activities	209,355,260	491,296,227
Cash paid for purchase of goods and receipt of services	–	–
Cash paid to and for employees	22,341,544	21,128,410
Taxes and surcharges cash payments	46,563,363	1,172,798
Other cash paid relating to operating activities	600,115,253	379,803,867
Subtotal of cash outflow from operating activities	669,020,160	402,105,075
Net cash flow from operating activities	-459,664,900	89,191,152
II. Cash flows from investing activities:		
Cash received from return of investment	5,727,681,469	1,891,769,731
Cash received from investment income	654,957,174	676,617,180
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	–	–
Net cash received from disposal of subsidiaries and other business entities	110,840,036	–
Other cash received relating to investing activities	–	–
Subtotal of cash inflows from investing activities	6,493,478,679	2,568,386,911
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	–	107,434
Cash paid to acquire investments	5,341,416,996	1,795,541,145
Net cash paid for acquisition of subsidiaries and other business entities	–	–
Other cash paid relating to investing activities	300,000,000	–
Subtotal of cash outflows from investing activities	5,641,416,996	1,795,648,579
Net cash flows from investing activities	852,061,683	772,738,332



Cash Flow Statement of the Company (Continued)

2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	2023	2022
III. Cash flows from financing activities:		
Cash received from absorbing investment	999,998,848	—
Cash received from borrowings	—	—
Cash received from bond issue	—	—
Other cash received relating to financing activities	—	—
Subtotal of cash inflow from financing activities	999,998,848	—
Cash paid for repayments of debts	—	—
Cash paid for distribution of dividends, profits or interest repayment	614,721,759	616,906,579
Other cash paid relating to financing activities	—	3,604,204
Subtotal of cash outflow from financing activities	614,721,759	620,510,783
Net cash flow from financing activities	385,277,089	-620,510,783
IV. Effect of foreign exchange rate changes on cash and cash equivalents	34,880	716,587
V. Net increase in cash and cash equivalents	777,708,752	242,135,288
Add: Opening balance of cash and cash equivalents	303,564,813	61,429,525
VI. Closing balance of cash and cash equivalents	1,081,273,565	303,564,813

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Deng Hui

Consolidated Statement of Changes in Shareholders' Equity

2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	2023										Total shareholders' equity					
	Share capital	Preferred shares	Other equity instrument	Others	Capital reserve	Less: treasury shares	comprehensive income	Other	Special reserves	Surplus reserves		General risk reserve	Undistributed profit	Others	Subtotal	Minority equity
I. Closing balance of the previous year	7,711,332,242	-	-	-	13,917,089,719	-	211,164,546	510,537,937	373,902,267	-	-	7,169,523,872	-	29,893,550,583	45,625,734,095	75,519,284,678
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Error correction of previous period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	7,711,332,242	-	-	-	13,917,089,719	-	211,164,546	510,537,937	373,902,267	-	-	7,169,523,872	-	29,893,550,583	45,625,734,095	75,519,284,678
III. Change in increase or decrease of the current year (decrease to be listed with "+")	261,522,000	-	-	-	(402,793,001)	-	17,716,423	(29,922,222)	77,721,575	-	-	1,754,349,157	-	1,678,653,932	10,857,863,596	12,536,517,528
(I) Total comprehensive income	261,522,000	-	-	-	(367,405,223)	-	19,570,821	-	-	-	-	2,446,952,909	-	2,466,525,730	4,386,619,423	6,853,145,153
(II) Capital invested and decreased by shareholders	261,522,000	-	-	-	(367,405,223)	-	-	-	-	-	-	228,004	-	(105,653,219)	7,799,822,522	7,694,167,303
1. Ordinary shares invested by shareholders	-	-	-	-	738,476,848	-	-	-	-	-	-	-	-	999,998,848	10,500,933,569	11,500,932,417
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment recognized as shareholders' equity	-	-	-	-	223,879,814	-	-	-	-	-	-	-	-	223,879,814	278,673,791	502,553,605
4. Others	-	-	-	-	(1,329,716,885)	-	-	-	-	-	-	228,004	-	(1,329,533,881)	(2,979,354,838)	(4,308,888,719)
(III) Profit distribution	-	-	-	-	-	-	-	-	77,721,575	-	-	(694,628,154)	-	(616,906,579)	(1,336,240,629)	(1,953,147,208)
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	77,721,575	-	-	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	77,721,575	-	-	(77,721,575)	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-over in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	(616,906,579)	-	(616,906,579)	(1,336,240,629)	(1,953,147,208)
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	(1,796,398)	-	-	-	-	1,796,398	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Reversal of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	(1,796,398)	-	-	-	1,796,398	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	(29,922,222)	-	-	-	-	-	(29,922,222)	5,946,871	(23,975,351)
1. Appropriation in the current year	-	-	-	-	-	-	-	(29,922,222)	-	-	-	-	-	(29,922,222)	5,946,871	(23,975,351)
2. Use in the current year	-	-	-	-	-	-	-	263,400,538	-	-	-	-	-	263,400,538	163,720,561	427,201,139
(VI) Others	-	-	-	-	(55,387,778)	-	-	299,402,780	-	-	-	-	-	299,402,780	157,773,710	451,176,490
IV. Closing balance of the current year	7,972,854,242	-	-	-	13,514,296,718	-	228,940,969	480,615,715	451,623,842	-	-	8,923,873,029	-	31,572,204,515	56,483,597,691	88,053,802,206

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Deng Hui

Consolidated Statement of Changes in Shareholders' Equity (Continued)

2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	2022 (Restated)										Total shareholders' equity					
	Share capital	Preferred shares	Other equity instrument	Others	Capital reserve	Less: treasury shares	Equity attributable to shareholders of the parent company	Other comprehensive income	Special reserves	Surplus reserves		General risk reserve	Undistributed profit	Others	Subtotal	Minority equity
I. Closing balance of the previous year	7,711,332,242	-	-	-	12,974,963,414	-	112,307,999	503,687,704	308,138,730	-	-	5,296,679,044	-	26,907,309,133	27,695,194,103	547,665,032,256
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	9,729	-	-	1,026,418	-	1,036,147	429,265	1,465,412
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	786,081,393	-	61,810,849	14,610,904	-	-	-	830,573,069	-	1,693,076,535	1,553,284,640	17,225,941,595
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	7,711,332,242	-	-	-	13,761,044,807	-	174,318,848	518,298,608	308,148,459	-	-	6,128,279,291	-	28,601,422,255	43,392,488,008	71,993,970,263
Change in increase or decrease of the current year (decrease to be listed with "+")																
(I) Total comprehensive income	-	-	-	-	156,044,972	-	36,845,688	-7,600,671	65,753,808	-	-	1,041,244,381	-	1,292,128,328	2,233,246,087	3,525,374,415
(II) Capital invested and decreased by shareholders	-	-	-	-	-	-	-37,194,909	-	-	-	-	2,320,449,837	-	1,803,252,928	3,402,465,877	5,205,718,805
1. Ordinary shares invested by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital invested by other equity instrument holders	-	-	-	-	148,490,138	-	-	-	-	-	-	-42,839,467	-	105,660,691	87,287,057	192,977,538
3. Amount of share-based payment recognized as shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	111,755,172	-	-	-	-	-	-	-	-	111,755,172	327,097,458	438,852,630
1. Appropriation to surplus reserves	-	-	-	-	36,734,986	-	-	-	-	-	-	-	-	-	-262,598,361	-262,598,361
2. Appropriation to general risk reserve	-	-	-	-	-	-	-	-	65,753,808	-	-	-	-	-	-1,417,359,721	-2,034,466,300
3. Distribution to shareholders	-	-	-	-	-	-	-	-	65,753,808	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-over in shareholders' equity	-	-	-	-	-	-	554,042,607	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	554,042,607	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Use in the current year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	7,554,754	-	-	282,988,574	-	-	-	307,205	-	282,988,574	122,888,963	408,877,537
III. Closing balance of the current year	7,711,332,242	-	-	-	13,917,089,719	-	211,164,546	510,537,937	373,902,267	-	-	7,169,323,672	-	29,893,530,333	45,625,734,055	75,197,284,678

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Deng Hui

Note: The comparative amounts of the consolidated balance sheet as at 31 December 2022, the consolidated income statement, consolidated statement of changes in equity, and consolidated cash flow statement for the period from January to December 2022 were restated for illustrative purposes as the Group has included AVIC Electromechanical, a subsidiary under common control, in the scope of consolidation.

Statement of Changes in Shareholders' Equity of the Company

Prepared by: AviChina Industry & Technology Company Limited

2023

Unit: RMB

Items	2023					2023			Total shareholders' equity		
	Share capital	Preferred shares	Other equity instrument	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves		Undistributed profit	Others
I. Closing balance of the previous year	7,711,332,242	-	-	- 8,276,651,521	-	330,433,384	-	373,902,267	1,098,250,186	-	- 17,790,569,600
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Error correction of previous period	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	7,711,332,242	-	-	- 8,276,651,521	-	330,433,384	-	373,902,267	1,098,250,186	-	- 17,790,569,600
III. Change in increase or decrease of the current year (decrease to be listed with "-")	261,522,000	-	-	714,788,156	-	- 10,585,284	-	77,721,575	84,384,005	-	1,127,830,452
(I) Total comprehensive income	-	-	-	-	-	- 8,788,886	-	-	777,215,761	-	788,426,875
(II) Capital invested and decreased by shareholders	261,522,000	-	-	738,476,848	-	-	-	-	-	-	999,998,848
1. Ordinary shares invested by shareholders	261,522,000	-	-	738,476,848	-	-	-	-	-	-	999,998,848
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment recognized as shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	77,721,575	- 894,628,154	-	- 616,906,579
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	77,721,575	- 77,721,575	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	-	- 616,906,579	-	- 616,906,579
3. Others	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-over in shareholders' equity	-	-	-	-	-	- 1,796,398	-	-	1,796,398	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	- 1,796,398	-	-	1,796,398	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current year	-	-	-	-	-	-	-	-	-	-	-
2. Use in the current year	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	- 23,688,692	-	-	-	-	-	-	- 23,688,692
IV. Closing balance of the current year	7,972,854,242	-	-	- 8,991,439,677	-	319,848,100	-	451,623,842	1,182,634,191	-	- 18,918,400,052

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Deng Hui

Statement of Changes in Shareholders' Equity of the Company (Continued)

2023

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	2022 (Restated)							Total shareholders' equity			
	Share capital	Preferred shares	Other equity instrument	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserves		Surplus reserves	Undistributed profit	Others
I. Closing balance of the previous year	7,711,332,242	-	-	4,963,456,690	-	461,576,470	-	308,138,730	1,100,049,865	-	14,624,553,997
Add: Changes in accounting policies	-	-	-	-	-	-	-	9,729	87,559	-	97,288
Error correction of previous period	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	7,711,332,242	-	-	4,963,456,690	-	461,576,470	-	308,148,459	1,100,137,424	-	14,624,651,285
III. Change in increase or decrease of the current year (decrease to be listed with "-")	-	-	-	3,313,194,831	-	(131,143,086)	-	65,753,808	(81,887,238)	-	3,165,918,315
(I) Total comprehensive income	-	-	-	-	-	(187,908,014)	-	-	657,538,077	-	469,630,063
(II) Capital invested and decreased by shareholders	-	-	-	3,313,194,831	-	-	-	-	-	-	3,313,194,831
1. Ordinary shares invested by shareholders	-	-	-	3,287,635,802	-	-	-	-	-	-	3,287,635,802
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment recognized as shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	25,559,029	-	-	-	-	-	-	25,559,029
(III) Profit distribution	-	-	-	-	-	-	-	657,538,808	(682,660,387)	-	(25,121,579)
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	657,538,808	(657,538,808)	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	-	(616,906,579)	-	(616,906,579)
3. Others	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-over in shareholders' equity	-	-	-	-	-	56,764,928	-	-	(56,764,928)	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	56,764,928	-	-	(56,764,928)	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current year	-	-	-	-	-	-	-	-	-	-	-
2. Use in the current year	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
(VI) Closing balance of the current year	7,711,332,242	-	-	8,276,651,521	-	330,433,384	-	373,902,267	1,098,250,186	-	17,790,569,600

Legal representative: Yan Lingxi

Person in charge of accounting: Wang Jingmin

Legal representative: Deng Hui

Person in charge of the accounting department: Deng Hui

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

I. BASIC INFORMATION OF THE COMPANY

(I) Basic Information

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

The registered capital of the Company at the time of establishment is RMB3,116,518,500, and the Company was initiated by AVIC II (as the lead promoter) together with China Huarong Asset Management Co., Ltd. (formerly known as China Huarong Asset Management Company, hereinafter referred to as Huarong Asset Management), China Cinda Asset Management Co., Ltd. (formerly known as China Cinda Asset Management Corporation, hereinafter referred to as Cinda Asset Management) and China Orient Asset Management Co., Ltd. (formerly known as China Orient Asset Management Company, hereinafter referred to as Orient Asset Management). On October 2003, the Company was listed on the Main Board of the Hong Kong Stock Exchange and issued state-owned overseas listed foreign invested shares (H shares). The former state-owned shareholders shall reduce their shareholdings of state-owned shares according to 10% of the amount raised by issuing overseas listed foreign invested shares (H shares). After the issuance of overseas listed foreign invested shares (H shares), the share capital of the Company increased to RMB4,643,608,500.

In 2008, Aviation Industry Corporation of China, Ltd. (formerly known as Aviation Industry Corporation of China, hereafter as AVIC) was newly established on the basis of the merger of enterprises and institutions owned by China Aviation Industry Corporation I and AVIC II. The shareholder of the Company was changed from AVIC II to AVIC.

In 2010, the Company raised funds by placing overseas listed foreign invested shares. After the capital increase, the share capital of the Company increased to RMB4,949.0245 million.

In 2012, the Company issued 342,000,000 additional overseas listed foreign invested shares (H shares) to foreign investors, increasing the share capital by RMB342.00 million. In the same year, the Company issued 183,404,667 Domestic Shares to AVIC Airborne Systems Company Limited (hereinafter as AVIC Airborne). As of 31 March 2012, due to additional issuance of overseas listed foreign invested shares (H shares) and additional issuance of Domestic Shares, the share capital of the Company was changed to RMB5,474.4292 million.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

I. BASIC INFORMATION OF THE COMPANY (Continued)

(I) Basic Information (Continued)

In 2016, the Company issued 491,692,669 Domestic Shares to AVIC. After the additional issuance of Domestic Shares, the share capital of the Company was changed to RMB5,966.1218 million.

In 2018, 3,609,687,934 existing shares of the Company held by AVIC, AVIC Airborne, Huarong Asset Management, Cinda Asset Management and Orient Asset Management, the shareholders of the Company, were fully converted into overseas listed foreign invested shares (H shares) which were listed on the Hong Kong Stock Exchange. In the same year, the Company issued 279,000,000 overseas listed foreign invested shares (H shares). After the capital increase, the share capital of the Company was changed to RMB6,245.1218 million.

In 2020, the Company repurchased and cancelled 34,459,000 overseas listed foreign invested shares (H shares). After the repurchase, the share capital of the Company was changed to RMB6,210.6628 million. In the same year, the Company issued 1,250,899,906 and 249,769,500 Domestic Shares to AVIC and Tianjin Free Trade Zone Investment Company Limited* (天津保稅區投資有限公司) (hereinafter as Tianjin Free Trade Zone Investment Company), respectively. After the targeted issuance of Domestic Shares, the share capital of the Company was changed to RMB7,711.3322 million.

In 2023, the Company issued 261,522,000 Domestic Shares to the National Military and Civilian Integration Industry Investment Fund Co., Ltd. After the additional issuance of Domestic Shares, the share capital of the Company was changed to RMB7,972,854,242.

(II) Nature of business and main business of the enterprise

The Group is principally involved in the research, development, manufacture and sale of aviation products and the delivery of aviation engineering services such as planning, design, consultation, construction and operation.

(III) Name of parent company and group headquarters

The controlling shareholder of the Company is AVIC, and the ultimate controller is AVIC. The Company has a Board of Directors, which manages and controls the Company's major decisions and daily operation.

(IV) Approval of financial reports

These financial statements were approved for issue by the Board on 15 March 2024.

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The scope of the Group's consolidated financial statements includes 11 second-tier subsidiaries, including AVICOPTER PLC (中航直升機股份有限公司), and 71 third-tier and fourth-tier subsidiaries, including Huiyang Aviation Propeller Limited (惠陽航空螺旋槳有限責任公司).

For details of the Group's scope of consolidation and its changes, please refer to the relevant contents of Note "VII. CHANGES IN CONSOLIDATION SCOPE" and Note "VIII. INTERESTS IN OTHER ENTITIES".

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The financial statements has been prepared on the going-concern basis and based on the transactions and events actually occurred in accordance with the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the PRC and relevant requirements, as well as based on the accounting policies and accounting estimates as stated in Note "IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES" under the notes. In addition, the Group discloses relevant financial information in accordance with the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong.

During the preparation of the financial statements, the Group has fully evaluated its ability to continue operating in the next 12 months from the balance sheet date. The Group has a record of profitable operation recently and adequate financial resource to support its operation, and considers it is reasonable to prepare the financial statements on a going concern basis.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates are formulated by the Group based on actual manufacturing and operating characteristics including business cycle, recognition and measurement of provision for bad debts of accounts receivable, inventory cost flow assumptions, measurement of net realizable value of inventory, classification and depreciation method of fixed assets, amortization of intangible assets, capitalization of research and development expenses, recognition and measurement of revenue, etc.

1. Declaration on compliance with the accounting standards for business enterprises

The Group complied with the requirements of Accounting Standards for Business Enterprises in preparing its financial statements, which give a true and full view of the financial position, operating results and cash flows of the Group and the Company.

2. Accounting period

The Group's accounting period is from 1 January to 31 December.

3. Business cycle

The business cycle of particular business of the Group exceeds 12 months, and the classification of current and non-current assets and liabilities of the particular business follows the business cycle; otherwise, the Group treats 12 months as a business cycle and the criteria for classifying current and non-current assets and liabilities.

4. Recording currency

Renminbi has been adopted by the Group as its recording currency.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. Accounting treatments for business combinations involving and not involving entities under common control

Assets and liabilities acquired by the Group, as the combining party, in business combinations involving entities under common control are measured at the carrying amount of the combined party in the consolidated statements of the ultimate controller as at the date of combination. The difference between the carrying amount of the net assets acquired and the carrying amount of the consideration of combination paid shall be adjusted against the capital reserves. If the capital reserves are insufficient to offset the difference, any excess shall be adjusted against the retained earnings.

The identifiable assets, liabilities and contingent liabilities of the acquiree acquired in business combinations not involving entities under common control are measured at fair value as at the acquisition date. The cost of combination is the sum of the fair value of cash or non-cash assets paid, liabilities issued or assumed and equity securities issued by the Group to obtain the control of the acquiree as at the acquisition date, and various directly related expenses incurred in the business combination (for business combination achieved through multiple transactions by phases, the combination cost of which is the sum of the cost of each individual transaction). Where the cost of combination exceeds the fair value attributable to the net identifiable assets of the acquiree acquired in the combination, the difference is recognized as goodwill, where the cost of combination is less than the fair value attributable to the net identifiable assets of the acquiree acquired in the combination, the fair value of each identifiable assets, liabilities and contingent liabilities acquired in the combination and the fair value of the non-cash assets or equity securities issued in the consideration of the combination shall be reassessed first, where the cost of combination is still less than the fair value attributable to the net identifiable assets of the acquiree acquired in the combination after reassessment, the difference is included in the consolidated non-operating income for the current period.

6. Preparation methods of consolidated financial statements

The Group includes all subsidiaries and structured entities under its control into the consolidated financial statements.

When preparing the consolidated financial statements, if the accounting policies and the accounting period that subsidiaries adopted are inconsistent with the Company, necessary adjustments are made to the financial statements of those subsidiaries according to the accounting policies or accounting period of the Company.

When preparing consolidated financial statements, all significant internal transactions, current balances and unrealised profits within the scope of combination shall be offset. The portion of owner's equity of the subsidiaries which does not belong to the parent company, and the portion of net profit or loss, other comprehensive income and total comprehensive income for the current period which belongs to the equity of minority shareholders, shall be listed under "minority equity, minority profit and loss, other comprehensive income attributable to minority shareholders and total comprehensive income attributable to minority shareholders" items in the consolidated financial statements, respectively.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparation methods of consolidated financial statements (Continued)

For subsidiaries acquired through business combinations involving entities under common control, its operating results and cash flows shall be included in the consolidated financial statements since the beginning of the period of combination. When preparing comparative consolidated financial statements, adjustment shall be made to the related items in the financial statements for the last year, as if the reporting subject which was formed after combination had been in existence since the ultimate controlling party gains control.

For shareholding of the investee under common control through different transactions in stages which ultimately results in business combination, when preparing consolidated financial statements, it shall be adjusted as if it had been in existence in the current state since the ultimate controlling party gains control. When preparing comparative financial statements, time limit is the time not earlier than the Group and the combined party are both under the control of the ultimate controlling party, related assets and liabilities of the combined party shall be included into the comparative statements of the consolidated financial statements of the Group, and net assets added due to combination shall be adjusted against the related items under owner's equity in the comparative statements. In order to prevent double calculation of the value of net assets of the combined party, for long-term equity investment held by the Group before combination, from the date of obtaining original shareholding and the date on which the Group and the combined party are under the same ultimate control, whichever is later, to the date of combination, the related profit or loss recognized, other comprehensive income and other changes in net assets, shall be offset against the retained earnings at the beginning of the period and profit or loss for the current period in the comparative statements, respectively.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows shall be included in the consolidated financial statements since the Group obtained its control. When preparing consolidated financial statements, adjustment shall be made to financial statements of the subsidiaries using the fair values of each identifiable assets, liabilities and contingent liabilities as basis, which were determined on date of acquisition.

For shareholding of the investee not under common control through different transactions in stages which ultimately results in business combination, when preparing consolidated financial statements, shareholding of the acquiree held before the date of acquisition shall be remeasured according to the fair value of such shareholding on the date of acquisition, difference between the fair value and the carrying value shall be included in the investment income for the current period; the relevant shareholding of the acquiree held before the date of acquisition involving other comprehensive income under the equity method as well as changes in other shareholder's equity excluding net profit or loss, other comprehensive income and profits appropriation will be converted to investment profit or loss in the period in which the acquisition date falls, excluding other comprehensive income arising from changes arising from the investee's remeasurement of the net liabilities or net assets in the defined benefit plans.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparation methods of consolidated financial statements (Continued)

For disposal of the Group's long-term equity investment in a subsidiary in part without losing control, in the consolidated financial statements, the difference between the disposal consideration and the portion of net assets attributable to the disposed long-term equity investment in the subsidiary as accrued from the date of acquisition or combination, is adjusted against the share capital premium. If the capital reserves are insufficient to offset the difference, any excess shall be adjusted against the retained earnings.

Where control right over the investee is lost due to the disposal of partial equity investment of the Group or other reasons, the residual equity will be re-calculated based on the fair value thereof on the day the control is lost when preparing the consolidated financial statements. The balance from the sum of the consideration obtained from the equity disposal and the fair value of the residual equity minus the net assets of the original subsidiaries calculated continuously in proportion to the original holdings from the date of acquisition or combination shall be recorded into the investment profit or loss of the current period in which the control right is lost, with goodwill written off simultaneously. Other comprehensive income related with the equity investment of the original subsidiaries shall be accounted for on the same basis as the investee's direct disposal of the relevant assets or liabilities when control is lost.

For disposal of the Group's equity investment in a subsidiary realised by two or more transactions until loss of control, if the transactions fall under a package deal, those transactions shall be accounted for as a deal under which the subsidiary is disposed of and control is lost. However, before losing control over the subsidiary, the balance between each disposal consideration and the corresponding share of the subsidiary's net assets entitled from the disposal of the investment shall be recognized as other comprehensive income in the consolidated financial statements and when control is lost, converted into investment profit or loss for the period in which control is lost. Other comprehensive income related with the equity investment of the original subsidiaries shall be accounted for on the same basis as the investee's direct disposal of the relevant assets or liabilities.

7. Classification of joint arrangements and accounting treatment method for joint operations

The joint arrangements of the Group are comprised of joint operations and joint ventures. For joint operation items, the Group, as a joint operator to the joint operation, shall recognize assets held and liabilities assumed individually, and recognize its share of attributable assets held and liabilities assumed and recognize income and expenses on individual basis or in proportion to its attributable share as agreed. For purchase and sale incurred in the joint operation which does not constitute an asset transaction of the operation, only the portion of the profit or loss attributable to the other participating parties of the joint operation arising from such transaction is recognized.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Cash and cash equivalents

Cash shown in the cash flow statement of the Group refers to both cash on hand and the deposit held in bank available for payment at any time. Cash equivalent in the cash flow statement refers to the investment with a term not more than 3 months and high liquidity, easily converted to known amounts of cash and subject to insignificant risk of change in value

9. Foreign currency transactions and translation of foreign currency financial statements

(1) Foreign currency transaction

The amount of the Group's foreign currency transactions shall be translated into that in RMB at the spot exchange rate on the transaction date. On the balance sheet date, monetary items in foreign currency are translated into RMB at spot rate of such date, and translation balance arising from which is directly included in the current profit or loss, except for exchange balances resulting from specific borrowings in foreign currency for purchasing and constructing or producing assets that conforms to capitalization conditions, and such exchange balances shall be treated as per the principles of capitalization.

(2) Translation of foreign currency financial statements

Items in assets and liabilities of balance sheet in foreign currency are translated at the spot rate of the balance sheet date; except for "undistributed profits", items in owner's equity are translated at the spot rate when transactions occur; and income and expenses in income statements are translated at the average rate of exchange (or actual situation). Translation balance in the foreign currency statements arising from above translations shall be presented in items of other comprehensive income. Foreign currency cash flow shall be translated at the spot exchange rate. Amount affected by change in exchange rate on cash shall be listed in the cash flow statement separately.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities

The Group will recognize a financial asset or financial liability at the time when it becomes one party to the contract of the financial instruments.

(1) Financial assets

1) Classification, recognition basis and measurement method of financial assets

According to the business mode of financial assets management and the contractual cash flow characteristics of financial assets, the Group classifies financial assets into financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

i. Financial assets at amortised cost

The Group shall classify the financial assets that meet the following conditions simultaneously into the financial assets measured at amortized cost: ① the business mode of the financial assets management takes the collection of contractual cash flow as the objective. ② The contract terms of the financial asset stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount; and the subsequent measurement will be conducted at the amortized cost. The difference between the initial amount and due amount shall be amortized by the effective interest method, unless designated as the hedged items, and the gain or loss arising from its amortization, impairment, exchange gain or loss and derecognition shall be included in the current profit or loss.

ii. Financial assets at fair value through other comprehensive income

The Group shall classify the financial assets that meet the following conditions simultaneously into the financial assets at fair value through other comprehensive income: ① the business mode of the financial assets management takes the collection of contractual cash flow and disposal of such financial assets as the objective. ② The contract terms of the financial asset stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount. The gains or losses of such financial assets, other than the credit impairment loss or gain, exchange gain or loss and interest of such financial assets calculated by the effective interest method, shall be included in other comprehensive income, unless designated as the hedged items. When the financial assets are derecognized, the accumulative gain or loss previously included in other comprehensive income shall be transferred from other comprehensive income, and included in the current profit or loss.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

1) Classification, recognition basis and measurement method of financial assets (Continued)

ii. Financial assets at fair value through other comprehensive income (Continued)

The Group recognizes the interest income by the effective interest method. The interest income shall be determined by multiplying the book balance of financial assets by the effective interest rate, except for the following circumstances: ① for the purchased or originated financial assets that the credit impairment has occurred, their interest income shall be determined at their amortized costs and by the credit-adjusted effective interest rate from the initial recognition. ② For purchased or originated financial assets that the credit impairment has not occurred but the credit impairment has occurred in the subsequent period, their interest incomes shall be determined at their amortized costs and by the effective interest rate during the subsequent period.

The Group shall designate the non-trading equity instrument investment as the financial assets at fair value through other comprehensive income. This designation shall not be revoked once made. The non-trading equity instrument investment at fair value through other comprehensive income that the Group designates shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount; and other relevant gains and losses (including the exchange gain or loss) shall be included in other comprehensive income, and shall not be transferred in the current profit or loss subsequently, but the obtained dividends (except for those belonging to the investment cost recovered). When it is derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive incomes and included in retained earnings.

iii. Financial assets at fair value through profit or loss

The Group will classify the financial assets other than the above financial assets measured at the amortized cost and the financial assets at fair value through other comprehensive income into the financial assets at fair value through profit or loss. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the current profit or loss directly. The gain or loss of such financial assets shall be included in the current profit or loss.

The financial assets will be classified as the financial assets at fair value through profit or loss if they are recognized by the Group in the business combination not involving entities under common control and constituted by the contingent consideration.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

2) Recognition basis and measurement method of transfer of financial assets

The Group will derecognize the financial assets that meet one of the following conditions: ① the contractual right of collecting the cash flow of such financial assets is terminated; ② the financial assets are transferred, and the Group has transferred almost all risks and rewards related to the ownership of the financial assets; and ③ the financial assets are transferred, and the Group neither transfers nor retains almost all risks and rewards related to the ownership of the financial assets, as well as the control over such financial assets.

If the entire transfer of the financial assets meets derecognition conditions, the difference between the book value of transferred financial asset and the sum of consideration received from the transfer and the amount originally included in other comprehensive income directly and the accumulative amount of change in fair value corresponds to the derecognized part (the contract terms involving the transferred financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount) shall be included in the current profit or loss.

If the partial transfer of the financial assets meets derecognition conditions, the entire book value of the transferred financial assets shall be amortized at their own relative fair values between the derecognized part and the underecognized part, and the difference between the sum of consideration received from the transfer and the amount which should be amortized to the derecognized part, originally included in other comprehensive income directly and the accumulative amount of change in fair value corresponds to the derecognized part (the contract terms involving the transferred financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount) and the entire book value of the aforesaid financial assets amortized shall be included in the current profit or loss.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

3) Expected credit losses

The Group recognizes loss provision on financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income on the basis of expected credit losses.

For accounts receivable arising from transactions regulated by income standards, the Group shall measure the loss provision according to the amount equivalent to the expected credit loss during the whole duration.

For other financial instruments, except for the purchased or generated financial assets with credit impairment, the Group shall evaluate the changes in credit risk of relevant financial instruments since initial recognition on each balance sheet date. If the credit risk of the financial instrument has increased significantly since the initial recognition, the Group shall measure its loss provision according to the amount equivalent to the expected credit loss of the financial instrument in the whole duration; if the credit risk of the financial instrument has not increased significantly since the initial recognition, the Group shall measure its loss provision according to the amount equivalent to the expected credit loss of the financial instrument in the next 12 months. The increase or reversal amount of credit loss provision shall be included in the current profit or loss as impairment losses or gains, except for financial assets classified as measured at fair value through other comprehensive income. For financial assets classified as measured at fair value through other comprehensive income, the Group shall recognize its credit loss provision in other comprehensive income, and include impairment losses or gains in current profit or loss without reducing the carrying value of the financial assets listed in the balance sheet.

In the previous accounting period, the Group has measured the loss provision according to the amount equivalent to the expected credit loss during the whole duration of the financial instruments. But if there is no significantly increased credit risk of the financial instrument since initial recognition at the current balance sheet date, the Group shall measure the loss provision of the financial instruments on the current balance sheet date according to the amount equivalent to the expected credit loss in the next 12 months, and the reversal amount of the loss provision thus formed shall be included in the current profit or loss as impairment gains.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

3) Expected credit losses (Continued)

The Group uses reasonable and well-founded prospective information available to determine whether the credit risk of financial instruments has increased significantly since initial recognition by comparing the risk of default on the balance sheet date with the risk of default on the initial recognition date.

In the case of the Group expects the occurrence of one or more events that have a negative effect on the future cash flow of financial assets, such financial assets have undergone credit impairment.

When the Group no longer reasonably expects the contractual cash flow of a financial asset to be fully or partially recovered, the balance of the financial asset shall be directly written down. This write-down constitutes the derecognition of relevant financial assets.

(2) Financial liabilities

1) Classification, recognition basis and measurement method of financial liabilities

Financial liabilities of the Group are classified, at the time of initial recognition, into financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, the relevant transaction costs are directly included in current profit or loss; for other financial liabilities, the relevant transaction costs are recognized in their initial recognition amount.

i. Financial liabilities at fair value through profit or loss

The financial liabilities at fair value through profit or loss, including financial liabilities held for trading and financial liabilities designated at fair value through profit or loss when initially recognizing, are measured subsequently at fair value, the profit or loss occurred from change in the fair value and the relevant dividend and interest expenditure of such financial liability are included in the current profit or loss.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(2) Financial liabilities (Continued)

1) Classification, recognition basis and measurement method of financial liabilities (Continued)

ii. Other financial liabilities

Other financial liabilities are subsequently measured at the amortized cost according to the effective interest method, with gains or losses arising from derecognition or amortization recorded in profit or loss. Except for the following items, the Group classifies the financial liabilities as the financial liabilities measured at amortized cost: ① financial liabilities at fair value through profit or loss, including the financial liabilities held for trading (including derivative instruments belonging to the financial liabilities) and financial liabilities designated as at fair value through profit or loss. ② Financial liabilities formed by the transfer of financial assets that do not meet the conditions for derecognition or continue to involve in the transferred financial assets. ③ Financial guarantee contracts that do not fall under the above circumstances ① or ②, and loan commitments that do not fall under the above circumstance ① and lend at a rate lower than market interest rates.

The financial liabilities recognized by the Group as the acquirer in the business combination not involving entities under common control and constituted by the contingent consideration shall be subjected to the accounting treatment at fair value through profit or loss.

2) Derecognition conditions of financial liabilities

Where the current obligation of financial liability has been terminated entirely or partially, the financial liability or obligation that has been terminated shall be derecognized. Where the Group enters into an agreement with a creditor, so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall stop the recognition of the existing financial liability, and shall at the same time recognize the new financial liability. Substantial adjustments by the Group to all or partial terms in contracts related to existing financial liabilities shall be considered as derecognition for all or parts of existing financial liabilities, and such financial liabilities after modification shall be deemed as new financial liabilities.

When a financial liability is derecognized in full or in part, the difference between its carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is included by the Group in profit or loss for the period.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(3) *Determination methods for fair values of financial assets and financial liabilities*

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. Quoted price in the active market represents quoted price which can be easily obtained periodically from exchange market, brokers, industry associations or pricing services agency, etc., which is the transactions amount in arm's length transactions. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, discounted cash flow analysis and option pricing models, etc. At the time of valuation, the Group adopts valuation techniques that are applicable in the current circumstances and are sufficiently supported by data and other information to select inputs that are consistent with the characteristics of the assets or liabilities that market participants would take into account in a transaction for the asset or liability, and maximises the use of relevant observable inputs. Unobservable inputs shall be used if the relevant observable inputs are not available or are not practicable.

The investment of the Group in the equity investment shall be measured at the fair value. However, under the limited circumstances, if the recent information for determining the fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate for the fair value within this range, such cost could represent its appropriate estimate for the fair value within this distribution range.

(4) *Offsetting of financial assets and financial liabilities*

Financial assets and financial liabilities of the Group shall be presented separately in the balance sheet and be not mutually offset. However, the net amount is presented in the balance sheet after being offset, when the following conditions are met at the same time: (1) The Group has a legal right to offset the recognized amount and that such legal rights are currently enforceable; and (2) The Group plans to settle by the net assets or sell off financial assets and liquidate the financial liabilities at the same time.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(5) *Distinction between financial liabilities and equity instruments and related treatment method*

The Group distinguishes financial liabilities and equity instruments according to the following principles:

(1) If the Group fails to unconditionally perform one contractual obligation by delivering cash or other financial assets, the contractual obligation satisfies the definition of financial liability. While some financial instruments do not expressly include the terms and conditions for the obligation to deliver cash or other financial assets, it is possible to form contractual obligations indirectly through other terms and conditions.

(2) If one financial instrument must or may be settled by the Group's own equity instrument, the Group's own equity instrument used for settling such instrument shall be considered as an substitute of cash or other financial assets, or as residual equity in the issuer's assets that the instrument holder enjoys after deducting all the liabilities. If it is the former one, this instrument is the financial liability of the issuer. If it is the latter, the instrument is the equity instrument of the issuer. Under certain circumstances, a financial instrument contract requires that the Group must or may settle the financial instrument with its own equity instruments, where the amount of contractual rights or contractual obligations is equal to the number of own equity instruments available or to be delivered multiplied by the fair value upon its settlement. In this case, regardless of whether the amount of the contractual right or obligation is a fixed value or changes based in whole or in part on changes in variables other than the market price of the Group's own equity instrument, the contract is classified as financial liability.

When classifying a financial instrument (or its components) in the consolidated statements, the Group takes into consideration all the terms and conditions agreed between members of the Group and holders of financial instruments. If the Group as a whole has assumed the obligation to deliver cash, other financial assets or settle it by other means of rendering the instrument a financial liability, the instrument should be classified as a financial liability.

Where the financial instruments or their components are classified as financial liabilities, the related interest, stock dividends (or dividends), gains or losses, gains or losses arising from redemption or refinancing, etc., are included in the current profit or loss.

Where the financial instruments or their components are classified as equity instruments, its issue (including refinancing), repurchase, sale or cancellation is treated as a change in equity, and the change in fair value of the equity instrument is not recognized.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Notes receivable

For notes receivable formed by the Group's external sales of goods or provision of labor services specified by the Accounting Standards for Business Enterprises No. 14 – Revenue, whether it contains significant financing components, the Group measures loss provision in accordance with the expected credit losses for the entire life period, and the increase or reversal of the loss provision resulting therefrom is included into the current profit or loss as an impairment loss or gain.

Notes receivable are divided into different portfolios and the accounting estimation policies for the expected credit loss thereof are determined by the Group based on the shared characteristics of acceptors' credit risks.

The Group considered its experience of historical credit loss, the current situation and its forecast of the future economic condition in compiling a table which compares the rate of the expected credit loss of the duration to calculate the expected credit loss. Credit losses actually incurred by the Group, and notes receivable not being accepted at maturity are transferred to accounts receivable for disclosure.

12. Accounts receivable

Accounts receivable arising from the Group's external sales of goods or provision of labor services specified by the Accounting Standards for Business Enterprises No. 14 – Revenue is initially recognized at the fair value of contract or agreement price receivable from the purchaser. For accounts receivable, whether it contains significant financing components, the Group measures loss provision in accordance with the expected credit losses for the entire life period, and the increase or reversal of the loss provision resulting therefrom is included into the current profit or loss as an impairment loss or gain.

For the accounts receivable with objective evidence of impairment, and other accounts receivable subject to separate assessment, impairment tests are individually conducted by the Group on balance sheet date to recognise the expected credit loss and to provide an individual impairment allowance. For the accounts receivable without objective evidence of impairment or the expected credit loss cannot be estimated for an individual financial asset at a reasonable cost, the Group grouped accounts receivable in accordance with credit risk characteristics and calculated the expected credit loss based on portfolios.

The basis for determining the portfolio is as follows:

Name of the portfolio	Basis for determining the group	Provision method
Portfolio of credit risk characteristics	Common credit risk characteristics based on the portfolio of credit risk characteristics	The Group considered its experience of historical credit loss, the current situation and its forecast of the future economic condition in compiling a table which compares the credit risk of accounts receivable customers with the rate of the lifetime expected credit loss to calculate the expected credit loss

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Accounts receivable financing

In managing the liquidity, the Group discounts or endorses part of the notes receivable before their maturity, and derecognises the discounted or endorsed notes receivable when the Group has transferred substantially all the risks and rewards of such notes receivable to relevant counterparty. The Group's business model for the management of notes receivable is aimed at both the collection of contractual cash flow and the sale of the financial assets. Therefore, it is classified as financial assets at fair value through other comprehensive income, which are listed in the accounts receivable financing.

The financial assets at fair value through other comprehensive income, except for credit impairment losses or gains and exchange gains or losses, all other gains or losses generated shall be recorded in other comprehensive income, until the financial assets are derecognized or reclassified.

When the recognition of the financial assets is terminated, the accumulated gains or losses previously recorded in other comprehensive income shall be transferred out from other comprehensive income and recorded in the current profit or loss.

14. Other receivables

The Group shall measure loss provision for other receivables according to the following situations: ① for financial assets whose credit risk has not increased significantly since the initial recognition, the Group shall measure the loss provision according to the amount of the expected credit loss in the next 12 months; ② for financial assets whose credit risk has increased significantly since the initial recognition, the Group shall measure the loss provision according to the amount equivalent to the expected credit loss of the financial instrument in the whole duration; and ③ for the purchased or originated financial assets that have suffered credit impairments, the Group shall measure the loss provision according to the amount equivalent to the expected credit loss in the whole duration.

For other accounts receivable, the Group, in the aspect of individual instrument, cannot obtain sufficient evidence about credit risk increased significantly at a reasonable cost, and it is feasible to assess whether there is a significant increase in credit risk on the basis of portfolio. Therefore, taking financial instrument type, credit risk rating, type of collateral, initial recognition date, remaining contract term, industry of debtors, geographical location of debtors, and the value of collateral relative to financial assets as the common risk characteristics, the Group groups other accounts receivable, considers whether credit risk increases significantly on a portfolio basis, and calculates expected credit losses on a portfolio basis.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. Other receivables (Continued)

On the balance sheet date, the Group calculates the expected credit loss of other receivables. If such expected credit loss is greater than the current book value of the impairment provision for other receivables, the Group recognizes the difference as an impairment loss of other receivables. In contrast, the Group recognizes the difference as impairment gains.

Where the Group actually suffers credit loss, and determines that the relevant other receivables cannot be recovered, the receivables shall be written off.

Based on actual credit losses in previous years, and the prospective information in the current year, the Group calculates the expected credit loss by exposure to default risk and the expected credit loss rate for the next 12 months or the whole life period.

15. Inventories

The Group's inventory mainly includes raw materials, products in progress, finished goods, and turnover materials.

The perpetual inventory system is adopted for inventories. Inventories are valued based on their actual cost when obtained. The raw materials in the entire aircraft business segment are calculated at the planned cost, the difference between the planned cost and the actual cost is calculated through the item of material cost difference, and the cost difference assumed for the inventories will be pay by instalment so as to adjust the planned cost to the actual cost. Other inventories are priced according to the weighted average method when receiving and dispatching. Turnover materials include low-value consumables, packaging materials, and special tooling. Low-value consumables and packaging materials are amortized using the immediate write-off method, and special tooling is amortized in installments according to the output quota.

For the finished goods, products in progress, materials for sale and other merchandise inventories directly for sale, the net realizable values thereof shall be recognized at the balance after the estimated selling price of such inventories deducts the estimated sales expenses and relevant taxes. For the material inventories held for production, the net realizable values thereof shall be recognized at the balance after the estimated selling price of the finished product deducts the estimated costs to be incurred upon completion, estimated sales expenses and related taxes.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Contract assets

(1) *Recognition methods and standards for contract assets*

Contract assets refer to the right of the Group who transferred the commodity to the customer to receive the consideration, and the right depends on other factors excluding the passage of time. If the Group sells two clearly distinguishable commodities to the customer, due to the delivery of one of the commodities, it has the right to receive payment, but the collection of such payment shall also depend on the delivery of the other commodity, and the Group shall have the right to receive such payment as the contractual asset.

(2) *Determination method and accounting treatment of expected credit loss of contract assets*

In terms of method of determining the expected credit loss of contract assets, for contract assets arising from the normal performance of contracts by the Group, the Group recognises provision for impairment of contract assets at the lifetime expected credit loss of contract assets. The method of determination shall refer to Note IV. 12. Accounting policies applicable to the impairment of accounts receivable.

17. Contract cost

(1) *Determination method of assets related to contract costs*

The Group's assets related to contract costs include contract performance cost and contract acquisition cost.

If the contract performance cost, namely, the cost incurred by the Group for the implementation of the contract, is not in the scope of the accounting standards for other enterprises and simultaneously meets the following conditions, it shall be recognized as an asset as the contract performance cost: the cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing costs, costs clearly borne by the customer, and other costs incurred solely as a result of the contract; the cost increases the Group's resources for future using for performance of obligations; and the cost is expected to be recovered.

If the contract acquisition cost, namely, the incremental cost incurred by the Group for the acquisition of the contract, is expected to be recovered, it shall be recognized as an asset as the contract acquisition cost; and if the amortization period of the asset does not exceed one year, it is included in the current profit and loss when it occurs. Incremental cost refers to the cost that would not have occurred if the Group had not obtained the contract. Other expenses incurred by the Group for the acquisition of the contract, excluding the incremental costs expected to be recovered, include in the current profit and loss when it occurs, however, except costs clearly borne by the customer.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

17. Contract cost (Continued)

(2) *Amortization of assets related to contract costs*

The assets related to the contract costs of the Group are amortized on the same basis as the recognized sales revenue related to the assets and include in the current profit and loss.

(3) *Impairment of assets related to contract costs*

When determining the impairment losses of assets related to contract costs, the Group shall first determine the impairment losses of other assets related to the contract and recognized in accordance with the accounting standards of other relevant enterprises; and then, according to the difference between the book value and the remaining consideration that the Group is expected to obtain due to the transfer of the commodities related to the asset, and the difference between the book value and the estimated costs due to the transfer of the relevant commodity, the impairment provision shall be made for the excess and recognized as asset impairment loss.

If the factors of impairment in the previous period change later, making the aforesaid difference higher than the book value of the asset, the originally made asset impairment provision shall be reversed and included in the current profit or loss, but the book value of the reversed asset shall not exceed the book value of the asset on the reversal date assuming that no impairment provision is made.

18. Long-term equity investments

The long-term equity investment of the Group is mainly aimed to subsidiaries, associates and joint ventures.

The Group judges the common control based on the point that all the participants or group of participants collectively control the arrangement, and that the policies for the activities related to the arrangement must be agreed by participants who collectively control the arrangement.

It is generally considered that the Group, when holding, directly or through subsidiaries, more than 20% (included) but less than 50% of the voting right of the investee, has a significant influence on the investee. When the Company holds less than 20% voting right of the investee, it shall comprehensively consider the facts and conditions that whether a representative has been sent to the board of directors or similar authority body in the investee, or whether participating in formulation of financial and operating policies of the investee, significant transaction happened with the investee, dispatching managers to the investee or providing key technical data to the investee, etc., to judge whether the Company has significant influence to the investee.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Long-term equity investments (Continued)

The investee under the control of the Group shall be deemed as a subsidiary of the Group. If the long-term equity investment is obtained from the business combinations involving entities under common control, the share of book value of owners' equity of the merged party in consolidated financial statements of the ultimate controlling party on the date of merger shall be deemed as the initial investment cost of the long-term equity investment. If the book value of the net asset of the combined party on the combining date is negative, the cost of long-term equity investment shall be determined as zero.

As to equity of the investee under common control acquired step by step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control right. If the transactions do not belong to a package deal, the share of book value of net asset of the combined party in consolidated financial statements of the ultimate controlling party on the combining date shall be deemed as the initial investment cost of the long-term equity investment. The balance between the initial investment cost and the sum of the book value of long-term equity investment which has reached the amount before the combination and the book value of new payment consideration obtained on the combining date shall be applied to adjust capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be written down.

For long-term equity investment obtained through business combination not involving entities under common control, consolidated cost shall be recognized as initial investment cost.

As to equity of the investee not under common control obtained step by step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control right. If it is not a package deal, the sum of book value of equity investment originally held and new investment cost is taken as the initial investment cost calculated by the cost method. If the equity held before the purchase date is calculated by equity method, other related comprehensive income calculated by the original equity method shall not be adjusted; and the accounting treatment shall be conducted as per the same basis as that of disposing related assets or liabilities of the investee when disposing the investment. Where the equity held before the purchase date is calculated by fair value in other equity instruments, and then accumulative change of the fair value originally included in other comprehensive income shall be transferred into current investment profit or loss on the purchase date.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Long-term equity investments (Continued)

Except long-term equity investment obtained through business combination, for those obtained by cash, purchase amount actually paid shall be used as the investment cost; for those obtained through issuing equity security, the fair value of equity security issued shall be used as the investment cost; and for those obtained through contribution by the investor, the value agreed as per the investment contract or agreement shall be used as the investment cost; and for those obtained through debt restructuring, non-monetary assets exchange, etc., then investment cost shall be recognized as per related accounting standards for enterprises.

The Group calculates the investment to the subsidiaries by cost method, with equity method adopted for joint ventures and associates.

Long-term equity investment subsequently measured by cost method shall be calculated at fair value of cost paid for the additional investment and book value of the cost of the long-term equity investment added through related transaction fees incurred. Cash dividends or profits that the investee declares to distribute shall be recognized as the current investment profits as per the amount enjoyed.

For long-term equity investment subsequently measured by equity method, the book value of long-term equity investment shall be accordingly increased or decreased as the owner's equity of the investee changes. Wherein, the Group shall, when recognizing the shares of the net losses of the investee that shall be enjoyed by the Group, calculate the portion that belongs to the investing enterprise based on the fair value of each identifiable asset of the investee upon acquisition as well as the Group's accounting policies and accounting period in accordance with the shareholding ratio by offsetting profit or loss of internal transaction incurred between the joint venture and associate, then recognize the net profits of the investee after adjustment.

When disposing of long-term equity investment, the balance between the book value and actual price for acquisition shall be included in the current investment income. If the long-term equity investment calculated by equity method is included in the shareholders' equity due to other change of the owner's equity of the investee other than net profit or loss, the portion previously included in the shareholders' equity shall, when disposing of a long-term equity investment, go through accounting treatment on the same basis on which the investee directly disposes the related assets or liabilities according to a certain proportion.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Long-term equity investments (Continued)

Where the Company's joint control or significant influence over the investee is lost due to the disposal of partial equity investment, the residual equity after disposal will be calculated as per other equity instruments, the balance between the fair value and book value thereof on the date the joint control or significant influence is lost shall be included in the current profit or loss. Other comprehensive income recognized by calculating original equity investment by equity method shall go through accounting treatment on the same basis on which the investee directly disposes the related assets or liabilities when ceasing to use equity method.

For loss of control in the investee due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the investee after disposal, it shall be accounted for under equity method. Difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment. For remaining shareholding which cannot apply common control or impose significant influence to investee after disposal, it can be accounted as under investment in other equity instruments, and difference between carrying value of equity disposal and the disposal consideration shall be included as investment income, difference between fair value and the carrying value of remaining shareholding on the date loss of control shall be included in the investment profit or loss for such period.

Various transactions of the Group from step-by-step equity disposal to loss of control right do not belong to the package deal, and every transaction is separately subject to accounting treatment. If the transactions belong to "package deal", then the Group shall conduct accounting treatment to the transaction which shall be taken as a transaction for disposing subsidiaries with control right lost; and however, before loss of control right, the balance between each price disposal and the book value of long-term equity investment correspondingly in equity disposed shall be recognized as other comprehensive income and then wholly transferred into the current profit or loss when losing control right. Other comprehensive income related with the equity investment of the original subsidiaries shall go through accounting treatment on the same basis on which the investee directly disposes the related assets or liabilities.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Investment properties

Investment properties of the Group include plant, buildings and land use rights, which shall be subject to subsequent measurement on a cost basis.

The Group's investment properties shall be depreciated or amortized by the straight-line method. The estimated useful life, net residuals rate and annual rate of depreciation (amortization) of various investment properties are as follows:

Category	Estimated useful life	Estimated net residuals rate	Annual rate of depreciation (amortization)
Land use right	20-50 years	0%	2% to 5%
Plant & buildings	20-45 years	3% to 5%	2% to 4.75%

At least at the end of each year, the Group reviews the useful life, estimated net residual value, and depreciation or amortization methods of investment properties, and makes adjustments if necessary.

When an investment property is disposed of, or it is expected that no economic benefits will be generated through use or disposal, the investment property shall be derecognised. The disposal income from the sale, transfer, scrapping or destruction of investment properties and the amount deducted from its book value and related taxes are included in the current profit or loss.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Fixed assets

The fixed assets of the Group feature the following characteristics: tangible assets held for the sake of producing goods, rendering services, renting (excluding rented plant and buildings) or operating management, with a useful life in excess of one year.

No fixed asset may be recognized unless it simultaneously meets the conditions as follows: The economic benefits pertinent to the fixed asset are likely to flow into the Group; and the cost of the fixed asset can be measured reliably. Fixed assets of the Group include plant and buildings, machinery equipment, office facilities, electronic equipment, transportation equipment and other equipment.

Except for the fully depreciated fixed assets that are still in use, all the fixed assets of the Group shall be depreciated. Straight line method shall be adopted for calculating depreciation. The depreciation life by category, estimated net residuals rate and depreciation rate of the fixed assets of the Group are as follows:

No.	Category	Depreciation life (year)	Estimated residuals (%)	Annual depreciation rate (%)
1	Plant & buildings	12-40	0 to 5	2.00 to 8.08
2	Machinery equipment	3-18	0 to 5	4.75 to 31.67
3	Transportation equipment	4-10	0 to 5	9.70 to 23.75
4	Electrical equipment	3-10	0 to 5	9.70 to 31.67
5	Office facilities	3-5	0 to 5	11.88 to 32.33
6	Other equipment	3-30	0 to 5	3.23 to 31.67

The Group will review the estimated useful life, estimated net residual value and depreciation method for fixed assets at the end of each year. In case of change, it shall be treated as change of accounting estimates.

A fixed asset is derecognized on disposal or when no economic benefits are expected from its use or disposal. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and relevant taxes is included in profit or loss for the period.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Construction in progress

Construction in progress ready for intended use shall be carried over to fixed assets based on the estimated value according to construction budget, project cost or actual project cost. The depreciation shall be drawn from the next month. After going through procedures of completion settlement, the difference of the original value of the fixed assets shall be adjusted.

22. Borrowing costs

Borrowing costs are interest and other related costs arising from the Group's borrowings. Borrowing costs include interest, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

The borrowing costs directly belonging to fixed assets, investment properties and inventories that require more than one year of acquisition or construction to be ready for intended use or selling shall be capitalized when the expenditures of the assets and the borrowing costs incurred and acquisition or construction activities necessary for making the assets be ready for intended use or selling begin. When the assets meeting the capitalization requirements are acquired or constructed to be ready for intended use or selling, the capitalization shall be terminated, and the borrowing costs incurred subsequently shall be included in the current profit or loss. If assets satisfying capitalization conditions are suddenly suspended in acquisition or construction for more than three months continuously, the capitalization of the borrowing costs shall be suspended until the restart of acquisition or construction of the assets.

The actually incurred interest costs of special borrowings in current period shall be capitalized after the interest income from deposits in banks or investment income from temporary investment with the unused borrowings is deducted from it. The capitalized amount of general borrowings shall be obtained by multiplying the weighted average of the excess of the accumulated asset expenditures over the asset expenditures of special borrowings with the capitalization rate of general borrowings used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

23. Right-of-use assets

A right-of-use asset refers to the right of the Group as the lessee to use the leased asset during the lease term.

(1) Initial measurement

At the commencement date of the lease term, the Group initially measures the right-of-use assets at cost. The cost includes the following four items: ① initial measurement amount of lease liabilities; ② deducted amount related to the enjoyed lease incentive if there is a lease incentive for the lease payment made on or before the commencement date of the lease term; ③ initial direct cost incurred, i.e. incremental cost incurred to reach the lease; ④ costs expected to be incurred for dismantling and removing the leased asset, restoring the site where the leased asset is located or restoring the leased asset to the state agreed in the leasing terms, except those incurred for the production of inventory.

(2) Subsequent measurement

After the commencement date of the lease term, the Group uses the cost model to carry out subsequent measurement on the right-of-use asset, i.e. the right-of-use assets is measured by the cost minus accumulated depreciation and accumulated impairment loss.

If the Group remeasures the lease liabilities in accordance with the relevant provisions of the leasing standards, the book value of the right-of-use asset shall be adjusted accordingly.

(3) Depreciation of right-of-use assets

Starting from the commencement date of the lease term, the Group will depreciate the right-of-use asset. The right-of-use asset is usually depreciated from the current month that the lease term starts. The depreciation amount for provision is included in the cost of underlying assets or the current profit or loss according to the use of the right-of-use asset.

When determining the depreciation method for the right-of-use asset, the Group makes a decision based on the expected consumption mode of economic benefits related to the right-of-use asset, and depreciates the right-of-use asset by the straight-line method.

When determining the depreciation life of right-of-use asset, the Group follows the following principles: if the ownership of leased asset can be reasonably confirmed to be acquired at the expiration of lease term, the depreciation shall be carried out within the remaining useful life of leased asset; otherwise, the depreciation shall be carried out within the lease term or the remaining useful life of leased asset, whichever is shorter.

(4) Impairment of right-of-use assets

If the right-of-use asset is impaired, the Group will carry out subsequent depreciation according to the book value of the right-of-use asset after deducting the impairment loss.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Intangible assets

The intangible assets of the Group include land use right, software, patent right, trademark right, franchise, customer resources, etc., which shall be measured at actual cost when being obtained; for the intangible assets purchased, price actually paid and related other expenditure shall be deemed as actual cost; and for the intangible assets invested by the investor, value agreed in accordance with investment contract or agreement is recognized as actual cost, except value agreed in the contract or agreement is unfair, in such case, the actual cost shall be recognized at fair value. The intangible asset, which is owned by the acquiree in a business combination not involving entities under common control but has not been recognised in its financial statement, shall be recognised as an intangible asset at its fair value upon the initial recognition on the acquiree's assets. The intangible assets contributed by State shareholders at the reorganization of the Company into a corporation entity are recognized based on the revalued amounts approved by the state-owned assets administration department.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

Land use rights that are purchased by the Group are normally accounted for as intangible assets. Self-developed and constructed buildings such as plants, the relevant land use rights and buildings are accounted for as intangible assets and fixed assets, respectively. If the purchase costs of land use rights and buildings located thereon cannot be reliably allocated between the land use rights and buildings, they are all recognised as fixed assets.

Intangible assets with a definite useful life are amortised on a straight-line basis over their useful lives. The Group reviews the useful lives and the amortisation method of intangible assets with finite useful lives, and adjusts if necessary, at least at each year end.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Research and development

The Group divides expenses for internal research and development projects into expenses in the research phase and expenses in the development phase. Expenses in the research phase are included in current profit or loss as incurred. Expenses in the development phase may only be capitalized if the following conditions are satisfied simultaneously: the completion of such intangible assets for use or sale is technically feasible; the Company has the intention to use or sell the intangible assets upon completion; the way in which the intangible assets bring economic benefits shows that there exists a consumption market for the products with use of these intangible assets or the intangible assets themselves, or that they are useful in case of internal utilization; the Company has sufficient technological, financial and other resources to complete the development of the intangible assets and the ability to make them available for use or sale; and the expenses attributable to such intangible assets can be measured reliably at the development stage. Development expenses not satisfying all above conditions are included in current profit or loss as incurred.

The expenditures in the planned investigation, evaluation and selection phases for researching products are expenditures in the research phase, which are included in the current profit or loss when they occur; before mass production, the expenditures in the design and testing phases for the final application of the product are expenditures in the development phase, and if the following conditions are met at the same time, shall be capitalized:

- (1) The development of the product has been sufficiently proved by the technical team;
- (2) The budget relating to the product development has been approved by the management;
- (3) It can be demonstrated that the products due to development have potential market from previous marketing investigation;
- (4) There are adequate technical and financial resources for the development of products and subsequent large-scale production;
- (5) The expenditure attributable to the product during its development phase can be liable measured.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

26. Long-term deferred expenses

Long-term deferred expenses of the Group include renovation costs, leasehold improvements and other expenses. Such expenses shall be equally amortized in the benefit period. If the long-term deferred expenses items will not benefit the future accounting period, the amortized value of unamortized items shall be all transferred to the current profit or loss.

27. Goodwill

Goodwill is the amount at the acquisition date or purchasing date of the investment cost or cost of business combination not involving entities under common control, that exceeds the acquirer's interest in the fair value of the investees' or acquirer's identifiable net assets.

Goodwill related with subsidiaries is presented in consolidated financial statements as a separate item. Goodwill related with joint ventures and associates are included in the carrying amount of long-term equity investment.

28. Impairment of non-financial long-term assets

The Company reviews items such as long-term equity investments, investment properties, fixed assets, construction in progress and right-of-use assets measured by the cost model, intangible assets with definite useful life, etc. on each balance sheet date. The Group conducts impairment test when there is any indication of impairment. Goodwill and intangible assets with indefinite useful life are tested at the end of each period for impairment, whether indication of impairment exists or not.

If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset. The recoverable amount shall be the higher of the net amount after deducting the cost of disposal from the fair value of an asset and the present value of the future cash flow of the asset. The Group estimated the recoverable amount on the basis of individual assets. If the recoverable amount of an individual asset is hard to be estimated, the recoverable amount of an asset group shall be determined based on the asset group where the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Impairment of non-financial long-term assets (Continued)

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the purchase date on a reasonable basis, to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

In testing an asset group or a set of asset group to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, calculates the recoverable amount and recognises impairment loss if any. After that, the Group tests the asset group or set of asset groups including goodwill for impairment. The carrying amount of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss shall firstly charge against the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then charge against the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, on a pro rata basis of the carrying amount of each asset.

If the impairment test shows that the book value of the asset is greater than its recoverable amount, the difference between the two is recognized as impairment loss.

Such impairment loss, once recognized, should not be reversed in later accounting period.

29. Contract liabilities

The contract liabilities reflect the Group's obligations to transfer commodities to the customer due to customer consideration received or receivable. If the customer has paid the contract consideration or the Group has obtained the right to receive the contract consideration unconditionally before the transfer of the commodities to the customer, the contract liability shall be confirmed according to the amount received or receivable at the earlier of the date of actual payment from the customer and the due date of payment. Contract assets and contract liabilities of same contract are presented in net amount.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

30. Employee compensation

Employee compensation of the Group includes short-term compensation, post-employment welfare, dismissal welfare and other long-term welfares.

Short-term compensation mainly includes employee salary, bonus, allowance and subsidy, employee benefit, social insurance premium, housing provident fund, etc. The Group shall recognize the short-term compensation actually incurred as liability and include it in the current profit or loss or related asset cost based on the beneficiaries during the accounting period when employees provide services.

Post-employment welfare mainly includes basic pension insurance, unemployment insurance, annuity payments, etc., which shall be classified into defined contribution plan and defined benefit plan as per the risk and obligation assumed by the Company. Contribution that paid to individual subject based on a specific percentage of the employee's total salary for the services provided by the employees in the accounting period on the balance sheet date as per the defined contribution plan shall be recognized as liabilities, and included in the current profit or loss or related asset cost as per the benefit object. Some subsidiaries of the Group operate a defined benefit pension plan. No funds are injected in the plan. The measurement of the obligations arising from the defined benefit pension plan is estimated with the projected unit credit method, and the vesting period of the related obligations is determined. The actuarial gains or losses arising from the remeasurement of the defined benefit pension plan shall be immediately recognized in the balance sheet, and shall be included in the owner's equity through other comprehensive income during the period of occurrence, and shall not be transferred back to the profit or loss in the subsequent period. The past service cost caused by the modification of the defined benefit pension plan shall be recognized as the current expenses at the earlier of the date when the defined benefit plan is modified by the relevant subsidiary or when the relevant restructuring expenses or the termination benefits are confirmed. The net interest of the defined benefit pension plan is calculated by multiplying the net debt of the defined benefit pension plan by the discount rate. The Group recognizes changes in net liabilities of the defined benefit plan under administrative expenses and finance expenses in the income statement, which include current service cost, past service cost and gains or losses on settlement, and net interest.

Termination benefits are incurred when the Company terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. If the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognized with a corresponding charge to the profit or loss for the period.

Other long-term welfare refers to all employee benefits except for short-term remuneration, post-employment welfare, and dismissal welfare.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

31. Lease liabilities

(1) Initial measurement

The Group initially measures the lease liabilities according to the present value of the lease payment which is not made at the commencement of the lease term.

1) Lease payment

Lease payment refers to the amount paid by the Group to the lessor relating to the right to use the leased asset during the lease term, including: ① fixed payment and substantial fixed payment, of which the amount related to lease incentive shall be deducted if there is lease incentive; ② variable lease payment depending on index or ratio, which is determined according to the index or ratio at the commencement date of the lease term during initial measurement; ③ exercise price of purchase option when the Group reasonably determines to exercise purchase option; ④ payment made for exercising the option to terminate the lease when the lease term reflects that the Group exercises such option; and ⑤ amount expected to be paid according to the guaranteed residual value provided by the Group.

2) Discount rate

In calculating the present value of the lease payment, the Group adopts the incremental borrowing rate as the discount rate. The incremental borrowing rate refers to the interest rate that the Group should pay to borrow funds under similar mortgage conditions during a similar period in order to obtain assets with a value close to the value of the right-of-use assets under similar economic circumstances. The interest rate is related to the following matters: ① the Group's own situation, namely, the Group's solvency and credit status; ② term of "borrowing", namely the lease term; ③ the amount of "borrowed" funds, namely, the amount of lease liabilities; ④ "mortgage conditions", namely, the nature and quality of the underlying assets; and ⑤ economic environment, including the jurisdiction where the lessee is located, pricing currency, contract signing time, etc. Based on the Group's the average interest rate of the borrowing rate during the same period, the Group makes adjustment by considering the above factors to obtain the incremental borrowing rate.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

31. Lease liabilities (Continued)

(2) *Subsequent measurement*

After the commencement date of the lease term, the Group will carry out subsequent measurement of the lease liabilities according to the following principles: ① increase the carrying amount of the lease liabilities when confirming the interest on the lease liabilities; ② reduce the carrying amount of lease liabilities when making the lease payment; ③ remeasure the book value of the lease liabilities when the lease payment changes due to revaluation or lease change.

The interest expenses of the lease liabilities within each lease term shall be calculated according to the fixed periodic rate, and included in the current profit or loss, except for those should be capitalized. Periodic rate refers to the discount rate adopted by the Group when initially measuring the lease liabilities, or the revised discount rate adopted by the Group when the lease liabilities need to be remeasured according to the revised discount rate due to changes in the lease payment or lease changes.

(3) *Remeasurement*

After the commencement date of the lease term, in case of the following circumstances, the Group shall remeasure the lease liabilities according to the changed lease payment and the present value calculated by the revised discount rate, and adjusts the book value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero, but the lease liabilities still need to be further reduced, the Group shall include the remaining amount in the current profit or loss. ① The substantial fixed payment changes; ② the expected payable amount of the guaranteed residual value changes; ③ the index or ratio used to determine the lease payment changes; ④ the evaluation result of purchase option changes; and ⑤ the evaluation result of renewal option or option to terminate the lease or actual exercise changes.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. Share-based payment

The share-based payment settled by equity for obtaining services of employees shall be measured according to the fair value on the date when granting the equity instrument to employees. In situations where the amount of fair value is only vested after completing services in waiting period or reaching specific performance conditions, the amount fair value calculated by the method of line based on the optimal estimation of the quantity of vesting equity instruments in waiting period shall be included in relevant cost or expense, with capital reserves increased correspondingly.

Share-based payment settled by cash shall be measured at the fair value of liabilities recognized based on shares or other equity instruments assumed by the Group. For the share-based payment with immediate vesting after it is granted, its relevant cost or expenditure shall be included on the date when it is vested with increasing the liabilities correspondingly; for the share-based payment vesting only after the services in the waiting period is completed or the specified performance conditions are satisfied, the services obtained in the current period shall be recorded into costs or expenditures based on the optimal estimation of the vesting and at the fair value of the liabilities assumed by the Company on each balance sheet date within the waiting period, and the liabilities shall be adjusted correspondingly.

On each balance sheet date and settlement date before settlement of relevant liabilities, the fair value of liabilities shall be remeasured, and its changes shall be included in the current profit or loss.

If the Group cancels the equity instruments granted in the waiting period (except for those canceled due to failing to meet the vesting conditions), such a cancellation shall be treated as accelerated vesting as that stock payment plan in the remaining waiting period has fully met the vesting conditions; and the Group will recognize all expenses in the remaining waiting period on the current period of canceling vested equity instrument.

33. Estimated liabilities

Where the business related to foreign guarantee, commercial acceptance discount, pending litigations or arbitrations, product quality assurance, etc. meets the following conditions, the Group will recognize it as liabilities: current obligation borne by the Group; great possibility of economic benefit outflow because of performing the obligations; reliable measurement for the amount of the obligations.

Estimated liabilities are initially measured at the best estimate required to be paid when performing relevant current obligations, with comprehensive consideration of such factors as risks, uncertainties and time value of money related to contingencies. On each balance sheet date, the book value of the estimated liabilities shall be reviewed. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

34. Recognition principles and measuring methods of revenue

At the effective date of contract, the Group shall assess the contract, identify each of the performance obligations in the contract, as well as ensure whether each of the performance obligations is to be fulfilled over time or at a particular point in time, and subsequently confirm the revenue accordingly upon the complete fulfilment of each of the performance obligations.

If the contract contains two or more performance obligations, the Group shall, at the beginning of the contract, apportion the transaction price to each performance obligation according to the relative proportion of the individual selling price of the commodities or services promised by each performance obligation, and measure the revenue according to the transaction price apportioned to each performance obligation.

The transaction price is the amount of consideration that the Group is expected to be entitled to receive for the transfer of commodities or services to the customer, excluding payments received on behalf of third parties. The transaction price confirmed by the Group shall not exceed the amount of accumulative confirmed revenue that will most likely not be great reverse when the relevant uncertainty is removed. The amount expected to be refunded to the consumer shall not be included in the transaction price as the liabilities. Where there is a material financing element in the contract, the Group determines the transaction price on the basis of the amount payable in cash assuming that the customer acquired control of the goods or services at the time of acquisition. The difference between the transaction price and the contract consideration shall be amortized over the contract period using the effective interest rate method. By the commence date of the contract, if the Group estimates that the interval between customer's control rights of goods or services and the payments of the customer is not more than one year, the significant financing components existing in the contract shall not be considered.

In case one of the following conditions is met, the Group will perform the performance obligations within a period of time. Otherwise, it will perform the performance obligations at a time point:

- (1) The customer obtains and consumes the economic benefits brought by the Group while performing the contract;
- (2) The customer can control the goods under construction during the Group's performance;
- (3) The goods generated during the performance of the Group are irreplaceable, and the Group is entitled to collect the amount for the performance accumulatively completed so far throughout the term of the contract.

For the performance obligations performed within a certain period of time, the Group shall confirm the revenue according to the performance progress during that period and determine the performance progress according to the proportion of the cost incurred to the estimated total cost. If the performance progress cannot be reasonably confirmed, and the costs incurred by the Group can be expected to be compensated, the revenue shall be confirmed according to the amount of costs incurred until the performance progress can be reasonably confirmed.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

34. Recognition principles and measuring methods of revenue (Continued)

For performance obligations performed at a certain time point, the Group shall confirm the revenue at the time point when the customer gains control rights of the relevant commodities or services. In determining whether a customer has obtained the control rights of the goods or services, the Group shall take the following indications into consideration:

- (1) The Group enjoys the current collection right in regard to such goods or services;
- (2) The Group has transferred the legal ownership of such goods to the customer;
- (3) The Group has transferred the physical goods to the customer;
- (4) The Group has transferred the main risk and rewards of such goods in terms of ownership to the customer;
- (5) The customer has accepted such goods or services, etc;
- (6) Other signs that the customer has obtained control of the product.

The right that the Group has the right to collect the consideration because it has transferred such goods or services to the customer shall be presented as the contractual asset, and the contract assets take the expected credit loss as the base to make the impairment. The Group's unconditional right to collect consideration from customers shall be presented as receivables. The Group's obligations to transfer goods or services to the customer due to customer consideration received or receivable shall be presented as the contract liabilities.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

35. Government grants

The asset-related government grants of the Group refer to those obtained by the Group and used for the acquisition or construction of long-term assets or obtainment of such assets by other forms. The revenue-related government grants refer to those other than the asset-related government grants. If no assistance object is specified in the government documents, the Group shall determine it based on the above identifying principles. For those hard to be identified, the Group classify them totally in the revenue-related government grants.

Where the government grants belong to monetary asset, it shall be measured at the amount actually received; for subsidy granted as per the fixed quota standard, when there are unambiguous evidences showing that related conditions as stipulated in the financial supporting policies are met and it is expected that the financial supporting assets can be obtained, such subsidy shall be measured as per the receivable amount; where the government grants do not belong to non-monetary asset, it shall be measured at the fair value; if the fair value cannot be obtained, then it shall be measured at its nominal amount (RMB1).

The asset-related government subsidies are used to write down the book value of the related assets or recognized as deferred income. Asset-related government subsidies recognized as deferred income are equally charged to profit or loss over the useful life of the relevant asset.

When the related assets are sold, assigned, scraped or damaged before the end of useful life, the balance of undistributed deferred income shall be transferred to the profit or loss of the current period of assets disposal.

Government grants relating to income applied in compensating related costs and expenses or losses in subsequent periods are recognized as deferred income and included in profit or loss or offset against the relevant costs for the current period in which the related costs and expenses or losses are recognized. Government grants, applied in compensating related costs and expenses or losses already incurred, are directly included in profit or loss or offset against the relevant costs for the current period.

Where government grants relate to the daily business operations, such grants shall be included to other gains or offset against the relevant costs and expenses based on the economic business nature. Government grants irrelevant to the daily business operations shall be included to non-operating income and expenses.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

35. Government grants (Continued)

The Group accounts for interest subsidies of policy-based preferential loans it obtains on the following principles and under two circumstances:

1. Where the finance allocates the interest subsidy to the lending bank and the lending bank loans to the Group at the policy-based preferential interest rate, the Group records the amount of loan it actually receives as the entry value of the loan, and calculates the related borrowing costs based on the principal amount of the loan and the policy-based preferential interest rate.
2. Where the finance allocates the interest subsidy to the Group directly, the Group offsets the related borrowing costs with the subsidy.

When the Group has to return government grants it has already recognised, such grants are accounted for in the period in which they are required to be returned under different circumstances:

- (1) If the carrying value of the related assets is offset upon initial recognition, the carrying value of the assets is adjusted.
- (2) If there is related deferred income, the book balance of deferred income is offset, and the excess is included in the current profit or loss.
- (3) In other cases, the returned grants are directly included in the current profit or loss.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

36. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities of the Group shall be calculated and recognized according to the difference (temporary difference) between the tax base and the carrying amount thereof. As to taxable income with deductible loss and tax deduction that can be deducted in the future as specified by tax laws, corresponding deferred income tax assets shall be recognized. For temporary difference from initial recognition of goodwill, relevant deferred tax liabilities will not be recognized. For the temporary difference from initial recognition of assets or liabilities incurred in transaction which is not business combination and the occurrence of which has no impact on the accounting profits and the taxable income (or deductible losses), relevant deferred income tax assets and deferred income tax liabilities will not be recognized. Deferred income tax assets and deferred income tax liabilities shall be measured at applicable tax rate during the anticipated period for recovering such assets or paying off such liabilities on the balance sheet date.

The Group recognizes the deferred income tax assets to the extent of any future taxable income that are likely to be obtained to deduct temporary differences, deductible losses and tax deduction.

37. Lease

The leasing business of the Group includes plant and buildings, land use rights, equipment leasing, etc.

(1) Identification of lease

Lease refers to a contract that the lessor transfers the right to use the asset to the lessee for acquiring consideration within a certain period of time. On the commencement date of contract, the Group evaluates whether the contract is a lease or includes a lease. If one party to the contract abalienates the right to control the use of one or more identified assets within a certain period of time in exchange for consideration, the contract is a lease or includes a lease. In order to determine whether one party to the contract has abalienated the right to control the use of the identified assets within a certain period of time, the Group evaluates whether the customers in the contract are entitled to obtain almost all the economic benefits arising from the use of the identified assets during the use period and to dominate the use of the identified assets during the use period.

If the contract contains multiple separate leases at the same time, the Group will split the contract and carry out accounting treatment for each separate lease. If the contract includes both lease and non-lease parts, the Group will split the lease and non-lease parts and then carry out accounting treatment.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

37. Lease (Continued)

(2) *The Group as the lessee*

1) *Initial measurement lease confirmation*

At the commencement date of the lease term, the Group recognizes the right-of-use asset and lease liabilities for the lease. The right-of-use asset is initially measured at the cost, including the initial measurement amount of the lease liabilities, the lease payment made at or before the commencement date of the lease term (deducting the amount related to the lease incentive already enjoyed), the initial direct expenses incurred and the costs expected to be incurred for dismantling and removing the leased assets, restoring the site where the leased assets are located or restoring the leased assets to the state agreed in the leasing terms.

The right-of-use asset and lease liabilities are recognized by the Group as lessee.

2) *Lease change*

Lease change refers to the change of lease scope, lease consideration and lease term beyond the original contract terms, including adding or terminating the right to use one or more leased assets, extending or shortening the lease term stipulated in the contract, etc. The effective date of lease change refers to the date when both parties reach an agreement on lease change.

If the lease changes and meets the following conditions at the same time, the Group will take the lease change as a separate lease for the accounting treatment: ① the lease change expands the lease scope by increasing the right to use one or more leased assets; and ② the increased consideration is equivalent to the amount by adjusting the separate price of the expanded lease scope according to the contract.

If the lease change is not taken as a separate lease for the accounting treatment, the Group will, on the effective date of the lease change, apportion the consideration of the changed contract in accordance with the relevant provisions of the leasing standards, and redetermine the changed lease term; and use the revised discount rate to discount the changed lease payment to remeasure the lease liabilities. In calculating the present value of the changed lease payment, the Group adopts the interest rate implicit in lease in the remaining lease term as the discount rate. If it is impossible to determine the interest rate implicit in lease in the remaining lease term, the Group will adopt the lessee's incremental borrowing rate at the effective date of the lease change as the discount rate. As for the impact of the above adjustment of lease liabilities, the Group carries out the accounting treatment according to the following circumstances: ① if the lease scope is reduced or the lease term is shortened due to the lease change, the lessee shall reduce the book value of the right-of-use asset and include the relevant gains or losses from the partial termination or complete termination of the lease into the current profit or loss. ② If the lease liabilities are remeasured due to the other lease changes, the lessee shall adjust the book value of the right-of-use asset accordingly.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

37. Lease (Continued)

(2) *The Group as the lessee* (Continued)

3) *Short-term lease and low-value asset lease*

For the short-term lease with a lease term of not more than 12 months and low-value asset lease with a lower value when a single leased asset is brand new, the Group chooses not to recognize the right-of-use asset and lease liabilities. The Group will include the lease payment for short-term lease and low-value asset lease into the related asset cost or current profit or loss by the straight-line method or other systematic and reasonable methods during each lease term.

(3) *The Group as the lessor*

On the basis that the contract evaluated is the lease or includes the lease, the Group, as the lessor, divides the lease into financial lease and operating lease on the lease commencement date.

If a lease substantially transfers almost all the risks and rewards related to the ownership of the leased asset, the lessor shall classify the lease as a financial lease and other leases other than the financial lease as an operating lease.

In each lease term, the Group will recognize the lease amount of operating lease as the rental income by the straight-line method.

The fixed assets in the assets under operating lease will be depreciated according to the depreciation policies applied by the Group for similar assets; and other assets under operating lease shall be amortized in a systematic and reasonable way.

The Group's variable lease payment which is related to operating lease and not included in lease receipts is included in the current profit or loss when it is actually occurs.

If there is a change in the operating lease, the Group will take it as a new lease for accounting treatment from the effective date of change, and the lease receipts received in advance or receivable related to the lease before the change will be regarded as the receipts for the new lease.

At the commencement date of the lease term, the Group recognizes the financial lease receivables for financial lease and derecognizes the financial leasing assets. When the Group initially measures the financial lease receivables, the net investment in a lease is taken as the entry value of the financial lease receivables.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

38. Held-for-sale

The Group classifies the non-current assets or disposal groups meeting the following conditions as the held-for-sale assets: (1) the non-current assets or disposal groups can be immediately sold under current conditions pursuant to general terms for selling such assets or disposal groups in a similar transaction; and (2) the sales are very likely to occur, i.e., a resolution has been made on a sales plan and a definitive purchase commitment has been obtained, and the sales are expected to be completed within one year. Relevant regulations require that the relevant approval needs to be obtained for those available for sale after approval by relevant authorities or regulators. Before the non-current assets or disposal groups are classified as the held-for-sale assets for the first time, the Group shall measure the book value of each asset and liability in the non-current assets or disposal groups in accordance with the relevant accounting standards. When the non-current assets or disposal groups held for sale are measured initially or remeasured on the balance sheet date, if the book value is higher than the net amount obtained by deducting the selling expenses from the fair value, the book value shall be reduced to the net amount obtained by deducting the selling expenses from the fair value, and the write-down amount shall be recognized as the asset impairment losses and shall be included in the current profits or losses and the impairment provision of held-for-sale assets shall be made at the same time.

The Group classifies the non-current assets or disposal groups that are acquired exclusively for resale, meet the conditions of “the sales are expected to be completed within one year” on the purchase date and are likely to meet other conditions for held-for-sale assets in a short time (usually three months) as the held-for-sale assets on the purchase date. In the initial measurement, the initial measurement amount assuming they are not classified as the held-for-sale assets and the net amount obtained by deducting the selling expenses from the fair value are compared, whichever is less. Except for the non-current assets or disposal groups acquired in the business merger, the difference arising from the net amount obtained by deducting the selling expenses from the fair value in the non-current assets or disposal groups as the initial measurement amount shall be included in the current profits or losses.

If the Group loses control over its subsidiaries due to the sales of investment in subsidiaries and other reasons, whether the Group reserves some of its equity investments after the sales or not, when the investment in subsidiaries to be sold meets the conditions for the held-for-sale assets, the investment in subsidiaries will be classified as the held-for-sale assets as a whole in the individual financial statements of the parent company and all the assets and liabilities of subsidiaries will be classified as the held-for-sale assets in the consolidated financial statements.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

38. Held-for-sale (Continued)

If the net amount obtained by deducting the selling expenses from the fair value of non-current assets held for sale on the subsequent balance sheet date increases, the previous write-down amount shall be recovered and reversed from the asset impairment losses recognized after being classified as the held-for-sale assets, and the reversed amount shall be included in the current profits or losses. The asset impairment losses recognized before being classified as the held-for-sale assets shall not be reversed.

For the asset impairment losses recognized in the disposal group held for sale, the book value of the goodwill in the disposal group shall be deducted, and then the book value shall be deducted proportionately based on the proportion of the book value of each non-current asset.

If the net amount obtained by deducting the selling expenses from the fair value of disposal groups held for sale on the subsequent balance sheet date increases, the previous write-down amount shall be recovered and reversed from the asset impairment losses recognized in the non-current assets applicable to the relevant measurement rules after being classified as the held-for-sale assets, and the reversed amount shall be included in the current profits or losses. The book value of goodwill deducted and the asset impairment losses recognized in the non-current assets before being classified as the held-for-sale assets shall not be reversed.

For the subsequently reversed amount of asset impairment losses recognized in the disposal group held for sale, the book value shall be increased proportionately based on the proportion of the book value of each non-current asset other than the goodwill in the disposal group.

No depreciation or amortization is provided for non-current assets held for sale or non-current assets in the disposal group. The interest of liabilities and other expenses in the disposal group held for sale shall be recognized continuously.

When the non-current assets or disposal groups held for sale are not further classified as the held-for-sale assets or the non-current assets are removed from the disposal groups held for sale due to failure to meet the conditions for the held-for-sale assets, the measurement shall be conducted based on the lower of the following two: (1) book value before being classified as the held-for-sale assets based on the amount of depreciation, amortization or impairment after adjustment that should be recognized in the case that assuming they are not classified as the held-for-sale assets; (2) recoverable amount.

When the non-current assets or disposal groups held for sale are derecognized, the unrecognized gains or losses shall be included in the current profits or losses.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

39. Segment information

The Group determines operating segments based on internal organisational structure, management requirements, and internal reporting systems, and determines reporting segments based on operating segments, and discloses such segment information.

An operating segment is a component of the Group that meets the following conditions simultaneously: (1) the component is able to generate revenues and incur expenses from its ordinary activities; (2) its operating results are regularly evaluated by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance; (3) the accounting information on financial position, operating results and cash flows of the component is available to the Group. Two or more operating segments may be aggregated into a single operating segment if they have similar economic characteristics and meet specified conditions.

40. Discontinued operation

Discontinued operation refers to a constituent part which has been disposed by the Group or is classified as the one held for sale by the Group and can be separately distinguished, and meets one of the following conditions: (1) such constituent part represents an independent main business or a separate main operation region; (2) such constituent part is a part of an associated plan to dispose an independent main business or a separate main operation region; (3) such constituent part is a subsidiary acquired exclusively for resale.

41. Safety production expenses

The safety production expenses drawn by the Group in accordance with national regulations is included in the cost of related products or the current profit or loss, and also included in the special reserve.

When the withdrew safety expenses are being used by the Group, if the expenditure is being expensed, the special reserve shall be directly written off. For fixed assets which have been generated therefrom, the expenses incurred in the collection of the construction-in-progress shall be recognized as fixed assets when the safety project is completed and ready for its intended use; at the same time, the special reserve shall be offset by the cost of forming the fixed assets, and recognise the same amount of accumulated depreciation. Such fixed assets are no longer depreciated in subsequent periods.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

42. Significant accounting judgments and key sources of estimation uncertainty

(1) *Critical judgments of applicable accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised and disclosure made in the consolidated financial statements:

a. *Consolidation of entities in which the Group holds less than a majority of voting rights*

The directors of the Company assessed whether the Company has control over any entity based on whether the Company has the practical ability to direct the relevant activities of the entity unilaterally. The management of the Company considers that the Company has de facto control of certain entities even though it has less than 50% of the equity interest and voting rights, since the equity interests held by 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. After assessment, the directors of the Company concluded that the Company has sufficiently dominant voting interest to direct the relevant activities of those entities and therefore the Group has control over these entities.

b. *Judgment of having significant influence on the investee enterprise entity*

For the non-controlling interests held by the Company, the Company generally considers that it has significant influence when it holds, directly or indirectly through subsidiaries, more than 20% (inclusive) of the voting rights of the investee. For holding less than 20% of the voting rights, the Company also considers whether it has representatives on the board of directors or similar authority of the investee or participates in the financial and operational decision-making process of the investee to determine the significant influence on the investee. For the Company's interests in investees over which the Company does not have control and significant influence, the Company classifies them in financial assets and subsequently measures them at fair value.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

42. Significant accounting judgments and key sources of estimation uncertainty (Continued)

(2) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year, are described below.

a. Revenue recognition – input method

For performance obligations that are fulfilled within a certain period of time, the Group recognizes revenue in accordance with the progress of performance during that period. The Group uses the input method to determine the appropriate schedule of performance, which is determined as the proportion of the cumulative actual contract costs incurred to the estimated total contract costs. Significant judgment and estimates are required in determining the completeness of the estimated total cost and the accuracy of the performance schedule at the balance sheet date. Based on the Group's experience and nature of the 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.

b. The estimation of useful lives of plant and buildings, equipment, right-of-use assets, investment properties and intangible assets

The Group's management determines the estimated useful lives and related depreciation and amortisation charges for plant and buildings, equipment, right-of-use assets, 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.

c. Impairment of inventories

Inventories of the Group are measured at the lower of cost or net realizable value. Management estimates the net realisable value for raw materials, work-in progress and finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis or by category on each balance sheet date and will write down obsolete and slow-moving items in inventories to net realisable value.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

42. Significant accounting judgments and key sources of estimation uncertainty (Continued)

(2) Key sources of estimation uncertainty (Continued)

d. Impairment of financial assets and contract assets

The Group uses an expected credit loss model to make judgments about the measurement of impairment of financial assets. In particular, estimating future cash flows, timing and assessing the risk of significant increases in credit risk in determining impairment provision require management's judgment. Such estimates are driven by a number of factors, changes in which may result in different impairment criteria and amounts of impairment provision.

The Group assesses whether credit risk has increased significantly since initial recognition by comparing the risk of default over the expected period between each balance sheet date and the initial recognition date. In this regard, the Group considers reasonable and reliable data, both quantitative and qualitative, that are relevant and available without undue cost or effort, and includes forward-looking analysis.

The Group recognizes a provision for impairment of contract assets on the basis of lifetime expected credit losses of the contract assets and the resulting provision for losses on contract assets is charged, recovered and reversed to profit or loss as a loss or gain for the period.

e. Valuation of financial assets that is not traded in an active market

The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, discounted cash flow analysis and option pricing models, etc. At the time of valuation, the Group adopts valuation techniques that are applicable in the current circumstances and are sufficiently supported by data and other information to select inputs that are consistent with the characteristics of the assets or liabilities that market participants would take into account in a transaction for the asset or liability, and maximises the use of relevant observable inputs. Unobservable inputs shall be used if the relevant observable inputs are not available or are not practicable.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

42. Significant accounting judgments and key sources of estimation uncertainty (Continued)

(2) Key sources of estimation uncertainty (Continued)

f. Impairment of other operating assets

The Group assesses whether there are any indicators of impairment for all assets on each balance sheet date. For other non-operating assets, relevant assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment is recognized when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

g. Deferred tax and income tax

Management expects future deductible temporary differences and future taxable temporary differences and uses them as the basis for the recognition of deferred income tax assets and deferred income tax liabilities, respectively. Where the expectation is different from the original estimate, such differences will impact the recognition of income tax and deferred tax in the periods in which such estimate is changed. Significant management judgment is required in determining the amount of deferred tax assets and liabilities that can be recognized based on the measurement of the tax rate that is expected to apply in the period in which the asset is recovered or the liability is settled.

43. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

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

On 13 April 2023, China Avionics Systems Co., Ltd. (中航航空電子系統股份有限公司) ("AVIC Avionics"), a subsidiary of the Company, completed a share swap and absorption of AVIC Electromechanical Systems Co., Ltd. (中航工業機電系統股份有限公司) ("AVIC Electromechanical"). Given that the Group and AVIC Electromechanical are under common control of AVIC before and after the business combination, and that control is not temporary, such acquisition is considered as business combination under common control. The Group has restated the financial effects of AVIC Electromechanical in accordance with the standards for business combination under common control in the preparation of the consolidated financial statements.

As a result of the business combination under common control, the Group's balance sheet as at 31 December 2022, the income statement and the cash flow statement for the period from January to December 2022 have been restated, and the transactions and balances with AVIC Electromechanical during the relevant period have been eliminated on consolidation.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

43. Changes in significant accounting policies and accounting estimates (Continued)

(1) *Changes in significant accounting policies* (Continued)

2) *Implementation of Interpretation No. 16 of Accounting Standards for Business Enterprises*

In November 2022, the MOF issued the Interpretation No. 16 of Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31, hereinafter referred to as “Interpretation No. 16”), and in Interpretation No. 16, the “accounting treatment regarding deferred income taxes related to assets and liabilities arising from a single transaction for which no exemption from initial recognition applies” came into effect from 1 January 2023; the “accounting treatment regarding the income tax effects of dividends related to financial instruments classified as equity instruments by the issuer” and “accounting treatment regarding the revision of cash-settled share-based payment to equity-settled share-based payment” came into effect from the date of issuance. The implementation of Interpretation No. 16 did not have a significant impact on the Group’s financial position and operating results.

3) *Implementation of the Interpretation No. 17 of Accounting Standards for Business Enterprises*

On 25 October 2023, the MOF issued the Interpretation No. 17 of Accounting Standards for Business Enterprises (Cai Kuai [2023] No. 21, hereinafter referred to as “Interpretation No. 17”). The Interpretation No. 17 stipulated that, “Classification of Liabilities as Current or Non-current”, “Disclosure of Supplier Financing Arrangements” and “Accounting Treatment of a Sale and Leaseback Transaction” thereunder came into effect from 1 January 2024.

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

43. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in significant accounting policies (Continued)

4) Impact

The impact on the Group's presented statements as at 1 January 2022, in relation to Restated consolidated financial statements of the previous period due to business combination under common control and implementation of Interpretation No. 16 of Accounting Standards for Business Enterprises, are set out below:

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

43. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in significant accounting policies (Continued)

4) Impact (Continued)

The impact on the Group's prior period presented statements, in relation to Restated consolidated financial statements of the previous period due to business combination under common control and Implementation of Interpretation No. 16 of Accounting Standards for Business Enterprises, are set out below:

Items	Previously presented 31 December 2022	Interpretation No. 16	Business combinations involving entities under common control	Restated 31 December 2022
Current assets	117,005,729,216	–	23,923,424,051	140,929,153,267
Non-current assets	27,000,158,027	59,024,184	11,133,701,488	38,192,883,699
Total assets	144,005,887,243	59,024,184	35,057,125,539	179,122,036,966
Current Liabilities	80,044,743,533	–	16,062,746,471	96,107,490,004
Non-current liabilities	5,808,585,444	55,857,371	1,630,819,469	7,495,262,284
Total liabilities	85,853,328,977	55,857,371	17,693,565,940	103,602,752,288
Shareholders' equity attributable to parent company	28,123,578,856	2,159,286	1,767,812,441	29,893,550,583
Total shareholders' equity	58,152,558,266	3,166,813	17,363,559,599	75,519,284,678

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

43. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in significant accounting policies (Continued)

4) Impact (Continued)

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

(2) Changes in significant accounting estimates

There is no significant change in accounting estimates during the year.

(3) Correction of significant previous errors and the effect

There is no matter of correction of significant previous errors during the year.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

V. TAXES

1. Main taxes and tax rates

Tax category	Taxation basis	Tax rate
Mainland China		
– Value-added tax	Taxable sales; revenue from processing and repair, fitting and labour services; revenue from modern service businesses; export revenue from sale	13%,9%,6%,5%,3%,0%
– City maintenance and construction tax	Actual amount of payable turnover tax	7%,5%
– Education surcharge	Actual amount of payable turnover tax	3%
– Local education surcharge	Actual amount of payable turnover tax	2%
– Corporate income tax	Taxable income	15%,20%,25%
– Property tax	Taxable property value, rental income	1.2%,12%
Hong Kong profits tax		16.5%
China Macau Income Tax		0%-12%
Profits tax in other countries/regions		20%-31.925%

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

V. TAXES (Continued)

1. Main taxes and tax rates (Continued)

Description of taxpayers at different corporate income tax rates:

Name of taxable entity	Income tax rate	Note
AviChina Industry & Technology Company Limited (中國航空科技工業股份有限公司)	25%	–
AVICOPTER PLC* (中航直升機股份有限公司)	25%	–
Huiyang Aviation Propeller Limited (惠陽航空螺旋槳有限責任公司)	15%	①
Tianjin Helicopter Company Limited (天津直升機有限責任公司)	25%	–
Jiangxi Changhe Aviation Industry Co., Ltd. (江西昌河航空工業有限公司)	15%	①
Jingdezhen Changhang Aviation High-tech Co., Ltd. (景德鎮昌航航空高新技術有限責任公司)	15%	①
Harbin Hafei Aviation Industry Co., Ltd. (哈爾濱哈飛航空工業有限責任公司)	15%	①
Harbin General Aircraft Industry Co., Ltd. (哈爾濱通用飛機工業有限責任公司)	25%	–
Harbin Aviation Industry (Group) Co., Ltd.* (哈爾濱航空工業(集團)有限公司)	25%	–
AVIC Helicopter Co., Ltd. (中航直升機有限責任公司)	25%	–
Changhe Aircraft Industries (Group) Co., Ltd. (昌河飛機工業(集團)有限責任公司)	25%	–
Harbin Aircraft Industry Group Co., Ltd. (哈爾濱飛機工業集團有限責任公司)	15%	①
Harbin Hafei Aviation Maintenance Engineering Co., Ltd. (哈爾濱哈飛航空維修工程有限公司)	25%	–
Tianjin AVIC Jinjiang Aviation Maintenance Engineering Co., Ltd. (天津中航錦江航空維修工程有限責任公司)	15%	①
Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司)	15%	①
AVIC JONHON Optronics Technology Co., Ltd.* (中航光電科技股份有限公司)	15%	①
AVIC Optoelectronic (Luoyang) Co., Ltd. (中航光電(洛陽)有限責任公司)	20%	③
AVIC Shenyang Xinghua Aero-Electric Appliance Co., Ltd. (瀋陽興華航空電器有限責任公司)	15%	①
AVIC Optoelectronics Huayi (Shenyang) Electronic Technology Co., Ltd. (中航光電華億(瀋陽)電子科技有限責任公司)	15%	①
AVIC Forstar S&T Company Limited* (中航富士達科技股份有限公司)	15%	①
Xi'an Forstar Cable Co., Ltd. (西安富士達線纜有限公司)	15%	①
Xi'an TST Testing Technique Co., Ltd. (西安泰斯特檢測技術有限公司)	20%	③
Forstar Technology (Hong Kong) Co., Ltd. (富士達科技(香港)有限公司)	16.50%	–

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

V. TAXES (Continued)

1. Main taxes and tax rates (Continued)

Description of taxpayers at different corporate income tax rates: (Continued)

Name of taxable entity	Income tax rate	Note
Shenzhen Xiangtong Photoelectric Technology Co., Ltd.(深圳市翔通光電技術有限公司)	15%	①
Dongguan Xiangtong Photoelectric Technology Co.,Ltd.(東莞市翔通光電技術有限公司)	15%	①
Taixing Aviation Optoelectronic Technology Co., Ltd. (泰興航空光電技術有限公司)	15%	①
AVIC Optoelectronic Precision Electronics (Guangdong) Co., Ltd. (中航光電精密電子(廣東)有限公司)	15%	①
AVIC Optoelectronic (Guangdong) Co., Ltd. (中航光電(廣東)有限公司)	15%	①
AVIC Optoelectronics (Germany) Co., Ltd. (中航光電(德國)有限責任公司)	31.925%	-
Reconn Technology Vietnam Co., Ltd. (越南睿連科技有限責任公司)	20%	-
AVIC Optoelectronic (Shanghai) Co., Ltd. (中航光電(上海)有限公司)	20%	③
AVIC JONHON Optronics Interconnection Technology (Nanchang) Co., Ltd.(中航光電互連科技(南昌)有限公司)	25%	-
AVIC Airborne Systems Co., Ltd.(中航機載系統股份有限公司)	25%	-
Shanghai Aviation Electric Co., Ltd. (上海航空電器有限公司)	15%	①
Shanghai Hanghao Auto Parts Co., Ltd. (上海航浩汽車零部件有限公司)	15%	①
AVIC Guohua (Shanghai) Laser Display Technology Co., Ltd. (中航國畫(上海)激光顯示科技有限公司)	15%	①
Shanghai Hangkai Electronic Technology Co., Ltd. (上海航鎧電子科技有限公司)	15%	①③
Shanghai Super Champion Machinery & Electrical Equipment Co., Ltd. (上海越冠機電設備有限公司)	15%	①
Lanzhou Wanli Aviation Electric Co., Ltd. (蘭州萬里航空機電有限責任公司)	15%	①②
Lanzhou Flight Control Co., Ltd. (蘭州飛行控制有限責任公司)	15%	①②
AVIC Taiyuan Aviation Instrument Co., Ltd. (太原航空儀錶有限公司)	15%	①
AVIC Shaanxi Huayan Aero-Instrument Co., Ltd. (陝西華燕航空儀錶有限公司)	15%	①②
Xi'an Huayan Aero-Instrument Co., Ltd. (西安華燕航空儀錶有限公司)	20%	③
AVIC Shaanxi Qianshan Avionics Co., Ltd. (陝西千山航空電子有限責任公司)	15%	①②
Chengdu CAIC Electronics Co., Ltd. (成都凱天電子股份有限公司)	15%	①②
Chengdu Aviation Mechanical and Electrical Co., Ltd.(成都航昇機電有限責任公司)	15%	②
Suzhou Changfeng Avionics Co., Ltd. (蘇州長風航空電子有限公司)	15%	①
Shaanxi Oriental Aeronautic Instrument Manufacture Co., Ltd. (陝西東方航空儀錶有限責任公司)	15%	①②
Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司)	15%	①
Beijing Qingyun Avionics Technology Co., Ltd. (北京青雲航電科技有限公司)	25%	-
China Aviation Planning and Design Institute Co., Ltd. (中國航空規劃設計研究總院有限公司)	15%	①
China Aviation Integration Equipment Co., Ltd. (中航工程集成設備有限公司)	15%	①
China Aviation Engineering Supervision (Beijing) Co., Ltd. (中航工程監理(北京)有限公司)	25%	-
AVIC CAPDI Engineering Consulting (Beijing) Co., Ltd. (中航工程諮詢(北京)有限公司)	20%	③

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

V. TAXES (Continued)

1. Main taxes and tax rates (Continued)

Description of taxpayers at different corporate income tax rates: (Continued)

Name of taxable entity	Income tax rate	Note
China Aviation International Construction and Investment Co., Ltd. (中國航空國際建設投資有限公司)	15%	①
AVIC CAPDI (Macau) Company Limited (中航院設計諮詢(澳門)有限公司)	0%-12%	-
Suzhou Aeronautical Equipment Co., Ltd. (蘇州航勢航空設備有限公司)	20%	③
Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空機電有限公司)	15%	①
Tianjin Tianli Aviation Electro-Mechanical Co., Ltd.* (天津天利航空机电有限公司)	25%	-
AviChina Industrial Investment Co., Ltd. (中航科工產業投資有限責任公司)	25%	-
AviChina Hong Kong Limited (中航科工香港有限公司)	16.50%	-
Qing'an Group Co., Ltd. (慶安集團有限公司)	15%	①②
Shaanxi Aero Electric Co., Ltd. (陝西航空電氣有限責任公司)	15%	①②
Zhengzhou Aircraft Equipment Co., Ltd. (鄭州飛機裝備有限責任公司)	15%	①
Sichuan Lingfeng Aero Hydraulic Machinery Co., Ltd. (四川凌峰航空液壓機械有限公司)	15%	①②
Sichuan Fan Hua Aviation Instrument & Electric Co., Ltd. (四川泛華航空儀錶電器有限公司)	15%	①②
Sichuan AVIC Industry Chuanxi Machinery Co., Ltd. (四川航空工業川西機器有限責任公司)	15%	①②
Hubei AVIC Precision Machinery Technology Co., Ltd. (湖北中航精機科技有限公司)	15%	①
Guizhou Fenglei Aviation Ordnance Co., Ltd. (貴州風雷航空軍械有限責任公司)	15%	①②
Guizhou Fengyang Hydraulic Co., Ltd. (貴州楓陽液壓有限責任公司)	15%	②
AVIC Xinxiang Aviation Industry (Group) Co., Ltd. (新鄉航空工業(集團)有限公司)	15%	①
Yibin Sanjiang Machinery Co., Ltd. (宜賓三江機械有限公司)	15%	①②
Nanjing Hangjian Aviation Equipment Technology Service Co., Ltd. (南京航健航空裝備技術服務有限公司)	15%	①
Hubei HAPM MAGNA Seating System Co., Ltd. (湖北航嘉麥格納座椅系統有限公司)	15%	①
Xi'an Qing'an Import & Export Co., Ltd. (西安慶安進出口有限公司)	20%	③
Xi'an Qing'an Aviation Machinery Manufacturing Co., Ltd. (西安慶安航空機械製造有限公司)	25%	-
Xi'an Qing'an Avionics Co., Ltd. (西安慶安航空電子有限公司)	15%	①
Wuhan Qinling Linke Aviation Power System Co., Ltd. (武漢秦嶺凌科航空電力系統有限公司)	15%	①③
AVIC Qinling Aerospace (Xiamen) Co., Ltd. (廈門中航秦嶺宇航有限公司)	15%	①
Zhengzhou Zhengfei Special Equipment Co., Ltd. (鄭州鄭飛特種裝備有限公司)	15%	①
Guizhou Anshun Tiancheng Aviation Equipment Co., Ltd. (貴州安順天成航空設備有限公司)	15%	①
Aviation Industry (Xinxiang) Metrology and Test Science Technology Co., Ltd. (航空工業(新鄉)計測科技有限公司)	25%	-
Hapm Magna Seating System (Thailand) Co., Ltd.	20%	-



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

V. TAXES (Continued)

2. Preferential tax policies

(1) *Preferential value-added tax policy*

According to the “Announcement on the Additional Value-Added Tax Credit Policy for Advanced Manufacturing Enterprises” (《關於先進製造業企業增值稅加計抵減政策的公告》) issued by the Ministry of Finance and the State Administration of Taxation in September 2023 (Announcement of MOF and SAT [2023] No. 43), from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises are allowed to deduct an additional 5% of the value-added tax payable based on the deductible input tax for the current period.

(2) *High-tech enterprise income tax preferential policies*

According to Article 28 of the Enterprise Income Tax Law of the People’s Republic of China, high-tech enterprises that require great support from the state are subject to a reduced corporate income tax rate of 15%. For details of the Group’s subsidiaries that are subject to the preferential tax rate for high-tech enterprises in the current year, please refer to the companies noted with ① in the above table “Description of taxpayers at different corporate income tax rates”.

(3) *Income tax preferential policies for enterprises in the Western Development*

According to the Announcement on the Continuation of the Enterprise Income Tax Policy for the Western Development of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission (Announcement No.23 [2020] of the Ministry of Finance), enterprises specified in the Catalogue of Enterprises in Encouraged Industries in the Western Region enjoy 15% preferential enterprise income tax rate from 1 January 2021 to 31 December 2030. Upon application by the enterprise and the approval by the competent tax authority, the enterprise income tax can be paid at a reduced rate of 15%. For details of the subsidiaries of the Group enjoying such preferential tax rates in the current year, please refer to the companies noted with ② in the above table “Description of taxpayers at different corporate income tax rates”

(4) *Income tax preferential policies for small and micro enterprises*

According to the Announcement on Preferential Income Tax Policies for Small and Micro Enterprises and Individual Businesses issued by the Ministry of Finance and the State Administration of Taxation (Announcement of MOF and SAT [2023] No. 6), from 1 January 2023 to 31 December 2024, for the low-profit small enterprises’ annual taxable income not exceeding RMB1 million, the enterprise income tax shall be calculated at the rate of 20% based on the amount of taxable income being reduced to 25% thereof. For details of the subsidiaries of the Group enjoying such preferential tax rates in the current year, please refer to the companies noted with ③ in the above table “Description of taxpayers at different corporate income tax rates”.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

For the statistic of the financial statements disclosed below, unless otherwise specified, "opening" or "at the beginning of the year" refers to 1 January 2023, "closing" or "at the end of the year" refers to 31 December 2023, and the "current year" or "the year" refers to 1 January to 31 December 2023, the "previous year" refers to the period from 1 January to 31 December 2022, and the currency unit is RMB.

1. Monetary funds

Item	Closing balance	Opening balance
Cash on hand	508,934	555,665
Bank deposits	39,109,913,866	43,355,084,230
Other monetary funds	389,690,957	418,090,739
Total	39,500,113,757	43,773,730,634
Including: total amount deposited abroad	268,235,518	282,385,611
Including: total amount deposited with finance companies	26,829,638,872	32,165,537,965

Note: There is no limit on the remittance of the Group's overseas deposits.

Restricted use of monetary funds at the end of the year

Item	Closing balance	Opening balance
Term deposits over three months	1,988,207,659	2,064,601,567
Letter of credit deposit	1,709,474	9,418,994
Note deposit	288,928,033	345,832,060
Guarantee deposit	7,010,599	7,865,228
Employee housing related fund account	10,612,393	8,290,756
Other restricted funds	44,343,961	40,927,886
Total	2,340,812,119	2,476,936,491

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Financial assets held for trading

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	957,001,296	529,364,682
Including: Debt instrument investments	–	–
Equity instrument investments	86,876,638	69,212,381
Bank wealth management and trust products	870,124,658	460,152,301
Total	957,001,296	529,364,682

Note: The Group's equity instrument investments included in financial assets held for trading are mainly fund asset management products and equity investments in other companies.

3. Notes receivable

(1) Classified presentation of notes receivable

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

(2) Notes receivable pledged

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes receivable (Continued)

(2) Notes receivable pledged (Continued)

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

(3) Notes receivable that have been endorsed or discounted and are not yet due on the balance sheet date

Item	Amount derecognized at the end of the year	Amount not derecognized at the end of the year
Banker's acceptance bill	753,965,021	103,187,100
Commercial acceptance bill	13,760,399	600,118,550
Total	767,725,420	703,305,650

(4) Notes transferred to accounts receivable due to non-performance by the drawer

Item	Amount transferred to accounts receivable at the end of the year
Commercial acceptance bill	22,727,607
Total	22,727,607

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes receivable (Continued)

(5) Classified presentation by bad debt accrual method

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

Category	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Bad debt provision	
				Provision proportion (%)	
Bad debt provision made individually	-	-	-	-	-
Bad debt provision made as per portfolio	12,315,492,337	100.00	91,343,900	0.74	12,224,148,437
Including: Banker's acceptance bill	4,406,623,825	35.78	1,234,024	0.03	4,405,389,801
Commercial acceptance bill	7,908,868,512	64.22	90,109,876	1.14	7,818,758,636
Total	12,315,492,337	-	91,343,900	-	12,224,148,437

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes receivable (Continued)

(5) Classified presentation by bad debt accrual method (Continued)

1) Bad debt provision of notes receivable made as per portfolio

Name	Closing balance		Provision proportion (%)
	Book balances	Bad debt provision	
Banker's acceptance bill	3,020,110,865	692,192	0.02
Commercial acceptance bill	10,565,701,821	131,265,988	1.24
Total	13,585,812,686	131,958,180	–

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

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

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

(8) The ageing of the notes receivable at the end of the year

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable

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

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

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

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

Category of portfolio	Original book value	Opening balance		Book value
		Proportion of bad debt provision (%)	Bad debt provision	
Bad debt provision made individually	191,508,989	92.29	176,748,989	14,760,000
Bad debt provision made as per portfolio	31,893,492,040	4.10	1,308,000,991	30,585,491,049
Including: Portfolio of credit risk characteristics	31,893,492,040	4.10	1,308,000,991	30,585,491,049
Total	32,085,001,029	–	1,484,749,980	30,600,251,049



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

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

1) *Bad debt provision of accounts receivable made individually*

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

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

2) *Bad debt provision of accounts receivable made by portfolio of credit risk characteristics*

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

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

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



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

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

Ageing	Opening balance		Proportion of bad debt provision (%)
	Accounts receivable	Bad debt provision	
Within 1 year	26,128,522,360	217,934,999	0.83
1-2 years	3,673,678,993	317,284,520	8.64
2-3 years	1,114,121,071	224,705,954	20.17
3-4 years	524,451,845	221,616,705	42.26
4-5 years	220,214,621	135,934,075	61.73
Over 5 years	424,012,139	367,273,727	86.62
Total	32,085,001,029	1,484,749,980	—

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

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

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

Note: The main reason for other decrease is the translation differences in the foreign currency statements of AVIC JONHON Optronic Technology Co., Ltd. (中航光電科技股份有限公司).

(4) Accounts receivable actually written-off in the current year

Item	Write-off amount
Accounts receivable actually written-off	16,337,766

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(5) Details of top five trade receivables with the closing balances classified by the borrowers

The aggregate amount of the top five trade receivables with the closing balances classified by the borrowers was RMB11,717,098,253, accounting for 29.38% of the total closing balance of accounts receivable, and the corresponding provision for bad debts at the end of the year was RMB231,514,232.

(6) Accounts receivable derecognized due to transfer of financial assets

Item	Transfer method of financial assets	Amount derecognized	Gains and losses related to derecognition (losses are presented as "-")
Company 1	Factored accounts receivable without recourse	403,215,506	-8,723,410
Company 2	Factored accounts receivable without recourse	197,845,781	-5,266,197
Company 3	Factored accounts receivable without recourse	78,790,629	-937,816
Company 4	Factored accounts receivable without recourse	52,103,949	-949,770
Company 5	Factored accounts receivable without recourse	49,000,000	-821,158
Total other customers	Factored accounts receivable without recourse	152,762,760	-2,351,133
Total		933,718,625	-19,049,484

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Receivables financing

Item	Closing balance	Opening balance
Notes receivable	383,654,710	407,969,551
Total	383,654,710	407,969,551

Note: The Group has no banker's acceptance bills for which impairment provision is individually accrued. At the end of the year, the Group measures the provision for bad debts based on the lifetime expected credit losses. The Group believes that the banker's acceptance bills issued by the banks with high credit ratings do not have significant credit risks and will not cause significant losses due to bank defaults.

6. Prepayments

(1) Aging of prepayments

Item	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	2,157,888,777	31.70	2,294,260,307	29.39
1-2 years	280,578,194	4.12	5,464,848,097	70.01
2-3 years	4,354,847,525	63.97	20,651,560	0.26
Over 3 years	14,530,621	0.21	26,067,900	0.34
Total	6,807,845,117	100.00	7,805,827,864	100.00

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Prepayments (Continued)

(2) Prepayments with significant balances aged over 1 year at the end of the year

Debtor company	Closing balance	Aging	Reason for being unsettled	Proportion of the closing balance of prepayments (%)
Company 1	1,217,401,804	1-2 years,	Conditions for	17.88
Company 2	773,217,024	2-3 years	settlement not met	11.36
Company 3	714,704,600	2-3 years	Conditions for	10.50
Company 4	366,854,583	2-3 years	settlement not met	5.39
Company 5	345,297,150	2-3 years	Conditions for	5.07
Company 6	250,816,950	2-3 years	settlement not met	3.68
Company 7	172,880,689	2-3 years	Conditions for	2.54
Company 8	88,901,050	2-3 years	settlement not met	1.31
Company 9	67,933,950	2-3 years	Conditions for	1.00
Company 10	65,453,725	2-3 years	settlement not met	0.96
			Conditions for	
			settlement not met	
Total	4,063,461,525	- -		59.69

(3) Provisions for bad debt accrued, recovered and reversed for prepayments in the current period

Category	31 December 2022	Changes in the current period				31 December 2023
		Accrued	Recovered or reversed	Written back or written off	Decrease due to other reasons	
Bad debt provision for prepayments	1,481,890	-	1,481,890	-	-	-
Total	1,481,890	-	1,481,890	-	-	-

(4) Details of top five prepayments with the closing balances classified by the subject receiving prepayments

The aggregate amount of the top five prepayments with the closing balances classified by the subject receiving prepayments was RMB3,647,302,783, accounting for 53.57% of the total closing balance of the prepayments.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other receivables

Item	Closing balance	Opening balance
Dividends receivable	1,679,462	11,812,442
Other receivables	246,198,689	232,872,366
Total	247,878,151	244,684,808

7.1 Dividends receivable

Investee	Closing balance	Opening balance
Aviation Gyro (Xi'an) Photoelectricity Technology Co., Ltd.* (中航捷銳(西安)光電技術有限公司)	1,679,462	–
China Aviation Changsha Design and Research Co., Ltd.* (中航長沙設計研究院有限公司)	–	11,812,442
Total	1,679,462	11,812,442

7.2 Other receivables

(1) Classification of other receivables by nature

Nature of amount	Closing book value	Opening book value
Intercourse funds	238,252,675	206,589,495
Deposit and security	70,122,755	92,837,911
Pretty cash and personal loan	38,812,921	26,857,138
Receivables and payables on behalf of other parties (Funds disbursed for others)	14,142,761	24,792,420
Equipment engineering cost	2,774,950	2,724,950
Tax refund and subsidy receivable	509,909	2,234,098
Borrowings	2,150,000	3,445,930
Others	24,900,456	15,018,378
Total	391,666,427	374,500,320

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other receivables (Continued)

7.2 Other receivables (Continued)

(2) Bad debt provision of other receivables

	Stage 1 Expected credit loss in the future 12 months	Stage 2 Lifetime expected credit loss (not credit impaired)	Stage 3 Lifetime expected credit loss (credit impaired)	Total
Opening balance	21,443,165	14,504,852	105,679,937	141,627,954
Opening book balance of other receivables during the year	–	–	–	–
– Be transferred to Stage 2	–	–	–	–
– Be transferred to Stage 3	–	–	–	–
– Be transferred back to Stage 2	–	–	–	–
– Be transferred back to Stage 1	–	–	–	–
Provision made in the current year	2,080,086	2,312,706	291,607	4,684,399
Amount transferred back in the current year	15,100	–	107,176	122,276
Amount written back in the current year	–	–	–	–
Amount written off in the current year	488,613	–	233,983	722,596
Other changes	-257	–	–	-257
Closing balance	23,019,795	16,817,558	105,630,385	145,467,738

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other receivables (Continued)

7.2 Other receivables (Continued)

(3) Other receivables listed as per aging

Aging	Closing book value	Opening book value
Within 1 year (including 1 year)	203,326,590	193,859,312
1-2 years	34,152,260	44,401,652
2-3 years	29,803,694	30,892,344
3-4 years	25,337,282	8,835,970
4-5 years	5,796,788	5,530,919
Over 5 years	93,249,813	90,980,123
Subtotal	391,666,427	374,500,320
Less: Bad debt provision	145,467,738	141,627,954
Total	246,198,689	232,872,366

Note: For details of other receivables with a single significant amount aged more than three years, please refer to Note VI. 7.2 (6) Details of top five other receivables with the closing balances classified by the borrowers.

(4) Bad debt provision of other receivables

Category	Opening balance	Provision	Amount changed in the current year			Closing balance
			Accounts recovered or transferred back	Amounts written back or written off	Other decrease	
Other receivables	141,627,954	4,684,399	122,276	722,596	-257	145,467,738
Total	141,627,954	4,684,399	122,276	722,596	-257	145,467,738

Note: The main reason for other change is that AviChina Hong Kong Limited (中航科工香港有限公司), a subsidiary of the Company, was affected by exchange rate fluctuation, resulting in an increase of RMB257 in bad debt provision for other receivables in the current period.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other receivables (Continued)

7.2 Other receivables (Continued)

(5) Other receivables actually written-off in the current year

Item	Write-off amount
Other receivables written-off	722,596

(6) Details of top five other receivables with the closing balances classified by the borrowers

Name	Nature of amount	Closing balance	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
Company 1	Others	50,000,000	Over 5 years	12.77	50,000,000
Company 2	Intercourse funds	27,120,616	Over 3 years	6.92	4,749,177
Company 3	Intercourse funds	26,671,280	Within 1 year	6.81	5,119,289
Company 4	Receivables and payables on behalf of other parties	22,070,443	Within 2 years	5.64	421,545
Company 5	Special funds for projects	12,645,848	Within 1 year	3.23	126,458
Total		138,508,187	-	35.36	60,416,469

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Inventories

(1) Inventory classification

Item	Book balance	Closing balance	Book value
		Inventory falling price reserves/impairment provision of contract performance costs	
Raw materials	12,936,369,021	463,041,634	12,473,327,387
Self-made semi-finished goods and products in progress	19,335,971,377	87,300,949	19,248,670,428
Finished goods	7,242,492,898	489,098,148	6,753,394,750
Turnover materials	497,778,953	567,966	497,210,987
Contract performance costs	66,865,997	–	66,865,997
Others	1,107,662,038	26,140,927	1,081,521,111
Total	41,187,140,284	1,066,149,624	40,120,990,660

Item	Book balance	Opening balance	Book value
		Inventory falling price reserves/impairment provision of contract performance costs	
Raw materials	13,437,606,659	391,050,818	13,046,555,841
Self-made semi-finished goods and products in progress	17,728,162,346	87,538,134	17,640,624,212
Finished goods	7,866,474,994	332,666,943	7,533,808,051
Turnover materials	480,189,160	567,966	479,621,194
Contract performance costs	53,117,416	–	53,117,416
Others	1,210,406,896	18,223,070	1,192,183,826
Total	40,775,957,471	830,046,931	39,945,910,540

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Inventories (Continued)

(2) Inventory falling price reserves/impairment provision of contract performance costs

Item	Opening balance	Increase in the year		Decrease in the year			Closing balance
		Provision	Other	Accounts transferred back	Amount written back	Other	
Raw materials	391,050,818	86,243,448	–	124,457	4,923,589	9,204,586	463,041,634
Self-made semi-finished goods and products in progress	87,538,134	21,797,164	–	–	1,423,035	20,611,314	87,300,949
Finished goods	332,666,943	239,097,070	–	–	69,696,476	12,969,389	489,098,148
Turnover materials	567,966	–	–	–	–	–	567,966
Others	18,223,070	7,917,857	–	–	–	–	26,140,927
Total	830,046,931	355,055,539	–	124,457	76,043,100	42,785,289	1,066,149,624

Note: Other represents the impairment of the inventories of delivered goods.

(3) The Group's inventory balance at the end of the year does not include the capitalized amount of borrowing costs.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Contract assets

(1) Contract assets

Item	Book balance	Closing balance Impairment provision	Book value
Aviation entire aircraft	1,107,495,407	53,149,466	1,054,345,941
Aviation engineering services	2,860,551,459	22,665,305	2,837,886,154
Aviation ancillary system and related business	38,816,634	478,209	38,338,425
Total	4,006,863,500	76,292,980	3,930,570,520

Item	Book balance	Opening balance Impairment provision	Book value
Aviation entire aircraft	1,182,667,180	10,437,793	1,172,229,387
Aviation engineering services	2,904,058,524	4,174,947	2,899,883,577
Aviation ancillary system and related business	63,718,726	379,619	63,339,107
Total	4,150,444,430	14,992,359	4,135,452,071

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Contract assets (Continued)

(2) Impairment provision of contract assets in the current year

Category	Opening balance	Amount changed in the current year				Closing balance
		Provision	Accounts recovered or transferred back	Amounts written back or written off	Other changes	
Aviation entire aircraft	10,437,793	42,711,673	-	-	-	53,149,466
Aviation engineering services	4,174,947	18,570,604	80,246	-	-	22,665,305
Aviation ancillary system and related business	379,619	98,590	-	-	-	478,209
Total	14,992,359	61,380,867	80,246	-	-	76,292,980

(3) Significant changes in the carrying value of contract assets during the current year

Item	Amount changed	Reasons for change
Aviation entire aircraft	-117,883,446	Overall decrease in the current year of aviation entire aircraft is due to the increase in the current year's settlement amount of revenue recognized according to the progress of contract performance
Aviation engineering services	-61,997,423	-
Aviation ancillary system and related business	-25,000,682	-
Total	-204,881,551	-

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Held-for-sale assets

Item	Closing balance				Estimate disposal fee	Estimated disposal time
	Book balance	Impairment provision	Book value	Fair value		
Held-for-sale assets	-	-	-	-	-	-
Total	-	-	-	-	-	-

Item	Opening balance				Estimate disposal fee	Estimated disposal time
	Book balance	Impairment provision	Book value	Fair value		
Held-for-sale assets	11,184,603	-	11,184,603	43,225,985	-	2023
Total	11,184,603	-	11,184,603	43,225,985	-	-

Note: Held-for-sale assets at the beginning of the year refer to the branch factory buildings of Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司), a subsidiary of the Company, which have been relocated with compensation.

11. Non-current assets due within one year

Item	Closing balance	Opening balance
Other non-current financial assets due within one year	-	500,000,000
Long-term receivables due within one year	-	-
Total	-	500,000,000

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Other current assets

Item	Closing balance	Opening balance
Input tax to be deducted, input tax to be certified and prepayment of value added tax	920,432,412	461,248,960
Prepayment of corporate income tax	130,087,503	216,172,766
Interest on term deposits	124,321,303	66,438,061
Others	5,564,399	6,769,241
Total	1,180,405,617	750,629,028

13. Long-term receivables

(1) Long-term receivables

Item	Closing balance			Opening balance			Discount rate range
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Financial lease payments	140,084	–	140,084	50,000	–	50,000	4.6%
Including: Unrealized financing income	–	–	–	–	–	–	–
Others	1,202,775	30,069	1,172,706	1,202,776	10,826	1,191,950	–
Total	1,342,859	30,069	1,312,790	1,252,776	10,826	1,241,950	–

Note: The finance lease payment are the sale and return guarantee for equipment leases and the sale guarantee for plant leases.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Long-term receivables (Continued)

(2) Bad debt provision of long-term receivables

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	
Opening balance	–	10,826	–	10,826
Opening book balance of long-term receivables during the year	–	–	–	–
– Be transferred to Stage 2	–	–	–	–
– Be transferred to Stage 3	–	–	–	–
– Be transferred back to Stage 2	–	–	–	–
– Be transferred back to Stage 1	–	–	–	–
Provision made in the current year	–	19,243	–	19,243
Amount transferred back in the current year	–	–	–	–
Amount written back in the current year	–	–	–	–
Amount written off in the current year	–	–	–	–
Other changes	–	–	–	–
Closing balance	–	30,069	–	30,069

(3) Bad debt provision of long-term receivables

Category	Opening balance	Provision	Amount changed in the current year			Closing balance
			Accounts recovered or transferred back	Amounts written back or written off	Other decrease	
Long-term receivables	10,826	19,243	–	–	–	30,069
Total	10,826	19,243	–	–	–	30,069

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Long-term equity investments

Investees	Opening balance (Book value)	Added investment	Decreased investment	Investment profit or loss recognized under equity method	Movement for the year					Closing balance (Book value)	Closing balance of impairment provision
					Adjustment to other comprehensive income	Other changes in equity	Distribution of cash dividend or profit declared	Impairment provision	Others		
I. Joint ventures											
Xi'an AVIC Hamilton Sundstrand Aviation Electric Company, Ltd. (西安中航漢勝航空電力有限公司)	78,162,396	-	-	-9,364,964	-	-	-	-	-	68,797,432	-
Qingdao Xinghang Photoelectric Technology Co., Ltd. (青島興航光電技術有限公司)	223,505,858	-	-	179,894,773	-	-	46,264,306	-	-	357,136,325	-
Others	29,460,114	-	-	2,736,289	-	-	720,000	-	-	31,476,403	-
Subtotal	331,128,368	-	-	173,266,098	-	-	46,984,306	-	-	457,410,160	-
II. Associates											
AVIC Renewable Energy Corporation (中國航空工業新能源投資有限公司)	367,679,987	-	-	33,702,236	-24,000	11,459,625	-	-	-	412,817,848	-
Jiangxi Hongdu Commercial Aircraft Corporation Limited* (江西洪都商用飛機股份有限公司)	309,162,595	-	-	729,327	-	-	510,000	-	-1,000,835	308,381,087	-
AVIC Nanjing Servo Control System Co., Ltd.* (中航工業南京伺服控制系統有限公司)	215,507,427	-	215,507,427	-	-	-	-	-	-	-	-
Aviation Gyro (Xi'an) Photoelectricity Technology Co., Ltd.* (中航捷銳(西安)光電技術有限公司)	143,641,858	-	143,641,858	-	-	-	-	-	-	-	-
Schneider Shanghai Low Voltage Terminal Apparatus Co., Ltd. (上海施耐德低壓終端電器有限公司)	140,776,958	-	-	106,638,093	-	-	102,486,250	-	-	144,928,801	-
Beijing Hangwei High Technology Connection Technology Co., Ltd.* (北京航為高科連接技術有限公司)	128,420,987	-	128,705,079	1,219,122	-	211,205	1,146,235	-	-	-	-
AVIC Rongfu Fund Management Company Limited* (中航融富基金管理有限公司)	72,618,247	-	-	14,431,797	2,066,556	-	64,160	-	-	89,052,440	-
AVIC Air Traffic Management System Equipment Co., Ltd.* (中航空管系統裝備有限公司)	71,820,487	-	71,820,487	-	-	-	-	-	-	-	-
Schneider Merlin Gerin Low Voltage (Tianjin) Co., Ltd.* (施耐德梅蘭日蘭低壓(天津)有限公司)	66,192,929	-	-	13,729,153	-	-	7,724,522	-	-	72,197,560	-
AVIC Jincheng Unmanned System Co., Ltd.* (中航金城無人系統有限公司)	44,865,182	-	44,865,182	-	-	-	-	-	-	-	-
Guangzhou Huazhi Auto Parts Co. (廣州華智汽車部件有限公司)	51,518,923	60,732,000	-	21,538,037	-	646,613	-	-	-	134,435,573	-
Hongguang Airborne Equipment Co. (宏光空降裝備有限公司)	204,557,671	-	-	48,702,012	961,265	1,217,863	13,142,107	-	-	242,296,704	-
Beijing Hanghua Refrigeration Equipment Co. (北京航華製冷設備有限公司)	365,226,628	-	-	1,858,170	-14,849	-493,704	-	-	-	366,576,245	-
Others	215,470,103	41,608,205	8,000,000	15,266,128	-	226,916	8,812,446	-	-1,984,203	253,774,703	-
Subtotal	2,397,459,982	102,340,205	612,540,033	257,814,075	2,988,972	13,268,518	133,885,720	-	-2,985,038	2,024,460,961	-
III. Share floating right											
	354,739,885	-	-	-	-	-	-	-	-	354,739,885	-
Subtotal	354,739,885	-	-	-	-	-	-	-	-	354,739,885	-
Total	3,083,328,235	102,340,205	612,540,033	431,080,173	2,988,972	13,268,518	180,870,026	-	-2,985,038	2,836,611,006	-

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Other equity instrument investments

(1) Other equity instrument investments

Item	Closing balance	Opening balance
Shenyang Aircraft Co., Ltd. (瀋陽飛機股份有限公司)	988,163,598	981,101,932
Harbin DongAn Automotive Engine Manufacturing Co., Ltd. (哈爾濱東安汽車發動機製造有限公司)	467,700,000	482,250,000
Beijing AviChina Phase I Aviation Industrial Investment Fund * (北京中航一期航空工業產業投資基金)	428,685,548	404,846,227
AVIC Industry-Finance Holdings Co., Ltd.* (中航工業產融控股股份有限公司)	416,076,444	438,820,173
AVIC Heavy Machinery Co., Ltd.* (中航重機股份有限公司)	313,645,952	510,269,630
Zhonghang Electronic Measuring Instruments Co., Ltd.* (中航電測儀器股份有限公司)	308,156,800	72,267,172
AVIC Huabei Aircraft Industry Co., Ltd.* (中航通飛華北飛機工業有限公司)	174,000,000	175,200,000
Xi'an Qing'an Refrigeration Equipment Co., Ltd. (西安慶安製冷設備股份有限公司)	109,112,816	109,112,816
Harbin Hafei Airbus Composite Manufacturing Centre Co., Ltd. (哈爾濱哈飛空客複合材料製造中心有限公司)	109,065,613	108,006,813
Tianjin Zhongtian Aviation Industry Investment Co., Ltd.* (天津中天航空工業投資有限責任公司)	104,773,496	105,573,676
Nanjing Guobo Electronics Co., Ltd. (南京國博電子股份有限公司)	94,251,083	104,230,508
Chengdu RMI Technology Co., Ltd.* (成都雷電微力科技股份有限公司)	72,358,920	95,845,140
AVIC Guizhou Anji Aviation Investment Casting Co., Ltd.* (貴州安吉航空精密鑄造有限責任公司)	71,310,000	69,959,100
Sichuan Chengfei Integration Technology Corporation Limited* (四川成飛集成科技股份有限公司)	63,680,014	87,446,724
Aviation Gyro (Xi'an) Photoelectricity Technology Co., Ltd.* (中航捷銳(西安)光電技術有限公司)	37,791,531	–
CALB Group Co., Ltd.* (中創新航科技集團股份有限公司)	22,019,483	22,298,012
AVIC Jincheng Unmanned System Co., Ltd.* (中航金城無人系統有限公司)	5,626,681	–
AVIC Nanjing Electromechanical Technology Co., Ltd. (中航工業南京機電科技有限公司)	–	16,167,300
Others	9,277,326	9,315,273
Total	3,795,695,305	3,792,710,496

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Other equity instrument investments (Continued)

(2) Non-trading equity instrument investment in the year

Item	Dividend income recognized in the current year	Accumulated gains	Accumulated losses	Amount transferred from other comprehensive income to retained earnings	Reasons for designating at fair value through other comprehensive income	Reasons for transfer from other comprehensive income to retained earnings
Shenyang Aircraft Co., Ltd. (瀋陽飛機股份有限公司)	6,693,515	654,563,602	-	-	Non-trading equity investments	-
Harbin DongAn Automotive Engine Manufacturing Co., Ltd. (哈爾濱東安汽車發動機製造有限公司)	34,674,576	392,700,000	-	-	Non-trading equity investments	-
Beijing AviChina Phase I Aviation Industrial Investment Fund * (北京中航一期航空工業產業投資基金)	-	-	3,002,676	-	Non-trading equity investments	-
AVIC Industry-Finance Holdings Co., Ltd.* (中航工業產融控股股份有限公司)	8,027,198	-	127,399,884	-	Non-trading equity investments	-
AVIC Heavy Machinery Co., Ltd.* (中航重機股份有限公司)	2,708,089	113,645,959	-	-	Non-trading equity investments	-
Zhonghang Electronic Measuring Instruments Co., Ltd.* (中航電測儀器股份有限公司)	211,308	249,579,296	-	-	Non-trading equity investments	-
AVIC Huabei Aircraft Industry Co., Ltd.* (中航通飛華北飛機工業有限公司)	-	-	6,000,000	-	Non-trading equity investments	-
Xi'an Qing'an Refrigeration Equipment Co., Ltd. (西安慶安製冷設備股份有限公司)	-	-	-	-	Non-trading equity investments	-
Harbin Hafei Airbus Composite Manufacturing Centre Co., Ltd. (哈爾濱哈飛空客複合材料製造中心有限公司)	-	-	18,952,944	-	Non-trading equity investments	-
Tianjin Zhongtian Aviation Industry Investment Co., Ltd.* (天津中天航空工業投資有限責任公司)	-	44,773,496	-	-	Non-trading equity investments	-
Nanjing Guobo Electronics Co., Ltd. (南京國博電子股份有限公司)	740,688	9,831,124	-	-	Non-trading equity investments	-
Chengdu RMI Technology Co., Ltd.* (成都雷電微力科技股份有限公司)	186,300	30,517,320	-	-	Non-trading equity investments	-
AVIC Guizhou Anji Aviation Investment Casting Co., Ltd.* (貴州安吉航空精密鑄造有限責任公司)	-	21,310,000	-	-	Non-trading equity investments	-
Sichuan Chengfei Integration Technology Corporation Limited* (四川成飛集成科技股份有限公司)	157,132	59,288,714	-	-	Non-trading equity investments	-
Aviation Gyro (Xi'an) Photoelectricity Technology Co., Ltd.* (中航捷銳(西安)光電技術有限公司)	1,679,462	408,416	-	-	Non-trading equity investments	-
CALB Group Co., Ltd.* (中創新航科技集團股份有限公司)	-	-	35,505,890	-	Non-trading equity investments	-
AVIC Jincheng Unmanned System Co., Ltd.* (中航金城無人系統有限公司)	-	-	-	-	Non-trading equity investments	-
AVIC Nanjing Electromechanical Technology Co., Ltd. (中航工業南京機電科技有限公司)	-	2,395,200	-	2,395,200	Non-trading equity investments	Disposal
Others	-	587,234	73,000,000	-	Non-trading equity investments	-
Total	55,078,268	1,579,600,361	263,861,394	2,395,200	-	-

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Investment properties

(1) Investment properties measured at cost

Item	Plant & buildings	Land use right	Total
Original book value			
Opening balance	586,725,640	146,428,412	733,154,052
Increase in the current period	122,581,575	20,100,839	142,682,414
External purchase	–	–	–
Transferred from fixed assets	105,877,323	–	105,877,323
Transferred from intangible assets	–	20,100,839	20,100,839
Transferred from construction in progress	15,291,363	–	15,291,363
Translation differences of foreign currency	1,412,889	–	1,412,889
Decrease in the current period	46,931,766	14,497,490	61,429,256
Disposal	5,716,891	2,246,767	7,963,658
Transferred to fixed assets	41,214,875	–	41,214,875
Transferred to intangible assets	–	12,250,723	12,250,723
Exchange rate adjustment	–	–	–
Closing balance	662,375,449	152,031,761	814,407,210
Accumulated depreciation (amortization)			
Opening balance	171,729,105	39,554,383	211,283,488
Increase in the current period	52,107,577	8,423,788	60,531,365
Provision or amortization	4,874,451	3,066,413	7,940,864
Transferred from fixed assets	47,233,126	–	47,233,126
Transferred from intangible assets	–	5,357,375	5,357,375
Translation differences of foreign currency	–	–	–
Decrease in the current period	16,403,383	2,852,599	19,255,982
Disposal	1,888,240	625,566	2,513,806
Transferred to fixed assets	14,515,143	–	14,515,143
Transferred to intangible assets	–	2,227,033	2,227,033
Exchange rate adjustment	–	–	–
Closing balance	207,433,299	45,125,572	252,558,871
Impairment provision			
Opening balance	–	–	–
Increase in the current period	–	–	–
Decrease in the current period	–	–	–
Closing balance	–	–	–
Book value			
Closing Book value	454,942,150	106,906,189	561,848,339
Opening Book value	414,996,535	106,874,029	521,870,564

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Investment properties (Continued)

(2) Investment properties for which the certificate of title has not been obtained at the end of the year

Item	Book value	Reason for not completing the title
Plant No. 7	6,086,097	The process has not been completed
Total	6,086,097	–

17. Fixed assets

Item	Closing book value	Opening book value
Fixed assets	22,366,653,723	19,913,773,344
Fixed assets in liquidation	2,251,372	1,521,666
Total	22,368,905,095	19,915,295,010

17.1 Fixed assets

(1) Details of fixed assets

Item	Plant & buildings	Machinery equipment	Transportation vehicles	Electronic equipment	Office equipment	Others	Total
Original book value							
Opening balance	15,962,072,084	17,029,398,868	237,388,599	4,003,662,778	429,580,135	1,782,644,824	39,444,747,288
Increase in the current period	2,180,621,378	1,852,640,325	43,525,253	360,949,802	64,145,702	541,719,040	5,043,601,500
Purchase	156,181,412	536,079,158	13,938,043	107,995,357	24,719,110	179,363,336	1,018,276,416
Transferred from construction in progress	1,968,220,532	1,295,443,067	29,363,730	252,767,418	37,634,598	342,366,100	3,925,795,445
Transferred from right-of-use assets	–	–	–	–	–	–	–
Transferred from investment	41,214,875	–	–	–	–	–	41,214,875
Others increase	15,004,559	21,118,100	223,480	187,027	1,791,994	19,989,604	58,314,764
Decrease in the current period	201,070,735	362,125,650	27,796,847	75,336,106	10,595,611	36,523,588	713,448,537
Disposal or scrapping	41,798,773	353,330,030	20,491,734	73,851,771	8,411,583	36,485,501	534,369,392
Transferred to construction in progress	11,948,483	4,934,093	–	15,385	–	–	16,897,961
Transferred to investment properties	105,877,323	–	–	–	–	–	105,877,323
Transferred out due to disposal of subsidiary	–	–	–	–	–	–	–
Other decrease	41,446,156	3,861,527	7,305,113	1,468,950	2,184,028	38,087	56,303,861

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Fixed assets (Continued)

17.1 Fixed assets (Continued)

(1) Details of fixed assets (Continued)

Item	Plant & buildings	Machinery equipment	Transportation vehicles	Electronic equipment	Office equipment	Others	Total
Closing balance	17,941,622,727	18,519,913,543	253,117,005	4,289,276,474	483,130,226	2,287,840,276	43,774,900,251
Accumulated depreciation							
Opening balance	5,338,068,730	9,556,834,739	183,376,071	2,994,223,151	344,272,116	1,056,138,763	19,472,913,570
Increase in the current period	632,933,801	1,164,850,799	14,677,130	324,498,875	58,032,037	181,252,717	2,376,245,359
Provision made in the current period	610,155,717	1,163,703,614	14,464,824	324,435,767	56,892,513	181,238,112	2,350,890,547
Transferred from right-of-use assets	-	-	-	-	-	-	-
Transferred from investment properties	14,515,143	-	-	-	-	-	14,515,143
Other increase	8,262,941	1,147,185	212,306	63,108	1,139,524	14,605	10,839,669
Decrease in the current period	88,116,564	288,776,264	19,904,255	69,584,691	8,898,406	34,233,574	509,513,754
Disposal or scrapping	13,951,888	287,272,947	19,689,052	69,570,076	7,761,044	34,232,858	432,477,865
Transferred to construction in progress	8,638,810	718,152	-	14,615	-	-	9,371,577
Transferred to investment properties	47,233,126	-	-	-	-	-	47,233,126
Transferred out due to disposal of subsidiary	-	-	-	-	-	-	-
Other decrease	18,292,740	785,165	215,203	-	1,137,362	716	20,431,186
Closing balance	5,882,885,967	10,432,909,274	178,148,946	3,249,137,335	393,405,747	1,203,157,906	21,339,645,175
Impairment provision							
Opening balance	3,446,980	53,739,749	-	148,289	-	725,356	58,060,374
Increase in the current period	-	14,529,005	48,221	86,710	-	2,005,480	16,669,416
Decrease in the current period	-	6,114,532	-	13,905	-	-	6,128,437
Disposal or scrapping	-	6,114,532	-	13,905	-	-	6,128,437
Closing balance	3,446,980	62,154,222	48,221	221,094	-	2,730,836	68,601,353
Book value							
Closing book value	12,055,289,780	8,024,850,047	74,919,838	1,039,918,045	89,724,479	1,081,951,534	22,366,653,723
Opening book value	10,620,556,374	7,418,824,380	54,012,528	1,009,291,338	85,308,019	725,780,705	19,913,773,344

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Fixed assets (Continued)

17.1 Fixed assets (Continued)

(2) Temporarily idle fixed assets

Item	Original book value	Accumulated depreciation	Impairment provision	Book value
Machinery equipment	7,441,069	7,216,117	–	224,952
Electronic equipment	12,600	12,222	–	378
Total	7,453,669	7,228,339	–	225,330

(3) Fixed assets leased out through operating leases

Item	Closing book value
Plant & buildings	338,584,581
Machinery equipment	643,000,178
Total	981,584,759

(4) Fixed assets for which the certificate of title has not been obtained

Item	Book value	Reason for not completing the title
Plant & buildings	2,248,763,832	To complete the title certificate successively
Plant & buildings	372,690,381	Not accepted for completion
Plant & buildings	331,971	Simple building
Total	2,621,786,184	–

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Fixed assets (Continued)

17.2 Fixed assets in liquidation

Item	Closing balance	Opening balance
Machinery equipment	1,564,901	1,009,340
Electronic equipment	481,679	372,746
Office equipment	96,727	48,908
Transportation vehicles	21,998	3,689
Others	86,067	86,983
Total	2,251,372	1,521,666

18. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	4,437,643,212	4,362,878,053
Construction materials	–	105,043
Total	4,437,643,212	4,362,983,096

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Construction in progress (Continued)

18.1 Construction in progress

(1) Details of construction in progress

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Book value		Impairment provision	Book value
Basic Devices Industrial Park (Phase I) Infrastructure technical transformation projects	1,038,080,294	-	1,038,080,294	200,167,268	-	200,167,268
Project of Shunyi New District	297,693,469	-	297,693,469	395,474,146	-	395,474,146
Self-made equipment	217,745,504	-	217,745,504	186,586,521	-	186,586,521
Huanan Industry Base Project	190,351,052	-	190,351,052	151,975,314	-	151,975,314
ZMPC project	184,904,390	-	184,904,390	673,948,582	-	673,948,582
X-001	180,435,122	-	180,435,122	280,650,636	-	280,650,636
High-end interconnect technology industrial community project	157,500,913	-	157,500,913	266,138,977	-	266,138,977
SAPC project	136,789,669	-	136,789,669	-	-	-
Civil Aircraft and Industrial Interconnection Industrial Park	126,823,981	-	126,823,981	209,661,057	-	209,661,057
Technical transformation and self-financing funds project	94,069,224	-	94,069,224	-	-	-
Convertible bond fundraising project	94,051,031	-	94,051,031	104,567,258	-	104,567,258
Research construction project 3	92,835,188	-	92,835,188	34,229,930	-	34,229,930
Aviation Pilot Gas Subsystem Capacity Enhancement Project	60,533,644	-	60,533,644	47,671,616	-	47,671,616
SH project	53,831,682	-	53,831,682	44,967,382	-	44,967,382
Huiyang technology park	15,959,750	-	15,959,750	29,159,508	-	29,159,508
Infrastructure renovation project of building 2	14,964,026	-	14,964,026	515,895	-	515,895
Surface Treatment Sewage Disposal System Upgrade and Renovation Project	13,705,881	-	13,705,881	9,030,557	-	9,030,557
Dingkunchi industrial base (phase II)	10,619,655	-	10,619,655	18,915,673	-	18,915,673
	9,735,035	-	9,735,035	230,689	-	230,689

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Construction in progress (Continued)

18.1 Construction in progress (Continued)

(1) Details of construction in progress (Continued)

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
YGXP project	6,583,450	-	6,583,450	31,055,917	-	31,055,917
Tianjin Helicopter industrial base project	2,584,352	-	2,584,352	2,881,985	-	2,881,985
86-power-2021-010 solid state power distribution SSPC module automatic recording platform	1,137,800	-	1,137,800	1,137,800	-	1,137,800
86-power-2022-001 2022 process layout adjustment	419,480	-	419,480	1,333,300	-	1,333,300
X-005	-	-	-	9,240,640	-	9,240,640
Digital and intelligent transformation project for safety control of power equipment and facilities	-	-	-	8,591,423	-	8,591,423
Research building and plant renovation	-	-	-	151,244,043	-	151,244,043
022b plant renovation project	-	-	-	1,453,688	-	1,453,688
Systematic Platform Building Project	-	-	-	50,224,983	-	50,224,983
Building curtain wall renovation of AVIC CAPDI	-	-	-	6,109,340	-	6,109,340
Project 8	-	-	-	102,497,164	-	102,497,164
"XXX" XXXX R&D condition building project	-	-	-	8,499,106	-	8,499,106
Research and Development Platform Project	-	-	-	45,541,472	-	45,541,472
The 13th Five-Year Plan XA	-	-	-	57,064,726	-	57,064,726
Optoelectronic technology industrial base project (phase II)	-	-	-	63,420,790	-	63,420,790
Renovation of electric car shed in the factory area of Changfei Aviation	-	-	-	1,500,031	-	1,500,031
Others	1,440,743,219	4,454,599	1,436,288,620	1,171,645,235	4,454,599	1,167,190,636
Total	4,442,097,811	4,454,599	4,437,643,212	4,367,332,652	4,454,599	4,362,878,053

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Construction in progress (Continued)

18.1 Construction in progress (Continued)

(2) Changes of major construction in progress in the current year

Project name	Opening balance	Increase in the current year	Decrease in the current year		Closing balance
			Transferred to fixed assets	Other decrease	
Basic Devices Industrial Park (Phase I)	200,167,268	923,162,789	85,249,763	–	1,038,080,294
Infrastructure technical transformation project	395,474,146	201,628,938	236,522,535	62,887,080	297,693,469
Project of Shunyi New District	186,586,521	31,158,983	–	–	217,745,504
Self-made equipment	151,975,314	152,402,123	114,026,385	–	190,351,052
Huanan Industry Base Project	673,948,582	328,496,230	817,540,422	–	184,904,390
ZMPC project	280,650,636	4,986,053	105,201,567	–	180,435,122
X-001	266,138,977	–	47,025,154	61,612,910	157,500,913
High-end interconnect technology industrial community project	–	136,789,669	–	–	136,789,669
SAPC project	209,661,057	132,731,994	215,555,258	13,812	126,823,981
Civil Aircraft and Industrial Interconnection Industrial Park	–	94,069,224	–	–	94,069,224
Technical transformation and self-financing funds project	104,567,258	13,682,955	19,830,432	4,368,750	94,051,031
Convertible bond fundraising project	34,229,930	85,553,161	26,947,903	–	92,835,188
Research construction project 3	47,671,616	63,366,222	39,631,347	10,872,847	60,533,644
Aviation Pilot Gas Subsystem Capacity Enhancement Project	44,967,382	8,864,300	–	–	53,831,682
SH project	29,159,508	21,225,642	34,304,941	120,459	15,959,750
Huiyang technology park	515,895	19,394,024	4,945,893	–	14,964,026
Infrastructure renovation project of building 2	9,030,557	4,675,324	–	–	13,705,881
Surface Treatment Sewage Disposal System Upgrade and Renovation Project	18,915,673	6,916,253	15,212,271	–	10,619,655

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Construction in progress (Continued)

18.1 Construction in progress (Continued)

(2) Changes of major construction in progress in the current year (Continued)

Project name	Opening balance	Increase in the current year	Decrease in the current year		Closing balance
			Transferred to fixed assets	Other decrease	
Dingkunchi industrial base (phase II)	230,689	49,446,406	39,523,874	418,186	9,735,035
YGXP project	31,055,917	–	24,472,467	–	6,583,450
Tianjin Helicopter industrial base project	2,881,985	6,553,473	6,851,106	–	2,584,352
86-power-2021-010 solid state power distribution SSPC module automatic recording platform	1,137,800	–	–	–	1,137,800
86-power-2022-001 2022 process layout adjustment	1,333,300	724,458	–	1,638,278	419,480
X-005	9,240,640	148,755,538	157,968,855	27,323	–
Digital and intelligent transformation project for safety control of power equipment and facilities	8,591,423	16,752,008	25,343,431	–	–
Research building and plant renovation	151,244,043	24,666,821	175,910,864	–	–
022b plant renovation project	1,453,688	1,213,057	2,666,745	–	–
Systematic Platform Building Project	50,224,983	–	45,099,213	5,125,770	–
Building curtain wall renovation project of AVIC CAPDI	6,109,340	1,175,985	7,285,325	–	–
Project 8	102,497,164	29,196,585	131,693,749	–	–
“XXX” XXXX R&D condition building project	8,499,106	13,630,556	20,108,969	2,020,693	–
Research and Development Platform Project	45,541,472	40,459,334	86,000,806	–	–
The 13th Five-Year Plan XA	57,064,726	–	57,064,726	–	–
Optoelectronic technology industrial base project (phase II)	63,420,790	24,441,767	87,862,557	–	–
Renovation of electric car shed in the factory area of Changfei Aviation	1,500,031	1,377,761	2,877,792	–	–
Total	3,195,687,417	2,587,497,633	2,632,724,350	149,106,108	3,001,354,592

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Construction in progress (Continued)

18.1 Construction in progress (Continued)

(2) Changes of major construction in progress in the current year (Continued)

Project name	Budget	Cumulative investment in the project as a percentage of the budget(%)	Project progress (%)	Accumulated amount of interest capitalized	Including: capitalized amount of interest for the year	Interest capitalization rate for the current year(%)	Sources of funds
Basic Devices Industrial Park (Phase I)	1,672,500,000	81.38	85.00	-	-	-	Raised funds, self-financing funds
Infrastructure technical transformation project	1,610,134,700	N/A	N/A	19,835,798	3,183,014	-	State funding, self-financing funds, loan
Project of Shunyi New District	280,259,000	77.00	77.00	6,927,781	1,092,996	3	Self-financing funds, loan
Self-made equipment	N/A	N/A	N/A	-	-	-	Self-financing funds
Huanan Industry Base Project	2,255,448,700	51.55	76.73	-	-	-	Raised funds, self-financing funds
ZMPC project	241,600,000	97.00	97.00	-	-	-	State funding, self-financing funds
X-001	226,520,000	92.00	91.00	-	-	-	State funding, self-financing funds
High-end interconnect technology industrial community project	2,719,300,000	5.03	5.15	-	-	-	Self-financing funds
SAPC project	722,600,000	55.00	55.00	-	-	-	State funding, self-financing funds
Civil Aircraft and Industrial Interconnection Industrial Park	1,698,000,000	5.54	4.66	-	-	-	Self-financing funds
Technical transformation and self-financing funds project	28,000,000	98.00	98.00	-	-	-	Self-financing funds
Convertible bond fundraising project	544,490,000	65.51	65.54	-	-	-	Self-financing funds
Research construction project3	279,100,000	59.40	59.00	-	-	-	State funding
Aviation Pilot Gas Subsystem	739,800,000	6.08	6.08	-	-	-	Self-financing funds
Capacity Enhancement Project							
SH project	92,800,000	43.00	43.00	-	-	-	State funding, self-financing funds
Huiyang technology park	671,840,000	99.00	99.00	-	-	-	Self-financing funds
Renovation project of building 2	13,000,000	95.00	95.00	405,757	310,260	3	Self-financing funds, loan
Surface Treatment Sewage Disposal Upgrade and Renovation Project	29,950,000	90.00	90.00	-	-	-	Self-financing funds
Dingkunchi industrial base (phase II)	306,690,000	73.12	99.00	-	-	-	Raised funds
YGXP project	198,620,000	98.00	98.00	-	-	-	State funding, self-financing funds
Tianjin Helicopter industrial base project	763,534,000	99.50	99.00	-	-	-	Self-financing funds
86-power-2021-010 solid state power distribution SSPC module automatic recording platform	1,200,000	94.82	94.82	-	-	-	Self-financing funds
86-power-2022-001 2022 process layout adjustment	12,028,000	17.11	17.11	-	-	-	Self-financing funds

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Construction in progress (Continued)

18.1 Construction in progress (Continued)

(2) Changes of major construction in progress in the current year (Continued)

Project name	Budget	Cumulative investment in the project as a percentage of the budget(%)	Project progress (%)	Accumulated amount of interest capitalized	Including: capitalized amount of interest for the year	Interest capitalization rate for the current year(%)	Sources of funds
X-005	160,000,000	100.00	100.00	-	-	-	Self-financing funds
Digital and intelligent transformation project for safety control of power equipment and facilities	30,900,000	100.00	100.00	-	-	-	Self-financing funds
Research building and plant renovation	217,000,000	90.00	100.00	-	-	-	Self-financing funds
022b plant renovation project	3,600,000	74.00	100.00	-	-	-	Self-financing funds
Systematic Platform Building Project	163,800,000	100.00	100.00	-	-	-	State funding, self-financing funds
Building curtain wall renovation project of AVIC CAPDI	6,109,340	100.00	100.00	-	-	-	Self-financing funds
Project 8	150,500,000	100.00	100.00	-	-	-	Self-financing funds
"XXX" XXXX R&D condition building project	131,900,000	99.00	99.00	-	-	-	State funding, Self-financing funds
Research and Development Platform Project	178,750,000	103.18	100.00	1,767,250	-	-	State funding, loan
The 13th Five-Year Plan XA	74,155,000	100.00	100.00	619,139	413,306	2.85	State funding, self-financing funds, loan
Optoelectronic technology industrial base project (phase II)	1,006,640,000	100.00	100.00	-	-	-	Raised funds, self-financing funds
Renovation of electric car shed in the factory area of Changfei Aviation	3,240,000	100.00	100.00	-	-	-	Self-financing funds
Total	17,234,008,740	-	-	29,555,725	4,999,576	-	-

(3) Provision for impairment of construction in progress in the current year

Item	Provision amount for the current period	Reason for provision
Micro Performance Test System for Refrigeration System	857,893	Termination of contract
Fast smelting furnace	110,441	Termination of contract
Total	968,334	

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Construction in progress (Continued)

18.2 Construction materials

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Book value		Impairment provision	Book value
Special-purpose equipment	-	-	-	105,043	-	105,043
Total	-	-	-	105,043	-	105,043

19. Right-of-use assets

Item	Plant & buildings	Machinery equipment	Total
I. Original book value			
1. Opening balance	533,403,913	45,808,238	579,212,151
2. Increase in the current year	107,330,849	61,398,965	168,729,814
3. Decrease in the current year	52,143,679	40,849,728	92,993,407
4. Closing balance	588,591,083	66,357,475	654,948,558
II. Accumulated depreciation			
1. Opening balance	157,332,230	19,330,556	176,662,786
2. Increase in the current year	87,813,114	11,345,081	99,158,195
3. Decrease in the current year	35,250,951	710,356	35,961,307
4. Closing balance	209,894,393	29,965,281	239,859,674
III. Impairment provision			
1. Opening balance	-	-	-
2. Increase in the current year	-	-	-
3. Decrease in the current year	-	-	-
4. Closing balance	-	-	-
IV. Book value			
1. Closing book value	378,696,690	36,392,194	415,088,884
2. Opening book value	376,071,683	26,477,682	402,549,365

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Intangible assets

(1) Details of intangible assets

Item	Software	Land use right	Patent right	Non-patented	Trademark right	Concession	Customer resources and sales channel	Total
I. Original book value								
1. Opening balance	2,099,216,000	3,849,959,381	175,170,717	237,630,765	8,510,380	800,000	44,622,700	6,415,909,943
2. Increase in the current year	289,043,024	244,857,379	-	-	-	-	-	533,900,403
(1) Purchase	107,453,541	204,575,164	-	-	-	-	-	312,028,705
(2) Transferred from construction in progress	177,207,316	1,177,654	-	-	-	-	-	178,384,970
(3) Transferred from investment properties	-	12,250,723	-	-	-	-	-	12,250,723
(4) Exchanged from non-monetary type transaction	4,382,167	26,853,838	-	-	-	-	-	31,236,005
3. Decrease in the current year	68,411,664	57,109,576	-	300,000	92,445	-	-	125,913,685
(1) Disposal	68,411,664	37,008,737	-	300,000	92,445	-	-	105,812,846
(2) Transferred from investment properties	-	20,100,839	-	-	-	-	-	20,100,839
4. Closing balance	2,319,847,360	4,037,707,184	175,170,717	237,330,765	8,417,935	800,000	44,622,700	6,823,896,661
II. Accumulated amortization								
1. Opening balance	1,387,584,772	871,954,862	144,219,938	80,752,191	8,454,426	800,000	32,384,459	2,526,150,648
2. Increase in the current year	225,121,629	83,518,856	9,429,360	16,777,592	26,454	-	-	334,873,891
(1) Provision	225,025,196	81,291,823	9,429,360	16,777,592	26,454	-	-	332,550,425
(2) Transferred from investment properties	-	2,227,033	-	-	-	-	-	2,227,033
(3) Translation differences of foreign currency statements	96,433	-	-	-	-	-	-	96,433
3. Decrease in the current year	64,461,090	7,673,301	-	300,000	62,945	-	-	72,497,336
(1) Disposal	64,270,878	2,315,926	-	300,000	62,945	-	-	66,949,749
(2) Transferred from investment properties	-	5,357,375	-	-	-	-	-	5,357,375
(3) Exchange rate adjustment	190,212	-	-	-	-	-	-	190,212
4. Closing balance	1,548,245,311	947,800,417	153,649,298	97,229,783	8,417,935	800,000	32,384,459	2,788,527,203
III. Impairment provision								
1. Opening balance	519,208	-	-	275,000	-	-	12,238,241	13,032,449
2. Increase in the current year	71,368	-	-	-	-	-	-	71,368
3. Decrease in the current year	-	-	-	-	-	-	-	-
4. Closing balance	590,576	-	-	275,000	-	-	12,238,241	13,103,817
IV. Book value								
1. Closing book value	771,011,473	3,089,906,767	21,521,419	139,825,982	-	-	-	4,022,265,641
2. Opening book value	711,112,020	2,978,004,519	30,950,779	156,603,574	55,954	-	-	3,876,726,846

There are no intangible assets formed through internal R&D in the Group at the end of the year.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Intangible assets (Continued)

(2) Land use right for which the title certificate has not been obtained

Item	Book value	Reason for not completing the title certificate
QT007 high-end interconnection project, QT001 civil aircraft project land	182,085,973	In progress
Factory industrial land and aerotropolis land	6,244,695	To complete the title certificate successively
Total	188,330,668	–

21. Goodwill

(1) Original value of goodwill

Names of investees or matters forming goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Xi'an Qing'an Avionics Co., Ltd. (西安慶安航空電子有限公司)	9,506,216	–	–	9,506,216
AVIC Qinling Aerospace (Xiamen) Co., Ltd. (廈門中航秦嶺宇航有限公司)	59,487,100	–	–	59,487,100
Hubei HAPM MAGNA Seating System Co., Ltd. Kunshan Branch (湖北航嘉麥格納座椅系統有限公司昆山分公司)	262,329,083	–	–	262,329,083
Formed through merger of AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司) not under common control	15,871,971	–	–	15,871,971
Formed through merger of Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司) not under common control	53,249,924	–	–	53,249,924
Total	400,444,294	–	–	400,444,294

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill (Continued)

(2) Impairment provision of goodwill

Names of investees or matters forming goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Xi'an Qing'an Avionics Co., Ltd. (西安慶安航空電子有限公司)	-	-	-	-
AVIC Qinling Aerospace (Xiamen) Co., Ltd. (廈門中航秦嶺宇航有限公司)	44,922,201	-	-	44,922,201
Hubei HAPM MAGNA Seating System Co., Ltd. Kunshan Branch (湖北航嘉麥格納座椅系統有限公司昆山分公司)	187,981,612	74,347,471	-	262,329,083
Formed through merger of AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司) not under common control	-	-	-	-
Formed through merger of Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司) not under common control	-	-	-	-
Total	232,903,813	74,347,471	-	307,251,284

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill (Continued)

(3) Information about the asset group or asset group portfolio where the goodwill belongs

The main components of the goodwill asset group	Book value of asset group (RMB0'000)	Book value of asset group including goodwill (RMB0'000)	Recognition method of goodwill asset group portfolio	Is there any change in this period
Xi'an Qing'an Avionics Co., Ltd. (西安慶安航空電子有限公司)	1,175	2,126	There is an active market for the products produced by the asset group in which the goodwill belongs, which can bring independent cash flow and can be identified as a separate asset group	No
AVIC Qinling Aerospace (Xiamen) Co., Ltd. (廈門中航秦嶺宇航有限公司)	3,226	4,682	There is an active market for the products produced by the asset group in which the goodwill belongs, which can bring independent cash flow and can be identified as a separate asset group	No
Hubei HAPM MAGNA Seating System Co., Ltd. Kunshan Branch (湖北航嘉麥格納座椅系統有限公司昆山分公司)	1,781	9,215	There is an active market for the products produced by the asset group in which the goodwill belongs, which can bring independent cash flow and can be identified as a separate asset group	No

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill (Continued)

(3) Information about the asset group or asset group portfolio where the goodwill belongs (Continued)

The main components of the goodwill asset group	Book value of asset group (RMB0'000)	Book value of asset group including goodwill (RMB0'000)	Recognition method of goodwill asset group portfolio	Is there any change in this period
The group of assets related to the formation of goodwill by AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司)	40,512	43,806	There is an active market for the products produced by the asset group in which the goodwill belongs, which can bring independent cash flow and can be identified as a separate asset group	No
The group of assets related to the formation of goodwill by Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司)	13,507	23,948	There is an active market for the products produced by the asset group in which the goodwill belongs, which can bring independent cash flow and can be identified as a separate asset group	No

The asset group business related to the formation of goodwill by Xi'an Qing'an Avionics Co., Ltd. (西安慶安航空電子有限公司) has the same connotation and consistency as the initial recognition of goodwill and the asset group business during the impairment test in subsequent years.

The asset group business related to the formation of goodwill by AVIC Qinling Aerospace (Xiamen) Co., Ltd. (廈門中航秦嶺宇航有限公司) has the same connotation and consistency as the initial recognition of goodwill and the asset group business during the impairment test in subsequent years.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill (Continued)

(3) Information about the asset group or asset group portfolio where the goodwill belongs (Continued)

The asset group business related to the formation of goodwill by Hubei HAPM MAGNA Seating System Co., Ltd. Kunshan Branch (湖北航嘉麥格納座椅系統有限公司昆山分公司) has the same connotation and consistency as the initial recognition of goodwill and the asset group business during the impairment test in subsequent years.

The asset group portfolio related to the formation of goodwill by AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司) include asset group of AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司), asset group of Xi'an Forstar Cable Co., Ltd. (西安富士達線纜有限公司), asset group of Xi'an TST Testing Technique Co., Ltd. (西安泰斯特檢測技術有限公司) and asset group of Forstar Technology (Hong Kong) Co., Ltd. (富士達科技(香港)有限公司). The asset group business related to the formation of goodwill by AVIC Forstar S&T Company Limited has the same connotation and consistency as the initial recognition of goodwill and the asset group business during the impairment test in subsequent years.

The asset group business related to the formation of goodwill by Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司) has the same connotation and consistency as the initial recognition of goodwill and the asset group business during the impairment test in subsequent years.

Description of the goodwill impairment test process, key parameters and the recognition method of goodwill impairment loss:

(1) Key assumptions for using the discounted future cash flow method

At the end of the period, the Group made impairment test on the aforesaid asset groups related to goodwill. First, the goodwill is included in the asset group and the book value is adjusted, and then the adjusted book value of asset group is compared with its recoverable amount, so as to determine whether asset group (including goodwill) is impaired.

The recoverable amount of an asset group is determined as the present value of the estimated future cash flows of the asset group. The future cash flows of the asset group are based on the financial budget for a five-year period, and the perpetual cash flows beyond five years are determined at the level of the last year of the detailed forecast period. The discount rate used to calculate the present value is a pre-tax discount rate that reflects the risks specific to the relevant asset group. Other key assumptions used in making cash flow projections for asset groups include projected operating revenues, operating costs, growth rates and related expenses based on prior years' operating results, growth rates, industry levels and management's expectations of market developments for the asset group to which the goodwill relates.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill (Continued)

(3) Information about the asset group or asset group portfolio where the goodwill belongs (Continued)

(2) Goodwill impairment test results

- ① Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司) assessed the recoverable amount of the asset portfolio including goodwill formed due to consolidation of AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司) using the present value of the expected future cash flows of the assets of the asset group as its recoverable amount, and issued Dongzhou Ping Bao Zi [2024] No. 0481 AVIC JONHON Optronics Technology Co., Ltd.'s Appraisal Report on Recoverable Value of the Assets Group related to Proposed Impairment Testing of the Goodwill Formed by Merging AVIC Forstar S&T Company Limited on 10 March 2024, which was based on the condition at 31 December 2023, pursuant to which, the present value of the estimated future cash flows of the asset group portfolio including goodwill was RMB1,783,000,000, the carrying value of the asset group was RMB405,120,000, the consolidated goodwill of the Company was RMB15,870,000, the goodwill of minority shareholders was RMB17,070,000, and the carrying value of the asset group including goodwill was RMB438,060,000, and the recoverable amount of the asset group was greater than the carrying value of the asset group including goodwill; therefore, the goodwill formed upon consolidation of AVIC Forstar was not impaired at the end of 2023.

The major assessment assumptions are as follows:

Major basic assumptions	2024	2025	2026	2027	2028	Perpetuity
Revenue growth rate	16.79%	8.00%	6.00%	4.00%	3.00%	0.00%
Gross profit margin	41.67%	41.73%	41.77%	41.81%	41.75%	41.75%
Discount rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill (Continued)

(3) Information about the asset group or asset group portfolio where the goodwill belongs (Continued)

(2) Goodwill impairment test results (Continued)

- ② Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司) assessed the recoverable amount of the asset portfolio including goodwill formed due to consolidation of Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司) using the present value of the expected future cash flows of the assets of the asset group as its recoverable amount, and issued Dongzhou Ping Bao Zi [2024] No. 0480 AVIC JONHON Optronics Technology Co., Ltd.'s Asset Appraisal Report on Recoverable Value of the Assets Group related to Proposed Impairment Testing of the Goodwill Formed by Merging Shenzhen Xiangtong Photoelectric Technology Co., Ltd. on 10 March 2024, which is related to Items Containing Recoverable Amount of Goodwill Asset formed by merger of Shenzhen Xiangtong Photoelectric Technology Co., Ltd., which was based on the condition at 31 December 2023, pursuant to which, the present value of the estimated future cash flows of the asset group portfolio including goodwill of Shenzhen Xiangtong Photoelectric Technology Co., Ltd. was RMB286,000,000, the carrying value of the asset group was RMB135,070,000, the consolidated goodwill of the Company was RMB53,250,000, the goodwill of minority shareholders was RMB51,160,000, and the carrying value of the asset group including goodwill was RMB239,480,000, and the recoverable amount of the asset group was greater than the carrying value of the asset group including goodwill; therefore, the goodwill formed upon consolidation of Shenzhen Xiangtong was not impaired at the end of 2023.

The major assessment assumptions are as follows:

Major basic assumptions	2024	2025	2026	2027	2028	Perpetuity
Revenue growth rate	12.99%	9.10%	5.46%	3.19%	1.19%	0.00%
Gross profit margin	28.07%	27.36%	26.97%	27.10%	26.68%	26.68%
Discount rate	12.12%	12.12%	12.12%	12.12%	12.12%	12.12%

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill (Continued)

(3) Information about the asset group or asset group portfolio where the goodwill belongs (Continued)

(2) Goodwill impairment test results (Continued)

- ③ According to Asset Appraisal Report on the Present Value of the Estimated Future Cash Flows of the Asset Group Where the Goodwill of AVIC Qinling Aerospace (Xiamen) Co., Ltd. Belongs in relation to the Goodwill Impairment Test Intended to Be Conducted by Shaanxi Aero Electric Co., Ltd. (陝西航空電氣有限責任公司) (Zhong Lian Ping Bao Zi (2024) No.1069) issued by Hubei Zhonglian Assets Appraisal Co., Ltd.(湖北眾聯資產評估有限公司), the present value of the estimated future cash flows of the asset group (including goodwill) related to AVIC Qinling Aerospace (Xiamen) Co., Ltd. was RMB49,790,000, which was higher than the carrying value of the asset group (including goodwill) of RMB46,820,000, and therefore no impairment provision for goodwill was required in the current period.

The major assessment assumptions are as follows:

Major basic assumptions	2024	2025	2026	2027	2028	Perpetuity
Revenue growth rate	15.00%	15.00%	10.00%	10.00%	8.00%	0.00%
Gross profit margin	24.21%	25.43%	25.91%	26.06%	25.92%	25.92%
Discount rate	11.60%	11.60%	11.60%	11.60%	11.60%	11.60%

- ④ According to Asset Appraisal Report on the Recoverable Amount of the Asset Group Where the Goodwill of Kunshan Branch of Hubei HAPM MAGNA Seating System Co., Ltd. Belongs in relation to the Goodwill Impairment Test Intended to Be Conducted by Hubei HAPM MAGNA Seating System Co., Ltd. (湖北航嘉麥格納座椅系統有限公司) (Yin Xin Ping Bao Zi (2024) No. B00043) issued by Yinxin Assets Appraisal Co., Ltd., the present value of the estimated future cash flows of the asset group related to Kunshan Branch of Hubei HAPM MAGNA Seating System Co., Ltd. was RMB17,900,000, which was approximate to the carrying value of the asset group of RMB17,810,000, and therefore the net book value of goodwill was reduced to nil at the end of the current period, that is, the impairment provision of goodwill in the current period amounted to RMB74,350,000.

The major assessment assumptions are as follows:

Major basic assumptions	2024	2025	2026	2027	2028	Perpetuity
Revenue growth rate	27.65%	-1.66%	-1.79%	-2.66%	-2.23%	0.00%
Gross profit margin	5.17%	5.28%	5.69%	5.13%	5.06%	5.06%
Discount rate	10.86%	10.86%	10.86%	10.86%	10.86%	10.86%

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill (Continued)

(3) Information about the asset group or asset group portfolio where the goodwill belongs (Continued)

(2) Goodwill impairment test results (Continued)

- ⑤ According to Asset Appraisal Report on the Present Value of the Estimated Future Cash Flows of the Asset Group Where the Goodwill of Xi'an Qing'an Avionics Co., Ltd. Belongs in relation to the Goodwill Impairment Test Intended to Be Conducted by Qing'an Group Co., Ltd. (慶安集團有限公司) (Zhong Lian Ping Bao Zi (2024) No.1068) issued by Hubei Zhonglian Assets Appraisal Co., Ltd., the present value of the estimated future cash flows of the asset group (including goodwill) related to Xi'an Qing'an Avionics Co., Ltd. was RMB35,540,000, which was higher than the carrying value of the asset group (including goodwill) of RMB21,260,000, and therefore no impairment provision for goodwill was required in the current period.

The major assessment assumptions are as follows:

Major basic assumptions	2024	2025	2026	2027	2028	Perpetuity
Revenue growth rate	5.00%	7.93%	7.94%	7.94%	5.27%	0.00%
Gross profit margin	18.17%	16.35%	16.35%	16.35%	16.37%	16.37%
Discount rate	10.28%	10.28%	10.28%	10.28%	10.28%	10.28%

22. Long-term deferred expenses

Item	Opening balance	Increase in the current year	Amortization in the current year	Other decrease in the current year	Closing balance
Renovation costs	41,419,510	58,458,639	19,922,076	–	79,956,073
Technical transformation project	112,660	–	28,165	–	84,495
Others	1,758,559	12,531,063	8,614,559	–	5,675,063
Total	43,290,729	70,989,702	28,564,800	–	85,715,631

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment	2,955,148,330	450,172,781	2,526,261,650	381,069,431
Estimated liabilities	302,918,851	45,437,828	432,019,871	64,802,981
Employee payable	34,382,200	5,157,330	57,654,364	8,648,155
Share-based payment	589,734,585	88,460,188	297,786,836	44,668,025
Changes in fair value of other equity instrument investments	63,652,500	5,738,431	56,229,345	8,434,402
Deductible losses	576,882,260	86,963,502	241,941,605	36,291,241
Lease liabilities	434,128,769	75,148,487	408,683,183	72,714,088
Others	722,969,079	112,575,641	642,098,492	96,718,556
Total	5,679,816,574	869,654,188	4,662,675,346	713,346,879

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Deferred income tax assets and deferred income tax liabilities (Continued)

(2) Deferred income tax liabilities before offsetting

Item	Closing balance		Opening balance	
	temporary differences	Deferred income tax liabilities	temporary differences	Deferred income tax liabilities
Depreciation of fixed assets	1,234,281,157	185,142,174	1,080,081,976	161,864,897
Changes in fair value of other equity instrument investments	999,277,800	257,401,999	1,053,985,197	266,588,854
Changes in fair value of financial instruments held for trading	3,286,066	821,516	8,501,417	2,074,189
Assets appraisal appreciation	31,322,663	5,429,366	34,095,437	7,944,589
Right-of-use assets	415,088,884	71,267,572	402,549,365	70,001,403
Long-term equity investments	510,059,687	76,508,953	501,843,843	75,276,576
Total	3,193,316,257	596,571,580	3,081,057,235	583,750,508

(3) Details of unrecognized deferred income tax assets

Item	Closing balance	Opening balance
Deductible temporary differences	662,145,578	421,306,403
Deductible loss	1,685,940,878	1,532,757,318
Total	2,348,086,456	1,954,063,721

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Deferred income tax assets and deferred income tax liabilities (Continued)

(4) The deductible losses of unrecognized deferred income tax assets will expire in the following years

Year	Closing balance	Opening balance	Note
2023	–	56,961,266	–
2024	411,357,344	462,263,386	–
2025	146,138,190	160,460,660	–
2026	89,677,096	89,677,096	–
2027	128,994,045	184,019,288	–
2028	295,589,474	15,519,035	–
2029	13,393,311	13,409,977	–
2030	336,727,582	337,417,097	–
2031	5,447,145	–	–
2032	218,637,817	213,029,513	–
2033	39,978,874	–	–
Total	1,685,940,878	1,532,757,318	–

24. Other non-current assets

Item	Book balance	Closing balance		Opening balance		
		Impairment provision	Book value	Book balance	Impairment provision	Book value
Contract assets	175,225,487	–	175,225,487	268,579,383	–	268,579,383
Prepaid equipment fees	410,426,446	–	410,426,446	847,259,812	–	847,259,812
Term deposit for more than one year	178,874,698	–	178,874,698	179,526,539	–	179,526,539
Prepaid construction fees	46,459,957	–	46,459,957	2,352,476	–	2,352,476
Advance payment for collaborative R&D projects	–	–	–	10,000,000	–	10,000,000
Project upfront expenditure	–	–	–	392,163	–	392,163
Prepaid performance guarantee deposit	552,687	–	552,687	3,889,675	–	3,889,675
Total	811,539,275	–	811,539,275	1,312,000,048	–	1,312,000,048



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Short-term borrowings

Category	Closing balance	Opening balance
Credit borrowings	4,813,472,656	6,690,008,204
Secured borrowings	184,311,097	182,403,929
Guaranteed borrowings	–	4,000,000
Total	4,997,783,753	6,876,412,133

Note: There were no overdue short-term borrowings at the end of the year.

26. Financial liabilities held for trading

Item	Closing balance	Opening balance
Financial liabilities at fair value through profit or loss	72,143,493	48,392,809
Including: Gold leasing	72,143,493	43,587,499
Forward settlement of foreign exchange	–	4,805,310
Total	72,143,493	48,392,809

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Notes payable

(1) Classification of notes payable

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

(2) Aging of notes payable

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

28. Accounts payable

(1) Presentation of accounts payable

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Accounts payable (Continued)

(2) The ageing of accounts payable based on their transaction dates is analyzed as below

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

(3) Important accounts payable aged over 1 year

Name of the company	Closing balance	Reasons for outstanding or carry-over
Company 1	223,263,068	Not due for settlement
Company 2	193,718,666	Not due for settlement
Company 3	192,782,736	Not due for settlement
Company 4	146,392,164	Payment conditions not met
Company 5	121,605,309	Payment conditions not met
Company 6	114,535,221	Not due for settlement
Company 7	87,099,440	Not due for settlement
Company 8	85,444,326	Payment conditions not met
Company 9	79,152,801	Payment conditions not met
Company 10	72,735,607	Payment conditions not met
Total	1,316,729,338	—

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Advances

Item	Closing balance	Opening balance
Advance rent	18,258,191	25,424,784
Others	22,496,063	25,776,471
Total	40,754,254	51,201,255

30. Contract liabilities

(1) Details of contract liabilities

Item	Closing balance	Opening balance
Aviation entire aircraft	12,261,906,744	20,295,891,852
Aviation ancillary system and related business	5,398,233,865	2,728,344,788
Aviation engineering services	1,440,550,860	1,710,044,887
Total	19,100,691,469	24,734,281,527

(2) Significant change in book value of contract liabilities in the current year

Item	Amount changed	Reasons for change
Aviation entire aircraft	-8,033,985,108	The gradual delivery of aviation entire aircraft orders, leading to the decrease in customer prepayments; the increase in aviation ancillary system and related business during the current period is due to the increase in customer prepayments with the orders on hand increased
Aviation ancillary system and related business	2,669,889,077	
Aviation engineering services	-269,494,027	
Total	-5,633,590,058	

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Employee compensation payable

(1) Classification of employee compensation payable

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Short-term compensation	2,713,781,604	16,146,178,260	15,653,393,969	3,206,565,895
Post-employment welfare- defined contribution plan	90,649,776	1,940,333,881	1,924,838,147	106,145,510
Dismission	13,756,783	20,784,461	24,436,584	10,104,660
Total	2,818,188,163	18,107,296,602	17,602,668,700	3,322,816,065

(2) Short-term compensation

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Salary, bonus, allowance and subsidy	1,952,872,662	11,888,760,498	11,513,172,965	2,328,460,195
Employee benefit	2,409,470	880,111,612	880,125,881	2,395,201
Social insurance premium	37,026,614	866,779,421	841,641,154	62,164,881
Including: Medical insurance premium	36,081,815	812,054,189	787,235,544	60,900,460
Work-related injury insurance premium	944,799	49,554,865	49,240,449	1,259,215
Maternity insurance premium	–	5,170,367	5,165,161	5,206
Housing provident fund	31,578,417	1,212,822,960	1,206,380,268	38,021,109
Union funds and staff education fund	683,671,347	398,593,978	312,048,395	770,216,930
Other short-term compensation	6,223,094	899,109,791	900,025,306	5,307,579
Total	2,713,781,604	16,146,178,260	15,653,393,969	3,206,565,895

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Employee compensation payable (Continued)

(3) Defined contribution plan

The Group participates in social insurance plans established by government agencies as required. According to the plans, the Group pays fees based on a specific percentage of the employee's salary to these plans in accordance with the relevant regulations of the local government. Except for the above contributions, the Group will not undertake any further payment obligations. Corresponding expenses are included in the current profit and loss or related asset costs when incurred.

The Group's contributions to the pension, annuity and unemployment insurance plans for the year, respectively, are as follows:

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Basic pension insurance	36,163,762	1,384,262,463	1,402,496,089	17,930,136
Unemployment insurance	11,230,610	54,722,465	55,170,063	10,783,012
Annuity payments	43,255,404	501,348,953	467,171,995	77,432,362
Total	90,649,776	1,940,333,881	1,924,838,147	106,145,510

The Group has a contribution fee of RMB1,940,333,881 (2022: RMB1,294,533,357) payable to the participating defined contribution plans for the current year. As at 31 December 2023, the Group had RMB106,145,510 (31 December 2022: RMB64,035,512) of deposit fees payable which were due and unpaid during the current reporting period and such deposit fees payable were paid after the reporting period.

For each of the two financial years ended 31 December 2022 and 2023, there are no forfeited contributions under the Group's defined contribution plans (which are made by employers on behalf of employees who leave the plans prior to the full vesting of such contributions) available to the Group to reduce the existing level of contributions.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Tax payable

Item	Closing balance	Opening balance
Value-added tax	1,045,795,960	1,677,810,187
Corporate income tax	183,025,177	231,488,950
Individual Income Tax	96,103,460	167,927,745
City maintenance and construction tax	22,242,715	109,378,687
Property tax	16,748,460	16,780,895
Education surcharge	16,230,039	78,274,728
Land value-added tax	11,602,370	11,728,227
Land use tax	5,524,634	6,142,342
Other taxes and fees	11,816,101	8,971,151
Total	1,409,088,916	2,308,502,912

33. Other payables

Item	Closing balance	Opening balance
Dividends payable	62,556,162	142,061,557
Other payables	3,156,081,521	3,594,683,413
Total	3,218,637,683	3,736,744,970

33.1 Dividends payable

Item	Closing balance	Opening balance
Dividends on ordinary shares	62,556,162	142,061,557
Total	62,556,162	142,061,557

Note: There was no significant dividends payable outstanding for more than one year at the end of the year.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Other payables (Continued)

33.2 Other payables

(1) Classification of other accounts payable by nature

Nature of amount	Closing balance	Opening balance
Restricted stock repurchase obligations and stock dividend	1,557,260,735	1,802,843,614
Intercourse funds	361,317,351	513,897,539
Receivables and payables on behalf of other parties	260,200,518	299,984,774
Payables on behalf of employee	354,039,483	298,756,284
Outstanding fees	185,047,306	161,444,938
Security and deposit	66,720,588	82,911,643
Party organization funds	71,162,206	52,127,062
Pension provision	12,882,117	41,204,032
Housing maintenance fund	20,228,976	18,108,397
Others	267,222,241	323,405,130
Total	3,156,081,521	3,594,683,413

(2) Significant other accounts payable aged over 1 year

Name	Closing balance	Reasons for outstanding or not being carried forward
Restricted stock repurchase obligations and stock dividend	1,272,733,767	Undue
Salary surcharges	195,684,244	Special funds not used
Party organization work funds	58,164,777	Not used
Company 1	13,337,627	Unsettled
Company 2	10,757,479	Unsettled
Company 3	10,000,000	Project not executed to completion
Total	1,560,677,894	-



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	824,305,847	3,127,911,650
Long-term payables due within one year	3,106,278	4,928,868
Lease liabilities due within one year	90,466,176	80,610,030
Non-financial institution borrowings due within one year	336,064,481	1,302,455,871
Total	1,253,942,782	4,515,906,419

35. Other current liabilities

Item	Closing balance	Opening balance
Borrowings from other non-financial institutions	312,139,938	129,903,203
Tax pending for written back	400,616,000	283,651,761
Notes endorsed for transfer without derecognition at the end of the year	593,079,822	578,470,622
Accruals	–	37,552
Total	1,305,835,760	992,063,138

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Long-term borrowings

(1) Classification of long-term borrowings

Category	Closing balance	Opening balance
Credit borrowings	5,979,549,104	2,006,629,735
Guaranteed borrowings	64,000,000	91,000,000
Secured borrowings	24,000,000	24,000,000
Total	6,067,549,104	2,121,629,735

The principal of the above borrowings shall be repaid within the following periods:

Item	Closing balance	Opening balance
Within one year	824,305,847	3,127,911,650
More than one year after the balance sheet date, but not more than two years	3,044,813,758	969,264,921
More than two years after the balance sheet date, but not more than five years	2,934,735,346	1,055,364,814
More than five years after the balance sheet date	88,000,000	97,000,000
Less: amounts due within one year under current liabilities	824,305,847	3,127,911,650
Amount under non-current liabilities	6,067,549,104	2,121,629,735

Note 1: The interest rate range of the Group's long-term borrowings at the end of the year was 1.08% to 4.37% (1.08% to 4.37% at the beginning of the year).

Note 2: For details of the Group's secured borrowings at the end of the year, see Note VI.67.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Lease liabilities

Item	Closing balance	Opening balance
Lease payment	562,042,654	569,850,732
Less: Unrecognized financing costs	128,914,504	152,829,473
Reclassification to leasing liabilities due within one year	90,466,176	80,610,030
Total	342,661,974	336,411,229

Note: The Group's cash flow payments for other leases except for short-term and low-value leases in the current year totaled RMB100,117,148.

The carrying amounts of the above lease liabilities shall be repaid within the following periods:

Item	Closing balance
Within one year	90,466,176
More than one year after the balance sheet date, but not more than two years	62,684,066
More than two years after the balance sheet date, but not more than five years	132,317,285
More than five years after the balance sheet date	147,660,623
Total	433,128,150
Less: lease liabilities due within one year under current liabilities	90,466,176
Lease liabilities under non-current liabilities	342,661,974

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Long-term payables

Item	Closing balance	Opening balance
Long-term payables	5,834,673	15,955,858
Special payables	-746,153,203	-1,890,249,476
Total	-740,318,530	-1,874,293,618

38.1 Long-term payables

(1) *Classification of long-term payables by nature*

Nature of the amount	Closing balance	Opening balance
Financial leasing	5,834,673	20,884,726
Less: Unrecognized financing costs	–	–
Others	3,106,278	–
Less: long-term payables due within one year	3,106,278	4,928,868
Total	5,834,673	15,955,858

(2) *The carrying amounts of the long-term payables shall be repaid within the following periods*

Category	Closing balance	Opening balance
Within one year	3,106,278	4,928,868
More than one year after the balance sheet date, but not more than two years	3,067,174	5,226,034
More than two years after the balance sheet date, but not more than five years	2,767,499	5,390,302
More than five years after the balance sheet date	–	5,339,522
Less: long-term payables due within one year under current liabilities	3,106,278	4,928,868
Amounts under non-current liabilities	5,834,673	15,955,858

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Long-term payables (Continued)

38.2 Special payables

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Research fees	-4,831,841,480	5,357,839,187	3,837,923,804	-3,311,926,097
Technical renovation infrastructure project	2,883,709,377	952,666,515	1,325,354,022	2,511,021,870
Allocations for water, electricity, heating and property management	24,006,305	3,126,321	1,992,607	25,140,019
Other projects	33,876,322	625,401	4,890,718	29,611,005
Total	-1,890,249,476	6,314,257,424	5,170,161,151	-746,153,203

39. Long-term employee compensation payable

(1) Classification of Long-term employee compensation payable

Item	Closing balance	Opening balance
Post-employment welfare – net debt of the defined benefit plan	1,778,640,763	1,904,750,142
Dismissal welfare	62,697,176	106,476,590
Total	1,841,337,939	2,011,226,732

(2) Changes in the defined benefit plan-the present value of the obligations of the defined benefit plan

Item	Amount in the current year	Amount in the previous year
Opening balance	1,904,750,142	2,022,346,316
Defined benefit cost included in current profit and loss	49,672,948	52,220,684
1. Current service cost	154,948	299,992
2. Past service cost	1,030,000	260,000
3. Settlement gains (losses are indicated by "-")	—	—
4. Net interest	48,488,000	51,660,692
Defined benefit cost included in other comprehensive income	-34,766,713	15,566,363
1. Actuarial gains (losses are indicated by "-")	-34,766,713	15,566,363
Other changes	-141,015,614	-185,383,221
1. Consideration paid at settlement	-739,948	—
2. Benefits paid	-131,445,666	-185,383,221
3. Provision for reserve fee	-8,830,000	—
4. Disposal of subsidiaries	—	—
Closing balance	1,778,640,763	1,904,750,142

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Long-term employee compensation payable (Continued)

(3) Changes in the defined benefit plan-the net debt of the defined benefit plan (net assets)

Item	Amount in the current year	Amount in the previous year
Opening balance	1,904,750,142	2,022,346,316
Defined benefit cost included in current profit and loss	49,672,948	52,220,684
Defined benefit cost included in other comprehensive income	-34,766,713	15,566,363
Other changes	-141,015,614	-185,383,221
Closing balance	1,778,640,763	1,904,750,142

Note: The Group recognizes the defined benefit obligation as a liability. The Group's liabilities are determined by relying on actuarial estimates with various assumptions and conditions. The assumptions used in the actuarial valuation report include discount rates, mortality rates, benefit growth rates, and other factors.

The present value of the Group's defined benefit plan obligations for the year was calculated by Towers Watson Consulting (Shenzhen) Co., Ltd., (韜睿惠悅管理諮詢(深圳)有限公司) an independent actuarial institute. The principal actuarial assumptions used in actuarial report for the current year are as follows:

- ① the discount rate to determine the defined benefit obligation: 2.25%-2.50%;
- ② mortality rate: China Life Insurance Mortality Table (2010-2013);
- ③ Supplemental/extra-integrated medical benefits annual growth rate: 6.00%-8.00%;
- ④ annual growth rate of basic salary, allowance, basic social insurance and housing fund contributions for formerly retired staff who left their jobs: 2.00%-6.00%.

The deviations between actual results and actuarial results will affect the accuracy of the related accounting estimates. Even if the management considers the above assumptions to be reasonable, any changes in the assumptions will still affect the amount of the liability. All assumptions are reviewed at the reporting date.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Estimated liabilities

Item	Closing balance	Opening balance
Product quality assurance	302,918,851	432,019,871
Principal amount of Orient Asset Bonds converted to shares	215,180,000	215,180,000
Others	700,000	700,000
Total	518,798,851	647,899,871

41. Deferred income

(1) Classification of deferred income

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance	Reasons for formation
Government grants	1,214,792,913	164,259,401	141,181,745	1,237,870,569	Government grants
Subsidy for employee placement	2,474,212	—	1,237,106	1,237,106	Employee placement
Total	1,217,267,125	164,259,401	142,418,851	1,239,107,675	—

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. Deferred income (Continued)

(2) Government grants projects

	Opening balance	Amount of new subsidy this year	Amount included in other income this year	Amount included in non-operating income this year	Amount of offsetting costs and expenses this year	Other changes	Closing balance	Asset-related/Income-related
Government grants projects								
Land relocation compensation	396,758,705	-	14,627,782	-	-	-	382,130,923	Asset-related
Subsidies for *** post-disaster reconstruction project	228,370,356	52,622,400	10,505,334	-	-	-	270,487,422	Asset-related
Special funds for park construction allocated by the Development and Reform Bureau of ** Economic and Technological Development Zone	52,205,696	17,000,000	6,536,136	-	-	-	62,669,560	Asset-related
Special funds for central enterprises to enter Hebei and special funds for industrial development	62,017,500	-	3,680,000	-	-	-	58,337,500	Asset-related
High Speed Connector Project (Research and development and industrialization project of a connector)	52,065,231	-	7,887,743	-	-	-	44,177,488	Asset-related
Project of Nanchang aviation industry city construction and development of large aircraft	40,846,654	-	1,036,053	-	-	-	39,810,601	Asset-related
Relocation compensation subsidy	40,961,799	-	2,409,518	-	-	-	38,552,281	Asset-related
Government grants for land in the new Lvmeng district	36,245,511	-	842,919	-	-	-	35,402,592	Asset-related
Underwater plugging and unplugging of optoelectronic mixers	30,000,000	-	5,805,638	-	-	-	24,194,362	Asset-related
112G high-speed connector industrialization project	22,390,433	-	2,274,892	-	-	-	20,115,541	Asset-related
Industrial development funds	21,495,837	-	1,954,166	-	-	-	19,541,671	Asset-related
MIIT project	22,328,759	-	4,338,929	-	-	-	17,989,830	Asset-related
Aviation pipeline specialization project	-	12,800,000	-	-	-	-	12,800,000	Asset-related
Land grant subsidies	11,856,461	-	338,756	-	-	-	11,517,705	Asset-related
Special funds for development	-	11,740,000	546,000	-	-	-	11,194,000	Asset-related
*** research security funds	-	17,500,000	7,110,349	-	-	-	10,389,651	Asset-related
Kaitong relocation compensation	10,536,526	-	443,182	-	-	-	10,093,344	Asset-related
High-performance cable industrialization project	15,940,394	-	5,977,648	-	-	-	9,962,746	Asset-related
Special fund subsidy for gymnasium	10,208,333	-	700,000	-	-	-	9,508,333	Asset-related

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. Deferred income (Continued)

(2) Government grants projects (Continued)

Government grants projects	Opening balance	Amount of new subsidy this year	Amount included in other income this year	Amount included in non-operating income this year	Amount of offsetting costs and expenses this year	Other changes	Closing balance	Asset-related/ Income-related
*** capacity expansion project	9,332,124	-	1,081,674	-	-	-	8,250,450	Asset-related
Electric Vehicle Powertrain System Construction Project under ** High-tech Industrial Park Electric Vehicle Powertrain System (Phase I) Project	8,179,667	-	212,000	-	-	-	7,967,667	Asset-related
Cutting funds for technological transformation and transformative upgrading allocated by the Finance Bureau of **** Economic Development Zone	6,970,000	-	-	-	-	-	6,970,000	Asset-related
Special funds for high-quality development of provincial manufacturing industry	7,289,750	-	1,096,755	-	-	-	6,192,995	Asset-related
Rail transit equipment production projects	5,874,608	-	108,466	-	-	-	5,766,142	Asset-related
Production capacity enhancement project	11,016,590	-	5,520,235	-	-	-	5,496,355	Asset-related
Special funds for the development of southern Shaanxi cycle project subsidies	6,136,342	-	909,096	-	-	-	5,227,246	Asset-related
Enterprise Technology Center award	5,000,000	-	-	-	-	-	5,000,000	Income-related
** Provincial Industry-guided Economic Fund	5,000,000	-	-	-	-	-	5,000,000	Asset-related
Subsidies for innovative capacity building	-	5,000,000	-	-	-	-	5,000,000	Asset-related
Lanzhou City coal to gas boiler subsidies	4,341,199	-	1,075,000	-	-	-	3,266,199	Asset-related
National science and technology major project	5,001,651	-	3,107,593	-	-	-1,148,810	745,248	Income-related
Others	86,422,787	47,597,001	47,328,256	-	-	-2,578,815	84,112,717	Asset/Income-related
Total	1,214,792,913	164,259,401	137,454,120	-	-	-3,727,625	1,237,870,569	-

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Other non-current liabilities

Item	Closing balance	Opening balance
Borrowings and interest of AVIC Airborne Systems Company Limited (中航機載系統有限公司)	600,450,005	917,565,346
Borrowings and interest of China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司)	67,467,738	67,467,738
Proposed debt-to-equity borrowings	83,840,000	83,840,000
Tax pending for written back	–	15,312
Contract liabilities	808,603,306	1,382,482,306
Total	1,560,361,049	2,451,370,702

43. Share capital

Item	Opening balance	Increase and decrease in change for the year (+, -)				Subtotal	Closing balance
		Issuance of new shares	Bonus issue	Conversion from reserves	Other		
Total shares	7,711,332,242	261,522,000	–	–	–	261,522,000	7,972,854,242

44. Capital reserves

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Share capital premium	1,005,768,527	738,476,848	–	1,744,245,375
Other capital reserves	12,911,321,192	570,063,064	1,711,332,913	11,770,051,343
Total	13,917,089,719	1,308,539,912	1,711,332,913	13,514,296,718



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Capital reserves (Continued)

- Note 1: The Company's private placing resulted in an increase in capital reserve (equity premium) of RMB738,476,848.
- Note 2: The Company disposed of four external investments including AVIC Jincheng Unmanned Systems Co., Ltd. (中航金城無人系統有限公司), resulting in a decrease in other capital reserves of RMB23,899,897.
- Note 3: The Company disposed of its subsidiary Harbin Aviation Industry Company Co., Ltd. (哈爾濱航空工業(集團)有限公司) to an entity within the Group, resulting in a decrease in other capital reserves of RMB24,588,405.
- Note 4: AVIC Airborne Systems Co., Ltd. (中航機載系統股份有限公司), a subsidiary of the Company, absorbed and merged with AVIC Electromechanical Systems Co., Ltd. (中航工業機電系統股份有限公司), resulting in a decrease in other capital reserves of RMB1,642,994,045.
- Note 5: The Group accounted for the joint ventures and associates under the equity method, resulting in an increase in other capital reserves of RMB11,414,001.
- Note 6: The A shares under the Restricted Share Intensive Scheme (Phase II) of AVIC JONHON Optron Technology Co., Ltd. (中航光電科技股份有限公司), a subsidiary of the Company, was unlocked during the year, resulting in an increase in other capital reserves of RMB62,111,598.
- Note 7: The amortization of share-based payment of AVIC JONHON Optron Technology Co., Ltd. (中航光電科技股份有限公司), a subsidiary of the Company, during the year resulted in an increase in other capital reserves of RMB161,768,215.
- Note 8: Harbin Aircraft Industry Group Co., Ltd. (哈爾濱飛機工業集團有限責任公司), a subsidiary of the Company, increased its capital from state-owned exclusive capital reserves, resulting in an increase in other capital reserves of RMB282,996,014.
- Note 9: Changhe Aircraft Industries (Group) Co., Ltd. (昌河飛機工業(集團)有限責任公司), a subsidiary of the Company, increased its capital from state-owned exclusive capital reserves, resulting in an increase in other capital reserves of RMB38,247,810.
- Note 10: The capital increase in Tianjin AVIC Jinjiang Aviation Maintenance Engineering Co., Ltd. (天津中航錦江航空維修工程有限責任公司) by Harbin Aircraft Industry Group Co., Ltd. (哈爾濱飛機工業集團有限責任公司), a subsidiary of the Company, resulted in an increase in other capital reserves of RMB9,960,945.
- Note 11: AVIC JONHON Optron Technology Co., Ltd. (中航光電科技股份有限公司), a subsidiary of the Company, acquired minority shareholders' equity in Shenzhen Xiangtong Optoelectronics Technology Co., Ltd. (深圳市翔通光電技術有限公司), resulting in a decrease in other capital reserve of RMB19,850,566.
- Note 12: China Aviation Planning and Design Institute (Group) Co., Ltd. (中國航空規劃設計研究總院有限公司), a subsidiary of the Company, absorbed and merged with Beijing Yinyan Industrial Co., Ltd. (北京銀燕實業有限公司), resulting in an increase in other capital reserves of RMB1,877,958.
- Note 13: AVIC Industrial Investment Co., Ltd. (中航科工產業投資有限責任公司), a subsidiary of the Company, disposed of AVIC Guohua (Shanghai) Laser Display Technology Co., Ltd. (中航國畫(上海)激光顯示科技有限公司), resulting in an increase in other capital reserves of RMB1,686,523.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Other comprehensive income

Item	Opening balance	Amount before income tax for the current period	Amount for the current year Less: included in other comprehensive income in the previous period and transferred to retained earnings in the current period	Less: income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	Closing balance
I. Other comprehensive income that cannot be reclassified into profit or loss	184,621,325	-20,158,387	2,395,200	-10,134,494	17,743,338	-30,162,431	202,364,663
Including: Changes arising from re-measurement of the defined benefit plan	-530,156,290	35,344,318	-	-	34,766,713	577,605	-495,389,577
Other comprehensive income that cannot be reclassified into profit or loss under the equity method	4,255,511	3,127,081	-	-	2,300,746	826,335	6,556,257
Changes in fair value of other equity instrument investments	710,522,104	-58,629,786	2,395,200	-10,134,494	-19,324,121	-31,566,371	691,197,983
Others	-	-	-	-	-	-	-
II. Other comprehensive income reclassified into the profit or loss	26,543,221	1,624,131	-	-	33,085	1,591,046	26,576,306
Including: Other comprehensive income that can be reclassified into profit or loss under the equity method	647	-14,849	-	-	-2,450	-12,399	-1,803
Translation difference of foreign currency financial statements	26,542,574	1,638,980	-	-	35,535	1,603,445	26,578,109
Total other comprehensive income	211,164,546	-18,534,256	2,395,200	-10,134,494	17,776,423	-28,571,385	228,940,969

46. Special reserves

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Safety production expenses	510,537,937	263,480,558	293,402,780	480,615,715
Total	510,537,937	263,480,558	293,402,780	480,615,715

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Surplus reserves

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Statutory surplus reserve	373,902,267	77,721,575	–	451,623,842
Total	373,902,267	77,721,575	–	451,623,842

48. Undistributed profits

Item	Amount in the current year	Amount in the previous year
Balance at the end of last year	7,169,523,872	5,296,679,064
Add: Adjustment of retained earnings at the beginning of the year	–	831,600,227
Including: Change in the scope of combination under common control	–	830,573,809
Balance at the beginning of the current year	7,169,523,872	6,128,279,291
Add: Net profit for the year attributable to owners of the parent company	2,446,952,909	2,320,449,837
Retained earnings carried over from other comprehensive income	1,796,398	-554,042,607
Other increase	228,004	307,205
Less: Withdrawal of statutory surplus reserve	77,721,575	65,753,808
Dividends payable on ordinary shares	616,906,579	616,906,579
Other decrease	–	42,809,467
Balance at the end of the current year	8,923,873,029	7,169,523,872

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48. Undistributed profits (Continued)

Note 1: Details of dividends declared and paid and proposed in prior periods are as follows: ① As for the year ended 31 December 2022, pursuant to the resolutions of meeting of the Board held on 30 March 2022 and the resolutions of the annual general meeting held on 27 May 2022 for the year ended 31 December 2021, the Company declared the final dividend for 2021 on the basis of RMB0.08 per share (including tax) to each shareholder, amounting to RMB616,906,579 in aggregate. The Company has paid the above dividends to each shareholder in June 2022. ② As for the year ended 31 December 2023, pursuant to the resolution of meeting of the Board held on 15 March 2023 and the resolution of the annual general meeting held on 18 May 2023 for the year ended 31 December 2022, the Company declared a final dividend for 2022 on the basis of RMB0.08 (including tax) per share to each shareholder, amounting to RMB616,906,579 in aggregate. The Company has paid the above dividends to each shareholder in June 2023.

49. Operating revenue and operating costs

(1) Details of operating revenue and operating costs

Item	Amount for the current year		Amount for the previous year	
	Revenue	Cost	Revenue	Cost
Main businesses	83,554,554,129	62,487,070,560	77,513,461,212	59,030,409,912
Other businesses	1,170,336,508	900,137,254	1,247,423,161	901,774,917
Total	84,724,890,637	63,387,207,814	78,760,884,373	59,932,184,829

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49. Operating revenue and operating costs (Continued)

(2) Revenue from contracts

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49. Operating revenue and operating costs (Continued)

(3) *Information related to performance obligations*

The types of transactions involving performance obligations of the Group are sales of goods and rendering of services. The Group recognizes revenue when it has fulfilled its performance obligations under the contract, i.e., when the customer obtains control of the related goods or services.

The Group determines that the contracts of aviation entire aircraft, the helicopter maintenance contracts in the aviation ancillary system and related business, and the engineering contracting contracts and consulting and design contracts in the aviation engineering services are performance obligations to be performed within a certain period of time. The time of the performance obligations is basically consistent with the completion progress. The Group determines the time and proportion of progress payment according to the nodes in the contract with the customer and performs the corresponding obligations in strict accordance with the terms of the contract. If any party in the process breaches the contract or fails to perform its contractual obligations in a timely manner, in case of being the responsibility of the enterprise, it is required to refund the amount paid in advance by the customer or deduct the contract price payable, and compensate for the reasonable loss that has also been incurred.

Generally, the warranty period for contracts of aviation entire aircraft and helicopter maintenance contracts is 2 years or the contracted number of flight hours, and the Group provides repair services free of charge for defects caused by unintentional, navigational risks, natural damage, etc.; engineering contracts stipulate warranty responsibility for the works within the contracted quality warranty period, which is usually between 2 to 5 years; consulting and design contracts provide quality assurance as agreed in the contract.

(4) *Information related to performance obligations at the beginning of the year*

The revenue recognised by the Group from January to December 2023 included an amount of RMB14,085,038,916 that had been included in contract liabilities at the beginning of the year.

(5) *Information related to the transaction price apportioned to the remaining performance obligations*

At the end of the year, the amount of revenue corresponding to performance obligations contracted but not yet performed or completed was RMB38,833,533,359, of which RMB33,041,895,725 is expected to be recognized as revenue in 2024.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50. Taxes and surcharges

Item	Amount for the current year	Amount for the previous year
City maintenance and construction tax	169,518,865	165,958,489
Property tax	97,706,637	92,122,764
Education surcharge	92,315,291	82,955,897
Stamp duties	38,333,054	37,170,930
Land use tax	31,340,689	29,236,611
Local education surcharge	29,243,939	36,244,093
Land value-added tax	10,294,513	310,644
Resource tax	2,495,920	2,498,998
Vehicle usage tax	423,572	476,564
Others	6,042,125	5,277,011
Total	477,714,605	452,252,001

51. Selling expenses

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

52. Administrative expenses

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



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

53. Research and development expenses

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

54. Finance costs

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55. Other income

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

56. Investment income

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

Note: Gain on debt restructuring is the cash discounts gain obtained by the Company on settlement of payment for the supply payment.

57. Income from changes in fair value

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

58. Credit impairment loss

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

59. Assets impairment loss

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

60. Income from assets disposal (loss to be listed with "-")

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Non-operating income

(1) Details of non-operating income

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

(2) Details of government grants

Item	Amount for the current year	Amount for the previous year	Source and basis	Asset-related/ Income-related
Government grants	–	5,000	Notice of Local Financial Supervision Administration of Guangxi Zhuang Autonomous Region on Issuing the First Batch of Cross-border Credit Financing Subsidy Funds in 2021	Income-related
Government grants	–	190,585	Finance Bureau of Xiangzhou County rewards up-scale	Income-related
Government grants	4,200	–	State Intellectual Property Bureau	Income-related
Total	4,200	195,585	–	–

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Non-operating expenses

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

63. Income tax expenses

(1) Income tax expenses

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Income tax expenses (Continued)

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

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

64. Other comprehensive income

For details, please refer to the relevant content of Note VI. 45. Other comprehensive income.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Items of cash flow statement

(1) Other cash received/paid related to operating/investing/financing activities

1) Other cash received related to operating activities

Item	Amount for the current year	Amount for the previous year
Research project grants	2,382,829,558	1,921,819,004
Intercourse funds	522,291,377	1,422,420,089
Security deposit	504,752,201	141,377,522
Financial interest income	492,228,332	349,621,905
Government grants income	358,876,292	512,906,374
Other operating income	36,699,803	44,357,191
Income from compensation, liquidated damages and fines	6,910,303	32,891,021
Income tax settlement refund	–	13,119
Others	607,720,358	176,564,470
Total	4,912,308,224	4,601,970,695

2) Other cash paid related to operating activities

Item	Amount for the current year	Amount for the previous year
Intercourse funds	2,771,059,500	2,883,425,529
Expenses for each item	1,643,929,813	1,687,348,342
Guarantee deposit and security deposit	490,330,864	5,220,660
Overall cost of employees who officially retired	118,810,807	163,445,178
Fines and compensation expenses	861,288	3,327,114
Donations	–	860,774
Others	893,936,597	387,067,336
Total	5,918,928,869	5,130,694,933

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Items of cash flow statement (Continued)

(1) Other cash received/paid related to operating/investing/financing activities (Continued)

3) Other cash received related to investing activities

Item	Amount for the current year	Amount for the previous year
Term deposits	919,236,785	2,324,672,703
Infrastructure appropriation	121,204,724	–
Cash received from acquisition of subsidiaries	–	14,904,035
Others	1,225,778	1,000,138
Total	1,041,667,287	2,340,576,876

4) Other cash paid related to investment activities

Item	Amount for the current year	Amount for the previous year
Term deposits	878,817,749	2,517,622,142
Cash paid for disposal of subsidiaries	–	409,582,395
Others	1,576,750	105,419,604
Total	880,394,499	3,032,624,141

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Items of cash flow statement (Continued)

(1) Other cash received/paid related to operating/investing/financing activities (Continued)

5) Other cash received related to financing activities

Item	Amount for the current year	Amount for the previous year
Borrowings from non-financial institutions	1,027,991,710	300,998,152
Special allocation	266,900,018	322,313,858
Notes and letter of credit deposit	9,260,000	337,322,663
Collection and payment on behalf of factoring receivables	–	31,500,000
Sales and lease back financing payment	–	15,599,827
Others	58,384,100	–
Total	1,362,535,828	1,007,734,500

6) Other cash paid related to financing activities

Item	Amount for the current year	Amount for the previous year
Repayment of borrowings from non-financial institutions	842,794,810	132,420,409
Financial lease payments	70,663,977	148,217,958
Lease payments for right-to-use assets	22,704,680	17,827,570
Stock repurchase	3,579,439	1,772,468
Notes and letter of credit deposit	–	743,854,019
Others	251,588,597	1,984,335
Total	1,191,331,503	1,046,076,759

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Items of cash flow statement (Continued)

(2) Supplementary information to consolidated cash flow statement

Item	Amount for the current year	Amount for the previous year
1. Adjust net profit to cash flow from operating activities:		
Net profit	6,688,581,303	5,873,088,034
Add: Provision for asset impairment	508,288,292	564,539,553
Credit impairment losses	318,257,156	522,736,045
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of bearer biological assets	2,358,831,411	2,291,088,437
Depreciation of right-of-use assets	99,158,195	77,588,033
Amortization of intangible assets	332,550,425	336,742,352
Amortization of long-term deferred expenses	28,564,800	30,416,138
Losses on disposal of fixed assets, intangible assets and other long-term assets (incomes are listed with "-")	-30,890,980	-140,631,762
Loss on scrapping of fixed assets (incomes are listed with "-")	15,439,385	22,759,032
Losses from changes in fair value (incomes are listed with "-")	18,849,783	7,046,743
Financial costs (gains are listed with "-")	-162,730,529	92,001,776
Investment losses (incomes are listed with "-")	-695,319,861	-480,651,887
Decrease in deferred tax assets (increase are listed with "-")	-156,307,309	-79,210,654
Increase in deferred tax liabilities (decreases are listed with "-")	12,821,072	17,355,107
Decrease in inventory (increase are listed with "-")	-175,080,120	-2,841,625,063
Decrease in operating receivable items (increase are listed with "-")	-7,702,039,722	-18,699,976,677
Increase in operating payable items (decreases are listed with "-")	-6,291,089,567	22,120,267,281
Others	748,621,571	507,929,192
Net cash flow from operating activities	-4,083,494,695	10,221,461,680
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt to capital	-	-
Convertible corporate bonds due within one year	-	-
Financing leased fixed assets	-	-
3. Net change in cash and cash equivalent:		
Closing cash balance	37,159,301,638	41,296,794,143
Less: opening cash balance	41,296,794,143	30,438,314,634
Add: closing balance of cash equivalents	-	-
Less: opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	-4,137,492,505	10,858,479,509

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Items of cash flow statement (Continued)

(3) *Net cash received as a result of some subsidiaries no longer being included in the consolidation scope this year*

Nil.

(4) *Cash and cash equivalents*

Item	Closing balance	Opening balance
Cash	37,159,301,638	41,296,794,143
Including: Cash on hand	508,934	555,665
Bank deposits readily available for payment	37,136,719,355	41,293,160,853
Other monetary funds readily available for disbursement	22,073,349	3,077,625
Cash equivalents	–	–
Cash and cash equivalents balance at the end of the year	37,159,301,638	41,296,794,143

66. Items of statement of changes in Shareholders' equity

- (1) The Group has no "Other" items for the current year to adjust the amount at the end of the previous year.
- (2) Other changes in the Group's statement of changes in shareholders' equity this year mainly come from the outward investment companies, such as the external disposal of AVIC Jincheng Unmanned System Co., Ltd., and equity accounting for joint ventures and associates. For details, see Note VI. 44. Capital reserve.

67. Assets with restricted ownership or right to use

Item	Closing book value	Reasons for restriction
Monetary funds	2,340,812,119	For details, see Note VI. 1. Monetary funds
Notes receivable	1,573,033,649	Pledge of notes
Fixed assets	8,336,660	Secured borrowings
Accounts receivable	22,566,847	Pledged borrowings
Total	3,944,749,275	–

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

68. Monetary items in foreign currency

Item	Closing balance of foreign currency	Conversion rate	Converted RMB balance at the end of the year
Monetary funds			
Including: USD	49,977,082	7.08270	353,972,679
EUR	6,888,943	7.85920	54,141,581
JPY	4,000	0.05020	201
GBP	40	9.04100	362
HKD	209,717,044	0.90620	190,045,585
MOP	399,709	0.88370	353,223
THB	318,829,869	0.20740	66,125,315
VND	2,501,917,827	0.00030	750,575
KWD	7,915,271	0.05330	421,884
Accounts receivable			
Including: USD	49,470,757	7.08270	350,386,531
EUR	6,304,836	7.85920	49,550,967
CAD	240	5.36729	1,288
VND	54,168,992,863	0.00030	16,250,698
Other receivables			
Including: USD	220,869	7.08270	1,564,349
HKD	280,486,764	0.90620	254,177,106
THB	4,120,193	0.20740	854,528
VND	238,419,002	0.00030	71,526
Accounts payable			
Including: USD	1,003,277	7.08270	7,105,910
THB	29,840,266	0.20740	6,188,871
VND	50,942,310,625	0.00030	15,282,693
Other payables			
Including: USD	377,346	7.08270	2,672,629
EUR	780	7.85920	6,130
HKD	280,996,901	0.90620	254,639,392
VND	26,724,362	0.00030	8,017



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

69. Government grants

Category	Amount received in the current year	Presentation items	Amount included in current profit or loss
Government grants included in deferred income	164,259,401	Deferred income	141,181,745
Government grants included in other income	196,601,458	Other income	196,601,458
Government grants included in non-operating income	4,200	Non-operating income	4,200
Total	360,865,059	–	337,787,403

VII. CHANGES IN CONSOLIDATION SCOPE

1. Business combination not involving entities under common control

The Group had no business combination not involving entities under common control during the year.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VII. CHANGES IN CONSOLIDATION SCOPE (Continued)

2. Business combinations involving entities under common control

(1) Business combination under common control occurred during the current period.

Name of the combined party	The percentage of equity interest acquired in the business combination	The basis for the business combination under common control	Date of combination	Basis on which the combination date is recognized	Income of the combined party from the beginning of the year in which the combination occurred to the date of combination	Net profit of the combined party from the beginning of the year in which the combination occurred to the date of combination	Revenue of the combined party for the comparative period	Net profit of the combined party for the comparative period
AVIC Electromechanical Systems Co., Ltd. (中航工業機電系統股份有限公司)	17.01%	Ultimately controlled by the same party before or after the combination	13 April 2023	Control acquired	4,143,060,237	292,316,477	16,756,292,891	884,797,372
Total					4,143,060,237	292,316,477	16,756,292,891	884,797,372

(2) The cost of combination

Item	AVIC Electromechanical
Cash	—
The book value of non-cash assets	2,532,254,159
The book value of the debt issued or committed	—
The nominal value of equity security issued	—
Total	2,532,254,159

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VII. CHANGES IN CONSOLIDATION SCOPE (Continued)

2. Business combinations involving entities under common control (Continued)

(3) Carrying amounts of assets and liabilities of the combined party as at the combination date

AVIC Electromechanical Systems Co., Ltd.

Item	Date of combination	At the end of the last period
Monetary funds	6,581,279,724	8,263,866,609
Financial assets held for trading	1,443,552	1,546,653
Notes receivable	1,764,392,946	1,895,512,114
Accounts receivable	9,654,915,434	8,492,590,035
Receivables financing	315,278,193	439,229,043
Prepayments	584,576,022	404,270,467
Other receivables	81,907,994	35,855,377
Inventories	6,028,596,944	5,905,657,648
Other current assets	161,724,815	63,409,907
Total current assets	25,174,115,624	25,501,937,853
Long-term equity investment	701,208,592	699,465,619
Other equity instrument investments	1,180,490,950	1,213,975,773
Investment properties	174,594,539	178,874,733
Fixed assets	5,591,224,513	5,631,995,081
Construction-in-progress	1,392,099,599	1,363,249,150
Right-of-use assets	80,749,017	80,066,812
Intangible assets	1,168,119,885	1,185,068,171
Goodwill	98,418,585	98,418,585
Long-term deferred expenses	4,441,866	3,900,128
Deferred income tax assets	166,049,011	168,031,275
Other non-current assets	529,133,531	465,038,130
Total non-current assets	11,086,530,088	11,088,083,457
Total assets	36,260,645,712	36,590,021,310

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VII. CHANGES IN CONSOLIDATION SCOPE (Continued)

2. Business combinations involving entities under common control (Continued)

(3) Carrying amounts of assets and liabilities of the combined party as at the combination date (Continued)

AVIC Electromechanical Systems Co., Ltd.

Item	Date of combination	At the end of the last period
Less: Short-term borrowings	951,455,707	940,870,714
Notes payable	3,167,182,938	3,483,609,769
Accounts payable	7,553,969,937	6,812,438,595
Advances	48,745,560	35,426,641
Contract liabilities	3,272,352,078	3,333,431,881
Employee compensation payable	521,052,542	684,350,444
Tax payable	119,232,081	250,839,032
Other payables	447,345,064	362,953,980
Non-current liabilities due within one year	1,536,816,596	1,565,369,830
Other current liabilities	83,994,149	171,027,820
Long-term borrowings	505,100,000	446,700,000
Lease liabilities	70,720,544	57,958,568
Long-term payables	-1,763,549,540	-1,605,065,287
Long-term employee compensation payable	567,140,870	560,921,197
Deferred income	390,973,867	382,375,534
Deferred tax liabilities	187,591,996	199,176,188
Other non-current liabilities	947,709,835	1,535,333,544
Net assets	17,652,811,488	17,372,302,860
Less: non-controlling interests	3,009,245,641	2,992,803,816
Net assets acquired	14,643,565,847	14,379,499,044

As at 13 April 2023, AVIC Airborne, a subsidiary of the Company, previously known as China Avionics Systems Co., Ltd., completed the absorption and merger of AVIC Electromechanical Systems Co., Ltd., which was cancelled, and the former subsidiaries of AVIC Electromechanical Systems Co., Ltd. were included in the merger scope of the Group.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VII. CHANGES IN CONSOLIDATION SCOPE (Continued)

2. Business combinations involving entities under common control (Continued)

(3) Carrying amounts of assets and liabilities of the combined party as at the combination date (Continued)

No.	Name of the subsidiary	Principal place of business	Place of registration	Business nature	Shareholding ratio (%)		Acquisition method
					Direct	Indirect	
1	Qing'an Group Co., Ltd. (慶安集團有限公司)	Xi'an, Shaanxi	Xi'an	Production and manufacturing	-	17.01	Common control
2	Shaanxi Aero Electric Co., Ltd. (陝西航空電氣有限公司)	Xingping, Shaanxi	Xingping	Production and manufacturing	-	17.01	Common control
3	Zhengzhou Aircraft Equipment Co., Ltd. (鄭州飛機裝備有限公司)	Zhengzhou, Henan	Zhengzhou	Production and manufacturing	-	17.01	Common control
4	Sichuan Lingfeng Aero Hydraulic Machinery Co., Ltd. (四川凌峰航空液壓機械有限公司)	Guanghan, Sichuan	Guanghan	Production and manufacturing	-	17.01	Common control
5	Sichuan Fanhua Aviation Instrument and Electrical Co., Ltd. (四川泛華航空儀錶電器有限公司)	Ya'an, Sichuan	Ya'an	Production and manufacturing	-	17.01	Common control
6	Sichuan Aviation Industry Chuanxi Machinery Co., Ltd. (四川航空工業川西機器有限公司)	Ya'an, Sichuan	Ya'an	Production and manufacturing	-	17.01	Common control
7	AVIC Hubei Aviation Precision Machinery Technology Co., Ltd. (湖北中航精機科技有限公司)	Xiangyang, Hubei	Xiangyang	Production and manufacturing	-	17.01	Common control
8	Guizhou Fenglei Aviation Ordnance Co., Ltd. (貴州風雷航空軍械有限公司)	Anshun, Guizhou	Anshun	Production and manufacturing	-	17.01	Common control
9	Guizhou Fengyang Hydraulic Co., Ltd. (貴州楓陽液壓有限公司)	Guiyang, Guizhou	Guiyang	Production and manufacturing	-	17.01	Common control
10	AVIC Xinxiang Aviation Industry (Group) Co., Ltd. (新鄉航空工業(集團)有限公司)	Xinxiang, Henan	Xinxiang	Production and manufacturing	-	17.01	Common control
11	Yibin Sanjiang Machinery Co., Ltd. (宜賓三江機械有限公司)	Yibin, Sichuan	Yibin	Production and manufacturing	-	17.01	Common control
12	Nanjing Hangjian Aviation Equipment Technology Service Co., Ltd. (南京航建航空裝備技術服務有限公司)	Nanjing, Jiangsu	Nanjing	Production and manufacturing	-	11.91	Common control
13	Hubei HAPM MAGNA Seating System Co., Ltd. (湖北航嘉麥格納座椅系統有限公司)	Xiangyang, Hubei	Xiangyang	Production and manufacturing	-	8.52	Common control
14	Xi'an Qing'an Import & Export Co., Ltd. (西安慶安進出口有限公司)	Xi'an, Shaanxi	Xi'an	Production and manufacturing	-	17.01	Common control

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VII. CHANGES IN CONSOLIDATION SCOPE (Continued)

2. Business combinations involving entities under common control (Continued)

(3) Carrying amounts of assets and liabilities of the combined party as at the combination date (Continued)

No.	Name of the subsidiary	Principal place of business	Place of registration	Business nature	Shareholding ratio (%)		Acquisition method
					Direct	Indirect	
15	Xi'an Qing'an Aviation Machinery Manufacturing Co., Ltd. (西安慶安航空機械制造有限公司)	Xi'an, Shaanxi	Xi'an	Production and manufacturing	-	17.01	Common control
16	Xi'an Qing'an Avionics Co., Ltd. (西安慶安航空電子有限公司)	Xi'an, Shaanxi	Xi'an	Production and manufacturing	-	8.68	Common control
17	AVIC Qinling Aerospace (Xiamen) Co., Ltd. (廈門中航秦嶺宇航有限公司)	Xiamen, Fujian	Xiamen	Aircraft maintenance	-	17.01	Common control
18	Zhengzhou Zhengfei Special Equipment Co., Ltd. (鄭州鄭飛特種裝備有限公司)	Zhengzhou, Henan	Zhengzhou	Production and manufacturing	-	17.01	Common control
19	Guizhou Anshun Tiancheng Aviation Equipment Co., Ltd. (貴州安順天成航空設備有限公司)	Anshun, Guizhou	Anshun	Production and manufacturing	-	17.01	Common control
20	Xinxiang Pingyuan Aviation Electric Co., Ltd. (新鄉市平原航空機電有限公司)	Xinxiang, Henan	Xinxiang	Production and manufacturing	-	17.01	Common control
21	Aviation Industry (Xinxiang) Metrology and Test Science Technology Co., Ltd. (航空工業(新鄉)計測科技有限公司)	Xinxiang, Henan	Xinxiang	Production and manufacturing	-	17.01	Common control
22	Wuhan Qinling Linke Aviation Power System Co., Ltd. (武漢秦嶺凌科航空電力系統有限公司)	Wuhan, Hubei	Wuhan	Aircraft maintenance	-	5.95	Common control
23	HAPM MAGNA Seating System (Thailand) Co., Ltd.	Thailand	Thailand	Production and manufacturing	-	17.01	Common control

3. Changes in consolidation scope for other reasons

Lanzhou Lanfeiweishi Measurement and Control Technology Co., Ltd. (蘭州蘭飛唯實測控技術有限責任公司), a subsidiary of Lanzhou Flight Control Co., Ltd. (蘭州飛行控制有限責任公司) which was a subsidiary of the Company's subsidiary AVIC Airborne, was cancelled on 2 November 2023.

China Aviation Planning and Design Institute Co., Ltd. (中國航空規劃設計研究總院有限公司), a subsidiary of the Company, absorbed and merged its subsidiary Beijing Yinyan Industrial Co., Ltd. (北京銀燕實業有限公司) this year, and cancelled the same company on 27 November 2023.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) The composition of the enterprise group

Name of the subsidiary	Principal place of business	Place of registration	Business nature	Registered capital	Type of legal entity	Shareholding ratio (%)			Acquisition method	Remark
						Direct	Indirect			
Jiangxi Hongdu Aviation Industry Co., Ltd.* (江西洪都航空工業股份有限公司)	Nanchang	Nanchang	Manufacturing	717,114,512	Joint Stock Company Limited	43.77	-	Business combinations under common control	1	
AviChina Hong Kong Limited (中航科工香港有限公司)	Hong Kong	Hong Kong	Investment	HKD10,000	Limited Liability Company	100.00	-	Investment set-up	-	
AVIC Airborne Systems Co., Ltd. (中航機載系統股份有限公司)	Shanghai, Chengdu, Xi'an, etc	Beijing	Manufacturing	44,850,395,900	Joint Stock Company Limited	16.50	-	Business combinations under common control	2	
AVIC JONHON Optronic Technology Co., Ltd. (中航光電科技股份有限公司)	Luoyang, etc	Luoyang	Manufacturing	1,631,008,160	Joint Stock Company Limited	36.73	-	Business combinations under common control	1	
Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空機電有限公司)	Tianjin	Tianjin	Manufacturing	293,160,000	Limited Liability Company	100.00	-	Business combinations under common control	-	
AVICOPTER PLC (中航直升機股份有限公司)	Harbin, Tianjin, Jingdezhen, etc	Harbin	Manufacturing	589,476,716	Joint Stock Company Limited	46.05	3.25	Business combinations under common control, others	1	
China Aviation Planning and Design Institute Co., Ltd. (中國航空規劃設計研究總院有限公司)	Beijing	Beijing	Manufacturing	1,050,000,000	Limited Liability Company	100.00	-	Business combinations under common control	-	
AviChina Industrial Investment Co., Ltd. (中航科工產業投資有限責任公司)	Shanghai	Shanghai	Investment	200,000,000	Limited Liability Company	100.00	-	Investment set-up	-	
AVIC Helicopter Co., Ltd. (中航直升機有限責任公司)	Harbin	Tianjin	Manufacturing	2,700,000,000	Limited Liability Company	100.00	-	Business combinations under common control	-	
Changhe Aircraft Industries (Group) Co., Ltd. (昌河飛機工業(集團)有限責任公司)	Jingdezhen, etc	Jingdezhen	Manufacturing	442,591,999	Limited Liability Company	92.43	-	Business combinations under common control	-	
Harbin Aircraft Industry Group Co., Ltd. (哈爾濱飛機工業集團有限責任公司)	Harbin	Harbin	Manufacturing	1,184,958,700	Limited Liability Company	80.79	-	Business combinations under common control	-	
Shanghai Aviation Electric Co., Ltd. (上海航空電器有限公司)	Shanghai	Shanghai	Manufacturing	680,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2	
Lanzhou Wanli Aviation Electric Co., Ltd. (蘭州萬里航空機電有限責任公司)	Lanzhou	Lanzhou	Manufacturing	610,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2	

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the enterprise group (Continued)

Name of the subsidiary	Principal place of business	Place of registration	Business nature	Registered capital	Type of legal entity	Shareholding ratio (%)		Acquisition method	Remark
						Direct	Indirect		
Chengdu CAIC Electronics Co., Ltd. (成都凱天電子股份有限公司)	Chengdu	Chengdu	Manufacturing	376,897,007	Joint Stock Company Limited	-	14.57	Business combinations under common control	2
Lanzhou Flight Control Co., Ltd. (蘭州飛行控制有限責任公司)	Lanzhou	Lanzhou	Manufacturing	460,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2
AVIC Taiyuan Aviation Instrument Co., Ltd. (太原航空儀錶有限公司)	Taiyuan	Taiyuan	Manufacturing	330,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2
AVIC Shaanxi Qianshan Avionics Co., Ltd. (陝西千山航空電子有限責任公司)	Xi'an	Xi'an	Manufacturing	552,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2
AVIC Shaanxi Huayan Aero-Instrument Co., Ltd. (陝西華燕航空儀錶有限公司)	Nanzheng	Nanzheng	Manufacturing	500,000,000	Limited Liability Company	-	13.20	Business combinations under common control	2
Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司)	Beijing	Beijing	Manufacturing	343,432,216	Limited Liability Company	-	16.50	Business combinations under common control	2
Suzhou Changfeng Avionics Co., Ltd. (蘇州長風航空電子有限公司)	Suzhou	Suzhou	Manufacturing	279,630,000	Limited Liability Company	-	16.50	Business combinations under common control	2
Shaanxi Oriental Aeronautic Instrument Manufacture Co., Ltd. (陝西東方航空儀錶有限責任公司)	Hanzhong	Hanzhong	Manufacturing	250,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2
Shanghai Super Champion Machinery & Electrical Equipment Co., Ltd. (上海越冠機電設備有限公司)	Shanghai	Shanghai	Manufacturing	3,000,000	Limited Liability Company	-	7.59	Business combinations under common control	2
Shanghai Hanghao Auto Parts Co., Ltd. (上海航浩汽車零部件有限公司)	Shanghai	Shanghai	Manufacturing	10,000,000	Limited Liability Company	-	8.58	Business combinations under common control	2
Shanghai Hangkai Electronic Technology Co., Ltd. (上海航鑑電子科技有限公司)	Shanghai	Shanghai	Manufacturing	12,000,000	Limited Liability Company	-	9.08	Business combinations under common control	2
AVIC Guohua (Shanghai) Laser Display Technology Co., Ltd. (中航國畫(上海)激光顯示科技有限公司)	Shanghai	Shanghai	Manufacturing	115,800,000	Limited Liability Company	-	7.88	Business combinations under common control	2
Xi'an Huayan Aero-Instrument Co., Ltd. (西安華燕航空儀錶有限公司)	Xi'an	Xi'an	Manufacturing	2,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the enterprise group (Continued)

Name of the subsidiary	Principal place of business	Place of registration	Business nature	Registered capital	Type of legal entity	Shareholding ratio (%)		Acquisition method	Remark
						Direct	Indirect		
Chengdu Aviation Mechanical and Electrical Co., Ltd. (成都航昇機電有限公司)	Chengdu	Chengdu	Manufacturing	25,330,000	Limited Liability Company	-	10.62	Business combinations under common control	2
Beijing Qingyun Avionics Technology Co., Ltd. (北京青雲航電科技有限公司)	Beijing	Beijing	Manufacturing	200,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2
Qing'an Group Co., Ltd. (慶安集團有限公司)	Xi'an	Xi'an	Production and manufacturing	1,992,304,100	Limited Liability Company	-	16.50	Business combinations under common control	2
Shaanxi Aero Electric Co., Ltd. (陝西航空電氣有限公司)	Xingping	Xingping	Production and manufacturing	619,576,100	Limited Liability Company	-	16.50	Business combinations under common control	2
Zhengzhou Aircraft Equipment Co., Ltd. (鄭州飛機裝備有限公司)	Zhengzhou	Zhengzhou	Production and manufacturing	644,771,400	Limited Liability Company	-	16.50	Business combinations under common control	2
Sichuan Lingfeng Aero Hydraulic Machinery Co., Ltd. (四川凌峰航空液壓機械有限公司)	Guanghan	Guanghan	Production and manufacturing	135,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2
Sichuan Fanhua Aviation Instrument and Electrical Co., Ltd. (四川泛華航空儀錶電器有限公司)	Ya'an	Ya'an	Production and manufacturing	280,155,300	Limited Liability Company	-	16.50	Business combinations under common control	2
Sichuan Aviation Industry Chuanxi Machinery Co., Ltd. (四川航空工業川西機械有限公司)	Ya'an	Ya'an	Production and manufacturing	207,475,400	Limited Liability Company	-	16.50	Business combinations under common control	2
AVIC Hubei Aviation Precision Machinery Technology Co., Ltd. (湖北中航精機科技有限公司)	Xiangyang	Xiangyang	Production and manufacturing	380,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2
Guizhou Fenglei Aviation Ordnance Co., Ltd. (貴州風雷航空軍械有限公司)	Anshun	Anshun	Production and manufacturing	304,537,200	Limited Liability Company	-	16.50	Business combinations under common control	2
Guizhou Fengyang Hydraulic Co., Ltd. (貴州楓陽液壓有限公司)	Guiyang	Guiyang	Production and manufacturing	216,040,000	Limited Liability Company	-	16.50	Business combinations under common control	2
AVIC Xinxiang Aviation Industry (Group) Co., Ltd. (新鄉航空工業集團有限公司)	Xinxiang	Xinxiang	Production and manufacturing	428,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2
Yibin Sanjiang Machinery Co., Ltd. (宜賓三江機械有限公司)	Yibin	Yibin	Production and manufacturing	236,698,000	Limited Liability Company	-	16.50	Business combinations under common control	2

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the enterprise group (Continued)

Name of the subsidiary	Principal place of business	Place of registration	Business nature	Registered capital	Type of legal entity	Shareholding ratio (%)		Acquisition method	Remark
						Direct	Indirect		
Nanjing Hangjian Aviation Equipment Technology Service Co., Ltd. (南京航健航空裝備技術服務有限公司)	Nanjing	Nanjing	Production and manufacturing	85,000,000	Limited Liability Company	-	11.55	Business combinations under common control	2
Hubei HAPM MAGNA Seating System Co., Ltd. (湖北航嘉麥格納座椅系統有限公司)	Xiangyang	Xiangyang	Production and manufacturing	497,000,000	Limited Liability Company	-	8.27	Business combinations under common control	2
Xi'an Qing'an Import & Export Co., Ltd. (西安慶安進出口有限公司)	Xi'an	Xi'an	Production and manufacturing	1,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2
Xi'an Qing'an Aviation Machinery Manufacturing Co., Ltd. (西安慶安航空機械制造有限公司)	Xi'an	Xi'an	Production and manufacturing	500,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2
Xi'an Qing'an Avionics Co., Ltd. (西安慶安航空電子有限公司)	Xi'an	Xi'an	Production and manufacturing	13,470,000	Limited Liability Company	-	8.42	Business combinations under common control	2
AVIC Qinling Aerospace (Xiamen) Co., Ltd. (廈門中航秦嶺宇航有限公司)	Xiamen	Xiamen	Aircraft maintenance	79,662,200	Limited Liability Company	-	16.50	Business combinations under common control	2
Zhengzhou Zhengfei Special Equipment Co., Ltd. (鄭州鄭飛特種裝備有限公司)	Zhengzhou	Zhengzhou	Production and manufacturing	295,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2
Guizhou Anshun Tiancheng Aviation Equipment Co., Ltd. (貴州安順天成航空設備有限公司)	Anshun	Anshun	Production and manufacturing	3,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2
Aviation Industry (Xinxiang) Metrology and Test Science Technology Co., Ltd. (航空工業(新鄉)計測科技有限公司)	Xinxiang	Xinxiang	Production and manufacturing	64,000,000	Limited Liability Company	-	16.50	Business combinations under common control	2
HAPM MAGNA Seating System (Thailand) Co., Ltd.	Thailand	Thailand	Production and manufacturing	THB199,369,200	Limited Liability Company	-	16.50	Business combinations under common control	2
AVIC Shenyang Xinghua Aero-Electric Appliance Co., Ltd. (瀋陽興華航空電器有限責任公司)	Shenyang	Shenyang	Manufacturing	141,878,131	Limited Liability Company	-	18.73	Business combinations under common control	1
AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司)*	Xi'an	Xi'an	Manufacturing	187,728,000	Joint Stock Company Limited	-	17.13	Business combination not involving entities under common control	1

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the enterprise group (Continued)

Name of the subsidiary	Principal place of business	Place of registration	Business nature	Registered capital	Type of legal entity	Shareholding ratio (%)		Acquisition method	Remark
						Direct	Indirect		
AVIC Optoelectronic (Luoyang) Co., Ltd. (中航光電(洛陽)有限責任公司)	Luoyang	Luoyang	Manufacturing	10,000,000	Limited Liability Company	-	36.73	Investment set-up	1
Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司)	Shenzhen	Shenzhen	Manufacturing	2,360,000	Limited Liability Company	-	33.79	Business combination not involving entities under common control	1
AVIC Optoelectronic Precision Electronics (Guangdong) Co., Ltd. (中航光電精密電子(廣東)有限公司)	Guangzhou	Guangzhou	Manufacturing	50,000,000	Limited Liability Company	-	36.73	Investment set-up	1
Taixing Aviation Optoelectronic Technology Co., Ltd. (泰興航空光電技術有限公司)	Taixing	Taixing	Manufacturing	100,000,000	Limited Liability Company	-	24.24	Investment set-up	1
AVIC Optoelectronics Huayi (Shenyang) Electronic Technology Co., Ltd. (中航光電華億(瀋陽)電子科技有限公司)	Shenyang	Shenyang	Manufacturing	100,000,000	Limited Liability Company	-	18.46	Business combinations under common control	1
Xi'an Forstar Cable Co., Ltd. (西安富士達線纜有限公司)	Xi'an	Xi'an	Manufacturing	168,750,000	Limited Liability Company	-	18.73	Business combination not involving entities under common control	1
Xi'an TST Testing Technique Co., Ltd. (西安泰斯特檢測技術有限公司)	Xi'an	Xi'an	Manufacturing	2,000,000	Limited Liability Company	-	36.73	Business combination not involving entities under common control	1
Forstar Technology (Hong Kong) Co., Ltd. (富士達科技(香港)有限公司)	Xi'an	Hongkong	Trade	8,100	Limited Liability Company	-	36.73	Business combination not involving entities under common control	1
Dongguan Xiangtong Photoelectric Technology Co., Ltd. (東莞市翔通光電技術有限公司)	Dongguan	Dongguan	Manufacturing	5,000,000	Limited Liability Company	-	36.73	Business combination not involving entities under common control	1
AVIC Optoelectronic (Guangdong) Co., Ltd. (中航光電(廣東)有限公司)	Guangzhou	Guangzhou	Manufacturing	100,000,000	Limited Liability Company	-	36.73	Investment set-up	1
AVIC Optoelectronics (Germany) Co., Ltd. (中航光電(德國)有限責任公司)	Germany	Germany	Manufacturing	EUR1,200,000	Limited Liability Company	-	36.73	Investment set-up	1

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the enterprise group (Continued)

Name of the subsidiary	Principal place of business	Place of registration	Business nature	Registered capital	Type of legal entity	Shareholding ratio (%)		Acquisition method	Remark
						Direct	Indirect		
AVIC Optoelectronic (Shanghai) Co., Ltd. (中航光電(上海)有限公司)	Shanghai	Shanghai	Manufacturing	100,000,000	Limited Liability Company	-	36.73	Investment set-up	1
Reconn Technology Vietnam Co., Ltd. (越南睿連科技有限責任公司)	Vietnam	Vietnam	Manufacturing	19,301,282	Limited Liability Company	-	36.73	Investment set-up	1
AVIC JONHON Optronics Interconnection Technology (Nanchang) Co., Ltd. (中航光電互連科技(南昌)有限公司)	Nanchang	Nanchang	Manufacturing	100,000,000	Limited Liability Company	-	23.87	Investment set-up	1
Harbin Hafei Aviation Industry Co., Ltd. (哈爾濱哈飛航空工業有限責任公司)	Harbin	Harbin	Manufacturing	1,571,325,200	Limited Liability Company	-	49.30	Investment set-up	1
Harbin General Aircraft Industry Co., Ltd. (哈爾濱通用飛機工業有限責任公司)	Harbin	Harbin	Manufacturing	500,000,000	Limited Liability Company	-	19.72	Investment	1
Jiangxi Changhe Aviation Industry Co., Ltd. (江西昌河航空工業有限公司)	Jingdezhen	Jingdezhen	Manufacturing	1,170,422,696	Limited Liability Company	-	49.30	Business combinations under common control	1
Huiyang Aviation Propeller Limited (惠陽航空螺旋槳有限責任公司)	Baoding	Baoding	Manufacturing	86,838,030	Limited Liability Company	-	49.30	Business combinations under common control	1
Tianjin Helicopter Company Limited (天津直升機有限責任公司)	Tianjin	Tianjin	Manufacturing	803,000,000	Limited Liability Company	-	49.30	Combinations under common control	1
Jingdezhen Changhang Aviation High-tech Co., Ltd. (景德鎮昌航航空高新技術有限責任公司)	Jingdezhen	Jingdezhen	Manufacturing	3,000,000	Limited Liability Company	-	49.30	Combinations under common control	1
Harbin Hafei Aviation Maintenance Engineering Co., Ltd. (哈爾濱哈飛航空維修工程有限公司)	Harbin	Harbin	Aviation product maintenance	35,000,000	Limited Liability Company	-	80.79	Investment set-up	-
Tianjin AVIC Jinjiang Aviation Maintenance Engineering Co., Ltd. (天津中航錦江航空維修工程有限責任公司)	Tianjin	Tianjin	Aviation product maintenance	117,084,200	Limited Liability Company	-	65.44	Investment set-up	-
Tianjin Tianli Aviation Electro-Mechanical Co., Ltd.* (天津天利航空机电有限公司)	Tianjin	Tianjin	Manufacturing	181,864,200	Limited Liability Company	-	75.00	Business combinations under common control	-
China Aviation Integration Equipment Co., Ltd. (中航工程集成設備有限公司)	Beijing	Beijing	Manufacturing	61,000,000	Limited Liability Company	-	100.00	Business combinations under common control	-

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the enterprise group (Continued)

Name of the subsidiary	Principal place of business	Place of registration	Business nature	Registered capital	Type of legal entity	Shareholding ratio (%)		Acquisition method	Remark
						Direct	Indirect		
China Aviation Engineering Supervision (Beijing) Co., Ltd. (中航工程監理(北京)有限公司)	Beijing	Beijing	Technology Services	6,000,000	Limited Liability Company	-	100.00	Business combinations under common control	-
AVIC CAPDI Engineering Consulting (Beijing) Co., Ltd. (中航工程諮詢(北京)有限公司)	Beijing	Beijing	Technology Services	6,000,000	Limited Liability Company	-	100.00	Business combinations under common control	-
China Aviation International Construction and Investment Co., Ltd. (中國航空國際建設投資有限公司)	Beijing	Beijing	Business Services	130,000,000	Limited Liability Company	-	100.00	Business combinations under common control	-
AVIC CAPDI (Macau) Company Limited (中航院設計諮詢(澳門)有限公司)	Macau	Macau	Technology Services	MOP600,000	Limited Liability Company	-	100.00	Investment set-up	-
Suzhou Hangshi Aviation Equipment Co., Ltd. (蘇州航勢航空設備有限公司)	Suzhou	Suzhou	Real estate	3,000,000	Limited Liability Company	-	100.00	Business combinations under common control	-
Harbin Aviation Industry (Group) Co., Ltd.* (哈爾濱航空工業(集團)有限公司) ("Harbin Aviation Group")	Harbin	Harbin	Manufacturing	16,000,000	Limited Liability Company	-	100.00	Business combinations under common control	-
Wuhan Qinling Lingke Aviation Power System Co., Ltd. (武漢秦嶺凌科航空電力系統有限公司)	Wuhan	Wuhan	Manufacturing	10,000,000	Limited Liability Company	-	5.78	Business combinations under common control	2

Note: 1 Although the Group's shareholding and voting rights in the above companies are less than 50%, they are still considered to be controlled by the Group because the remaining other shareholdings are more dispersed and the other shareholders are not consolidated their equity in such a way as to enable them to exercise more voting rights than the Group.

2 Although the Group's shareholding in the above companies is less than 50%, directly or indirectly, the Group's statements consolidate the above-mentioned companies because the Group is able to obtain voting rights that constitute control through agreements with other investors.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(2) Important non-wholly owned subsidiaries

Name of subsidiary	Minority shareholding ratio(%)	Profit or loss attributable to minority shareholders in the current year	Dividends distributed to minority shareholders in the current year	Balance of minority shareholding at the end of the year
Hongdu Aviation	56.23	18,269,340	23,790,642	2,977,623,050
AVIC Airborne	83.50	1,775,403,223	512,809,391	31,741,183,718
JONHON Optronics	63.27	2,309,241,103	740,759,845	14,486,157,915
AVICOPTER	50.70	128,756,586	62,654,876	5,283,327,257
Harbin Aircraft	19.21	-6,293,120	-	421,053,203
Changhe Aircraft	7.57	6,551,652	-	124,777,272

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(3) Main financial information of important non-wholly-owned subsidiaries

Item	Hongdu		JONHON		Changhe	
	Aviation	AVIC Airborne	Optronic	AVICOPTER	Harbin Aircraft	Aircraft
2023:						
Current assets	13,769,759,495	55,475,423,996	27,600,165,839	24,367,455,341	10,477,146,178	7,932,166,931
Non-current assets	1,848,309,627	18,047,993,386	7,969,738,483	3,427,842,817	3,531,038,028	2,156,140,871
Total assets	15,618,069,122	73,523,417,382	35,569,904,322	27,795,298,158	14,008,184,206	10,088,307,802
Current liabilities	10,282,584,579	29,832,674,056	12,498,263,739	15,554,951,112	10,691,569,452	7,673,625,560
Non-current liabilities	40,049,634	5,995,785,624	1,057,195,432	2,023,728,386	1,205,019,278	765,585,286
Total liabilities	10,322,634,213	35,828,459,680	13,555,459,171	17,578,679,498	11,896,588,730	8,439,210,846
Operating income	3,726,925,247	29,006,921,224	20,074,439,569	23,329,929,466	18,766,826,639	7,877,239,776
Net profit	32,490,380	2,149,089,471	3,535,762,439	347,001,745	134,128,119	38,143,118
Total comprehensive income	32,225,550	2,114,768,253	3,538,647,649	351,463,658	157,343,879	447,882,336
Net cash flows from operating activities	196,533,004	-1,017,258,018	3,087,812,925	716,615,446	-6,778,157,703	-299,873,433
2022:						
Current assets	15,325,490,313	46,977,062,816	26,210,145,227	24,234,027,964	17,885,381,874	7,140,990,970
Non-current assets	1,908,692,301	17,746,615,437	5,620,045,052	3,507,342,532	3,327,072,250	2,156,115,425
Total assets	17,234,182,614	64,723,678,253	31,830,190,279	27,741,370,496	21,212,454,124	9,297,106,395
Current liabilities	11,893,424,726	31,693,315,461	12,640,362,199	16,670,399,882	17,739,703,682	6,866,099,037
Non-current liabilities	41,085,626	3,027,660,706	686,638,587	1,013,453,967	1,682,361,145	809,301,927
Total liabilities	11,934,510,352	34,720,976,167	13,327,000,786	17,683,853,849	19,422,064,827	7,675,400,964
Operating income	7,250,643,217	27,722,332,689	15,838,116,672	19,472,858,456	14,599,916,484	7,199,329,585
Net profit	141,360,968	1,789,739,491	2,902,055,942	388,068,412	110,118,830	11,837,385
Total comprehensive income	108,094,272	1,578,015,577	2,901,507,342	385,051,330	157,411,330	34,837,385
Net cash flows from operating activities	-231,158,485	-929,976,848	2,118,032,401	-1,686,449,285	12,308,480,838	-1,111,822,801

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(4) *The Group has no major restrictions on using the assets of the enterprise group and paying off the debts of the enterprise group.*

(5) *The Group does not provide financial support or other support to structured entities included in the scope of the consolidated financial statements.*

2. The share of owner's equity in the subsidiary has changed and the subsidiary is still under control

(1) During the reporting period, due to the implementation of the capital increase program by AVIC Shenyang Xinghua Aero-Electric Appliance Co., Ltd. (瀋陽興華航空電器有限責任公司), a subsidiary of JONHON Optronics which was the subsidiary of the Company, the Company's shareholding percentage in it dropped from 23.09% at the beginning of the period to 18.73%.

(2) During the reporting period, due to the fact that JONHON Optronics, a subsidiary of the Company, acquired minority interests in its subsidiary Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司), the Company's shareholding percentage in it increased from 18.73% at the beginning of the period to 33.79%.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

3. Interests in joint ventures or associates

(1) *The Group has no significant joint ventures or associates.*

(2) *Aggregated financial information of unimportant joint ventures and associates*

Item	31 December 2023/2023	31 December 2022/2022
Joint ventures		
Total book value of investments	457,410,160	331,128,368
Total of the following in proportion to shareholdings		
– Net profit	173,266,098	72,257,451
– Other comprehensive income	–	–
– Total comprehensive income	173,266,098	72,257,451
Associates		
Total book value of investments	2,024,460,961	2,397,459,982
Total of the following in proportion to shareholdings		
– Net profit	257,814,075	191,170,235
– Other comprehensive income	2,988,972	3,223,161
– Total comprehensive income	260,803,047	194,393,396

(3) *There are no significant restrictions on the ability of the Group's joint ventures or associates to transfer funds to the Company.*

(4) *No excess losses incurred by the Group's joint ventures or associates.*

(5) *The Group has no unrecognized commitments related to investments in joint ventures.*

(6) *The Group has no contingent liabilities related to investments in joint ventures or associates.*

4. The Group has no significant joint operations

5. The Group has no structured entities that are not included in the scope of the consolidated financial statements

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The main financial instruments of the Group include monetary funds, borrowings, accounts receivable, accounts payable, bonds payable and financial assets held for trading. Please refer to Note VI for the detailed description of each financial instrument. The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate these risks are described below. The management of the Group manages and monitors these risk exposures to ensure that the above risks are controlled within a limited range.

(I) Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1. Market risk

(1) Exchange rate risk

The Group's exposure to exchange rate risk is mainly related to the USD, EUR, HKD, MOP and VND. Except for the purchase and sales made by several subsidiaries of the Company were dominated in US dollars, other major business activities of the Group are denominated and settled in RMB. As at 31 December 2022 and 31 December 2023, except for the foreign currency balances of assets and liabilities as described in the table below, the Group's assets and liabilities are all RMB balances. The exchange rate risk arising from the assets and liabilities of such foreign currency balances may have an impact on the Group's operating results.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

(I) Risk management objectives and policies (Continued)

1. Market risk (Continued)

(1) Exchange rate risk (Continued)

Item	31 December 2023	31 December 2022
Monetary funds – USD	49,977,082	123,669,049
Monetary funds – EUR	6,888,943	10,511,089
Monetary funds-JPY	4,000	4,000
Monetary funds-GBP	40	40
Monetary funds-CAD	–	1,083,074
Monetary funds – HKD	209,717,044	210,488,213
Monetary funds – MOP	399,709	399,790
Monetary funds-THB	318,829,869	370,533,266
Monetary funds-VND	2,501,917,827	578,199,835
Monetary funds – TND	7,915,271	–
Accounts receivable – USD	49,470,757	52,162,866
Accounts receivable – EUR	6,304,836	1,862,881
Accounts receivable – CAD	240	639,489
Accounts receivable – VND	54,168,992,863	–
Other receivables – USD	220,869	–
Other receivables – EUR	–	27
Other receivables-HKD	280,486,764	280,846,245
Other receivables-MOP	–	7,210
Other receivables-THB	4,120,193	–
Other receivables-VND	238,419,002	9,253,966
Accounts payable – USD	1,003,277	1,365,702
Accounts payable – EUR	–	5,500
Accounts payable – THB	29,840,266	–
Accounts payable-VND	50,942,310,625	2,103,241,891
Other payables-USD	377,346	–
Other payables-EUR	780	63,148
Other payables-HKD	280,996,901	281,262,701
Other payables-MOP	–	82,400
Other payables – VND	26,724,362	12,197,718

The Group closely monitors the impact of exchange rate changes on the Group. The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposures when necessary.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

(I) Risk management objectives and policies (Continued)

1. Market risk (Continued)

(2) Interest rate risk

The Group's interest rate risk arises from interest-bearing debt such as bank borrowings. Financial liabilities with floating interest rates expose the Group to cash flow interest rate risk and financial liabilities with fixed interest rates expose the Group to fair value interest rate risk. The Group determines the relative proportion of fixed-rate and floating-rate contracts based on the prevailing market conditions. As at 31 December 2023, the Group's interest-bearing debts are mainly RMB-denominated floating rate borrowing contracts with an aggregate amount of RMB872,813,362 (31 December 2022: RMB1,815,144,438) and RMB-denominated fixed rate contracts with an amount of RMB12,282,947,504 (31 December 2022: RMB12,728,201,238).

The Group's exposure to changes in the fair value of financial instruments due to changes in interest rates relates primarily to fixed-rate bank borrowings. For fixed rate borrowings, the Group's objective is to maintain its floating interest rate.

The Group's exposure to changes in cash flows from financial instruments due to changes in interest rates relates primarily to floating rate bank borrowings. The Group's policy is to maintain floating interest rates on these borrowings to eliminate the fair value risk of changes in interest rates.

(3) Price risk

The Group's primary exposure to security price risk arises from investments held by the Group (classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income). Some of these financial assets are publicly tradable on recognized stock exchanges. At 31 December 2023, if the fair value of financial assets held by the Group at fair value through profit or loss and the fair value of financial assets at fair value through other comprehensive income had been 10% (2022: 10%) higher or lower, assuming other variables had remained unchanged, the Group's net profit would have increased or decreased by approximately RMB71.78 million (2022: RMB39.70 million) and the Group's net other comprehensive income after tax would increase or decrease by approximately RMB417.94 million (2022: RMB420.07 million).

The Group sells products such as connectors at market prices and is therefore subject to fluctuations in these prices.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

(I) Risk management objectives and policies (Continued)

2. Credit risk

As at 31 December 2023, the largest exposure to credit risk that could give rise to financial losses for the Group arises mainly from losses incurred on the Group's financial assets as a result of the failure of the other party to the contract to perform its obligations and from the financial guarantees assumed by the Group, specifically:

The carrying amount of recognized financial assets in the consolidated balance sheet; the Group's listed financial assets at fair value through profit or loss and listed financial assets at fair value through other comprehensive income can be publicly traded on a recognized stock exchange, and the carrying amount of the Group reflects the exposure, but not the maximum exposure, which will change with future changes in fair value.

In order to reduce credit risk, the Group only deals with approved and reputable third parties. In accordance with the Group's policy, credit audits are required for all customers who request the use of credit. In addition, the Group monitors notes receivable and accounts receivable balances on an ongoing basis to ensure that the Group is not exposed to significant risk of bad debts. For foreign transactions, the Group does not provide credit terms for transactions unless specifically approved by the Group's credit control department. The Group identifies any credit risk in a timely manner in order to reduce the risk of credit-related losses. Therefore, the Group's management believes that the credit risk assumed has been significantly reduced.

The Group's liquidity is placed with the finance company of the Group and banks with high credit ratings, so the credit risk of liquidity is low.

As part of the Group's credit risk asset management, the Group uses expected credit losses to assess impairment losses on accounts receivable and other receivables. The Group's accounts receivable and other receivables involve a large number of customers, and expected credit losses reflect the solvency and bad debt risk of these customers with respect to accounts receivable and other receivables. The Group calculates the historical actual bad debt ratio for different aging periods based on historical data and adjusts the expected loss ratio by considering the current and the forecast of future economic conditions, such as the national GDP growth rate, total infrastructure investment, national monetary policy and other forward-looking information.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

(I) Risk management objectives and policies (Continued)

2. Credit risk (Continued)

As of 31 December 2023, the book balances of the related assets and expected credit impairment losses are as follows:

Aging	Book balances	Impairment provision
Notes receivable	13,585,812,686	131,958,180
Accounts receivable	39,874,938,515	1,738,529,593
Other receivables	391,666,427	145,467,738
Total	53,852,417,628	2,015,955,511

The Group has adopted the necessary policies to ensure that all sales customers have good credit histories and the Group has significant related party balances with low credit risk and no significant credit concentration risk.

3. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by ensuring that it has sufficient financial liquidity to meet its obligations as they fall due without incurring unacceptable losses or causing damage to its corporate reputation. The Group regularly analyzes the structure and maturity of its liabilities to ensure that sufficient funds are available. The Group's management monitors the use of bank borrowings and ensures compliance with borrowing agreements. It also negotiates financing with financial institutions in order to maintain a certain credit limit and reduce liquidity risk.

The Group uses bank borrowings as its main source of funding. As at 31 December 2023, the Group's unused bank borrowings amounted to RMB31,104 million (31 December 2022: RMB23,138 million), of which the Group's unused short-term bank borrowings amounted to RMB5,991 million (31 December 2022: RMB14,482 million).

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

(I) Risk management objectives and policies (Continued)

3. Liquidity risk (Continued)

An analysis of the Group's financial assets and financial liabilities held as of 31 December 2023, based on the maturity of the undiscounted remaining contractual obligations, is as follows:

Item	Within one year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Monetary funds	39,500,113,757	–	–	–	39,500,113,757
Financial assets held for trading	957,001,296	–	–	–	957,001,296
Notes receivable	13,585,812,686	–	–	–	13,585,812,686
Accounts receivable	39,874,938,515	–	–	–	39,874,938,515
Other receivables	391,666,427	–	–	–	391,666,427
Long-term receivables	–	1,252,775	90,084	–	1,342,859
Financial liabilities					
Short-term borrowings	4,997,783,753	–	–	–	4,997,783,753
Financial liabilities held for					
trading	72,143,493	–	–	–	72,143,493
Notes payable	11,668,891,622	–	–	–	11,668,891,622
Accounts payable	39,145,737,987	–	–	–	39,145,737,987
Other payables	3,156,081,521	–	–	–	3,156,081,521
Dividends payable	62,556,162	–	–	–	62,556,162
Interest payable	–	–	–	–	–
Employee compensation payable	3,322,816,065	–	–	–	3,322,816,065
Non-current liabilities due within					
one year	1,253,942,782	–	–	–	1,253,942,782
Long-term borrowings	–	3,044,813,758	2,934,735,346	88,000,000	6,067,549,104
Bonds payable	–	–	–	–	–
Lease liabilities	–	62,684,066	132,317,285	147,660,623	342,661,974
Long-term payables	–	3,067,174	2,767,499	–	5,834,673

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

(II) Sensitivity analysis

The Group uses sensitivity analysis techniques to analyze the possible impact of reasonable and probable changes in risk variables on current profit or loss or shareholders' equity. Since changes in any risk variable rarely occur in isolation and the correlation that exists between variables will have a significant effect on the amount of the ultimate impact of a change in a risk variable, the following is performed under the assumption that changes in each variable are independent.

1. Foreign exchange risk sensitivity analysis

Foreign exchange risk sensitivity analysis assumes that all hedges of net investment in foreign operations and cash flow hedges are highly effective.

On the basis of the above assumptions, the after-tax effect on current profit or loss and equity of a reasonable possible change in exchange rates, with all other variables held constant, is as follows:

Item	Exchange rate changes	2023		2022	
		Impact on net profit	Impact on shareholders' equity	Impact on net profit	Impact on shareholders' equity
USD	10% appreciation against RMB	52,210,876	52,210,876	91,131,554	91,131,554
USD	10% depreciation against RMB	-52,210,876	-52,210,876	-91,131,554	-91,131,554
EUR	10% appreciation against RMB	7,776,481	7,776,481	6,850,603	6,850,603
EUR	10% depreciation against RMB	-7,776,481	-7,776,481	-6,850,603	-6,850,603
JPY	10% appreciation against RMB	15	15	16	16
JPY	10% depreciation against RMB	-15	-15	-16	-16
GBP	10% appreciation against RMB	27	27	25	25
GBP	10% depreciation against RMB	-27	-27	-25	-25
CAD	10% appreciation against RMB	97	97	663,854	663,854
CAD	10% depreciation against RMB	-97	-97	-663,854	-663,854
HKD	10% appreciation against RMB	14,218,727	14,218,727	14,074,283	14,074,283
HKD	10% depreciation against RMB	-14,218,727	-14,218,727	-14,074,283	-14,074,283
MOP	10% appreciation against RMB	26,492	26,492	21,134	21,134
MOP	10% depreciation against RMB	-26,492	-26,492	-21,134	-21,134
THB	10% appreciation against RMB	4,559,323	4,559,323	5,596,905	5,596,905
THB	10% depreciation against RMB	-4,559,323	-4,559,323	-5,596,905	-5,596,905
VND	10% appreciation against RMB	133,657	133,657	-34,380	-34,380
VND	10% depreciation against RMB	-133,657	-133,657	34,380	34,380
TND	10% appreciation against RMB	31,641	31,641	-	-
TND	10% depreciation against RMB	-31,641	-31,641	-	-

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

(II) Sensitivity analysis (Continued)

2. Interest rate risk sensitivity analysis

The interest rate risk sensitivity analysis is based on the following assumptions:

Changes in market interest rates affecting interest income or expense on variable rate financial instruments;

For fixed-rate financial instruments measured at fair value, changes in market interest rates affect only their interest income or expense; and

Changes in the fair value of derivative financial instruments and other financial assets and liabilities are calculated using the discounted cash flow method based on market interest rates at the balance sheet date.

Based on the above assumptions, the after-tax impact on current profit or loss and equity of a reasonable possible change in interest rates, with all other variables held constant, is as follows:

Item	Interest rate changes	2023		2022	
		Impact on net profit	Impact on shareholders' equity	Impact on net profit	Impact on shareholders' equity
Floating-rate borrowings	Increase by 0.5%	-3,273,050	-3,273,050	-6,806,792	-6,806,792
Floating-rate borrowings	Decrease by 0.5%	3,273,050	3,273,050	6,806,792	6,806,792

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

X. DISCLOSURE OF FAIR VALUE

1. Financial instruments measured at fair value

The Group presents the carrying value of financial asset instruments measured at fair value at 31 December 2023 by the three levels of fair value. The overall classification of fair value into the three levels is based on the lowest of the three levels to which each significant input used in measuring fair value belongs. The three levels are defined as follows:

Level 1: is the unadjusted quoted price in an active market for identical assets or liabilities that is available at the measurement date;

Level 2: is an input other than a Level 1 input that is directly or indirectly observable for the relevant asset or liability;

Level 2 inputs include: 1) quoted prices for identical assets or liabilities in active markets; 2) quoted prices for the same or identical assets or liabilities in inactive markets; 3) observable inputs other than quoted prices, including interest rates and yield curves, implied volatilities and credit spreads that are observable during normal quotation intervals; and 4) inputs for market validation, etc.

Level 3: is the unobservable input value of the related asset or liability.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

X. DISCLOSURE OF FAIR VALUE (Continued)

2. The fair value of assets and liabilities measured at fair value at the end of the year

Item	Fair value at the end of the year			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I Continuous fair value measurement				
(I) Financial assets held for trading	133,853,484	823,147,812	–	957,001,296
1. Financial assets at fair value through profit or loss	133,853,484	823,147,812	–	957,001,296
(1) Equity instrument investments	83,728,826	3,147,812	–	86,876,638
(2) Others	50,124,658	820,000,000	–	870,124,658
(II) Receivables financing	–	–	383,654,710	383,654,710
(III) Other equity instrument investments	2,284,666,208	1,310,852,007	200,177,090	3,795,695,305
Total assets continuously measured at fair value	2,418,519,692	2,133,999,819	583,831,800	5,136,351,311
(IV) Financial liabilities held for trading	72,143,493	–	–	72,143,493
1. Financial liabilities at fair value through profit or loss	72,143,493	–	–	72,143,493
Including: gold leasing	72,143,493	–	–	72,143,493
Forward foreign exchange settlement	–	–	–	–
Total liabilities continuously measured at fair value	72,143,493	–	–	72,143,493
II Non-continuous fair value				
(I) Held-for-sale assets	–	–	–	–
Total assets not continuously measured at fair value	–	–	–	–

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

X. DISCLOSURE OF FAIR VALUE (Continued)

3. Basis for determining the market price of items continuously and not continuously measured with fair value at level 1

For financial instruments that are traded in an active market, the Group determines their fair value using their quoted prices in the active market.

4. For items continuously and not continuously measured with fair value at level 2, qualitative and quantitative information on valuation technique and important parameters used

For financial instruments that are traded in similar active markets, the Group uses valuation techniques to determine their fair value. The valuation techniques used are the market approach and the cost approach. The inputs to the valuation techniques mainly include transaction dates, trading conditions, regional factors, individual factors, etc.

5. For items continuously and not continuously measured with fair value at level 3, qualitative and quantitative information on valuation technique and important parameters used

Valuation techniques are used to determine their fair value. The valuation technique adopted is the cost method. The inputs to the valuation technique include mainly transaction dates, trading conditions, regional factors, individual factors, etc.

The equity investment of AVIC Shenyang Xinghua Aero-Electric Appliance Co., Ltd. (瀋陽興華航空電器有限責任公司), a subsidiary of AVIC JONHON Optron Technology Co., Ltd., in Jinan Qingqi Motorcycle Co., Ltd. is classified as financial assets at fair value through other comprehensive income, and represented as investment in other equity instruments. As impairment provision has been fully made for the equity investment in Jinan Qingqi Motorcycle Co., Ltd., the fair value of the equity investment is identified as 0.

The receivables financing held by the Group are banker's acceptance bill with high credit ratings. Since all of these bills have maturities of one year or less, the acceptors have high credit and have never been exposed to the risk of default and refusal to pay, and the expected future cash flow recovery is equal to their carrying values, the fair values are judged to be consistent with the carrying values.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

X. DISCLOSURE OF FAIR VALUE (Continued)

6. Ongoing fair value measurement items for which translation between levels occurred during the year

The equity investment of AVIC Avionics Lanzhou Flight Control Co., Ltd. (蘭州飛行控制有限公司), a subsidiary of AVIC Airborne, in Beijing Airborne Zhongxing Information Technology Co., Ltd. (北京機載中興信息技術有限公司) is classified as a financial asset measured at fair value through other comprehensive income and reported in other equity instrument investments. As there is no quoted market price for Beijing Airborne Zhongxing Information Technology Co., Ltd., cost is used as the best estimate of fair value measurement.

The equity investment of AVIC Avionics Lanzhou Flight Control Co., Ltd. (蘭州飛行控制有限公司), a subsidiary of AVIC Airborne, in Lanzhou Lanfei Medical Equipment Co., Ltd. (蘭州蘭飛醫療器械有限公司) is classified as a financial asset measured at fair value through other comprehensive income and reported in other equity instrument investments. As there is no quoted market price for Lanzhou Lanfei Medical Equipment Co., Ltd., cost is used as the best estimate of fair value measurement.

The fair value of financial assets and financial liabilities is determined as the amount that would result from a voluntary exchange of assets or settlement of liabilities between knowledgeable parties in an arm's length transaction, rather than the amount that would result from a forced sale into a liquidation situation.

7. Changes in valuation techniques during the year and the reasons for the changes

During the year, the Group did not have any changes in valuation techniques.

8. The Group has no assets and liabilities that are not measured at fair value but disclosed at fair value.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Relationship of related parties

1. Controlling shareholder and ultimate controlling party

(1) Controlling shareholder and ultimate controlling party

Name of controlling shareholder and ultimate controlling party	Registration place	Nature of business	Registered capital	Shareholding proportion to the Company (%)	Proportion of voting right to the Company (%)
AVIC	Beijing	Development, production and sales of aircraft and related engines, airborne equipment and other aviation products	64,000,000,000	60.25	60.25

Note: The ultimate controller of the Company is AVIC.

(2) Registered capital of controlling shareholder and the changes

Controlling shareholder	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
AVIC	64,000,000,000	–	–	64,000,000,000

(3) Shareholding or equity of controlling shareholder and the changes

Controlling shareholder	Amount of shareholding		Shareholding proportion (%)	
	Closing balance	Opening balance	Ending proportion	Beginning proportion
AVIC (directly holding)	4,548,680,808	4,548,680,808	57.05	58.99
AVIC (indirectly holding)	255,288,667	255,288,667	3.20	3.31
Total	4,803,969,475	4,803,969,475	60.25	62.30

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Relationship of related parties (Continued)

2. Subsidiaries

For details of the subsidiaries, see Note VIII.1 (1) Composition of the enterprise group.

3. Joint ventures and associates

Please refer to Note VI.14. Long-term equity investments for details of joint ventures and associates.

4. Other related parties

Other related parties of the Group are mainly other subsidiaries and associates and joint ventures within the scope of consolidation of AVIC.

(II) Related party transactions

1. Related party transactions of purchasing or selling goods, rendering and receiving services

(1) Purchasing goods/receiving services

Related party	Content of related transactions	Amount for the current year	Amount for the previous year
AVIC	Purchasing goods	24,714	2,000,000
Subsidiaries of AVIC	Purchasing goods	11,790,345,654	12,811,444,925
Associates of the Group	Purchasing goods	126,597,366	47,652,682
Joint ventures of the Group	Purchasing goods	528,887,536	463,721,723
Associates of AVIC	Purchasing goods	321,478,674	64,455,245
Joint ventures of AVIC	Purchasing goods	50,059	–
AVIC	Receiving services	6,280	–
Subsidiaries of AVIC	Receiving services	716,552,062	398,659,115
Associates of the Group	Receiving services	12,754,115	27,627,834
Total	–	13,496,696,460	13,815,561,524

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

1. Related party transactions of purchasing or selling goods, rendering and receiving services (Continued)

(2) Selling goods/rendering services

Related party	Content of related transactions	Amount for the current year	Amount for the previous year
AVIC	Sales of goods	30,156,621	–
Subsidiaries of AVIC	Sales of goods	25,084,514,188	26,984,614,114
Associates of the Group	Sales of goods	207,041,958	94,384,177
Joint ventures of the Group	Sales of goods	2,685,859	5,302,587
Associates of AVIC	Sales of goods	60,433,545	141,759,117
Joint ventures of AVIC	Sales of goods	16,804	–
AVIC	Rendering services	230,381,317	40,055,139
Subsidiaries of AVIC	Rendering services	2,812,991,987	2,727,690,333
Associates of the Group	Rendering services	10,317,958	4,082,134
Joint ventures of the Group	Rendering services	32,429	–
Associates of AVIC	Rendering services	–	2,070,533
Total	–	28,438,572,666	29,999,958,134

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

2. Related party trustee management

Name of the trustor	Name of the trustee	Type of assets entrusted	Trustee start date	Trustee termination date	Custody income pricing basis	Custody recognized income in the current year
AVIC Airborne Systems Company Limited* (中航機載系統有限公司)	AVIC Airborne Systems Co., Ltd. (中航機載系統股份有限公司)	Other asset custody	2023/1/1	2023/12/31	Note 1, 2	117,287,278
Beijing Qingyun Aviation Equipment Co., Ltd.* (北京青雲航空設備有限公司)	Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司)	Other asset custody	2023/1/1	2023/12/31	Note 3	11,584,906
AVIC Airborne Systems Company Limited* (中航機載系統股份有限公司)	AviChina Industry & Technology Company Limited (中國航空科技工業股份有限公司)	Other asset custody	2022/6/10	–	Note 4	–
Total	–	–	–	–	–	128,872,184

Note 1: According to the Equity Trusteeship Agreement signed between AVIC Airborne (中航機載) and AVIC Airborne Systems (中航機載系統), it is agreed that AVIC Airborne Systems will entrust the management of 14 enterprises and institutions under its control to AVIC Airborne. For the enterprises in the trustee unit that made profits in the current year, the trustee fee for the current year is 2% of the audited operating income of the target enterprise for the current year calculated in accordance with the equity ratio entrusted to the Company (i.e.: the amount of operating income of a target company for the current year × the equity ratio entrusted to the management × 2%); for the units in the target enterprise that recorded losses in the current year, the trustee fee for the current year is RMB200,000.

Note 2: According to the Supplementary Agreement to the Custody Agreement signed between AVIC Airborne and AVIC Airborne Systems, it is agreed that AVIC Airborne Systems will entrust its eight subordinate enterprises and institutions to AVIC Electromechanical for management. For the custodial unit that makes profits in the current year, the custodial fee for the current year is 3% of the audited operating income of the custodial unit calculated based on the proportion of equity or equity managed by AVIC Electromechanical (i.e.: the amount of operating income of the custodial unit for the current year × the equity ratio entrusted to the management × 3%); For the custodial unit that incurred losses in the current year, the custodial fee for that year is RMB200,000.

Note 3: Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司), a subsidiary of AVIC Airborne, is entrusted by Beijing Qingyun Aviation Equipment Co., Ltd. (北京青雲航空設備有限公司) to manage the relevant business of Beijing Qingyun Aviation Equipment Co., Ltd. (北京青雲航空設備有限公司) and reached an entrusted management service agreement on entrusted management matters. The management fees to be paid by Beijing Qingyun Aviation Equipment Co., Ltd. (北京青雲航空設備有限公司) include but are not limited to labor wages, welfare fees and other service fees.

Note 4: Pursuant to the "Voting Rights Entrustment Agreement between AVIC Airborne Systems and AviChina Industry & Technology Company Limited" signed in June 2022, AVIC Airborne Systems entrusted the voting right of its equity interest in AVIC Airborne to the Company in its sole discretion.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

3. Related lease

(1) The Group as a lessor

Name of lessor	Name of the lessee	Types of leased assets	Rental income recognized in the current year	Rental income recognized in the previous year
AviChina Hong Kong Limited (中航科工香港有限公司)	AVIC Cabin System Co., Ltd. (中航客艙系統有限公司)	Plant & buildings	354,710	670,757
AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司)	Xi'an Ruixintong Microwave Technology Co., Ltd. (西安瑞新通微波技術有限公司)	Plant & buildings	1,253,925	852,216
AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司)	Xi'an Tianze Xunda Technology Co., Ltd. (西安天澤訊達科技有限責任公司)	Plant & buildings	378,295	202,990
Beijing Qingyun Avionics Technology Co., Ltd. (北京青雲航電科技有限公司)	Beijing Qingyun Aviation Equipment Co., Ltd. (北京青雲航空設備有限公司)	Plant & buildings	3,015,400	4,530,686
Beijing Qingyun Avionics Technology Co., Ltd. (北京青雲航電科技有限公司)	AVIC Composite Co., Ltd. (中航複合材料有限責任公司)	Plant & buildings	9,591,800	6,583,299
Beijing Qingyun Avionics Technology Co., Ltd. (北京青雲航電科技有限公司)	AVIC Manufacturing Technology Institute (中國航空製造技術研究院)	Plant & buildings	8,885,800	7,428,618
Shaanxi Oriental Aeronautic Instrument Manufacture Co., Ltd. (陝西東方航空儀錶有限責任公司)	AVIC Xi'an Flight Automatic Control Research Institute (中國航空工業集團公司西安飛行自動控制研究所)	Machinery equipment	887,800	887,788
AVIC Shaanxi Qianshan Avionics Co., Ltd. (陝西千山航空電子有限責任公司)	AVIC Xi'an Aeronautics Computing Technique Research Institute (中國航空工業集團公司西安航空計算技術研究所)	Plant & buildings	4,558,400	5,071,220
Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司)	Jiangxi Aviation Haihong Measurement & Control Technology Co., Ltd. (江西航大海虹測控技術有限責任公司)	Plant & buildings	315,254	315,254
Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司)	Jiangxi Hongdu International Mechanical & Electrical Co., Ltd. (江西洪都國際機電有限責任公司)	Plant & buildings	189,934	818,675
Jiangxi Changhe Aviation Industry Co., Ltd. (江西昌河航空工業有限公司)	Jingdezhen Changfei Industrial Co., Ltd. (景德鎮昌飛實業有限公司)	Plant & buildings	244,709	214,120
Changhe Aircraft Industries (Group) Co., Ltd. (昌河飛機工業(集團)有限責任公司)	Jiangxi Changhe Agusta Helicopter Co., Ltd. (江西昌河阿古斯特直升機有限公司)	Land	-	102,514

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

3. Related lease (Continued)

(1) The Group as a lessor (Continued)

Name of lessor	Name of the lessee	Types of leased assets	Rental income recognized in the current year	Rental income recognized in the previous year
Harbin Aircraft Industry Group Co., Ltd. (哈爾濱飛機工業集團有限責任公司)	China Flying Dragon General Aviation Co., Ltd. (中國飛龍通用航空有限公司)	Machinery equipment	8,807	-
Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司)	Jiangxi Hongdu Aviation Industry Group Co., Ltd. (江西洪都航空工業集團有限責任公司)	Machinery equipment	1,378,604	1,375,320
Qing'an Group Co., Ltd. (慶安集團有限公司)	Xi'an Qing'an Aviation Test Equipment Co., Ltd. (西安慶安航空試驗設備有限責任公司)	Plant & buildings	385,100	288,800
Qing'an Group Co., Ltd. (慶安集團有限公司)	Xi'an Qing'an Zhihang General Equipment Co., Ltd. (西安慶安智航通用設備有限公司)	Plant & buildings	105,963	79,500
Qing'an Group Co., Ltd. (慶安集團有限公司)	Xi'an Qing'an Electric Control Co., Ltd. (西安慶安電氣控制有限責任公司)	Machinery equipment	2,214,055	2,214,100
AVIC Hubei Precision Machinery Technology Co., Ltd. (湖北中航精機科技有限公司)	Koki TECHNIK Transmission Systems (China) Co., Ltd. (科奇汽車傳動系統(中國)有限公司)	Plant & buildings	2,056,500	3,478,400
Zhengzhou Aircraft Equipment Co., Ltd. (鄭州飛機裝備有限責任公司)	Zhengzhou Zhengfei Casting Co., Ltd. (鄭州鄭飛鍛鑄有限責任公司)	Plant & buildings	275,524	283,200
Zhengzhou Aircraft Equipment Co., Ltd. (鄭州飛機裝備有限責任公司)	Zhengzhou Zhengfei Aircraft Technology Co., Ltd. (鄭州鄭飛機電技術有限責任公司)	Plant & buildings	355,100	355,100
Zhengzhou Aircraft Equipment Co., Ltd. (鄭州飛機裝備有限責任公司)	Zhengzhou Zhengfei Machinery Co., Ltd. (鄭州鄭飛機械有限責任公司)	Plant & buildings	297,800	297,800
Zhengzhou Aircraft Equipment Co., Ltd. (鄭州飛機裝備有限責任公司)	Zhengzhou Zhengfei Rubber & Plastic Products Co., Ltd. (鄭州鄭飛橡膠製品有限責任公司)	Plant & buildings	91,200	91,200
Total	-	-	36,844,680	36,141,557

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

3. Related lease (Continued)

(2) The Group as a lessee

Name of lessor	Types of leased assets	Rental fees recognized in the current period	Rental fees recognized in the previous period
Aviation Industry Information Centre (航空工業信息中心)	Plant & buildings	4,951,736	4,361,921
AVIC Construction Investment Energy Technology (Beijing) Co., Ltd. (中航建投能源科技(北京)有限公司)	Machinery equipment	3,050,240	-
AVIC International Leasing Co., Ltd. (中航國際融資租賃有限公司)	Plant & buildings	-	2,769,912
AVIC International Leasing Co., Ltd. (中航國際融資租賃有限公司)	Machinery equipment	4,120,078	36,163,257
AVIC Finance Co., Ltd. (中航工業集團財務有限責任公司)	Plant & buildings	-	1,762,410
AVIC Finance Co., Ltd. (中航工業集團財務有限責任公司)	Machinery equipment	-	1,869,185
AVIC Xi'an Flight Automatic Control Research Institute (中國航空工業集團公司西安飛行自動控制研究所)	Machinery equipment	-	2,117,287
Yuxin Automotive Thermal Management Technology Co., Ltd. (豫新汽車熱管理科技有限公司)	Plant & buildings	646,474	698,234
Yuxin Automotive Thermal Management Technology Co., Ltd. (豫新汽車熱管理科技有限公司)	Machinery equipment	1,661,804	2,624,976
Xinxiang Xinhang Electromechanical Technology Co., Ltd. (新鄉市新航機電科技有限公司)	Plant & buildings	1,815,913	2,581,768
Xinxiang Xinhang Electromechanical Technology Co., Ltd. (新鄉市新航機電科技有限公司)	Others	173,873	470,121
Xinxiang Xinhang Electromechanical Technology Co., Ltd. (新鄉市新航機電科技有限公司)	Land	-	309,112
Jingdezhen Changfei Industrial Co., Ltd. (景德鎮昌飛實業有限公司)	Plant & buildings	1,337,280	1,549,826
Jiangxi Hongdu Aviation Industry Group Co., Ltd. (江西洪都航空工業集團有限責任公司)	Fixed assets and land	2,915,467	534,886
Jiangxi Changfei Aviation Service Co., Ltd. (江西昌飛航空服務有限公司)	Plant & buildings	9,610,632	11,077,322
Harbin Hafei Enterprise Management Co., Ltd. (哈爾濱哈飛企業管理有限責任公司)	Plant & buildings	2,444,260	9,497,472
Beijing Qingyun Aviation Equipment Co., Ltd. (北京青雲航空設備有限公司)	Plant & buildings	1,682,885	1,996,468
Beijing Qingyun Aviation Equipment Co., Ltd. (北京青雲航空設備有限公司)	Land use rights	400,000	-
Total	-	34,810,642	80,384,157

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

4. Related party guarantees

Guarantor	Guaranteed party	Guaranteed amount	Starting date of guarantee	Due date of guarantee	Has the guarantee been fulfilled
AVIC Airborne Systems Co., Ltd. (中航機載系統股份有限公司)	Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司)	45,000,000	2016/3/14	2031/3/13	No
AVIC Airborne Systems Co., Ltd. (中航機載系統股份有限公司)	Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司)	28,000,000	2015/12/21	2030/12/20	No
Qing'an Group Co., Ltd. (慶安集團有限公司)	Xi'an Qing'an Refrigeration Equipment Co., Ltd. (西安慶安製冷設備股份有限公司)	4,239,800	2023/4/27	2024/4/27	No
Qing'an Group Co., Ltd. (慶安集團有限公司)	Xi'an Qing'an Refrigeration Equipment Co., Ltd. (西安慶安製冷設備股份有限公司)	2,924,000	2023/2/20	2024/2/20	No
Qing'an Group Co., Ltd. (慶安集團有限公司)	Xi'an Qing'an Refrigeration Equipment Co., Ltd. (西安慶安製冷設備股份有限公司)	4,386,000	2023/3/20	2024/3/20	No
Qing'an Group Co., Ltd. (慶安集團有限公司)	Xi'an Qing'an Refrigeration Equipment Co., Ltd. (西安慶安製冷設備股份有限公司)	4,386,000	2023/3/30	2024/3/30	No
Qing'an Group Co., Ltd. (慶安集團有限公司)	Xi'an Qing'an Refrigeration Equipment Co., Ltd. (西安慶安製冷設備股份有限公司)	4,386,000	2023/5/25	2024/5/25	No
Qing'an Group Co., Ltd. (慶安集團有限公司)	Xi'an Qing'an Refrigeration Equipment Co., Ltd. (西安慶安製冷設備股份有限公司)	2,924,000	2023/4/17	2024/4/17	No
Qing'an Group Co., Ltd. (慶安集團有限公司)	Xi'an Qing'an Refrigeration Equipment Co., Ltd. (西安慶安製冷設備股份有限公司)	4,386,000	2023/2/27	2024/2/27	No
Qing'an Group Co., Ltd. (慶安集團有限公司)	Xi'an Qing'an Refrigeration Equipment Co., Ltd. (西安慶安製冷設備股份有限公司)	2,924,000	2023/6/7	2024/6/7	No
Qing'an Group Co., Ltd. (慶安集團有限公司)	Xi'an Qing'an Refrigeration Equipment Co., Ltd. (西安慶安製冷設備股份有限公司)	2,924,000	2023/6/28	2024/6/28	No
Total	-	106,479,800	-	-	-

Notes: As at 26 September, 2022, Qing'an Group Co., Ltd. (慶安集團有限公司), a subsidiary of AVIC Electromechanical Systems Co., Ltd. (中航工業機電系統股份有限公司), signed a "maximum guarantee contract" with AVIC Finance Co., Ltd. (中航工業集團財務有限責任公司). It is agreed that between 25 May, 2022 and 28 July, 2025, Qing'an Group Co., Ltd. shall provide guarantee for the borrowing of Xi'an Qing'an Refrigeration Equipment Co., Ltd. (西安慶安製冷設備股份有限公司) from AVIC Finance Co., Ltd. Xi'an Qing'an Refrigeration Equipment Co., Ltd. provides counter-guarantee with its machinery and equipment and land rental income rights.

In April 2023, AVIC Airborne Systems Co., Ltd. (中航機載系統股份有限公司) (previously known as China Avionics Systems Co., Ltd. (中航航空電子系統股份有限公司)), a subsidiary of the Company, completed the merger and absorption of AVIC Electromechanical Systems Co., Ltd. (中航工業機電系統股份有限公司).

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

5. Fund borrowing from related parties

Name of related party	Amount borrowed	Starting date	Expiration date
Borrowed funds			
AVIC Finance Co., Ltd.* (中航工業集團財務有限責任公司)	6,255,791,843	2020/3/5	2026/11/24
AVIC Airborne Systems Co., Ltd.* (中航機載系統有限公司)	617,800,000	2022/8/31	2025/6/30
Beijing Qingyun Aviation Equipment Co., Ltd.* (北京青雲航空設備有限公司)	190,000,000	2020/6/23	2024/12/27

6. Key management personnel remuneration

Name of the item	Amount for the current year	Amount for the previous year
Total remuneration	6,306,365	4,390,977

7. Other financial services

(1) Interest income

Type of related party	Amount for the current year	Amount for the previous year
Subsidiaries of AVIC	233,703,044	236,297,204
Total	233,703,044	236,297,204

(2) Interest expense

Type of related party	Amount for the current year	Amount for the previous year
Subsidiaries of AVIC	223,858,566	223,491,493
Total	223,858,566	223,491,493

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

7. Other financial services (Continued)

(3) Discount of notes receivable

Related party	Amount for the current year		Amount for the previous year	
	Discounted amount	Discounted interest	Discounted amount	Discounted interest
AVIC Finance Co., Ltd.* (中航工業集團財務有限責任公司)	57,716,609	303,350	84,059,975	1,178,620
Total	57,716,609	303,350	84,059,975	1,178,620

(4) Acceptance of notes receivable

Related party	Amount for the current year	Amount for the previous year
AVIC Finance Co., Ltd.* (中航工業集團財務有限責任公司)	165,732,760	122,524,730
Total	165,732,760	122,524,730

(5) Factored accounts receivable

Type of related party	Amount for the current year	Amount for the previous year
Subsidiaries of AVIC	384,729,040	1,334,498,781
Total	384,729,040	1,334,498,781

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

7. Other financial services (Continued)

(6) Acquisition of wealth management products

Appointer	Trustee	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
AviChina Industry & Technology Company Limited (中國航空科技工業股份有限公司)	AVIC Trust Co., Ltd (中航信託股份有限公司)	500,000,000	-	500,000,000	-
Tianjin Tianli Aviation Electro-Mechanical Co., Ltd.* (天津天利航空機電有限公司)	AVIC Securities Co., Ltd. (中航證券有限公司)	-	200,000,000	200,000,000	-
Total	-	500,000,000	200,000,000	700,000,000	-

(7) Commission expenses

Related party	Amount for the current year	Amount for the previous year
AVIC Securities Co., Ltd. (中航證券有限公司)	500,000	968,093
Total	500,000	968,093

8. Sale of assets and equity to related parties

Company name	Transaction content	Related party relationship	Book value	Assessed value	Transfer price
Beijing AviChina Phase I Aviation Industrial Investment Fund (Limited Partners) (北京中航一期航空工業產業投資基金(有限合夥))	Equity transfer	Associates of the Group	632,974,388	696,862,900	696,862,900
Total	-	-	632,974,388	696,862,900	696,862,900

9. Connected transactions complied with Hong Kong Listing Rules

All or partial of the related party transactions disclosed on pages 291 to 300 of this financial report also constitute connected transactions as defined in Chapter 14A of the Listing Rules. And the Group had complied with requirements under chapter 14A of the Listing Rules when dealt with those transactions.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Balance of intercourse funds among related parties

1. Receivables

Item name	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	AVIC	1,325,728	5,175	119,000	–
Accounts receivable	Subsidiaries of AVIC	19,072,833,796	643,061,619	16,970,335,663	760,204,436
Accounts receivable	Associates of the Group	308,665,836	15,688,469	355,220,390	17,238,785
Accounts receivable	Joint ventures of the Group	630,969	11,492	291,618	–
Accounts receivable	Associates of AVIC	2,304,281	433,178	17,832,068	1,763,529
Accounts receivable	Joint ventures of AVIC	–	–	–	–
Notes receivable	Subsidiaries of AVIC	7,030,416,907	51,973,129	5,479,763,130	19,779,929
Notes receivable	Associates of the Group	1,543,000	17,765	–	–
Notes receivable	Joint ventures of the Group	–	–	153,160	–
Notes receivable	Associates of AVIC	200,000	2,000	11,232,281	18,344
Receivables financing	Subsidiaries of AVIC	298,000	–	16,504,546	–
Other receivables	AVIC	1,998,244	1,300,000	2,407,486	1,204,215
Other receivables	Subsidiaries of AVIC	22,492,481	1,452,730	18,051,035	2,771,098
Other receivables	Associates of the Group	–	–	388,733	266
Other receivables	Associates of AVIC	50,000,000	50,000,000	50,000,000	50,000,000
Prepayments	AVIC	–	–	–	–
Prepayments	Subsidiaries of AVIC	1,683,747,927	–	1,621,686,280	–
Prepayments	Associates of the Group	181,565	–	35	–
Prepayments	Associates of AVIC	3,884,521	–	3,612,432	–
Contract assets	AVIC	14,569,201	14,569	6,021,539	9,755
Contract assets	Subsidiaries of AVIC	841,049,520	821,425	991,267,740	882,529
Contract assets	Associates of the Group	3,844,651	3,844	12,581,297	7,468
Other non-current assets	Subsidiaries of AVIC	34,957,381	–	49,598,531	–
Other non-current assets	Associates of AVIC	–	–	68,400	–
Total	–	29,074,944,008	764,785,395	25,607,135,364	853,880,354

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Balance of intercourse funds among related parties (Continued)

2. Payables

Item name	Related party	Closing book balance	Opening book balance
Accounts payable	Subsidiaries of AVIC	8,101,541,012	8,438,960,817
Accounts payable	Associates of the Group	97,797,006	75,259,055
Accounts payable	Joint ventures of the Group	80,970,681	27,226,454
Accounts payable	Associates of AVIC	111,677,127	89,694,056
Accounts payable	Joint ventures of AVIC	539,898	–
Notes payable	Subsidiaries of AVIC	1,160,376,514	3,536,409,093
Notes payable	Associates of the Group	26,174,341	13,113,109
Notes payable	Joint ventures of the Group	191,378,307	129,069,359
Notes payable	Associates of AVIC	21,662,403	24,078,052
Other payables	AVIC	1,680,276	376,384
Other payables	Subsidiaries of AVIC	137,710,665	368,691,403
Other payables	Associates of the Group	625,865	4,596,651
Other payables	Associates of AVIC	–	4,336,466
Advance receipts	Subsidiaries of AVIC	16,478,818	8,498,889
Contract liabilities	AVIC	195,156	36,114
Contract liabilities	Subsidiaries of AVIC	8,800,305,582	7,041,768,299
Contract liabilities	Associates of the Group	22,082,478	982,740
Contract liabilities	Joint ventures of the Group	2,546	–
Contract liabilities	Associates of AVIC	196,859	248,798
Other current liabilities	Subsidiaries of AVIC	232,558,982	45,154,587
Other non-current liabilities	Subsidiaries of AVIC	412,453,042	985,717,626
Non-current liabilities due within one year	Subsidiaries of AVIC	197,247,574	–
Total	–	19,613,655,132	20,794,217,952

(IV) Commitment of related parties

None.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Director, supervisor and employee compensation

1. Details of director and supervisor compensation

Item	Fees	Salaries, allowances and other expenses	Contribution to pension schemes	Bonus	Share-based payment	Total	Note
Amount for the current year							
Executive directors							
Yan Lingxi	-	727,951	144,564	378,594	-	1,251,109	Resigned as general manager and elected as Chairman of the Board on 2023-02-21
Sun Jizhong	-	597,280	135,655	310,400	-	1,043,335	Appointed as general manager at the Board meeting on 2023-02-21; appointed as an executive Director at the annual general meeting on 2023-05-18
Supervisors							
Zheng Qiang	-	-	-	-	-	-	
Guo Guangxin	-	-	-	-	-	-	
Zhao Zhuo	-	592,191	121,439	301,360	-	1,014,990	
Non-executive directors							
Lian Dawei	-	-	-	-	-	-	
Liu Bingjun	-	-	-	-	-	-	
Xu Gang	-	-	-	-	-	-	
Wang Jun	210,000	-	-	-	-	210,000	
Liu Weiwu	210,000	-	-	-	-	210,000	
Mao Fugen	210,000	-	-	-	-	210,000	
Lin Guiping	210,000	-	-	-	-	210,000	
Total	840,000	1,917,422	401,658	990,354	-	4,149,434	

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Director, supervisor and employee compensation (Continued)

1. Details of director and supervisor compensation (Continued)

Item	Fees	Salaries, allowances and other expenses	Contribution to pension schemes	Bonus	Share-based payment	Total	Note
Amount for the previous year							
Executive directors							
Yan Lingxi	-	711,763	145,907	32,600	-	890,270	Appointed as an executive director on 2022-1-18
Zhang Minsheng	-	-	-	-	-	-	
Supervisors							
Zheng Qiang	-	-	-	-	-	-	
Guo Guangxin	-	-	-	-	-	-	
Zhao Zhuo	-	579,305	112,850	242,262	-	934,417	
Non-executive directors							
Lian Dawei	-	-	-	-	-	-	
Li Xichuan	-	-	-	-	-	-	Resigned as a non- executive director at the extraordinary general meeting on 2022-10-26
Xu Gang	-	-	-	-	-	-	
Liu Bingjun	-	-	-	-	-	-	Appointed as a non- executive director at the extraordinary general meeting on 2022-10-26
Wang Jun	210,000	-	-	-	-	210,000	
Liu Weiwu	210,000	-	-	-	-	210,000	
Mao Fugen	210,000	-	-	-	-	210,000	
Lin Guiping	210,000	-	-	-	-	210,000	
Total	840,000	1,291,068	258,757	274,862	-	2,664,687	



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Director, supervisor and employee compensation (Continued)

2. Five highest paid employees

There were no directors among the top five highest paid employees in the current year

Item	Amount for the current year	Amount for the previous year
Salaries, allowances and other expenses	10,993,000	7,456,297
Contribution to pension schemes	167,702	156,188
Share-based payment	5,380,353	1,855,106
Total	16,541,055	9,467,591

Remuneration range:

Item	Number of people in the current year	Number of people in the previous year
RMB1,500,001 to RMB2,000,000	–	3
RMB2,000,001 to RMB2,500,000	1	2
RMB2,500,001 to RMB3,000,000	–	–
RMB3,000,001 to RMB3,500,000	2	–
RMB3,500,001 to RMB4,000,000	2	–

During the track record period, none of the directors has waived or agreed to waive any remuneration. During the track record period, the Group did not pay any remuneration to any director, supervisor or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Director, supervisor and employee compensation (Continued)

3. Compensation for key managers

Compensation for key managers (including the amount which has been paid and shall be paid to directors, supervisors and senior management) is shown as follows:

Item	Amount for the current year	Amount for the previous year
Fees	840,000	840,000
Salaries, allowances and other expenses	3,179,563	2,532,757
Contribution to pension schemes	655,263	482,123
Bonus	1,631,539	536,097
share-based payment	–	–
Total	6,306,365	4,390,977

(VI) Loan of related party

Related Party	31 December 2023	31 December 2022
Subsidiaries of AVIC	8,039,582,542	9,272,574,345
Total	8,039,582,542	9,272,574,345

(VII) Others

Monetary funds deposited with related parties

Related Party	Closing balance	Opening balance
AVIC Finance Co., Ltd. (中航工業集團財務有限責任公司)	26,829,638,872	32,165,537,965
AVIC Securities Co., Ltd. (中航證券有限公司)	18,674,557	2,746,865
Total	26,848,313,429	32,168,284,830



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XII. SHARE-BASED PAYMENT

The share-based payment of AVIC JONHON Optronics Technology Co., Ltd. (hereinafter referred to as “JONHON Optronics”), a subsidiary of the Company, is mainly used for the grants to incentive recipients under the Restricted Share Incentive Plan. The share-based payment executed during the reporting period is as follows:

(1) Restricted Share Incentive Plan (Phase II)

According to the third extraordinary general meeting in 2019 and the 33rd meeting of the fifth session of the Board of JONHON Optronics on 25 December 2019, the Proposal for Granting Restricted Shares to the Incentive Recipients of the A Share Restricted Share Incentive Plan (Phase II) of JONHON Optronics was reviewed and approved for targeted issuance of 31,041,157 ordinary A shares to 1,164 incentive recipients. The grant date is 26 December 2019 and the grant price is RMB23.43 per share, with such incentive accounting for 2.9% of the total share capital of AVIC Optronics, a subsidiary of the Company as at the grant date. The lock-up period of restricted shares is 2 years (24 months) from the date of grant. During the lock-up period, the restricted shares granted to the incentive recipients under the incentive plan (and the dividends distributed thereof) shall be locked up and non-transferable. The 3 years (36 months) from the day after the expiration of the lock-up period is the unlocking period for restricted shares. During the unlocking period, if the unlocking conditions specified in the incentive plan are satisfied, the restricted shares granted to the incentive recipients shall be unlocked at three intervals.

On 5 January 2020, JONHON Optronics received a subscription payment of RMB727,294,309 from equity incentive recipients, of which RMB31,041,157 was included in share capital and RMB696,253,152 was included in capital reserve. The above subscription payment has been verified by ShineWing Certified Public Accountants with a capital verification report (No. [XYZH/2020XAA40002]) issued.

According to the second meeting of the sixth session of the Board held on 27 March 2020 and the 2019 annual general meeting held on 21 April 2020, which reviewed and approved that due to the resignation of two incentive recipients, a total of 23,547 shares under the Restricted Share Incentive Plan held by JONHON Optronics shall be repurchased and cancelled, including 10,000 shares in the second phase of the equity incentive canceled. As of 31 December 2020, the number of outstanding restricted shares in the second phase of equity incentive of JONHON Optronics was 31,031,157 shares.

According to the “Proposal on the Repurchase and Cancellation of Part of the Restricted Shares under the Restricted Share Incentive Plan (Phase II)” at the 11th meeting of the sixth session of the Board held by JONHON Optronics on 31 March 2021, it was agreed to repurchase and cancel a total of 938,625 shares under the Restricted Share Incentive Plan held by 54 incentive recipients.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XII. SHARE-BASED PAYMENT (Continued)

(1) Restricted Share Incentive Plan (Phase II) (Continued)

On 27 December 2021, the 19th meeting of the sixth session of the Board and the 14th meeting of the sixth session of the Supervisory Committee of JONHON Optronic reviewed and approved the “Proposal on the Achievement of Unlocking Conditions in the First Unlocking Period of the Company’s Restricted A Share Incentive Plan (Phase II)”, pursuant to which 1,147 incentive recipients of JONHON Optronic could actually unlock a total of 10,191,852 restricted shares in the first unlocking period.

According to the “Proposal on the Repurchase and Cancellation of Part of the Restricted Shares under the Restricted Share Incentive Plan” at the 19th meeting of the sixth session of the Board and the 14th meeting of the sixth session of the Supervisory Committee and the first extraordinary general meeting for 2022 held by JONHON Optronic, it was agreed to repurchase and cancel a total of 74,669 shares held by 7 incentive recipients.

According to the “Proposal on the Repurchase and Cancellation of Part of the Restricted Shares under the Restricted Share Incentive Plan” at the 30th meeting of the sixth session of the Board, the 23rd meeting of the sixth session of the Supervisory Committee on 26 December 2022 and the first extraordinary general meeting of 2023 on 13 January 2023 held by JONHON Optronic, it was agreed to repurchase and cancel a total of 203,272 shares under the Restricted Share Incentive Plan held by 11 incentive recipients.

On 26 December 2022, the 30th meeting of the sixth session of the Board and the 23rd meeting of the sixth session of the Supervisory Committee of JONHON Optronic reviewed and approved the “Proposal on the Achievement of Unlocking Conditions in the Second Unlocking Period of the Company’s Restricted A Share Incentive Plan (Phase II)”, pursuant to which the second batch of unlocked share under JONHON Optronic’s Restricted A Share Incentive Plan (Phase II) was implemented, involving a total of 13,812,643 shares.

(2) Restricted Share Incentive Plan (Phase III)

According to the provisions as stipulated in the resolutions of the 26th meeting of the sixth session of the Board, the 19th meeting of the sixth session of the Supervisory Committee, the 28th meeting of the sixth session of the Board, the 21st meeting of the sixth session of the Supervisory Committee, the second extraordinary general meeting of 2022, the 29th meeting of the sixth session of the Board and the 22nd meeting of the sixth session of the Supervisory Committee held by JONHON Optronic, JONHON Optronic granted 41,769,000 shares to the incentive recipients through the targeted issuance of ordinary A shares, with a grant price of RMB32.37 per share. The applied increase of registered capital amounted to RMB41,769,000, which was paid in full before 12 December 2022 by 1,472 incentive recipients, including directors, senior management, disciplinary committee secretaries, chairman of the labor union, middle management, core technical (business) personnel of JONHON Optronic, and senior executives and core backbones of JONHON Optronic’s subsidiaries. As of 12 December 2022, JONHON Optronic received a total of RMB1,339,574,184 in new capital contributions from 1,465 incentive recipients, including: RMB41,383,200 included in share capital, and RMB1,298,190,984 included in capital reserve-capital premium. This change in share capital has been verified by Da Hua Certified Public Accountants (Special General Partnership) with a capital verification report (Da Hua Yan Zi [2022] No. 000838) issued on 13 December 2022.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XIII. CONTINGENCIES

As of 31 December 2023, the Group has no material contingencies.

XIV. COMMITMENTS

Capital commitments

Item	Closing balance	Opening balance
Capital commitments	–	–
Fixed assets	43,107,084	30,137,900
Total	43,107,084	30,137,900

XV. EVENTS AFTER THE BALANCE SHEET DATE

(I) Profit distribution after the balance sheet date

Unit: RMB

Profit or dividend to be distributed	701,611,173
Profit or dividends declared after consideration and approval	–

Note: The Board recommended the payment of a final dividend for the year 2023 in an aggregate amount of RMB701,611,173, representing a dividend of RMB0.088 per share (2022: RMB0.08 per share), calculated based on the existing number of total issued shares of 7,972,854,242 shares of the Company as at the date of this report, subject to adjustment (if any) based on the number of total issued shares as at 5 June 2024 (the Record Date).

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XV. EVENTS AFTER THE BALANCE SHEET DATE (Continued)

(II) Significant non-adjusting events

1. *Achievement of unlocking conditions in the third unlocking period of JONHON Optronic's Restricted A Share Incentive Plan (Phase II)*

On 26 December 2023, the 8th meeting of the seventh session of the Board and the 6th meeting of the seventh session of the Supervisory Committee held by subsidiary of the Company, JONHON Optronic, reviewed and approved the "Proposal on the Achievement of Unlocking Conditions in the Third Unlocking Period of the Company's Restricted A Share Incentive Plan (Phase II)", pursuant to which, the number of unlocked shares was 17,770,192 shares. The date of listing and circulation of the unrestricted shares was 17 January 2024.

2. *Repurchase and cancellation of part of the restricted shares under the Restricted Share Incentive Plan*

The 8th meeting of the seventh session of the Board and the 6th meeting of the seventh session of the Supervisory Committee held on 26 December 2023 and the first extraordinary general meeting for 2024 held on 12 January 2024 by subsidiary of the Company, JONHON Optronic, reviewed and approved the "Proposal on the Repurchase and Cancellation of Part of the Restricted Shares under the Restricted Share Incentive Plan of the Company". The proposal decided to repurchase and cancel part of the restricted shares granted, the details of which are as follows:

- (1) In 2023, a total of 11 incentive recipients failed to achieve performance or obtained underperformance appraisal not matching 100% unlocking requirements due to resignation and work-related injury. According to the relevant provisions of "Restricted A Share Incentive Plan (Phase II) (Revised Draft)" of JONHON Optronic, 92,458 restricted shares held by them shall be repurchased and cancelled by JONHON Optronic.
- (2) In 2023, a total of 8 incentive recipients did not fall within the scope of incentive plan due to resignation and demotion. According to the relevant provisions of "Restricted A Share Incentive Plan (Phase III) (Revised Draft)" of JONHON Optronic, 292,500 restricted shares held by them shall be repurchased and cancelled by JONHON Optronic.



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XV. EVENTS AFTER THE BALANCE SHEET DATE (Continued)

(III) Reorganization

1. On 27 September 2023, AVICOPTER, a subsidiary of the Company, held the first extraordinary general meeting in 2023, at which the proposal on the Company's Proposal to Issue Shares to Purchase Assets and Raise Supporting Funds and Related Transactions was reviewed and approved, and agreed AVICOPTER to issue 120,850,378 shares to AviChina and 21,278,892 shares to AVIC to purchase 100.00% equity in Changhe Aircraft Industries (Group) Co., Ltd. (昌河飛機工業(集團)有限責任公司) (hereinafter referred to as "Changhe Aircraft") and Harbin Aircraft Industry Group Co., Ltd. (哈爾濱飛機工業集團有限責任公司) (hereinafter referred to as "Harbin Aircraft") held by AviChina and AVIC.

This matter has been reviewed by the Listing Review Center of the Shanghai Stock Exchange (hereinafter referred to as the "SSE") on 25 December 2023, and approved by the Reply on Approving the Registration of AVICOPTER PLC (中航直升機股份有限公司) to Issue Shares to Purchase Assets and Raise Supporting Funds (CSRC Permit [2024] No. 173) issued by China Securities Regulatory Commission (hereinafter referred to as "CSRC") on 26 January 2024.

As of the date of approval of the financial report, Changhe Aircraft and Harbin Aircraft completed the change of business registration, becoming the wholly-owned subsidiaries of AVICOPTER.

(IV) Other significant non-adjustments after the balance sheet date

Other than the above disclosed events after the balance sheet date, the Group has no other significant events after the balance sheet date.

XVI. OTHER SIGNIFICANT MATTERS

1. Segment information

(1) Determination basis and accounting policies of reportable segments

The Group determines operating segments based on internal organizational structure, management requirements and internal reporting system, and determines reportable segments and discloses segment information based on operating segments.

An operating segment is a component of the Group that meets the following conditions simultaneously: (1) the component is able to generate revenue and incur expenses in its daily activities; (2) the Group's management is able to evaluate the operating results of the component on a regular basis to decide to allocate resources to it and evaluate its performance; and (3) the Group is able to obtain accounting information related to the financial position, operating results and cash flows of the component. Two or more operating segments may be combined into one operating segment if they have similar economic characteristics and certain conditions are met.

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XVI. OTHER SIGNIFICANT MATTERS (Continued)

1. Segment information (Continued)

(2) Financial information of the report segment in the year

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

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XVI. OTHER SIGNIFICANT MATTERS (Continued)

1. Segment information (Continued)

(2) Financial information of the report segment in the year (Continued)

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

2. The Group has no other significant transactions and events that have an impact on investors' decisions

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

Item	Closing balance	Opening balance
Accounts receivable	1,603,740	1,603,740
Less: Impairment provision	1,590,381	1,262,954
Net accounts receivable	13,359	340,786

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

Category of portfolio	Original value	Closing balance		Book value
		Proportion of bad debt provision (%)	Bad debt provision	
Bad debt provision made individually	-	-	-	-
Bad debt provision made as per portfolio	1,603,740	99.17	1,590,381	13,359
Including: Portfolio of credit risk characteristics	1,603,740	99.17	1,590,381	13,359
Total	1,603,740	99.17	1,590,381	13,359

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

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

Category of portfolio	Original value	Opening balance		Book value
		Proportion of bad debt provision (%)	Bad debt provision	
Bad debt provision made individually	–	–	–	–
Bad debt provision made as per portfolio	1,603,740	78.75	1,262,954	340,786
Including: Portfolio of credit risk characteristics	1,603,740	78.75	1,262,954	340,786
Total	1,603,740	78.75	1,262,954	340,786

1) Bad debt provision of accounts receivable made by portfolio of credit risk characteristics

Aging	Closing balance		
	Book balance	Bad debt provision	Provision proportion (%)
4-5 years	66,793	53,434	80.00
Over 5 years	1,536,947	1,536,947	100.00
Total	1,603,740	1,590,381	–

Aging	Opening balance		
	Book balance	Bad debt provision	Provision proportion (%)
3-4 years	66,793	33,396	50.00
4-5 years	1,536,947	1,229,558	80.00
Total	1,603,740	1,262,954	–

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

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

Ageing	Closing balance		Proportion of bad debt provision (%)
	Accounts receivable	Bad debt provision	
4-5years	66,793	53,434	80.00
Over 5 years	1,536,947	1,536,947	100.00
Total	1,603,740	1,590,381	–

Ageing	Opening balance		Proportion of bad debt provision (%)
	Accounts receivable	Bad debt provision	
3-4 years	66,793	33,396	50.00
4-5years	1,536,947	1,229,558	80.00
Total	1,603,740	1,262,954	–

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

Category	Opening balance	Amount changed in the current year				Closing balance
		Provision	Accounts recovered or transferred back	Amounts written back or written off	Other	
Accounts receivable	1,262,954	327,427	–	–	–	1,590,381
Total	1,262,954	327,427	–	–	–	1,590,381

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(4) Details of top five accounts receivable with the closing balances classified by the borrowers

The total amount of the top five accounts receivable with the closing balances classified by the borrowers during the current year was RMB1,603,740, accounting for 100% of the total accounts receivable balance, and the corresponding bad debt provision totaled RMB1,590,381.

The total amount of the top five accounts receivable with the closing balances classified by the borrowers during the previous year was RMB1,603,740, accounting for 100% of the total accounts receivable balance, and the corresponding bad debt provision totaled RMB1,262,954.

2. Other receivables

Item	Closing balance	Opening balance
Other receivables	250,706,487	249,082,153
Total	250,706,487	249,082,153

2.1 Other receivables

(1) Classification of other receivables by nature

Nature of amount	Closing book value	Opening book value
Borrowings	254,143,790	254,698,538
Others	3,874,453	341,199
Total	258,018,243	255,039,737

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

2.1 Other receivables (Continued)

(2) Bad debt provision of other receivables

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Lifetime expected credit loss (no credit impaired)	Lifetime expected credit loss (credit impaired)	
Opening balance	5,957,584	–	–	5,957,584
Opening book balance of other receivables during the year	5,957,584	–	–	5,957,584
– Be transferred to Stage 2	–	–	–	–
– Be transferred to Stage 3	–	–	–	–
– Be transferred back to Stage 2	–	–	–	–
– Be transferred back to Stage 1	–	–	–	–
Provision made in the current year	1,354,172	–	–	1,354,172
Amount transferred back in the current year	–	–	–	–
Amount written back in the current year	–	–	–	–
Amount written off in the current year	–	–	–	–
Other changes	–	–	–	–
Closing balance	7,311,756	–	–	7,311,756

(3) Other receivables listed as per aging

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	136,527,386	251,328,380
1-2 years	117,806,000	–
2-3 years	–	10,000
3-4 years	–	–
4-5 years	–	8,000
Over 5 years	3,684,857	3,693,357
Subtotal	258,018,243	255,039,737
Less: Bad debt provision	7,311,756	5,957,584
Total	250,706,487	249,082,153

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

2.1 Other receivables (Continued)

(4) Other receivables with bad debt provision made on the group of expected credit risk characteristics

Classification of the group	Closing balance			
	Original book value	Proportion of bad debt provision (%)	Bad debt provision	Book value
Other receivables with expected credit losses provision made individually	-	-	-	-
Other receivables with bad debt provision made on the group of credit risk characteristics	258,018,243	2.83	7,311,756	250,706,487
Total	258,018,243	-	7,311,756	250,706,487

Classification of the group	Opening balance			
	Original book value	Proportion of bad debt provision (%)	Bad debt provision	Book value
Other receivables with expected credit losses provision made individually	-	-	-	-
Other receivables with bad debt provision made on the group of credit risk characteristics	255,039,737	2.34	5,957,584	249,082,153
Total	255,039,737	-	5,957,584	249,082,153

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

2.1 Other receivables (Continued)

(5) Bad debt provision of other receivables

Category	Opening balance	Provision	Amount changed in the current year			Closing balance
			Accounts recovered or transferred back	Amounts written back or written off	Other	
Other receivables	5,957,584	1,354,172	-	-	-	7,311,756
Total	5,957,584	1,354,172	-	-	-	7,311,756

(6) Details of other receivables classified by the borrowers

Name	Nature of amount	Closing balance	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
Company 1	Borrowings	254,143,790	Within 1 year; 1-2 years	98.50	3,626,839
Total	-	254,143,790	-	98.50	3,626,839

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term equity investments

(1) Classification of long-term equity investments

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	14,801,335,945	-	14,801,335,945	14,597,090,056	-	14,597,090,056
Investment in associates and joint ventures	106,178,521	-	106,178,521	625,324,609	-	625,324,609
Total	14,907,514,466	-	14,907,514,466	15,222,414,665	-	15,222,414,665

(2) Investment in subsidiaries

Investee	Opening balance	Increase in the current year	Decrease in the current year	Closing balance	Impairment	Closing balance
					Provision for the year	of impairment provision
AVIC Helicopter Co., Ltd. (中航直升機有限責任公司)	1,314,268,726	-	321,100,000	993,168,726	-	-
Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司)	988,016,529	-	-	988,016,529	-	-
AVIC JONHON Optronic Technology Co., Ltd. (中航光電科技股份有限公司)	1,055,216,254	-	-	1,055,216,254	-	-
AVIC Airborne Systems Co., Ltd. (中航機載系統股份有限公司)	1,797,607,064	525,781,337	-	2,323,388,401	-	-
Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空機電有限公司)	1,031,349,927	-	-	1,031,349,927	-	-
AviChina Hong Kong Limited (中航科工香港有限公司)	486,562,400	-	-	486,562,400	-	-
Harbin Aviation Industry (Group) Co., Ltd. (哈爾濱航空工業集團有限公司)	435,448	-	435,448	-	-	-
China Aviation Planning and Design Institute Co., Ltd. (中國航空規劃設計研究總院有限公司)	1,463,693,497	-	-	1,463,693,497	-	-
AviChina Industrial Investment Co., Ltd. (中航科工產業投資有限責任公司)	200,000,000	-	-	200,000,000	-	-
Changhe Aircraft Industries (Group) Co., Ltd. (昌河飛機工業集團有限責任公司)	735,841,588	-	-	735,841,588	-	-
Harbin Aircraft Industry Group Co., Ltd. (哈爾濱飛機工業集團有限責任公司)	860,721,836	-	-	860,721,836	-	-
AVICOPTER PLC (中航直升機股份有限公司)	4,663,376,787	-	-	4,663,376,787	-	-
Total	14,597,090,056	525,781,337	321,535,448	14,801,335,945	-	-

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term equity investments (Continued)

(3) Investments in associates and joint ventures

Investee	Opening balance(Book value)	Added investment	Decreased investment	Movement for the year						Closing balance (Book value)
				Investment profit or loss recognized under equity method	Adjustment to other comprehensive income	Other changes in equity	Distribution of cash dividend or profit declared	Impairment provision	Others	
I. Associates										
AVIC Nanjing Servo Control System Co., Ltd. (中航工業南京伺服控 制系統有限公司)	215,507,427	-	215,507,427	-	-	-	-	-	-	-
Aviation Gyro (Xi'an) Photo electricity Technology Co., Ltd. (中航捷銳(西安)光電技術 有限公司)	97,519,102	-	97,519,102	-	-	-	-	-	-	-
Beijing Hangwei High-Technology Connection Technology Co., Ltd. (北京航為高科連接技術 有限公司)	128,420,987	-	128,705,079	1,219,122	-	211,205	1,146,235	-	-	-
AVIC Rongfu Fund Management Company Limited (中航融富基 金管理有限公司)	72,619,336	-	-	14,431,797	2,066,556	-	64,160	-	-	89,053,529
AVIC Air Traffic Management System Equipment Co., Ltd. (中航空管系統裝備有限公司)	71,820,487	-	71,820,487	-	-	-	-	-	-	-
AVIC Jincheng Unmanned System Co., Ltd. (中航金城無人系統 有限公司)	39,437,270	-	39,437,270	-	-	-	-	-	-	-
Gongqingcheng Aviation Investment Rongfuyoucai Equity Investment Partnership (Limited Partnership)(共青城航 投融富優材股權投資合夥企業 (有限合夥))	-	23,000,000	-	-5,875,008	-	-	-	-	-	17,124,992
Subtotal	625,324,609	23,000,000	552,989,365	9,775,911	2,066,556	211,205	1,210,395	-	-	106,178,521
Total	625,324,609	23,000,000	552,989,365	9,775,911	2,066,556	211,205	1,210,395	-	-	106,178,521



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Operating income and operating cost

Item	Amount for the current year		Amount for the previous year	
	Income	Cost	Income	Cost
Other businesses	1,171,030	1,370,322	1,778,432	1,304,395
Total	1,171,030	1,370,322	1,778,432	1,304,395

5. Investment income

Item	Amount for the current year	Amount for the previous year
Long-term equity investment income calculated at cost method	633,932,945	572,816,515
Long-term equity investment income calculated at equity method	9,775,911	29,063,710
Investment income from disposal of long-term equity investment	203,011,814	–
Investment income from holding financial assets held for trading	–	133,860
Investment income from disposal of financial assets held for trading	19,914,442	63,486,873
Dividend income from holding other equity instrument investments	7,383,472	12,128,875
Investment income from holding other non-current financial assets	23,027,317	26,500,000
Total	897,045,901	704,129,833

Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XVIII.SUPPLEMENTARY INFORMATION ON FINANCIAL STATEMENTS

1. Breakdown of non-recurring profit or loss for the current year

In accordance with the China Securities Regulatory Commission's Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public – Non-recurring Profits and Losses (Revised in 2023), the Group's non-recurring profit and loss during the reporting period is as follows:

Item	Amount for the year
Gains or losses on disposal of non-current assets (including the write-off accrued asset impairment)	118,442,659
Government subsidies included in current gains or losses (except for government subsidies that are closely related to the company's normal business operations, comply with national policies and regulations, are entitled to in accordance with determined standards, and have a lasting impact on the company's gains or losses)	325,239,228
Gains or losses from changes in fair value arising from financial assets and financial liabilities held by non-financial enterprises, and gains or losses arising from the disposal of financial assets and financial liabilities, in addition to the effective hedging business related to the company's normal operating business	91,978,072
Gain or loss from entrusting others to invest or manage assets	9,265,866
Reversal of provision for impairment of receivables individually tested for impairment	11,736,097
Net profit or loss of subsidiaries from the beginning of the period to the consolidation date arising from business combination under common control	35,224,136
Gain or loss on debt restructuring	52,655,474
Custodian fee income earned from entrusted operations	128,872,184
Other non-operating income and expenses other than those mentioned above	77,133,215
Other profit and loss items that meet the definition of non-recurring profit or loss	-7,375,142
Subtotal	843,171,789
Less: Income tax effect amount	143,014,345
Amount of minority interest impact (after tax)	363,909,571
Total	336,247,873



Notes to the Financial Statements

From 1 January 2023 to 31 December 2023

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

XVIII. SUPPLEMENTARY INFORMATION ON FINANCIAL STATEMENTS (Continued)

2. Return on net assets and earnings per share

In accordance with the “Rules Governing the Disclosure of Information by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010)” of the China Securities Regulatory Commission, the Group’s weighted average return on net assets, basic earnings per share and diluted earnings per share for the current year are as follows:

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

XIX. APPROVAL OF FINANCIAL STATEMENT

This financial report was approved by the Board of the Company on 15 March 2024.

AviChina Industry & Technology Company Limited
15 March 2024

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings indicated.

“Articles of Association”	Articles of Association of the Company (as amended from time to time)
“AVIC”	Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司), a controlling shareholder of the Company holding directly and indirectly 60.25% equity interest of the Company
“AVIC Airborne”	AVIC Airborne Systems Co., Ltd. (中航機載系統股份有限公司) (previously known as China Avionics Systems Co., Ltd. (中航航空電子系統股份有限公司)), a joint stock limited liability company whose shares are listed on the Shanghai Stock Exchange, a subsidiary of the Company
“AVIC Airborne Systems”	AVIC Airborne Systems Company Limited (中航機載系統有限公司), a subsidiary of AVIC
“AVIC CAPDI”	China Aviation Planning and Design Institute Co., Ltd. (中國航空規劃設計研究總院有限公司), a wholly-owned subsidiary of the Company
“AVIC Electromechanical”	AVIC Electromechanical Systems Co., Ltd. (中航工業機電系統股份有限公司)
“AVIC Finance”	AVIC Finance Co., Ltd. (中航工業集團財務有限責任公司), a subsidiary of AVIC
“AVIC Forstar”	AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司), a subsidiary of JONHON Optronics
“AVIC Group”	AVIC and its subsidiaries
“AVIC Helicopter”	AVIC Helicopter Co., Ltd. (中航直升機有限責任公司), a wholly-owned subsidiary of the Company
“AVIC I”	China Aviation Industry Corporation I (中國航空工業第一集團公司), the predecessor of AVIC
“AVIC II”	China Aviation Industry Corporation II (中國航空工業第二集團公司), a former controlling shareholder of the Company and the predecessor of AVIC
“AVIC Industry-Finance”	AVIC Industry-Finance Holdings Co., Ltd. (中航工業產融控股股份有限公司), a joint stock limited liability company whose shares are listed on the Shanghai Stock Exchange and a subsidiary of AVIC



Definitions

“AVIC Kaitian”	Chengdu CAIC Electronics Co., Ltd. (成都凱天電子股份有限公司), a subsidiary of AVIC Airborne
“AVIC Lanfei”	Lanzhou Flight Control Co., Ltd. (蘭州飛行控制有限責任公司), a subsidiary of AVIC Airborne
“AVIC Lease”	AVIC International Financial Lease Co., Ltd. (中航國際融資租賃有限公司), a subsidiary of AVIC
“AVIC Optoelectronics Precision”	AVIC Optoelectronics Precision Electronics (Shenzhen) Co. Ltd. (中航光電精密電子(深圳)有限公司), a subsidiary of JONHON Optronic
“AVIC Precision Machinery Technology”	Hubei AVIC Precision Machinery Technology Co., Ltd. (湖北中航精機科技有限公司), a subsidiary of AVIC Airborne
“AVIC Trust”	AVIC Trust Co., Ltd. (中航信託股份有限公司), a subsidiary of AVIC
“AVIC Xinxiang Aviation Group”	AVIC Xinxiang Aviation Industry (Group) Co., Ltd. (新鄉航空工業(集團)有限公司), a subsidiary of AVIC Airborne
“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
“AviChina Capital”	AviChina Industrial Investment Co., Ltd. (中航科工產業投資有限責任公司), a wholly-owned subsidiary of the Company
“AviChina Hong Kong”	AviChina Hong Kong Limited (中航科工香港有限公司), a wholly-owned subsidiary of the Company
“AVICOPTER”	AVICOPTER PLC (中航直升機股份有限公司), a joint stock limited company whose shares are listed on the Shanghai Stock Exchange, a subsidiary of the Company
“Board” or “Board of Directors”	the board of directors of the Company
“Changfeng Avionics”	Suzhou Changfeng Avionics Co., Ltd. (蘇州長風航空電子有限公司), a subsidiary of AVIC Airborne

Definitions

“Changhe Aircraft”	Changhe Aircraft Industries (Group) Co., Ltd. (昌河飛機工業(集團)有限責任公司), a wholly-owned subsidiary of AVICOPTER
“Changhe Aviation”	Jiangxi Changhe Aviation Industry Co., Ltd. (江西昌河航空工業有限公司), a wholly-owned subsidiary of AVICOPTER
“Chuanxi Machinery”	Sichuan AVIC Industry Chuanxi Machinery Co., Ltd. (四川航空工業川西機器有限責任公司), a subsidiary of AVIC Airborne
“CSRC”	China Securities Regulatory Commission
“Director(s)”	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
“Fengyang Hydraulic”	Guizhou Fengyang Hydraulic Co., Ltd. (貴州楓陽液壓有限責任公司), a subsidiary of AVIC Airborne
“Former AVIC”	Aviation Industry Corporation of China (中國航空工業總公司), the predecessor of AVIC I and AVIC II
“Group”	the Company and its subsidiaries
“GuiZhou FengLei”	GuiZhou FengLei Aviation Ordnance Co., Ltd. (貴州風雷航空軍械有限責任公司), a subsidiary of AVIC Airborne
“H Shares”	overseas listed foreign invested shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“Hafei Aviation”	Harbin Hafei Aviation Industry Co., Ltd. (哈爾濱哈飛航空工業有限責任公司), a wholly-owned subsidiary of AVICOPTER
“Harbin Aircraft”	Harbin Aircraft Industry Group Co., Ltd. (哈爾濱飛機工業集團有限責任公司), a wholly-owned subsidiary of AVICOPTER



Definitions

“Harbin Aviation Group”	Harbin Aviation Industry (Group) Co., Ltd. (哈爾濱航空工業(集團)有限公司)
“Helicopter Tianjin”	Tianjin Helicopter Company Limited (天津直升機有限責任公司), a wholly-owned subsidiary of AVICOPTER
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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, a subsidiary of the Company
“Hongdu Group”	Jiangxi Hongdu Aviation Industry Group Co., Ltd. (江西洪都航空工業集團有限責任公司), a wholly-owned subsidiary of AVIC
“Huiyang Company”	Huiyang Aviation Propeller Limited (惠陽航空螺旋槳有限責任公司), a wholly-owned subsidiary of AVICOPTER
“Jingdezhen Helicopter R&D Branch”	AVICChina 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”	AVIC JONHON Optronic 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, a subsidiary of the Company
“Keeven Instrument”	Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司), a subsidiary of AVIC Airborne
“Lanzhou Aviation Electric”	Lanzhou Wanli Aviation Electric Co., Ltd. (蘭州萬里航空機電有限責任公司), a subsidiary of AVIC Airborne
“Nanjing Hangjian”	Nanjing Hangjian Aviation Equipment Technical Service Co., Ltd. (南京航健航空裝備技術服務有限公司), a subsidiary of AVIC Airborne

Definitions

“National Industrial Investment Fund”	National Military-civilian Integration Industrial Investment Fund Co., Ltd. (國家軍民融合產業投資基金有限責任公司), a limited liability company established in the PRC
“Oriental Instrument”	Shaanxi Oriental Aeronautic Instrument Manufacture Co., Ltd. (陝西東方航空儀錶有限責任公司), a subsidiary of AVIC Airborne
“PRC”	the People’s Republic of China
“Qianshan Avionics”	AVIC Shaanxi Qianshan Avionics Co., Ltd. (陝西千山航空電子有限責任公司), a subsidiary of AVIC Airborne
“Qing’an Company”	Qing’an Group Co., Ltd. (慶安集團有限公司), a subsidiary of AVIC Airborne
“reporting period”	the period from 1 January 2023 to 31 December 2023
“SAEC”	Shaanxi Aero Electric Co., Ltd. (陝西航空電氣有限責任公司), a subsidiary of AVIC Airborne
“Shaanxi Huayan”	AVIC Shaanxi Huayan Aero-Instrument Co., Ltd. (陝西華燕航空儀錶有限公司), a subsidiary of AVIC Airborne
“Shanghai Aviation Electric”	Shanghai Aviation Electric Co., Ltd. (上海航空電器有限公司), a subsidiary of AVIC Airborne
“Shares”	the ordinary shares of the Company
“Shenyang Xinghua”	AVIC Shenyang Xinghua Aero-Electric Appliance Co., Ltd. (瀋陽興華航空電器有限責任公司), a subsidiary of JONHON Optronics
“Sichuan Fanhua”	AVIC Sichuan Fanhua Aviation Instrument and Electric Co., Ltd. (四川泛華航空儀錶電器有限公司), a subsidiary of AVIC Airborne
“Sichuan Hydraulic”	Sichuan Lingfeng Aero Hydraulic Machinery Co., Ltd. (四川凌峰航空液壓機械有限公司), a subsidiary of AVIC Airborne
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Taixing Aviation Optoelectronic”	Taixing Aviation Optoelectronic Technology Co., Ltd. (泰興航空光電技術有限公司), a subsidiary of JONHON Optronics



Definitions

“Taiyuan Instrument”	AVIC Taiyuan Aviation Instrument Co., Ltd. (太原航空儀錶有限公司), a subsidiary of AVIC Airborne
“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 Free Trade Zone Investment”	Tianjin Free Trade Zone Investment Company Limited (天津保稅區投資有限公司), a limited liability company incorporated in the PRC
“Trainer”	aeroplanes designed and used for pilot training purposes
“Xiangtong Photoelectric”	Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司), a subsidiary of JONHON Optronics
“Yibin Sanjiang”	Yibin Sanjiang Machinery Co., Ltd. (宜賓三江機械有限責任公司), a subsidiary of AVIC Airborne
“Zhengzhou Aircraft”	Zhengzhou Aircraft Equipment Co., Ltd. (鄭州飛機裝備有限責任公司), a subsidiary of AVIC Airborne

The English names of the entities of mainland China referred to in the definitions above are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Corporate Information

BOARD OF DIRECTORS

Chairman, Executive Director	Yan Lingxi
Executive Director	Sun Jizhong
Non-Executive Director	Lian Dawei
Non-Executive Director	Liu Bingjun
Non-Executive Director	Xu Gang
Non-Executive Director	Wang Jun
Independent Non-Executive Director	Liu Weiwu
Independent Non-Executive Director	Mao Fugen
Independent Non-Executive Director	Lin Guiping

SUPERVISORY COMMITTEE

Chairman of the Supervisory Committee	Zheng Qiang
Supervisor	Guo Guangxin
Supervisor	Zhao Zhuo

SENIOR MANAGEMENT

General Manager	Sun Jizhong
Chief Accountant	Wang Jingmin
Board Secretary	Xu Bin

COMPANY SECRETARY

Xu Bin

THE LEGAL NAME OF THE COMPANY

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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



Corporate Information

AUTHORISED REPRESENTATIVES

Yan Lingxi

Xu Bin

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)

Stock Name: AVICHINA

Stock Code: 2357

REGISTERED ADDRESS

2nd floor, Building 27, No. 26 Xihuan South Street,
Economic Technological Development Area,
Beijing, the PRC
Postal Code: 100176

WEBSITE

<http://www.avichina.com>

CORRESPONDENCE ADDRESS

6/F, Tower A, No. 14 Xiaoguangdongli,
Chaoyang District, Beijing, the PRC
Postal Code: 100029

Telephone: 86-10-58354348

Facsimile: 86-10-58354300/10

E-mail Address: avichina@avichina.com

Corporate Information

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 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 of 2023 will be held at 9:00 a.m. on Tuesday, 21 May 2024 at AVIC Hotel, No. 10 Yi, Central East Third Ring Road, Chaoyang District, Beijing, the PRC.

AUDITOR

Public Interest Entity Auditor recognised in accordance with the Financial Reporting Council Ordinance
Da Hua Certified Public Accountants
(Special General Partnership)
Room 1101, Building 7, Yard 16,
Middle West Fourth Ring Road,
Haidian District, Beijing

LEGAL ADVISERS

As to Hong Kong law

Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F, Edinburgh Tower, The Landmark,
15 Queen's Road Central, Hong Kong

As to PRC law

Commerce & Finance Law Offices
12-15th Floor, China World Office 2,
No. 1 Jianguomenwai Avenue,
Beijing, the PRC