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中國航空科技工業股份有限公司

AviChina Industry & Technology Company Limited*

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

(Stock Code: 2357)

Announcement on the Annual Results for the Year Ended 31 December 2020

Financial Highlights

The Board is pleased to announce that, both the revenue of the Group and the profit attributable to equity holders of the Company recorded growth in the year 2020.

- For the year ended 31 December 2020, the Group recorded a revenue of RMB50,117 million, representing an increase of RMB6,285 million or 14.34% as compared with that of RMB43,832 million (as restated) in the corresponding period of the preceding year.
- For the year ended 31 December 2020, the profit attributable to equity holders of the Company amounted to RMB1,995 million, representing an increase of RMB648 million or 48.11% as compared with that of RMB1,347 million (as restated) in the corresponding period of the preceding year.
- The Board recommended the payment of a final dividend for the year 2020 in an aggregate amount of RMB385,566,612.10, representing a dividend of RMB0.05 per share (2019: RMB0.03 per share), calculated based on the number of the existing total issued shares of the Company of 7,711,332,242 shares as at the date of this announcement.

ANNUAL RESULTS

The board of directors (the “**Board**”) of AviChina Industry & Technology Company Limited* (the “**Company**” or “**AviChina**”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) prepared in accordance with the International Financial Reporting Standards for the year ended 31 December 2020, together with the comparative figures for the year 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	<u>2020</u> RMB'000	<u>2019</u> RMB'000 (Restated)
REVENUE	4	50,117,150	43,831,760
Cost of sales		<u>(39,654,402)</u>	<u>(34,199,358)</u>
Gross profit		10,462,748	9,632,402
Other income and gains	4	803,828	669,825
Other expenses		<u>(149,217)</u>	<u>(42,460)</u>
Other income and gains, net		654,611	627,365
Selling and distribution expenses		(635,471)	(692,383)
Administrative expenses		(6,184,475)	(6,103,886)
Impairment loss of financial assets		<u>(3,746)</u>	<u>(281,715)</u>
OPERATING PROFIT		4,293,667	3,181,783
Finance income		441,226	412,677
Finance costs		<u>(535,452)</u>	<u>(690,876)</u>
Finance costs, net	6	(94,226)	(278,199)
Share of profits of:			
Joint ventures		26,591	18,912
Associates		<u>135,539</u>	<u>209,762</u>
PROFIT BEFORE TAX	5	4,361,571	3,132,258
Income tax expenses	7	<u>(470,063)</u>	<u>(332,824)</u>
PROFIT FOR THE YEAR		<u>3,891,508</u>	<u>2,799,434</u>
Attributable to:			
Equity holders of the Company		1,994,860	1,347,172
Non-controlling interests		<u>1,896,648</u>	<u>1,452,262</u>
		<u>3,891,508</u>	<u>2,799,434</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted			
For profit for the year	9	<u>RMB0.258</u>	<u>RMB0.174</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	<u>2020</u> RMB'000	<u>2019</u> RMB'000 (Restated)
PROFIT FOR THE YEAR	<u>3,891,508</u>	<u>2,799,434</u>
OTHER COMPREHENSIVE (LOSS) INCOME		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of foreign operations	<u>(30,250)</u>	<u>9,981</u>
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods	<u>(30,250)</u>	<u>9,981</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
(Loss) gain on a defined benefit scheme	(133,660)	1,983
Changes in fair value of financial assets at fair value through other comprehensive income	92,818	78,000
Income tax effect	<u>(18,178)</u>	<u>(13,560)</u>
Other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods	<u>(59,020)</u>	<u>66,423</u>
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR, NET OF INCOME TAX	<u>(89,270)</u>	<u>76,404</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>3,802,238</u></u>	<u><u>2,875,838</u></u>
Attributable to:		
Equity holders of the Company	1,860,269	1,399,410
Non-controlling interests	<u>1,941,969</u>	<u>1,476,428</u>
	<u><u>3,802,238</u></u>	<u><u>2,875,838</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	31/12/2020 RMB'000	31/12/2019 RMB'000 (Restated)	1/1/2019 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		17,191,997	15,788,444	18,350,003
Right-of-use assets – land use rights		1,901,144	1,829,916	2,042,702
Right-of-use assets – others		680,918	880,067	787,464
Investment properties		381,485	361,077	426,264
Goodwill		69,122	69,122	69,122
Other intangible assets		456,632	489,734	587,921
Investments in joint ventures		170,206	151,428	141,772
Investments in associates		1,191,461	1,167,814	992,776
Financial assets at fair value through other comprehensive income		1,605,233	1,396,766	888,628
Deferred tax assets		373,214	354,807	328,352
Prepayments, deposits and other receivables		641,857	1,423,855	1,459,438
Contract assets		256,846	526,733	856,741
Total non-current assets		24,920,115	24,439,763	26,931,183
CURRENT ASSETS				
Inventories		30,713,010	29,200,875	25,938,764
Accounts and notes receivables	10	25,138,352	21,630,459	21,470,520
Prepayments, deposits and other receivables		3,216,132	4,063,308	3,155,123
Contract assets		4,542,892	2,567,912	2,118,950
Financial assets at fair value through profit or loss		2,378,749	1,250,983	280,629
Pledged deposits		779,846	1,127,846	1,649,757
Term deposits with initial terms of over three months		1,549,519	5,017,242	4,894,771
Cash and cash equivalents		22,809,125	18,517,739	15,125,957
Total current assets		91,127,625	83,376,364	74,634,471
TOTAL ASSETS		116,047,740	107,816,127	101,565,654

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2020

	Notes	<u>31/12/2020</u> RMB'000	<u>31/12/2019</u> RMB'000 (Restated)	<u>1/1/2019</u> RMB'000 (Restated)
CURRENT LIABILITIES				
Accounts and notes payables	11	31,956,218	28,974,712	27,050,352
Other payables and accruals		6,069,004	5,475,878	5,071,408
Interest-bearing bank and other borrowings		6,432,943	7,589,794	9,547,235
Contract liabilities		17,136,186	18,048,690	14,944,498
Lease liabilities		104,809	85,427	82,893
Financial liabilities at fair value through profit or loss		20,417	-	-
Tax payable		177,139	160,163	217,678
Total current liabilities		<u>61,896,716</u>	<u>60,334,664</u>	<u>56,914,064</u>
NET CURRENT ASSETS		<u>29,230,909</u>	<u>23,041,700</u>	<u>17,720,407</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
		<u>54,151,024</u>	<u>47,481,463</u>	<u>44,651,590</u>
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings		5,234,419	2,307,809	1,799,190
Deferred income from government grants		764,116	820,823	842,855
Deferred tax liabilities		139,742	67,940	36,640
Convertible bonds		-	2,128,959	2,930,007
Contract liabilities		-	20,905	-
Lease liabilities		636,375	681,172	571,618
Other payables and accruals		1,667,355	1,613,086	1,890,710
Total non-current liabilities		<u>8,442,007</u>	<u>7,640,694</u>	<u>8,071,020</u>
TOTAL LIABILITIES		<u>70,338,723</u>	<u>67,975,358</u>	<u>64,985,084</u>
Net assets		<u>45,709,017</u>	<u>39,840,769</u>	<u>36,580,570</u>
EQUITY				
Equity attributable to equity holders of the Company				
Share capital		7,711,332	6,245,122	6,245,122
Reserves		<u>14,843,748</u>	<u>14,049,440</u>	<u>11,759,940</u>
		22,555,080	20,294,562	18,005,062
Non-controlling interests		<u>23,153,937</u>	<u>19,546,207</u>	<u>18,575,508</u>
Total equity		<u>45,709,017</u>	<u>39,840,769</u>	<u>36,580,570</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

AviChina Industry & Technology Company Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on 30 April 2003 as a joint stock company with limited liability under the PRC laws as a result of a group reorganisation of China Aviation Industry Corporation II (“AVIC II”). AVIC II merged with China Aviation Industry Corporation I (“AVIC I”) to form Aviation Industry Corporation of China (“AVIC”) on 6 November 2008, and AVIC became the holding company of the Company thereafter. The Company’s H shares were listed on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) on 30 October 2003. The address of its registered office is 2nd Floor, Building 27, No. 26 Xihuan South Street, Beijing Economic Technological Development Area, Beijing, and the PRC.

The Company and its subsidiaries (hereinafter collectively referred as the “Group”) are principally involved in the research, development, manufacture and sale of aviation products and the delivery of aviation engineering services such as planning, design, consultation, construction and operation.

In the opinion of the directors (“Director”) of the Company, the holding company and the ultimate holding company of the Company is also AVIC, which is a state-owned enterprise under the control of the State Council of the PRC government.

2.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”), and the disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

They have been prepared under the historical cost convention, except for certain financial instruments, which have been measured at fair value. These consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Merger accounting for business combination involving entities under common control

On 28 November 2019, the Company entered into the Entity Acquisition and Share Issuance Agreement with AVIC and Tianjin Free Trade Zone Investment Company Limited* (天津保稅區投資有限公司) (“Tianjin Free Trade Zone Investment”) to acquire AVIC Helicopter Co., Ltd.* (中航直升機有限責任公司) and its subsidiaries (“AVIC Helicopter”) through business combinations, pursuant to which, the Company acquired (i) 68.75% and 31.25% equity interests in AVIC Helicopter held by AVIC and Tianjin Free Trade Zone Investment, respectively; (ii) 10.21% equity interests in Harbin Aircraft Industry Group Co., Ltd.* (哈爾濱飛機工業集團有限責任公司) (“Harbin Aircraft”) held by AVIC; and (iii) 47.96% equity interests in Changhe Aircraft Industries (Group) Co., Ltd.* (昌河飛機工業(集團)有限責任公司) (“Changhe Aircraft”) held by AVIC, at a total consideration of approximately RMB5,687,537,050.94 (equivalent to approximately HK\$6,296,103,515.39). The transaction has been completed on 24 December 2020.

2.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Merger accounting for business combination involving entities under common control (Continued)

Given that AVIC Helicopter, Harbin Aircraft, Changhe Aircraft and the Company are indirectly or directly controlled by AVIC. Therefore, they are under common control of AVIC before and after the business combination, and that control is not temporary, the transaction is considered as business combination involving entities under common control. Accordingly, the Company applied the principles of merger accounting to account for the acquisition of business in preparing these consolidated financial statements.

By applying the principles of merger accounting, these consolidated financial statements also included the financial position, results and cash flows of business combination as if it had been combined within the Group throughout the year ended 1 January 2019 and 31 December 2019, and from the earliest date presented. Comparative figures as at 1 January 2019 and 31 December 2019 and for the year then ended have been restated as a result of such. All intra-group transactions and balances have been eliminated on consolidation.

2.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Merger accounting for business combination involving entities under common control (Continued)

- (i) The effect of restatements described above on the consolidated statement of profit or loss for the year ended 31 December 2019 by line items is as follows:

	Year ended 31/12/2019 RMB'000 (Audited and as Originally stated)	Business combination of entities under common control RMB'000	Year ended 31/12/2019 RMB'000 (As restated)
REVENUE	42,119,126	1,712,634	43,831,760
Cost of sales	(33,104,168)	(1,095,190)	(34,199,358)
Gross profit	9,014,958	617,444	9,632,402
Other income and gains	685,822	(15,997)	669,825
Other expenses	(39,675)	(2,785)	(42,460)
Other income and gains, net	646,147	(18,782)	627,365
Selling and distribution expenses	(687,377)	(5,006)	(692,383)
Administrative expenses	(5,294,907)	(808,979)	(6,103,886)
(Impairment loss) reversal of impairment of financial assets	(282,050)	335	(281,715)
OPERATING PROFIT (LOSS)	3,396,771	(214,988)	3,181,783
Finance income	249,124	163,553	412,677
Finance costs	(639,896)	(50,980)	(690,876)
Finance (costs) income, net	(390,772)	112,573	(278,199)
Share of profits of:			
Joint ventures	18,912	-	18,912
Associates	208,695	1,067	209,762
PROFIT (LOSS) BEFORE TAX	3,233,606	(101,348)	3,132,258
Income tax expenses	(297,602)	(35,222)	(332,824)
PROFIT (LOSS) FOR THE YEAR	2,936,004	(136,570)	2,799,434

2.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Merger accounting for business combination involving entities under common control (Continued)

- (i) The effect of restatements described above on the consolidated statement of profit or loss for the year ended 31 December 2019 by line items is as follows:
(Continued)

	Year ended 31/12/2019 RMB'000 (Audited and as originally stated)	Business combination of entities under common control RMB'000	Year ended 31/12/2019 RMB'000 (As restated)
Attributable to:			
Equity holders of the Company	1,376,856	(29,684)	1,347,172
Non-controlling interests	1,559,148	(106,886)	1,452,262
	<u>2,936,004</u>	<u>(136,570)</u>	<u>2,799,434</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted			
For profit (loss) for the year	<u>RMB 0.220</u>	<u>(RMB 0.046)</u>	<u>RMB 0.174</u>

- (ii) The effect of restatements described above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 by line items is as follows:

	Year ended 31/12/2019 RMB'000 (Audited and as originally stated)	Business combination of entities under common control RMB'000	Year ended 31/12/2019 RMB'000 (As restated)
PROFIT (LOSS) FOR THE YEAR	<u>2,936,004</u>	<u>(136,570)</u>	<u>2,799,434</u>
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations	<u>9,981</u>	<u>-</u>	<u>9,981</u>
Other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>9,981</u>	<u>-</u>	<u>9,981</u>

2.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Merger accounting for business combination involving entities under common control (Continued)

- (ii) The effect of restatements described above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 by line items is as follows: (Continued)

	Year ended 31/12/2019 RMB'000 (Audited and as originally stated)	Business combination of entities under common control RMB'000	Year ended 31/12/2019 RMB'000 (As restated)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain (loss) on a defined benefit scheme	2,023	(40)	1,983
Changes in fair value of financial assets at fair value through other comprehensive income	78,000	-	78,000
Income tax effect	(13,560)	-	(13,560)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	66,463	(40)	66,423
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	76,444	(40)	76,404
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	3,012,448	(136,610)	2,875,838
Attributable to:			
Equity holders of the Company	1,428,457	(29,047)	1,399,410
Non-controlling interests	1,583,991	(107,563)	1,476,428
	3,012,448	(136,610)	2,875,838

2.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Merger accounting for business combination involving entities under common control (Continued)

(iii) The effect of restatements described above on the consolidated statement of financial position as at 1 January 2019 is as follows:

	<u>1/1/2019</u> RMB'000 (Audited and as originally stated)	Business combination of entities under common control <u>RMB'000</u>	<u>1/1/2019</u> RMB'000 (As restated)
NON-CURRENT ASSETS			
Property, plant and equipment	15,164,691	3,185,312	18,350,003
Right-of-use assets-land use rights	1,701,996	340,706	2,042,702
Right-of-use assets-others	787,464	-	787,464
Investment properties	365,106	61,158	426,264
Goodwill	69,122	-	69,122
Other intangible assets	575,863	12,058	587,921
Investments in joint ventures	141,772	-	141,772
Investments in associates	970,799	21,977	992,776
Financial assets at fair value through other comprehensive income	888,628	-	888,628
Deferred tax assets	324,183	4,169	328,352
Prepayments, deposits and other receivables	1,424,001	35,437	1,459,438
Contract assets	856,741	-	856,741
Total non-current assets	23,270,366	3,660,817	26,931,183
CURRENT ASSETS			
Inventories	23,442,736	2,496,028	25,938,764
Accounts and notes receivables	21,272,651	197,869	21,470,520
Prepayments, deposits and other receivables	2,791,983	363,140	3,155,123
Contract assets	2,074,429	44,521	2,118,950
Financial assets at fair value through profit or loss	280,629	-	280,629
Pledged deposits	1,414,308	235,449	1,649,757
Term deposits with initial terms of over three months	1,394,771	3,500,000	4,894,771
Cash and cash equivalents	12,122,364	3,003,593	15,125,957
Total current assets	64,793,871	9,840,600	74,634,471
TOTAL ASSETS	88,064,237	13,501,417	101,565,654

2.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Merger accounting for business combination involving entities under common control (Continued)

(iii) The effect of restatements described above on the consolidated statement of financial position as at 1 January 2019 is as follows: (Continued)

	<u>1/1/2019</u> RMB'000 (Audited and as originally stated)	Business combination of entities under <u>common control</u> RMB'000	<u>1/1/2019</u> RMB'000 (As restated)
CURRENT LIABILITIES			
Accounts and notes payables	25,324,860	1,725,492	27,050,352
Other payables and accruals	3,722,719	1,348,689	5,071,408
Interest-bearing bank and other borrowings	9,022,435	524,800	9,547,235
Contract liabilities	6,995,894	7,948,604	14,944,498
Lease liabilities	82,893	-	82,893
Tax payable	217,336	342	217,678
Total current liabilities	<u>45,366,137</u>	<u>11,547,927</u>	<u>56,914,064</u>
NET CURRENT ASSETS (LIABILITIES)	<u>19,427,734</u>	<u>(1,707,327)</u>	<u>17,720,407</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>42,698,100</u>	<u>1,953,490</u>	<u>44,651,590</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	1,294,190	505,000	1,799,190
Deferred income from government grants	777,498	65,357	842,855
Deferred tax liabilities	36,640	-	36,640
Convertible bonds	2,930,007	-	2,930,007
Lease liabilities	571,618	-	571,618
Other payables and accruals	895,630	995,080	1,890,710
Total non-current liabilities	<u>6,505,583</u>	<u>1,565,437</u>	<u>8,071,020</u>
TOTAL LIABILITIES	<u>51,871,720</u>	<u>13,113,364</u>	<u>64,985,084</u>
Net assets	<u><u>36,192,517</u></u>	<u><u>388,053</u></u>	<u><u>36,580,570</u></u>

2.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Merger accounting for business combination involving entities under common control (Continued)

(iii) The effect of restatements described above on the consolidated statement of financial position as at 1 January 2019 is as follows: (Continued)

	<u>1/1/2019</u> RMB'000 (Audited and as originally stated)	Business combination of entities under <u>common control</u> RMB'000	<u>1/1/2019</u> RMB'000 (As restated)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	6,245,122	-	6,245,122
Reserves	<u>11,093,683</u>	<u>666,257</u>	<u>11,759,940</u>
	17,338,805	666,257	18,005,062
Non-controlling interests	<u>18,853,712</u>	<u>(278,204)</u>	<u>18,575,508</u>
Total equity	<u><u>36,192,517</u></u>	<u><u>388,053</u></u>	<u><u>36,580,570</u></u>

2.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Merger accounting for business combination involving entities under common control (Continued)

- (iv) The effect of restatements described above on the consolidated statement of financial position as at 31 December 2019 is as follows:

	<u>31/12/2019</u> RMB'000 (Audited and as originally stated)	Business combination of entities under <u>common control</u> RMB'000	<u>31/12/2019</u> RMB'000 (As restated)
NON-CURRENT ASSETS			
Property, plant and equipment	12,624,271	3,164,173	15,788,444
Right-of-use assets-land use rights	1,496,226	333,690	1,829,916
Right-of-use assets-others	880,067	-	880,067
Investment properties	303,102	57,975	361,077
Goodwill	69,122	-	69,122
Other intangible assets	480,621	9,113	489,734
Investments in joint ventures	151,428	-	151,428
Investments in associates	1,144,770	23,044	1,167,814
Financial assets at fair value through other comprehensive income	1,396,766	-	1,396,766
Deferred tax assets	349,947	4,860	354,807
Prepayments, deposits and other receivables	1,432,017	(8,162)	1,423,855
Contract assets	526,733	-	526,733
Total non-current assets	<u>20,855,070</u>	<u>3,584,693</u>	<u>24,439,763</u>
CURRENT ASSETS			
Inventories	25,671,657	3,529,218	29,200,875
Accounts and notes receivables	21,673,943	(43,484)	21,630,459
Prepayments, deposits and other receivables	3,966,225	97,083	4,063,308
Contract assets	2,541,907	26,005	2,567,912
Financial assets at fair value through profit or loss	502,343	748,640	1,250,983
Pledged deposits	955,999	171,847	1,127,846
Term deposits with initial terms of over three months	1,517,242	3,500,000	5,017,242
Cash and cash equivalents	13,059,640	5,458,099	18,517,739
Total current assets	<u>69,888,956</u>	<u>13,487,408</u>	<u>83,376,364</u>
TOTAL ASSETS	<u>90,744,026</u>	<u>17,072,101</u>	<u>107,816,127</u>

2.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Merger accounting for business combination involving entities under common control (Continued)

(iv) The effect of restatements described above on the consolidated statement of financial position as at 31 December 2019 is as follows:(Continued)

	<u>31/12/2019</u> RMB'000 (Audited and as originally stated)	<u>Business combination of entities under common control</u> RMB'000	<u>31/12/2019</u> RMB'000 (As restated)
CURRENT LIABILITIES			
Accounts and notes payables	27,223,029	1,751,683	28,974,712
Other payables and accruals	4,504,501	971,377	5,475,878
Interest-bearing bank and other borrowings	6,665,294	924,500	7,589,794
Contract liabilities	7,212,132	10,836,558	18,048,690
Lease liabilities	85,427	-	85,427
Tax payable	159,402	761	160,163
Total current liabilities	<u>45,849,785</u>	<u>14,484,879</u>	<u>60,334,664</u>
NET CURRENT ASSETS (LIABILITIES)	<u>24,039,171</u>	<u>(997,471)</u>	<u>23,041,700</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>44,894,241</u>	<u>2,587,222</u>	<u>47,481,463</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	2,042,809	265,000	2,307,809
Deferred income from government grants	755,827	64,996	820,823
Deferred tax liabilities	63,625	4,315	67,940
Convertible bonds	2,128,959	-	2,128,959
Contract liabilities	20,905	-	20,905
Lease liabilities	681,172	-	681,172
Other payables and accruals	651,366	961,720	1,613,086
Total non-current liabilities	<u>6,344,663</u>	<u>1,296,031</u>	<u>7,640,694</u>
TOTAL LIABILITIES	<u>52,194,448</u>	<u>15,780,910</u>	<u>67,975,358</u>
Net assets	<u>38,549,578</u>	<u>1,291,191</u>	<u>39,840,769</u>

2.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Merger accounting for business combination involving entities under common control (Continued)

- (iv) The effect of restatements described above on the consolidated statement of financial position as at 31 December 2019 is as follows:(Continued)

	<u>31/12/2019</u> RMB'000 (Audited and as originally stated)	<u>Business combination of entities under common control</u> RMB'000	<u>31/12/2019</u> RMB'000 (As restated)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	6,245,122	-	6,245,122
Reserves	<u>12,235,782</u>	<u>1,813,658</u>	<u>14,049,440</u>
	18,480,904	1,813,658	20,294,562
Non-controlling interests	<u>20,068,674</u>	<u>(522,467)</u>	<u>19,546,207</u>
Total equity	<u><u>38,549,578</u></u>	<u><u>1,291,191</u></u>	<u><u>39,840,769</u></u>

- (v) The effect of restatements on the Group's basic earnings per share for the year ended 31 December 2019 is as follows:

	<u>Year ended</u> <u>31/12/2019</u> RMB (Audited and as originally stated)	<u>Business combination of entities under common control</u> RMB	<u>Year ended</u> <u>31/12/2019</u> RMB (As restated)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted			
For profit (loss) for the year	<u>0.220</u>	<u>(0.046)</u>	<u>0.174</u>

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by the IASB, which are effective for the Group's financial year beginning 1 January 2020.

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective, in these consolidated financial statements.

IFRS 17	Insurance Contracts and related Amendments ⁵
Amendments to IFRS 3	Reference to Conceptual Framework ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁵
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use ³
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to IFRS 16	COVID-19-Related Rent Concessions ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle ³

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2023.

The directors of the Company anticipate that the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

3. OPERATING SEGMENT INFORMATION

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

The executive directors classify the business into three reportable segments:

- Manufacturing, assembly, sales and servicing of helicopters, trainers and other aircraft ("Aviation entire aircraft");
- Manufacturing and sale of aviation ancillary system ("Aviation ancillary system and related business");
- Delivery of aviation engineering services such as planning, design, consultation, construction and operation ("Aviation engineering services").

The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated statement of profit or loss. Segment results are defined based on profit before tax excluding interest income, finance costs, corporate and other unallocated expenses.

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

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31/12/2020	Aviation entire aircraft RMB'000	Aviation ancillary system and related business RMB'000	Aviation engineering services RMB'000	Total RMB'000
Segment Revenue:				
Sales to external customers	19,058,635	24,923,916	6,134,599	50,117,150
Intersegment sales				<u>3,204,273</u>
				53,321,423
Reconciliation:				
Elimination of intersegment operations				<u>(3,204,273)</u>
Revenue				<u>50,117,150</u>
Segment results	1,234,046	3,009,382	247,349	4,490,777
Reconciliation:				
Interest income				441,226
Corporate and other unallocated expenses				(34,980)
Finance costs				<u>(535,452)</u>
Profit before tax				<u>4,361,571</u>
Segment assets	51,637,117	51,880,036	15,379,257	118,896,410
Reconciliation:				
Elimination of intersegment receivables				<u>(2,848,670)</u>
Total assets				<u>116,047,740</u>
Segment liabilities	36,965,504	25,717,555	10,504,334	73,187,393
Reconciliation:				
Elimination of intersegment payables				<u>(2,848,670)</u>
Total liabilities				<u>70,338,723</u>
Other segment information:				
Share of profits of :				
Joint ventures	240	26,351	-	26,591
Associates	(11,140)	146,051	628	135,539
Impairment losses recognised in the consolidated statement of profit or loss	56,649	95,458	20,046	172,153
Other non-cash items	28,799	163,177	-	191,976
Depreciation and amortisation	685,758	650,483	286,178	1,622,419
Investments in joint ventures	25,318	144,888	-	170,206
Investments in associates	358,988	754,127	78,346	1,191,461
Capital expenditure*	942,340	1,947,757	1,148,304	4,038,401

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets-others, investment properties, right-of-use assets-land use right, intangible assets and investments in associates.

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31/12/2019 (Restated)	Aviation entire aircraft <hr/> RMB'000	Aviation ancillary system and related business <hr/> RMB'000	Aviation engineering services <hr/> RMB'000	Total <hr/> RMB'000
Segment Revenue:				
Sales to external customers	16,957,698	20,950,209	5,923,853	43,831,760
Intersegment sales				<u>3,210,648</u>
				47,042,408
<u>Reconciliation:</u>				
Elimination of intersegment operations				<u>(3,210,648)</u>
Revenue				<u>43,831,760</u>
Segment results	565,443	2,597,047	303,463	3,465,953
<u>Reconciliation:</u>				
Interest income				412,677
Corporate and other unallocated expenses				(55,496)
Finance costs				<u>(690,876)</u>
Profit before tax				<u>3,132,258</u>
Segment assets	50,280,942	44,719,760	15,102,297	110,102,999
<u>Reconciliation:</u>				
Elimination of intersegment receivables				<u>(2,286,872)</u>
Total assets				<u>107,816,127</u>
Segment liabilities	36,086,463	24,116,697	10,059,070	70,262,230
<u>Reconciliation:</u>				
Elimination of intersegment payables				<u>(2,286,872)</u>
Total liabilities				<u>67,975,358</u>
Other segment information:				
Share of profits of :				
Joint ventures	488	18,424	-	18,912
Associates	1,313	207,407	1,042	209,762
(Reversal of impairment losses) impairment losses recognised in the consolidated statement of profit or loss	(3,023)	443,519	45,275	485,771
Other non-cash items	(41,401)	14,935	3,233	(23,233)
Depreciation and amortisation	763,109	709,226	196,920	1,669,255
Investments in joint ventures	25,078	126,350	-	151,428
Investments in associates	370,268	705,653	91,893	1,167,814
Capital expenditure*	765,007	1,736,361	628,430	3,129,798

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets-others, investment properties, right-of-use assets-land use right, intangible assets and investments in associates.

3. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customer of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	<u>2020</u> RMB'000	<u>2019</u> RMB'000 (Restated)
Customer A ¹	21,637,438	19,910,699
Customer B ¹	5,284,220	N/A ²

¹ Revenue from Aviation entire aircraft and Aviation ancillary system and related business.

² The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents revenue arising on sale of goods and services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	<u>2020</u> RMB'000	<u>2019</u> RMB'000 (Restated)
<u>Revenue from contracts with customers within the scope of IFRS 15</u>		
Sales of goods	43,133,619	38,220,950
Rendering of services	6,983,531	5,610,810
	<u>50,117,150</u>	<u>43,831,760</u>

	<u>2020</u> RMB'000	<u>2019</u> RMB'000 (Restated)
<u>Disaggregation of revenue from contracts with customers by timing of recognition</u>		
Timing of revenue recognition		
At a point in time	25,945,851	22,299,387
Over time	24,171,299	21,532,373
	<u>50,117,150</u>	<u>43,831,760</u>
Total revenue from contracts with customers	<u>50,117,150</u>	<u>43,831,760</u>

4. REVENUE, OTHER INCOME AND GAINS (Continued)

	<u>2020</u> RMB'000	<u>2019</u> RMB'000 (Restated)
<u>Other income from contracts within the scope of IFRS 15</u>		
Income from sale of materials	587,885	545,993
Cost of sale of materials	<u>(529,553)</u>	<u>(510,518)</u>
Gross profit from sale of materials	<u>58,332</u>	<u>35,475</u>
Income from rendering of maintenance and other services	<u>38,328</u>	<u>81,898</u>
Total other income from contracts with customers	<u>96,660</u>	<u>117,373</u>
<u>Other income from other sources</u>		
Dividend income	146,515	29,664
Gross rental income	66,708	82,066
Gross rental expense	<u>(48,230)</u>	<u>(60,646)</u>
	<u>18,478</u>	<u>21,420</u>
Total other income from other sources	<u>164,993</u>	<u>51,084</u>
Total other income	<u>261,653</u>	<u>168,457</u>
<u>Gains</u>		
Fair value gains, net:		
Financial assets at fair value through profit or loss	184,680	18,689
Financial liabilities at fair value through profit or loss	46	-
Foreign exchange gains, net	-	24,121
Default fine	27,302	27,256
Gain on disposal of:		
Interests in subsidiaries	411	200,979
Interests in associates	113	122
Financial assets at fair value through profit or loss	225,830	58,864
Financial liabilities at fair value through profit or loss	2,199	-
Property, plant and equipment	100,338	91,841
Right-of-use assets - land use rights	286	523
Others	<u>970</u>	<u>78,973</u>
Other income and gains	<u>803,828</u>	<u>669,825</u>
	<u>50,920,978</u>	<u>44,501,585</u>

5. PROFIT BEFORE TAX

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

	<u>2020</u> RMB'000	<u>2019</u> RMB'000 (Restated)
Cost of inventories sold	33,684,193	29,710,004
Cost of services provided	5,970,209	4,489,354
Depreciation:		
Investment properties	11,967	15,507
Property, plant and equipment	1,463,176	1,513,202
Right-of-use assets-others	55,470	46,814
Less: Amortisation of deferred income from government grants	(112,733)	(132,358)
	1,417,880	1,443,165
Amortisation:		
Right-of-use assets-land use rights	59,186	52,440
Other intangible assets	32,620	41,292
Research and development costs:		
Current year expenditure	4,281,204	4,087,850
Less: Government grants released*	(957,400)	(958,040)
	3,323,804	3,129,810
Auditor's remuneration	11,629	10,828
Employee benefit expense (including directors and supervisors' remuneration):		
Wages, salaries, housing benefits and other allowances	7,325,636	7,103,694
Share-based payment expense	164,562	14,859
Pension scheme contributions	711,960	1,067,155
Foreign exchange losses (gains), net	119,814	(24,121)
Lease expenses in relation to short-term lease	65,551	138,319
Impairment of:		
Investment in an associate being disposed during the year	-	2,646
Accounts and notesreceivables and deposits and other receivables	3,746	281,715
Contract assets	10,436	-
Property, plant and equipment	29,596	24,405
Other intangible assets	275	-
Write-down of inventories to net realisable value	128,100	177,005

* Various government grants have been received for setting up research activities in Mainland China. The government grants received have been deducted from the research and development costs to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS, NET

	<u>2020</u> RMB'000	<u>2019</u> RMB'000 (Restated)
Finance income:		
Bank interest income	417,433	385,119
Other interest income	<u>23,793</u>	<u>27,558</u>
	<u>441,226</u>	<u>412,677</u>
Finance costs:		
Interest on bank and other borrowings	414,016	510,168
Interest on lease liabilities	44,274	36,170
Effective interest expenses on convertible bonds	<u>78,999</u>	<u>142,564</u>
Total interest expense for financial liabilities not classified at fair value through profit or loss	537,289	688,902
Less: Interest capitalised	(46,641)	(42,485)
Other financial costs	<u>44,804</u>	<u>44,459</u>
	<u>535,452</u>	<u>690,876</u>
Finance costs, net	<u><u>94,226</u></u>	<u><u>278,199</u></u>

The interests were capitalised in construction in progresses by interest rates of banks and bonds ranging from 1.08% to 4.90% and 5.41% respectively in 2020 (2019 (restated): 1.08% to 4.90% and from 5.34% to 5.41% respectively).

7. INCOME TAX EXPENSES

Except for certain subsidiaries which are taxed at a preferential rate of 15% (2019 (restated): 15%), in accordance with the relevant PRC enterprise income tax rules and regulations, provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 25% (2019: 25%) on the assessable income of respective entities in the Group.

	<u>2020</u> RMB'000	<u>2019</u> RMB'000 (Restated)
Current income tax-PRC Enterprise Income Tax	434,846	342,324
Deferred income tax	<u>35,217</u>	<u>(9,500)</u>
Total tax charge for the year	<u>470,063</u>	<u>332,824</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the year ended 31 December 2020 and 2019, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime.

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

	<u>2020</u> RMB'000	<u>2019</u> RMB'000 (Restated)
Profit before tax	<u>4,361,571</u>	<u>3,132,258</u>
Tax at the statutory tax rate of 25%	1,090,393	783,065
Lower tax rate(s) for specific provinces or enacted by local authorities	(583,361)	(519,857)
Profits and losses attributable to joint ventures and associates	(38,422)	(57,122)
Income not subject to tax	(65,107)	(64,698)
Expenses not deductible for tax	38,971	89,040
Tax losses utilised from previous periods	(4,646)	(18,960)
Tax losses not recognised	72,419	46,912
Others	<u>(40,184)</u>	<u>74,444</u>
Tax charge at the Group's effective rate	<u>470,063</u>	<u>332,824</u>

8. DIVIDENDS

	<u>2020</u> RMB'000	<u>2019</u> RMB'000
Proposed:		
Final dividend, proposed of RMB0.05 (2019: RMB0.03) per share	<u>385,567</u>	<u>187,354</u>

The proposed final dividend is proposed by the directors at a meeting held on the date of approval of these financial statements, and is subject to the approval of the Company's shareholders at the following annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 7,726,579,000 (2019 (restated): 7,745,791,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2020 (2019 (restated): nil).

The calculations of basic and diluted earnings per share are based on:

	<u>2020</u> RMB'000	<u>2019</u> RMB'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation	1,994,860	1,347,172
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (thousands)	7,726,579	7,745,791
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation (thousands)	<u>7,726,579</u>	<u>7,745,791</u>

10. ACCOUNTS AND NOTES RECEIVABLES

	<u>31/12/2020</u> RMB'000	<u>31/12/2019</u> RMB'000 (Restated)
Accounts receivables		
– Ultimate holding company	330	648
– Fellow subsidiaries	7,865,695	8,488,178
– A joint venture	447	198
– Associates	52,214	47,580
– Others	<u>9,370,064</u>	<u>8,875,657</u>
Accounts receivable, gross	17,288,750	17,412,261
Loss allowance	<u>(918,081)</u>	<u>(951,107)</u>
Accounts receivable, net	16,370,669	16,461,154
Notes receivables		
– Fellow subsidiaries	4,582,708	1,842,338
– A joint venture	2,851	618
– Associates	60,000	9,034
– Others	<u>4,153,514</u>	<u>3,323,112</u>
Notes receivable, gross	8,799,073	5,175,102
Loss allowance	<u>(31,390)</u>	<u>(5,797)</u>
Notes receivable, net	<u>8,767,683</u>	<u>5,169,305</u>
Accounts and notes receivables	<u><u>25,138,352</u></u>	<u><u>21,630,459</u></u>

10. ACCOUNTS AND NOTES RECEIVABLES (Continued)

As at 31 December 2020, the gross amount of accounts receivables arising from contracts with customers amounted to approximately RMB17,288,750,000 (2019 (restated) :RMB17,412,261,000).

Certain of the Group's sales were on advance payment. Sales to small, new or short-term customers are normally expected to be settled shortly after delivery. A credit period of up to six to twelve months may be granted in respect of sales to customers with good credit history and long-established relationship with the Group. Terms offered to related parties are similar to those offered to third parties. Accounts and notes receivables from those related parties are unsecured, non-interest-bearing and are repayable in accordance with the relevant trading terms.

An ageing analysis of the accounts receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<u>31/12/2020</u>	<u>31/12/2019</u>
	RMB'000	RMB'000
		(Restated)
Within 1 year	13,772,050	13,284,935
1 to 2 years	1,707,776	2,288,985
2 to 3 years	561,260	492,211
Over 3 years	329,583	395,023
	<u>16,370,669</u>	<u>16,461,154</u>

11. ACCOUNTS AND NOTES PAYABLES

	<u>31/12/2020</u> RMB'000	<u>31/12/2019</u> RMB'000 (Restated)
Accounts payable (Note(a))		
- Ultimate holding company	23	23
- Fellow subsidiaries	5,121,305	4,292,874
- A joint venture	113,679	13,346
- Associates	157,363	69,553
- Others	18,039,011	16,244,230
	<u>23,431,381</u>	<u>20,620,026</u>
Notes payable (Note (b))		
- Fellow subsidiaries	1,541,136	1,871,241
- A joint venture	106,484	65,845
- Associates	12,489	30,342
- Others	6,864,728	6,387,258
	<u>8,524,837</u>	<u>8,354,686</u>
	<u>31,956,218</u>	<u>28,974,712</u>

Notes:

- (a) An aged analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	<u>31/12/2020</u> RMB'000	<u>31/12/2019</u> RMB'000 (Restated)
Within 1 year	18,712,048	15,336,103
1 to 2 years	2,331,557	2,413,623
2 to 3 years	963,087	1,212,040
Over 3 years	1,424,689	1,658,260
	<u>23,431,381</u>	<u>20,620,026</u>

The average credit period on purchases of goods and services is 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Terms offered to the Group's related parties are similar to those offered to the major suppliers of the Group. Accounts and notes payables to those related parties are unsecured, non-interest-bearing and are repayable in accordance with the relevant trading terms.

- (b) The notes payable are with an average maturity period of less than six months. As at 31 December 2020, notes payable of approximately RMB2,343,367,000 (31 December 2019 (restated): RMB2,807,885,000) were secured by pledged deposits to the extent of approximately RMB695,904,000 (31 December 2019 (restated): RMB1,038,667,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Due to the completion of the acquisition of 100% equity interests in AVIC Helicopter Co., Ltd.* (中航直升機有限責任公司) (“**AVIC Helicopter**”) in December 2020, AVIC Helicopter, Harbin Aircraft Industry Group Co., Ltd.* (哈爾濱飛機工業集團有限責任公司) (“**Harbin Aircraft**”) and Changhe Aircraft Industries (Group) Co., Ltd.* (昌河飛機工業(集團)有限責任公司) (“**Changhe Aircraft**”) all became wholly-owned subsidiaries of the Company. The corresponding financial data of the Group in the corresponding period of the preceding year was restated pursuant to the relevant regulations and requirements. In 2020, the businesses of the Group were 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.

Unless otherwise stated, the corresponding financial data in the corresponding period of the preceding year referred in this report has been restated.

For the year ended 31 December 2020, the Group recorded a revenue of RMB50,117 million, representing an increase of RMB6,285 million or 14.34% as compared with that of RMB43,832 million in the corresponding period of the preceding year. The profit attributable to equity holders of the Company amounted to RMB1,995 million, representing an increase of RMB648 million or 48.11% as compared with that of RMB1,347 million in the corresponding period of the preceding year.

CONSOLIDATED OPERATING RESULTS

1 Composition of revenue

The revenue of the Group for the year 2020 was RMB50,117 million, representing an increase of 14.34% as compared with that of RMB43,832 million in the corresponding period of the preceding year. During the period, each of the Group’s business segments recorded revenue increase to different extent.

The revenue of the Group’s aviation entire aircraft business for the year 2020 amounted to RMB19,059 million, representing an increase of RMB2,101 million or 12.39% as compared with that of RMB16,958 million in the corresponding period of the preceding year, which was mainly attributable to the increase of sales volume of helicopter products. The revenue of the aviation entire aircraft business for the year 2020 accounted for 38.03% of the total revenue of the Group, representing a decrease of 0.66 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 2020 amounted to RMB24,924 million, representing an increase of RMB3,974 million or 18.97% as compared with that of RMB20,950 million in the corresponding period of the preceding year, which was mainly attributable to the increase of sales volume of connector products. The revenue of the aviation ancillary system and related business for the year 2020 accounted for 49.73% of the total revenue of the Group, representing an increase of 1.93 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 2020 amounted to RMB6,135 million, representing an increase of RMB211 million or 3.56% as compared with that of RMB5,924 million in the corresponding period of the preceding year. The revenue of the aviation engineering services business for the year 2020 accounted for 12.24% of the total revenue of the Group, representing a decrease of 1.27 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 and distribution expenses

The Group's selling and distribution expenses for the year 2020 amounted to RMB635 million, representing a decrease of RMB57 million or 8.23% as compared with that of RMB692 million in the corresponding period of the preceding year. The pandemic, strengthening of cost control and enhancement of labor efficiency all led to the decrease in sales services cost of sales person and business travel cost of certain subsidiaries of the Company. In 2020, the selling and distribution expenses accounted for 1.27% of the revenue of the Group, representing a decrease of 0.31 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 2020 amounted to RMB6,184 million, representing an increase of RMB80 million or 1.31% as compared with that of RMB6,104 million in the corresponding period of the preceding year. Such increase was mainly attributable to the increase of RMB165 million of investment in research and development ("R&D") and the decrease in operation costs resulted from the management and control in operation cost. In 2020, the administrative expenses accounted for 12.34% of the revenue of the Group, representing a decrease of 1.59

percentage points as compared with that in the corresponding period of the preceding year.

4. Operating profit

The operating profit of the Group for the year 2020 amounted to RMB4,294 million, representing an increase of RMB1,112 million or 34.94% as compared with that of RMB3,182 million in the corresponding period of the preceding year. Such increase was mainly attributable to the increase of the gross profit contribution driven by the increase of revenue and other gains from the disposal of financial assets increased as well.

5. Finance costs, net

The Group's net finance costs in 2020 amounted to RMB94 million, representing a decrease of RMB184 million or 66.18% as compared with that of RMB278 million in the corresponding period of the preceding year, which is mainly attributable to the significant decrease of interests costs resulting from the redemption and the conversion of convertible bonds by certain subsidiaries and the lower average balance of bank borrowings as compared with that of the corresponding period of the preceding year. Please refer to note 6 to the financial statements for details

6. Income tax expenses

The Group's income tax expense in 2020 was RMB470 million, representing an increase of RMB137 million or 41.14% as compared with that of RMB333 million in the corresponding period of the preceding year, and such increase was mainly attributable to the growth of operating profit. Please refer to note 7 to the financial statements for details.

7. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company for the year 2020 amounted to RMB1,995 million, representing an increase of RMB648 million or 48.11% as compared with that of RMB1,347 million in the corresponding period of the preceding year. The increase in the operating profit and the decrease in the finance costs both led to an increase in the profit attributable to equity holders of the Company during the reporting period as compared with that in the corresponding period of the preceding year.

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 2020 was RMB19,059 million, representing an increase of 12.39% as compared with that in the corresponding period of the preceding year. The above revenue includes: (1) the revenue derived from the helicopter business, which amounted to RMB16,999 million, representing an increase of RMB2,585 million or 17.93% as compared with that in the corresponding period of the preceding year, and accounted for 89.19% of the total revenue of the aviation entire aircraft business as the sales volume of helicopters increased; (2) the revenue derived from the trainer aircraft business, which amounted to RMB2,024 million, representing a decrease of RMB416 million or 17.04% as compared with that in the corresponding period of the preceding year, and accounted for 10.61% of the total revenue of the aviation entire aircraft business; (3) the revenue derived from the general purpose aircraft business, which amounted to RMB36 million, representing a decrease of RMB68 million or 65.38% as compared with that in the corresponding period of the preceding year, and accounted for 0.20% of the total revenue of the aviation entire aircraft business.

The revenue of the aviation entire aircraft business of the Group for the year 2020 accounted for 38.03% of the Group's total revenue, representing a decrease of 0.66 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 2020 was 9.16%, representing a slight decrease as compared with that in the corresponding period of the preceding year. Such decrease was mainly attributable to the change in the product mix of the entire aircraft products.

THE AVIATION ANCILLARY SYSTEM AND RELATED BUSINESS

Revenue

The Group's revenue derived from the aviation ancillary system and related business for the year 2020 was RMB24,924 million, representing an increase of 18.97% as compared with that in the corresponding period of the preceding year. Among the above revenue, the revenue derived from connectors amounted to RMB10,171 million, representing an increase of RMB1,141 million or 12.64% as compared with that in the corresponding period of the preceding year, and accounted for 40.81% 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 2020 accounted for 49.73% of the Group's total revenue, representing an increase of 1.93 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 2020 was 31.17%, representing a decrease of 1.57 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 2020 was RMB6,135 million, representing an increase of 3.56% as compared with that in the corresponding period of the preceding year. The revenue derived from the aviation engineering services business in 2020 accounted for 12.24% of the Group's total revenue, representing a decrease 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 engineering services business for the year 2020 was 15.46%, which was basically the same as that in the corresponding period of the preceding year.

BUSINESS REVIEW AND OUTLOOK

In 2020, faced with the complex international and domestic development environment and the unexpected pandemic, Aviation Industry Corporation of China, Ltd.* (中國航空工業集團有限公司) (“**AVIC**”), the controlling shareholder of the Company, remained committed to high-quality growth and implemented the development strategy of the aviation industry for the new era. And AVIC also ensured the successful conclusion of its tasks during the “13th Five-Year Plan” and achieved remarkable results in its “two frontal battles” in pandemic prevention and control as well as resumption of business and production.

In 2020, aiming at the strategic goal of building an aviation power in the new era, the Company has been dedicated to becoming a flagship company that provides high-tech aviation products and services for both military and civil purposes. In order to fight the “two frontal battles”, the Company made concerted efforts to rapidly resume manufacture and operation. As it ensured smooth progress in all tasks, the pandemic did not have any material adverse effect on its manufacture and operation process.

In 2020, the Company has carried out its assets reorganization project steadily. It has completed the acquisition of 100% equity of AVIC Helicopter. As a result of this, the Company benefitted from a more completed helicopter industrial chain, more efficient allocation of resources, more optimized capital distribution plan and more competitive helicopter products in general. Meanwhile, the equity interest in AVICOPTER PLC* (中航直升機股份有限公司) held the Company has further increased. AVIC Forstar S&T Company Limited* (中航富士達科技股份有限公司) became one of the first batch of domestic companies and the first central state-owned enterprise to be quoted on the NEEQ Select. In order to maintain investors’ confidence and protect their interests, the Company commenced the share repurchase on 26 May 2020. As at 31 December 2020, it had repurchased and cancelled a total of 34,459,000 H shares. In 2020, the Company received a number of major honours which included the “New Fortune HK Listed Company with the Best IR Award”, the “Golden Bauhinia Award of China Securities – Best Investment Value in Listed Company” and the “2020 China Top 100 Award”. AVIC JONHON Optronics Technology Co., Ltd.* (中航光電科技股份有限公司) (“**JONHON Optronics**”) was shortlisted as the “Top 50 A-share Core Assets” once again. Its project application garnered two national awards, namely the “Second Prize in Innovation Achievement for Modernized Management of Chinese Enterprises” and the “Second Prize in Management Innovation of National Defence Technology Corporation”.

In 2020, the Group continued to improve the quality and core competitiveness of its helicopter products, which demonstrated outstanding performance in various activities. After entering the new stage of certification application and flight test, the AC352

helicopter conducted a “parallel flight test” and completed it for low-temperature fitness at Jiansanjiaoguo Wetland Airport, which became the first civil helicopter in China to conduct such tests. The AC352 helicopter also completed the high-temperature fitness at Shijiazhuang Luancheng Airport. Meanwhile, the 4-ton twin-engine light civil helicopter AC312E passed the assessment of the Aircraft Evaluation Group, which laid a sound foundation for its delivery to the first batch of users. Tianjin Civil Helicopter Industrial Base reached the full development stage. The AC321E helicopter completed the first flight after final assembly and the new 4-ton civil helicopter AC332 was rolled out with indicative orders with launch users. The AC311 helicopter undertook air patrol, transport of casualties, airdrop of emergency supplies and other missions in the cross-regional drill for hazardous chemical disasters in Jiangxi Province, which examined the requirements for domestically-manufactured helicopters to participate in relief operations for “all types of emergencies” and “major emergencies”, as well as their abilities to provide professional rescue in such disasters. Two AC311A helicopters completed the aerial photography mission in Tibet and the aerial spraying of agricultural chemicals in Qilian, Qinghai Province, respectively, which fully demonstrated their outstanding capabilities in plateau areas. Moreover, the “Civil Helicopter Design Assurance Manual” was approved by CAAC East China Regional Administration, representing the phased achievement of the construction of the civil helicopter design assurance system.

In 2020, the Group continued to expand its market in the trainer jet business. The L15 advanced trainer jet and the CJ6 primary trainer jet appeared at the 2020 Nanchang Flight Convention. The K8 trainer jet was piloted by Chinese, Egyptian, and Pakistani pilots to achieve the "cloud show" in different regions of the world at the same time. Jiangxi Hongdu Aviation Industry Co., Ltd.* (江西洪都航空工业股份有限公司) (“**Hongdu Aviation**”) adopted an innovative way of the remote “cloud-based inspection and acceptance and cloud-based delivery” providing a scientific solution to the delay of delivery and opening up new possibilities for foreign trade and delivery in the aviation industry.

In 2020, the general-purpose aircraft business of the Group grew steadily. The Group delivered the Y-12E aircraft to Ying'an General Aviation Co., Ltd.* (英安通用航空有限公司) upon completion of the inspection and acceptance. With the launch of the “Harbin-Yichun” route which was served by the Y-12E aircraft, the travel time was significantly reduced. During the year, the Y-12F aircraft started commercial flight for the first time and commenced the general-purpose route connecting “Heihe-Mohe-Jiagedaqi”, thereby opening a new chapter for “short-haul transport+low-altitude tourism”. The Y-12E+ light aircraft with multiple purposes passed the preliminary design review. Besides, the Y-12F time-domain aircraft completed the air launch and recovery tests of nacelles. It will conduct the flight test

on the time-domain aviation electromagnetic measurement system shortly, which will support the development of the aero-geophysical survey industry in China.

In 2020, the Group pursued the innovation-driven strategy for its aviation ancillary system and related business, which brought its core capability to the an upper level. JONHON Optronic has further improved its R&D as well as the industrialization capability of 5G related products and high voltage connection products for new energy vehicles. Apart from winning the “ZTE Best Technology Innovation Award”, it was honoured as “National Enterprise with Intellectual Property Strengths” and “Gold Supplier of Huawei”. JONHON Optronic also provided a huge variety of opto-electronic interconnect products for the entire rocket and the ground test and launch control system for the Long March 5B Series Launch Vehicle, which offered a stable and reliable signal transmission channel for rocket launching and flight. Meanwhile, Chengdu CAIC Electronics Co., Ltd.* (成都凱天電子股份有限公司) (“**AVIC Kaitian**”) developed two types of altitude signal boxes based on non-similarity principles, which secured the safe return of the Long March 5B Series Launch Vehicle test vessel with its reliable performance. AVIC Kaitian was listed as a state-owned “Innovative Technology Reform Demonstration Enterprise” and was approved to establish the post-doctoral scientific research workstation, so as to further upgrade the innovative system and facilitate high-quality corporate development. The intelligent mechanical spraying project of Shanghai Aviation Electric Co., Ltd.* (上海航空電器有限公司) (“**Shanghai Aviation Electric**”) has passed the review and will be able to meet the requirements for surface paint of light guide plate products for various aviation equipment as well as civil aircraft (such as C919 aircraft). AVIC Taiyuan Aviation Instrument Co., Ltd.* (太原航空儀錶有限公司) (“**Taiyuan Instrument**”) entered into an intention of cooperation with China Huayun Meteorological Technology Group Corporation* (中國華雲氣象科技集團公司) in relation to the research and development and application of on-board meteorological measurement equipment, promoting the technology innovation of such equipment. Meanwhile, Taiyuan Instrument also leverages the innovation strengths of school-enterprise cooperation by joining hands to set up the joint advanced manufacturing laboratory and the aviation equipment research institute, with the aim of developing key general-purpose technologies and core technologies in the field of avionics.

In 2020, the Group ramped up the market development efforts in the aviation engineering service business, so that they achieved steady growth. China Aviation Planning and Design Institute Co., Ltd.* (中國航空規劃設計研究總院有限公司) (“**AVIC Planning**”) intensely took part in crucial national projects in heavy and new generation human spaceflight, reaching substantial breakthroughs in developing the aviation market. While further expanding the civil aviation market, it won the bid for the renovation and expansion design project for the airfield at Xilinhote Airport, as

well as the major airport terminal design projects in provincial capitals such as Taiyuan and Hefei. In addition, it devoted heavily to the establishment of the vaccine manufacture system and secured important national medical design projects. It spared no effort in the prevention and control of the pandemic and made remarkable progress in the pharmaceutical and medical market. In parallel with this, the new Chengdu Museum designed by AVIC Planning has been awarded the highest honour in China's civil engineering sector, namely the Tien-Yow Jeme Civil Engineering Prize. By far, AVIC Planning has won six Tien-Yow Jeme Civil Engineering Prize.

The year 2021 bears great significance as it marks the beginning of the "14th Five-Year Plan". In spite of the widespread Covid-19 pandemic around the world, the drastic changes in the international political and economic landscape, the escalating financial risks due to global quantitative easing and the increasingly complex trading environment worldwide, China's economy maintains the secular upward trend in general and its growth continues to be supported by favourable factors and conditions. Facing the immense opportunities for leap-frog development and major strategic challenges, the Group will stay dedicated to building a flagship company that provides high-tech aviation products and services for military and civil purposes. It will take the initiative to fulfil responsibilities and strive for excellence. Meanwhile, it will push forward high-quality development through strategic planning and shareholder engagement:

1. The Company will further implement the strategy of financial-industrial combination, give full play to the integrated financial-industrial platform, carry out multi-dimensional and mutually beneficial cooperation, optimize the industrial structure and develop an open and inclusive market;
2. The Company will promote the innovation of aviation technology and carry out major aviation technology projects that are forward-looking and strategically important, so that it will become self-reliant in technology innovation;
3. The Company will support the integration of the helicopter business and capitalize on the synergetic advantages from capital operation, in order to facilitate the development of the helicopter business;
4. The Company will integrate resources and increase investment in the principal aviation business, which will improve its core competitiveness and transform it into an integrated industrial group with good governance;
5. The Company will exert vigorous efforts in investment and financing, equity operation and capital integration and keep on optimizing its capital structure, so as to enhance its quality as a listed company;

6. The Company will push forward the market-oriented development of the civil aviation industry and make use of its overseas platform to pursue opportunities for overseas capital operation; and
7. The Company will strengthen its governance capability on a continuous basis, reinforce the governance structure and improve the capital management and control system.

CASH FLOW AND FINANCIAL RESOURCES

1 Liquidity and Capital Resources

As at 31 December 2020, the Group's cash and cash equivalents amounted to RMB22,809 million, which was mainly derived from the following sources:

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

The Group's cash flow for each of the years 2020 and 2019 were as follows:

Main items of cash flow	<i>Unit: RMB million (except for percentage)</i>			
	2020	2019	Changes	Changes rate
		(restated)	(amount)	(percentage)
Net cash flows from operating activities	465	5,378	(4,913)	-91.35%
Net cash flows from (used in) investing activities	2,413	(2,532)	4,945	/
Net cash flows from financing activities	1,290	523	767	146.65%

2 Operating, Investing and Financing Activities

Net cash inflows from operating activities of the Group for 2020 amounted to RMB465 million, representing a decrease of net inflows by RMB4,913 million as compared with the net cash inflows of RMB5,378 million in the corresponding period of the preceding year. The main reason was that part of the receivables has not been collected at the end of the reporting period.

Net cash inflows from investing activities of the Group for 2020 amounted to RMB2,413 million, representing an increase of net inflows by RMB4,945 million as compared with the net cash outflows of RMB2,532 million in the corresponding period of the preceding year. The main reason was that based on funding arrangements, the investment in time deposits for more than three months decreased significantly during the reporting period.

Net cash inflows from financing activities of the Group for the year 2020 amounted to RMB1,290 million, representing an increase of net inflows by RMB767 million as compared with the net cash inflows of RMB523 million in the corresponding period of the preceding year. The main reason was that JONHON Optronics completed the second phase of the restricted stock incentive plan share grant and received contributions from participants.

As at 31 December 2020, the Group's total borrowings amounted to RMB11,667 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 RMB4,973 million, RMB1,460 million and RMB5,234 million, respectively.

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

Maturity	<i>RMB million</i>
Within one year	1,460
In the second year	2,041
In the third to fifth year	2,377
After the fifth year	816
Total	6,694

As at 31 December 2020, the Group's bank borrowings amounted to RMB4,901 million with a weighted average interest rate of 4% per annum, accounting for 42.01% of the total borrowings. Other borrowings amounted to RMB6,766 million with a weighted average interest rate of 3% per annum, accounting for 57.99% of the total borrowings.

As at 31 December 2020, there was no significant balance of borrowings denominated in foreign currencies.

GEARING RATIO

As at 31 December 2020, the Group's gearing ratio was 10.05% (as at 31 December 2019: 11.15% (as restated)), which was arrived at by dividing the total borrowings and convertible bonds by the total assets as at 31 December 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no significant contingent liabilities.

DESIGNATED DEPOSITS AND OVERDUE FIXED DEPOSITS

As at 31 December 2020, there was no designated deposit or overdue fixed deposit placed by the Group that could not be collected by the Group upon maturity.

GUARANTEED AND SECURED LOANS

As at 31 December 2020, the Group's total secured borrowings amounted to RMB441million, of which RMB12 million was secured by notes receivables with a net book value of approximately RMB12 million; RMB429 million was secured by future receivable rights.

Borrowings placed under guarantees amounted to RMB828 million, of which RMB823 million represented guarantees amongst the members of the Group and RMB5 million represented 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.

USE OF PROCEEDS

As at 31 December 2020, a total of RMB5,137 million of the proceeds raised by the Company had been used in the manufacturing and R&D of advanced trainer aircraft, helicopters and aviation composite materials as well as the acquisition of aviation assets and the equity investments. In the end of 2018, the net proceeds raised by the Company through H share placing were approximately HK\$1,346 million. Up to now, an amount of RMB580 million had been used to invest in the aviation business such as aviation cabin interior trimming business. As at 31 December 2020, the remaining balance of the proceeds amounted to approximately RMB601 million. In the next year, the Company proposes to use such proceeds for investment in aviation businesses, the industrialization projects of aviation research institutes and military-civilian fund for aviation industry, the funding of acquisitions of aviation equity interest or aviation assets and for general corporate purposes.

EMPLOYEES

As at 31 December 2020, the Group had 45,268 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	16,758	37.02
Aviation ancillary system and related business	24,446	54.00
Aviation engineering services business and others	4,064	8.98
Total	45,268	100.00

For the year ended 31 December 2020, the total staff costs of the Group amounted to RMB8,204 million, representing an increase of RMB18 million or 0.22% as compared with those of RMB8,186 million in the corresponding period of the preceding year.

PURCHASE, SALE AND REDEMPTION OF LISTED SHARES

Since 26 May 2020, the Company repurchased and canceled a total of 34,459,000 H Shares at an aggregate consideration of HK\$133,324,670. The Directors believe that the repurchases reflect the Company's confidence in its long term business prospects and would ultimately benefit the Company and for the enhancement of shareholder value in the long term. The monthly breakdown of shares repurchased during the 2020 was as follows:

Month of Repurchase	Number of Shares repurchased	Per Share		Aggregate consideration
		The highest price paid	The lowest price paid	
		(HK\$)	(HK\$)	(HK\$)
May 2020	3,490,000	3.53	3.28	11,716,160
June 2020	30,969,000	4.13	3.58	121,608,510
Total	34,459,000			133,324,670

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2020.

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

1. On 28 November 2019, the Company entered into the Equity Acquisition and Share Issuance Agreement with AVIC and Tianjin Free Trade Zone Investment Company Limited* (天津保稅區投資有限公司) (“**Tianjin Free Trade Zone Investment**”), pursuant to which, the Company conditionally agreed to acquire (i) 68.75% and 31.25% equity interests in AVIC Helicopter held by AVIC and Tianjin Free Trade

Zone Investment, respectively; (ii) 10.21% equity interests in Harbin Aircraft held by AVIC; and (iii) 47.96% equity interests in Changhe Aircraft held by AVIC, at a total consideration of approximately RMB5,687,537,050.94. Upon completion of the Proposed Acquisition, each of AVIC Helicopter, Harbin Aircraft and Changhe Aircraft will become a wholly-owned subsidiary of the Company. As confirmed by relevant regulatory authorities in the PRC and each party to the Equity Acquisition and Share Issuance Agreement, the consideration for the Proposed Acquisition is proposed to be settled by issuance of the Domestic Shares to AVIC and Tianjin Free Trade Zone Investment. As at the date of the Equity Acquisition and Share Issuance Agreement, AVIC is the controlling Shareholder of the Company, and thus it is a connected person of the Company. The Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder are connected transactions of the Company under the Listing Rules. Therefore, the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder also are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The above transaction was approved at the extraordinary general meeting held on 13 February 2020, and the issuance of 1,500,669,406 domestic shares was completed on 24 December 2020, among which 1,250,899,906 domestic shares are held by AVIC and 249,769,500 domestic shares are held by Tianjin Free Trade Zone Investment. Upon the completion of the Issuance, the total number of issued shares of the Company has been increased from 6,210,662,836 shares to 7,711,332,242 shares, among which 6,210,662,836 shares are overseas listed foreign invested shares and 1,500,669,406 shares are domestic shares. For details, please refer to the announcements of the Company dated 12 October 2018, 13 October 2019, 28 November 2019, 23 February 2020 and 24 December 2020 and the circular dated 6 January 2020.

2. On 18 February 2020, AviChina Intelligent Surveying & Mapping Science & Technology Co., Ltd.* (中航科工智繪航空科技有限公司) ("**AviChina Intelligent**") entered into the Equity Transfer Agreements to dispose of its existing equity interest in AVIC Jincheng Unmanned System Co., Ltd.* (中航金城無人系統有限公司) ("**AVIC Jincheng Unmanned**"), namely, (1) the Equity Transfer Agreement I with the Company in relation to the transfer of 19.19% of the equity interest in AVIC Jincheng Unmanned at the consideration of RMB43,763,072; (2) the Equity Transfer Agreement II with Tianjin Aviation Mechanical and Electrical Co., Ltd.* (天津航空機電有限公司) ("**Tianjin Aviation**") in relation to the transfer of 2.47% of the equity interest in AVIC Jincheng Unmanned at the consideration of RMB5,626,681; (3) the Equity Transfer Agreement III with Shanghai Aviation Electronics in relation to the transfer of 5.48% of the equity interest in AVIC Jincheng Unmanned at the consideration of RMB12,503,735; and (4) the Equity Transfer Agreement IV with AVIC Jincheng Nanjing Mechanics-electronics-hydraulics Research Center* (中國航空工業集團公司金城南京機電液壓工程研究中心) ("**Nanjing Jincheng**") in

relation to the transfer of 2.06% of the equity interest in AVIC Jincheng Unmanned at the consideration of RMB4,688,901. Upon completion of the aforesaid equity transfers, AVIC Jincheng Unmanned will be owned as to 19.19% by the Company, 2.47% by Tianjin Aviation, 5.48% by Shanghai Aviation Electronics, 46% by Jincheng Group Limited* (金城集團有限公司), 2.06% by Jincheng Nanjing, 14.80% by AviChina Intelligent and 10% by Nanjing Tianyue Investment Partnership (Limited Partnership)* (南京天躍投資合夥企業(有限合夥)). As at the date of the Equity Transfer Agreements, AVIC is the controlling shareholder of the Company. AviChina Intelligent is a subsidiary of the Company with over 10% equity interest indirectly held by the AVIC, thus is a connected subsidiary of the Company. Tianjin Aviation is a wholly-owned subsidiary of the Company. Each of Shanghai Aviation Electronics and Jincheng Nanjing is a subsidiary of AVIC and is therefore a connected person of the Company pursuant to the Hong Kong Listing Rules. The acquisition of 21.66% equity interest in AVIC Jincheng Unmanned by the Company and Tianjin Aviation from AviChina Intelligent contemplated under the Equity Transfer Agreement I and the Equity Transfer Agreement II constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules as AviChina Intelligent is a connected subsidiary of the Company. The disposal of 7.54% equity interest in AVIC Jincheng Unmanned by AviChina Intelligent to Shanghai Aviation Electronics and Jincheng Nanjing contemplated under the Equity Transfer Agreement III and the Equity Transfer Agreement IV also constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules as Shanghai Aviation Electronics and Jincheng Nanjing are connected persons of the Company. For details, please refer to the announcement of the Company dated 18 February 2020.

3. On 21 December 2020, the Company Shareholders (namely the Company and Tianjin Aviation), the Connected Shareholders (namely Shanghai Aviation Electronics, AVIC International Aero-Development Corporation* (中航國際航空發展有限公司) (“**AVIC International Aero-Development**”), Nanjing Jincheng and AVIC Guizhou Aviation Aircraft Co., Ltd.* (中航貴州飛機有限責任公司) (“**AVIC Guizhou Aircraft**”), Shenzhen Dazhong Flight Entrepreneurship Investment LLP (Limited Partnership)* (深圳市大眾飛行創業投資合夥企業(有限合夥)) (“**Dazhong Flight**”), the Natural Person Shareholders and AviChina Intelligent entered into the Capital Reduction Agreement, pursuant to which AviChina Intelligent will carry out the Capital Reduction and the Company Shareholders and the Connected Shareholders will withdraw their respective capital contribution at a total consideration of RMB146,419,600. Upon completion of the Capital Reduction, the Company will cease to hold any equity interest in AviChina Intelligent, and Dazhong Flight together with the Natural Person Shareholders, collectively, will hold 100% equity interest in AviChina Intelligent, among which 99.9988% will be held by Dazhong Flight and the remaining 0.0012% will be evenly held by the Natural Person

Shareholders. As at the date of Capital Reduction Agreement, AVIC is the controlling Shareholder of the Company. Each of Shanghai Aviation Electronics, AVIC International Aero-Development, Jincheng Nanjing and AVIC Guizhou Aircraft is a subsidiary of AVIC and is therefore a connected person of the Company pursuant to the Hong Kong Listing Rules. AviChina Intelligent is a subsidiary of the Company with over 10% equity interest held by the Connected Shareholders, thus is a connected subsidiary of the Company. The exit of the Connected Shareholders from AviChina Intelligent as well as the disposal of AviChina Intelligent resulting from the exit of the Company Shareholders 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 21 December 2020.

OTHER SIGNIFICANT EVENTS

On 30 October 2020, the Company announced an inside information announcement. The Company was considering and exploring the possibility of issuance of ordinary shares of the Company to be traded in Renminbi. As at the date of this announcement, the Company has not formulated the offering proposal of the Proposed A Share Offering, and has not applied to the relevant regulatory authorities in China for approval of the Proposed A Share Offering. The Company will perform its information disclosure obligations in accordance with the relevant requirements of the Listing Rules in due course. For details, please refer to the announcement of the Company dated 30 October 2020.

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Due to other work commitment, on 16 October 2020, Mr. Chen Yuanxian applied to the Board for resignation as the Director of the Company, the chairman of the Board as well as all other positions in each of the special committees of the Board. The resignation took effect on 16 October 2020, and the term of the Director ended when the extraordinary general meeting held on 11 December 2020 considered and approved the resolution in relation to the appointment of Mr. Zhao Hongwei as an executive Director of the Company. At the Board meeting held on 16 October 2020, Mr. Wang Xuejun was elected as the chairman of the sixth session of the Board as well as the chairman of the Nomination Committee and the Development and Strategy Committee of the Board.

Due to other work commitment, Mr. Wang Xuejun applied to the Board for resignation as the general manager of the Company. At the Board meeting held on 16 October 2020, the Board considered and approved the resolution in relation to the appointment of Mr. Zhao Hongwei as the general manager of the Company, with the term of office commencing from the date of approval of such resolution to the date on

which the Board removes his duty. At the extraordinary general meeting held on 11 December 2020, the extraordinary general meeting considered and approved the resolution in relation to the appointment of Mr. Zhao Hongwei as an executive Director of the Company with a term of office commencing from the approval at the extraordinary general meeting until the date on which the term of the sixth session of the Board will expire.

At the Board meeting held on 13 July 2020, the Board considered and approved the resolution in relation to the appointment of Mr. Liu Wanming as the deputy general manager of the Company, with the term of office commencing from the date of approval of such resolution to the date on which the Board removes his duty.

Due to other work commitment, Mr. Gan Liwei ceased to be the Board Secretary of the Company. At the Board meeting held on 21 August 2020, the Board considered and approved the resolution in relation to the appointment of Mr. Xu Bin as the Board Secretary of the Company, with the term of office commencing from the date of approval of such resolution to the date on which the Board removes his duty.

Due to other work adjustment, Mr. Shi Shiming applied for resignation as the employee representative supervisor of the Company. At the general meeting of employees held on 21 December 2020, Mr. Zhao Zhuo has been elected by the general meeting of employees of the Company as the employee representative supervisor of the sixth session of the Supervisory Committee with a term of office to the date on which the term of the sixth session of the Supervisory Committee will expire.

FINAL DIVIDEND

The Board recommended the payment of a final dividend for the year 2020 in an aggregate amount of RMB385,566,612.10, representing a dividend of RMB0.05 per share (2019: RMB0.03 per share), calculated based on the existing number of total issued shares of 7,711,332,242 shares of the Company as at the date of this announcement, 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, 9 June 2021 (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, 4 June 2021 to Wednesday, 9 June 2021 (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, 3 June 2021.

In accordance with Article 152 of the Articles of Association of the Company, the dividend will be declared in RMB to the shareholders. The dividend payable to domestic 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 Friday, 28 May 2021 (the “**2020 AGM**”). Subject to the approval of the Company's shareholders at the 2020 AGM, the aforementioned dividend is expected to be paid by the Company on or before 18 August 2021.

The 2020 AGM will be held on Friday, 28 May 2021. The H share register of members of the Company will be closed from Saturday, 8 May 2021 to Friday, 28 May 2021 (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 Friday, 28 May 2021 are entitled to attend and vote at the 2020 AGM. In order to be eligible to attend and vote at the 2020 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 registrar, not later than 4:30 pm on Friday, 7 May 2020.

AUDIT COMMITTEE

The Board has established an audit committee and set out the “Terms of Reference of the Audit Committee” in accordance with the “Guide for the Effective Audit Committee” issued by the Hong Kong Institute of Certified Public Accountants and other regulations.

The audit committee had reviewed the Group's annual results and consolidated financial statements for the year ended 31 December 2020.

CORPORATE GOVERNANCE

The Company strictly complied with various applicable laws, rules and regulations as well as the Articles of Association of the Company to standardize its operation. The Board reviewed the corporate governance practices adopted by the Company for the year ended 31 December 2020 and was of the view that the Company had complied with the principles and code provisions set out in the Corporate Governance Code under the Hong Kong Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Hong Kong Listing Rules and the Shares Trading Management Rules of the Company as its own guidelines for securities transactions by Directors, supervisors and relevant employees of the Company. Upon specific enquiries with Directors and supervisors, the Board confirms that all Directors and supervisors of the Company had complied with the standards for securities transactions under the Model Code for the year ended 31 December 2020.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2020 will be dispatched to the shareholders of the Company and will be published on the websites of The Stock Exchange of Hong Kong and of the Company (<http://www.avichina.com>) in due course.

By order of the Board
AviChina Industry & Technology Company Limited*
Wang Xuejun
Chairman

Beijing, 30 March 2021

As at the date of this announcement, the Board comprises executive Directors Mr. Wang Xuejun and Mr. Zhao Hongwei, non-executive Directors Mr. Yan Lingxi, Mr. Lian Dawei, and Mr. Xu Gang as well as independent non-executive Directors Mr. Liu Renhuai, Mr. Liu Weiwu and Mr. Wang Jianxin.

** For identification purpose only*