



AviChina

AviChina Industry & Technology Company Limited
中国航空科技工业股份有限公司

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



2014 INTERIM REPORT

Highlights of Interim Results	2
Management Discussion and Analysis	3
Disclosure of Interests and Other Information	10
Condensed Interim Consolidated Income Statement	13
Condensed Interim Consolidated Statement of Comprehensive Income	14
Condensed Interim Consolidated Balance Sheet	15
Condensed Interim Consolidated Statement of Changes in Equity	17
Condensed Interim Consolidated Statement of Cash Flows	19
Notes to the Condensed Interim Consolidated Financial Information	20
Corporate Information	45

Highlights of Interim Results

The board of directors (the “**Board**”) of AviChina Industry & Technology Company Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2014 prepared according to International Accounting Standards (“**IAS**”) 34 “Interim Financial Reporting”.

Revenue	RMB10,399 million
Profit attributable to the equity holders of the Company	RMB375 million
Earnings per share, basic and diluted	
– Basic and diluted	RMB0.0688
Equity attributable to the equity holders of the Company	RMB10,475 million

INTERIM DIVIDEND

The Board proposes that no interim dividend be paid for the six months ended 30 June 2014.



BUSINESS REVIEW

In the first half of 2014, the global economic growth was faced with various changes. With the PRC government vigorously promoting economic transformation and upgrading, plenty of opportunities arose for the development of high-end equipment manufacturing industry. By pushing on assets restructuring and further perfecting its aviation industry chain, the Group achieved a steady development in its various businesses.

For the six months ended 30 June 2014, the group recorded a revenue of RMB10,399 million, representing an increase of 11.75% as compared with that in the corresponding period of 2013. The profit attributable to the equity holders of the Company for the reporting period was RMB375 million, representing an increase of 0.54% as compared with that in the corresponding period of 2013.

In the first half of 2014, facing new situation and challenges, Aviation Industry Corporation of China ("**AVIC**"), the controlling shareholder of the Company, comprehensively deepened its reform and management and enhanced its economic efficiency, and was listed for the sixth consecutive year on the Fortune Global 500, ranking 178th, representing an advance of 34 places from 2013 and 248 places from its ranking for the first time on the Fortune Global 500 in 2009, with a total revenue of USD56.4 billion and a profit of USD0.74 billion. AVIC also ranked 6th on the sub-list of the Fortune Global 500 which includes companies engaging in the aerospace and defense industry. Meanwhile, it was once again nominated and elected as China's 500 Most Valuable Brands, ranking 25th, with a brand value reaching RMB90.5 billion.

In the first half of 2014, the Company actively pursued its various business reforms and development and expended its product markets by participating in international air shows, thereby contributing to the continuous enhancement of the image and recognition of the Company in the international capital market. Mr. Lin Zuoming, Chairman of the Board, was elected as one of the "China's Most Influential Business Leaders" for 2014, with his ranking moving up from 39th in 2013 to 17th. To participate in the defense assets restructuring of AVIC, the Company, together with China AVIC Electronics Co., Ltd. ("**AVIC Avionics**"), subscribed the A shares of Sichuan Chengfei Integration Technology Co., Ltd. ("**CITC**"). To enhance the unified management of the avionics business, AVIC Avionics was entrusted by AVIC to manage its equity interest in AVIC Avionics Systems Co., Ltd. ("**AVIC Avionics Systems**"). Hafei Aviation Industry Co., Ltd. ("**Hafei Aviation**") reorganized its board of directors and merged its subsidiaries, Jiangxi Changhe Aviation Industry Co., Ltd. and Jingdezhen Changfei Aviation Parts and Components Co., Ltd., with a view to improving the decision-making efficiency of its helicopter business and effective use of its manufacturing resources. China Aviation Optical-Electrical Technology Co., Ltd. ("**JONHON Optronic**") acquired an additional 10% equity interest of Xi'an Forstar S&T Company Limited ("**Xi'an Forstar**") to strengthen its profitability. To further deepen the reform of its remuneration scheme, the Company proposed to launch the second grant of restricted shares, following the successful implementation of its first grant of restricted shares in 2011 under its restricted shares incentive scheme (the "**Incentive Scheme**").

In March 2014, AVIC and Airbus Helicopter signed a cooperation agreement in France in relation to the EC175/AC352 helicopter project. As a company specializing in the manufacturing of civil helicopters and helicopter aero-parts and components under AVIC, Hafei Aviation will receive new business opportunities from the signing of the above cooperation agreement. In April 2014, the new helicopter model AC312A, upon successfully passing the examination of the Civil Aviation Administration of China ("**CAAC**"), obtained the production certificate issued by CAAC and is expected to enter the domestic civil market in batches. Besides, the Company keeps on developing new customers for civil helicopters.

Management Discussion and Analysis

Focusing on the good market adaptability of Y-12 aircraft, the Group actively promoted the Y-12 aircraft series in the civil aviation market, with a particular focus on exploring the general aviation market and new orders have been received. In March 2014, Y-12F fully commenced its airworthiness test flights and is expected to receive the type certificate from CAAC in 2014 and application for the type certificate from Federal Aviation Administration is being actively pushed forward.

In the first half of 2014, continuous upgrading by the application of new technology has been made to the advanced trainer L15 of Jiangxi Hongdu Aviation Industry Co., Ltd. Proprietary researched and developed small size trainers are also under tests and manufacturing.

The avionics and electromechanical businesses of the Group also achieved good results. In May 2014, Shanghai Aviation Electric Co., Ltd., a subsidiary of the Company, undertook the package work covering independent research and manufacturing as well as batch delivery of the control system for C919, and became the systematic supplier for the maiden flight of C919. AVIC Taiyuan Aviation Instrument Co., Ltd. and Beijing University of Aeronautics and Astronautics successfully co-developed a sensor technology to be used in the air control system, winning the National Award for Technological Invention. The experimental centre of Chengdu CAIC Electronics Co., Ltd. received an accreditation and approval certificate from the National Laboratory, certifying its international certification capabilities. Tianjin Aviation Mechanical and Electrical Co., Ltd., together with a reputable domestic university, successfully established an advanced lab for aviation electrical controlling. JONHON Optronics successfully entered into the domestic markets for assembly interconnection system and charging equipment of new energy vehicles. JONHON Optronics and its subsidiary Xi'an Forstar received new orders by seizing the opportunities arising from the promotion of the fourth generation mobile communication technologies by the PRC government.

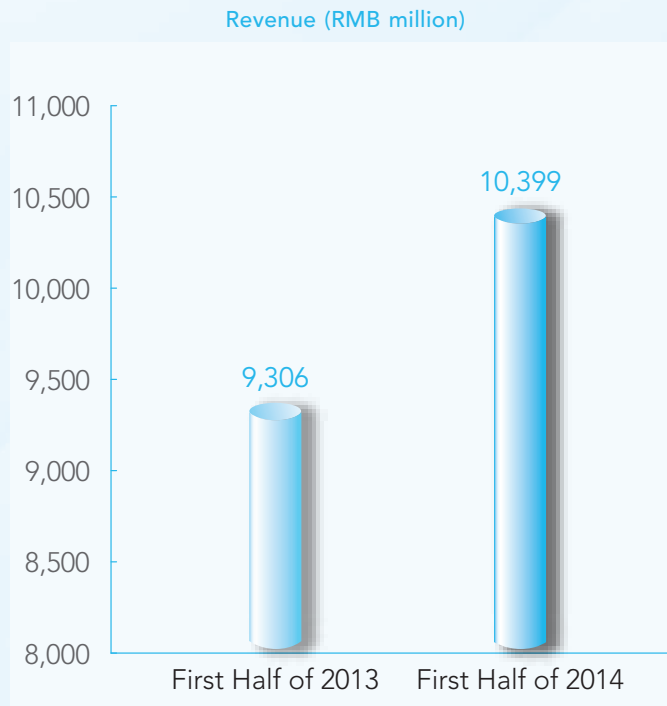
FUTURE OUTLOOK

Under the guidance of "Promotion of Deepened Civil-Military Integration Development" raised by the PRC government, the Ministry of Industry and Information Technology of the PRC promulgated the "Guidance Opinions on the Promotion of Civil-Military Integration Development" in April 2014. Meanwhile, the State-owned Assets Supervision and Administration Commission of the State Council also launched the pilot reform of state-owned enterprises, including developing the mixed ownership and pushing forward the reform of remuneration schemes. In the near future, China will focus on accelerating the strategic transformation of the economic structure and, by stimulating development through reforms and innovations, it will implement the various plans relating to the development of national strategic emerging industries set out in the "Outline of the Twelfth Five-Year Plan for the National Economic and Social Development of the People's Republic of China". The Company will fully utilize the policies of the PRC government on encouraging enterprise reforms and further work out the reform initiatives which promote the rapid development of aviation entire aircraft and aviation parts and components businesses.

In the second half of 2014, the Company will persist in its established strategies, deepen its reforms and improve its management to achieve a steady development. By virtue of generating innovative synergies between equity management and business management, simultaneously promoting self innovation and international cooperation, and developing positive interaction between the aviation industry and the non-aviation industry, the Company will actively move forward capitalized operation, optimize its investment structure and bring in high quality resources, so as to achieve value maintenance and value creation. The Company will strive to achieve growth in operating results and generate returns to the shareholders.

FINANCIAL REVIEW

Revenue

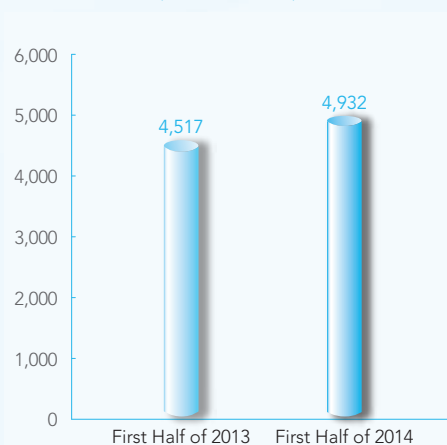


For the six months ended 30 June 2014, the Group achieved a revenue of RMB10,399 million, representing an increase of RMB1,093 million or 11.75% as compared with that of RMB9,306 million in the corresponding period of last year, which was mainly attributable to the growth in the helicopter business and the avionics business during the reporting period. Among that, the revenue from helicopter products during the reporting period amounted to RMB4,691 million, representing an increase of RMB451 million or 10.64% as compared with that in the corresponding period of last year. The revenue from avionics products amounted to RMB3,773 million, representing an increase of RMB424 million or 12.66% as compared with that in the corresponding period of last year.

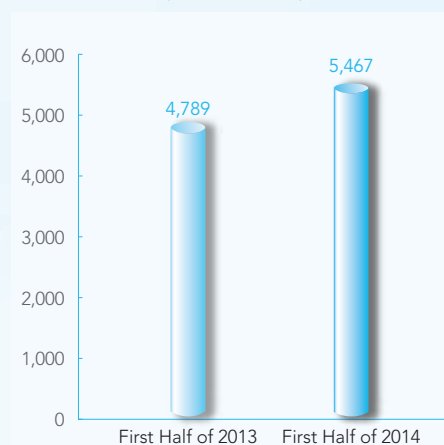
Management Discussion and Analysis

Segment Information

Revenue of Aviation Entire Aircraft Segment
(RMB million)



Revenue of Aviation Parts and Components Segment
(RMB million)



For the six months ended 30 June 2014, the revenue of the aviation entire aircraft segment of the Group amounted to RMB4,932 million, representing an increase of 9.19% as compared with that in the corresponding period of last year and accounting for 47.43% of the total revenue of the Group. The revenue of the aviation parts and components segment of the Group amounted to RMB5,467 million, representing an increase of 14.16% as compared with that in the corresponding period of last year and accounting for 52.57% of the total revenue of the Group.

The segment results of the aviation entire aircraft segment of the Group amounted to RMB197 million, representing an increase of RMB49 million or 33.11% as compared with that of RMB148 million in the corresponding period of last year, which was mainly attributable to the increase in the gross profit driven by the growth in the revenue of aviation entire aircraft. The segment results of the aviation parts and components segment of the Group amounted to RMB726 million, representing an increase of RMB33 million or 4.76% as compared with that of RMB693 million in the corresponding period of last year, which was mainly attributable to the increase in the revenue of aviation parts and components and the investment income.

Gross profit

For the six months ended 30 June 2014, the Group recorded a gross profit of RMB2,097 million, representing an increase of RMB144 million or 7.37% as compared with that of RMB1,953 million in the corresponding period of last year. The gross profit margin of aviation products remained relatively stable during the reporting period and the increase of the gross profit was mainly attributable to the increase in the revenue.

Selling and distribution expenses

For the six months ended 30 June 2014, the selling and distribution expenses of the Group amounted to RMB204 million, representing an increase of RMB26 million or 14.61% as compared with that of RMB178 million in the corresponding period of last year, which was mainly attributable to the increase in salaries of sales staff, transportation expenses and product quality assurance expenses. The selling and distribution expenses accounted for 1.96% of the revenue during the reporting period, representing a slight increase as compared with that of 1.91% in the corresponding period of last year.

General and administrative expenses

For the six months ended 30 June 2014, the general and administrative expenses of the Group amounted to RMB1,125 million, representing an increase of RMB64 million or 6.03% as compared with that of RMB1,061 million in the corresponding period of last year. Such increase was mainly attributable to the increase of the research and development expenses of subcontracting business. The general and administrative expenses accounted for 10.82% of the revenue during the reporting period, representing a decrease of 0.58 percentage points as compared with that of 11.40% in the corresponding period of last year.

Finance costs, net

For the six months ended 30 June 2014, the net finance costs of the Group amounted to RMB16 million, representing an increase of RMB12 million as compared with that of RMB4 million in the corresponding period of last year. This was mainly attributable to the increase in total borrowings. Please refer to note 9 to the financial information for details.

Profit attributable to the equity holders of the Company

For the six months ended 30 June 2014, the profit attributable to the equity holders of the Company amounted to RMB375 million, representing an increase of RMB2 million or 0.54% as compared with that of RMB373 million in the corresponding period of last year. As part of the helicopter assets newly injected into Hafei Aviation were still under construction with small profit contribution and the Company's shareholding ratio in Hafei Aviation was diluted, the Company's profit attributions to equity holders did not achieve the same level of growth during the reporting period.

Liquidity and financial resources

As at 30 June 2014, cash and cash equivalents of the Group amounted to RMB3,573 million, which were mainly derived from cash and bank deposits at the beginning of 2014 and proceeds generated from its operations during the reporting period.

As at 30 June 2014, the Group's total borrowings amounted to RMB6,331 million, out of which short-term borrowings amounted to RMB3,988 million, with the current portion of long-term borrowings amounted to RMB380 million and the non-current portion of long-term borrowings amounted to RMB1,963 million.

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

	RMB million
Within one year	380
In the second year	482
In the third to fifth year	1,033
After the fifth year	448
Total	2,343

As at 30 June 2014, the Group's bank borrowings amounted to RMB3,670 million (the average interest rate of which was 6% per annum), representing an increase of RMB130 million as compared with that at the beginning of the reporting period; and other borrowings amounted to RMB2,662 million (the average interest rate of which was 5% per annum), representing an increase of RMB84 million as compared with that at the beginning of the reporting period.

Seasonal influence on the Group's borrowings was insignificant.

Management Discussion and Analysis

CAPITAL STRUCTURE

As at 30 June 2014, the Group's borrowings were mainly denominated in Renminbi and cash and cash equivalents were mainly denominated in Renminbi and Hong Kong Dollar.

PLEDGE ON ASSETS

As at 30 June 2014, the Group's secured borrowings amounted to RMB764 million, which were secured by receivables with a net book value of RMB1,015 million.

GEARING RATIO

As at 30 June 2014, the Group's gearing ratio was 12.44% (31 December 2013: 12.01%), which was derived from dividing the total borrowings by the total assets as at 30 June 2014.

EXCHANGE RATE RISKS

The Group mainly operates in the PRC with most of its transactions settled in Renminbi. Meanwhile, the Company has some deposits denominated in Hong Kong Dollar, being part of the fund raising proceeds. The directors (the "**Director(s)**") of the Company are of the opinion that the exchange rate risks to the Group are not high and will not have any material adverse impact on the Group's financial results.

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2014, the Group did not provide any guarantees in favor of any third party and had no significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS

1. On 24 April 2014, JONHON Optronics entered into equity transfer agreements with Shaanxi State-Owned Assets Management Co., Ltd. and other related parties, all being independent third parties, pursuant to which, JONHON Optronics agreed to acquire an additional 10% equity interest in Xi'an Forstar held by Shaanxi State-Owned Assets Management Co., Ltd. with its own funds (the "**Equity Transfer**"), at a consideration of RMB26.752 million in cash. Upon completion of the Equity Transfer, JONHON Optronics will in aggregate hold 58.182% equity interest in Xi'an Forstar. Details can be referred to in the announcement of the Company dated 25 April 2014.
2. On 16 May 2014, each of the Company and AVIC Avionics entered into a share subscription agreement with CITC respectively (the "**Share Subscriptions**"), completion of which is subject to conditions, one of which is the share issuance and asset purchase agreement(s) entered into between CITC and AVIC, China Huarong Assets Management Co., Ltd. and Jiangxi Hongdu Aviation Industry (Group) Corporation Limited having become effective. Pursuant to the share subscription agreements, the Company has conditionally agreed to subscribe for not more than 100,301,200 new CITC A shares for a total consideration of not more than RMB1,665 million in cash; and AVIC Avionics has conditionally agreed to subscribe for 33,132,500 new CITC A shares for a total consideration of not more than RMB550 million in cash. The Share Subscriptions have been approved by the general meeting of the Company.

Management Discussion and Analysis

The Company indirectly held 0.95% equity interest in CITC as at the date of this report and the Group will in aggregate hold approximately 8.45% equity interest in CITC upon completion of the Share Subscriptions. Details can be referred to in the announcements of the Company dated 16 May 2014 and 22 July 2014, and the circular of the Company dated 9 June 2014.

USE OF PROCEEDS

As at 30 June 2014, a total of RMB3,239 million proceeds raised by the Company had been invested in the manufacturing, research and development of advanced trainers, helicopters, and aviation composite materials as well as the acquisition of aviation business assets and equity investment. The remaining balance was deposited in banks in the PRC as interest-bearing short-term deposits.

EMPLOYEES

As at 30 June 2014, the Group had approximately 42,950 employees. The Group's staff costs amounted to RMB1,822 million for the six months ended 30 June 2014, representing an increase of RMB150 million or 8.97% as compared with that of RMB1,672 million in the corresponding period of last year.

The remuneration policies and training plans of the Company remain the same as those set out in the 2013 annual report of the Company.

Disclosure of Interests and Other Information

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

At the Board meeting convened on 25 March 2014, Mr. Chen Yuanxian was appointed as the vice president and chief financial officer of the Company. Mr. Wang Jun resigned as the vice president and chief financial officer of the Company with effect from 25 March 2014, due to reaching the statutory retirement age.

At the annual general meeting convened on 13 June 2014, Mr. Liu Renhuai was appointed as a new independent non-executive Director with a term of office commencing from the date on which his proposed appointment was approved at that annual general meeting until the date on which the resolution relating to the re-election of the 5th session of the Board is considered at the annual general meeting to be convened in 2015. Meanwhile, he was appointed as a member of the audit committee, remuneration committee and nomination committee of the Board. The former independent non-executive director Mr. Li Xianzong resigned from his positions as an independent non-executive director, the chairman of the audit committee, as well as member of the remuneration committee and the nomination committee of the Board, due to other work commitments as required by his current employer.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and the “Shares Trading Management Rules” as its own guidelines for securities transactions by its Directors, supervisors and employees of the Company. The Board has also confirmed that, having made specific enquiries of all Directors and supervisors, all the Directors and supervisors of the Company had complied with the required standards for securities transactions by Directors and supervisors set out in the Model Code for the six months ended 30 June 2014.

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

As at 30 June 2014, the interests and short positions of the directors, supervisors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) which were required: (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO); or (ii) to be entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange are set out below:

Name of Director	Class of shares	Capacity	Number of Restricted Shares granted	Approximate percentage of shareholdings to the same class of shares	Approximate percentage of shareholdings to share capital in issue	Nature of shares held
Lin Zuoming	H Share	Beneficial owner	489,629	0.021%	0.009%	Long position
Tan Ruisong	H Share	Beneficial owner	439,885	0.019%	0.008%	Long position
Gu Huizhong	H Share	Beneficial owner	439,885	0.019%	0.008%	Long position
Gao Jianshe	H Share	Beneficial owner	439,885	0.019%	0.008%	Long position

Disclosure of Interests and Other Information

Save as disclosed above, as at 30 June 2014, none of the directors, supervisors or chief executive of the Company had any interests or short positions: (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange; or (ii) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) pursuant to the Model Code, required to be notified to the Company and the Hong Kong Stock Exchange.

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, pursuant to the register kept under section 336 of the SFO, shareholders holding 5% or more than 5% equity interests in the Company and its associated corporations were as follows:

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

Notes:

1. Out of 2,989,492,900 domestic shares held by AVIC, 2,806,088,233 domestic shares were held as beneficial owner and 183,404,667 domestic shares were held through AVIC Electromechanical Systems Company Limited, its wholly-owned subsidiary.
2. On 1 January 2014, European Aeronautic Defence and Space Company – EADS N.V. was renamed as Airbus Group (空中客車集團).

Save as disclosed above, as at 30 June 2014, the Company had not been notified of any interests and short positions in 5% or more than 5% of the shares and underlying shares of the Company which had been recorded in the register kept by the Company under section 336 of the SFO.

AUDIT COMMITTEE

The Board has established an audit committee and set out the “Terms of Reference of the Audit Committee” in accordance with “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants and other rules. The audit committee had reviewed the Company’s unaudited condensed interim consolidated financial information for the six months ended 30 June 2014.

Disclosure of Interests and Other Information

CORPORATE GOVERNANCE

The Company has strictly complied with various applicable laws, rules and regulations as well as its "Articles of Association" to standardize its operation. After reviewing the corporate governance practices adopted by the Company, the Board was of the view that the Company complied with the requirements of the principles and code provisions set out in the "Corporate Governance Code" under the Hong Kong Listing Rules for the six months ended 30 June 2014.

OTHER SIGNIFICANT EVENTS

1. On 25 March 2014, the Board resolved, according to the requirements of the Incentive Scheme, that the conditions for unlocking had been fulfilled in full by the Company and the scheme participants and accordingly, another one-third of the restricted shares granted to the eligible scheme participants under the initial grant were unlocked on 31 March 2014. Details can be referred to in the announcement of the Company dated 25 March 2014.
2. On 18 June 2014, the board of directors of AVIC Avionics, a non wholly-owned subsidiary of the Company, resolved to accept the entrustment from AVIC to manage its equity interest in AVIC Avionics Systems. Pursuant to the entrustment, and during the entrusted management period, AVIC would only retain the relevant shareholders' rights including right to profit distribution, right to distribution and disposition of residual property and shareholders' rights of 18.15% equity interest in AVIC Avionics held by AVIC Avionics Systems. AVIC Avionics will be entitled to exercise the remaining shareholder's rights and exert full decision rights on the manufacture and operation of the entrusted AVIC Avionics Systems. Details can be referred to in the announcement of the Company dated 18 June 2014.

PUBLIC FLOAT

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

PURCHASE, SALE AND REDEMPTION OF SECURITIES

For the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Lin Zuoming
Chairman

Beijing, 26 August 2014

As at the date of this report, the Board comprises executive Directors Mr. Lin Zuoming, Mr. Tan Ruisong and non-executive Directors Mr. Gu Huizhong, Mr. Gao Jianshe, Mr. Sheng Mingchuan, Mr. Maurice Savart as well as independent non-executive Directors Mr. Guo Chongqing, Mr. Lau Chung Man, Louis and Mr. Liu Renhuai.

Condensed Interim Consolidated Income Statement

For the six months ended 30 June 2014

	Note	For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Revenue	5	10,398,535	9,306,066
Cost of sales		(8,302,004)	(7,353,136)
Gross profit		2,096,531	1,952,930
Other income	6	54,152	54,654
Other gains/(losses), net	7	48,965	(911)
Selling and distribution expenses		(203,893)	(178,141)
General and administrative expenses		(1,125,257)	(1,061,205)
Operating profit		870,498	767,327
Finance income	9	155,971	124,840
Finance costs	9	(171,923)	(128,923)
Finance costs, net		(15,952)	(4,083)
Share of profit of a joint venture		5,040	1,515
Share of profits of associates		46,343	53,384
Profit before income tax		905,929	818,143
Income tax expense	10	(119,272)	(113,093)
Profit for the period		786,657	705,050
Attributable to:			
Equity holders of the Company		375,223	372,844
Non-controlling interests		411,434	332,206
		786,657	705,050
Earnings per share for profit attributable to equity holders of the Company during the period:			
		RMB	RMB
– Basic and diluted	12	0.0688	0.0685

The notes on pages 20 to 44 are an integral part of this condensed interim consolidated financial information.

Condensed Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Profit for the period	786,657	705,050
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss		
Change in fair value of available-for-sale financial assets	165,727	40,931
Currency translation differences	1,110	(422)
	166,837	40,509
Total comprehensive income for the period	953,494	745,559
Attributable to:		
Equity holders of the Company	440,979	390,132
Non-controlling interests	512,515	355,427
	953,494	745,559

The notes on pages 20 to 44 are an integral part of this condensed interim consolidated financial information.

Condensed Interim Consolidated Balance Sheet

As at 30 June 2014

	Note	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	9,585,607	9,243,070
Investment properties	13	29,109	31,451
Land use rights	13	1,410,404	1,416,191
Intangible assets	13	114,325	112,177
Interests in a joint venture		41,756	37,681
Interests in associates		1,056,515	1,055,141
Available-for-sale financial assets		1,347,334	1,152,361
Deferred income tax assets		185,940	166,771
Accounts receivable	14	154,358	154,358
Total non-current assets		13,925,348	13,369,201
Current assets			
Accounts receivable	14	9,444,011	8,958,429
Advances to suppliers		777,675	1,219,315
Other receivables and prepayments	15	1,856,136	1,183,255
Inventories		16,784,157	14,780,402
Financial assets held for trading		247	247
Pledged deposits		762,790	1,313,240
Term deposits with initial term of over three months		3,785,826	3,378,697
Cash and cash equivalents		3,572,974	6,725,516
Total current assets		36,983,816	37,559,101
Total assets		50,909,164	50,928,302

The notes on pages 20 to 44 are an integral part of this condensed interim consolidated financial information.

Condensed Interim Consolidated Balance Sheet (Continued)

As at 30 June 2014

	Note	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	19	5,474,429	5,474,429
Reserves		5,000,254	4,648,396
		10,474,683	10,122,825
Non-controlling interests		12,051,120	11,684,072
Total equity		22,525,803	21,806,897
LIABILITIES			
Non-current liabilities			
Long-term borrowings	18	1,963,071	1,910,696
Deferred income from government grants		760,024	747,122
Deferred income tax liabilities		58,085	20,036
Other payables and accruals	17	12,242	15,634
Total non-current liabilities		2,793,422	2,693,488
Current liabilities			
Accounts payable	16	14,176,758	14,031,733
Advances from customers		2,433,691	3,802,493
Other payables and accruals	17	4,029,129	3,739,745
Amounts payable to ultimate holding company		462,737	462,737
Current portion of long-term borrowings	18	380,000	255,080
Short-term borrowings	18	3,988,294	3,952,101
Current income tax liabilities		119,330	184,028
Total current liabilities		25,589,939	26,427,917
Total liabilities		28,383,361	29,121,405
Total equity and liabilities		50,909,164	50,928,302
Net current assets		11,393,877	11,131,184
Total assets less current liabilities		25,319,225	24,500,385

The notes on pages 20 to 44 are an integral part of this condensed interim consolidated financial information.

Condensed Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to equity holders of the Company								Non-controlling interests	Total	
	Share capital	Shares held for restricted share scheme	Capital reserve	Share-based compensation reserve	Available-for-sale financial assets reserve	Currency translation reserve	Other reserves	Retained earnings	Subtotal		
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
For the six months ended 30 June 2014											
Balance at 1 January 2014	5,474,429	(88,501)	3,741,761	38,094	174,656	6,090	144,812	631,484	10,122,825	11,684,072	21,806,897
Total comprehensive income for the period	-	-	-	-	64,776	980	-	375,223	440,979	512,515	953,494
Transactions with owners											
Acquisition of additional interests in subsidiaries											
(Note 1(a) and 1(b))	-	-	(4,605)	-	-	-	-	-	(4,605)	(21,061)	(25,666)
Shares vested under share scheme											
- funded by the Company (Note 20)	-	24,296	-	(24,296)	-	-	-	-	-	-	-
- funded by scheme participants	-	20,882	-	-	-	-	-	-	20,882	-	20,882
Value of employee services under share scheme											
(Note 20)	-	-	-	5,051	-	-	-	-	5,051	-	5,051
2013 final dividend	-	-	-	-	-	-	-	(109,489)	(109,489)	-	(109,489)
Contribution from non-controlling shareholders of subsidiaries											
	-	-	-	-	-	-	-	-	-	11,206	11,206
Dividends to non-controlling shareholders of subsidiaries											
	-	-	-	-	-	-	-	-	-	(135,612)	(135,612)
Appropriation	-	-	-	-	-	-	13,837	(13,837)	-	-	-
Others	-	-	(960)	-	-	-	-	-	(960)	-	(960)
	-	45,178	(5,565)	(19,245)	-	-	13,837	(123,326)	(89,121)	(145,467)	(234,588)
Balance at 30 June 2014	5,474,429	(43,323)	3,736,196	18,849	239,432	7,070	158,649	883,381	10,474,683	12,051,120	22,525,803

The notes on pages 20 to 44 are an integral part of this condensed interim consolidated financial information.

Condensed Interim Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2014

	Attributable to equity holders of the Company								Non-controlling interests	Total									
	Share capital	Shares held for restricted share scheme	Capital reserve	Share-based compensation reserve	Available-for-sale financial assets reserve	Currency translation reserve	Other reserves	Retained earnings			Subtotal								
												RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
												(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
For the six months ended 30 June 2013																			
Balance at 1 January 2013 (audited)	5,474,429	(139,994)	4,445,522	47,578	151,543	4,187	94,210	78,952	10,156,427	9,051,850	19,208,277								
Total comprehensive income for the period	-	-	-	-	17,577	(289)	-	372,844	390,132	355,427	745,559								
<i>Transactions with owners</i>																			
<i>Share issuance by a subsidiary</i>																			
- dilution gain to the Company	-	-	57,585	-	-	-	-	-	57,585	(57,585)	-								
- contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	577,332	577,332								
Acquisition of additional interests in a subsidiary	-	-	(2,309)	-	-	-	-	-	(2,309)	(9,986)	(12,295)								
<i>Shares vested under share scheme</i>																			
- funded by the Company (Note 20)	-	26,776	-	(26,776)	-	-	-	-	-	-	-								
- funded by scheme participants	-	24,717	-	-	-	-	-	-	24,717	-	24,717								
<i>Value of employee services under share scheme (Note 20)</i>																			
	-	-	-	10,351	-	-	-	-	10,351	-	10,351								
2012 final dividend	-	-	-	-	-	-	-	(109,489)	(109,489)	-	(109,489)								
<i>Contribution from non-controlling shareholders of subsidiaries</i>																			
	-	-	-	-	-	-	-	-	-	108,176	108,176								
<i>Dividends to non-controlling shareholders of subsidiaries</i>																			
	-	-	-	-	-	-	-	-	-	(70,028)	(70,028)								
Appropriation	-	-	-	-	-	-	16,390	(16,390)	-	-	-								
Others	-	-	(9,992)	-	-	-	-	-	(9,992)	5,222	(4,770)								
	-	51,493	45,284	(16,425)	-	-	16,390	(125,879)	(29,137)	553,131	523,994								
Balance at 30 June 2013 (unaudited)	5,474,429	(88,501)	4,490,806	31,153	169,120	3,898	110,600	325,917	10,517,422	9,960,408	20,477,830								

The notes on pages 20 to 44 are an integral part of this condensed interim consolidated financial information.

Condensed Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Cash flows from operating activities		
Net cash used in operations	(1,887,420)	(908,057)
Interest received	124,605	93,658
Interest paid	(157,764)	(125,237)
Enterprise income tax paid	(194,336)	(147,447)
Net cash used in operating activities	(2,114,915)	(1,087,083)
Cash flows from investing activities		
Purchase of property, plant and equipment	(622,651)	(855,426)
Purchase of land use rights	(9,721)	(41,130)
Payments for intangible assets	(6,159)	(764)
Redemption of term deposits with initial term of over three months	3,378,697	3,394,290
Addition of term deposits with initial term of over three months	(3,785,826)	(5,066,416)
Proceeds from disposals of property, plant and equipment	7,920	10,205
Proceeds from disposals of investment properties	50,728	–
Payments for acquisition of equity interests in subsidiaries in 2013	(303,629)	–
Additional investments in associates	(1,149)	(35,890)
Disposal of interests in associates	10,668	–
Dividends received from a joint venture	965	–
Dividends received from associates	35,071	79,184
Dividends received from available-for-sale financial assets	30,643	21,338
Net cash used in investing activities	(1,214,443)	(2,494,609)
Cash flows from financing activities		
Proceeds from borrowings	2,467,094	2,202,808
Repayments of borrowings	(2,253,606)	(1,763,621)
Contributions from non-controlling shareholders of subsidiaries	11,206	685,508
Purchase of non-controlling interests of subsidiaries	(25,666)	(12,295)
Dividends paid to non-controlling shareholders of subsidiaries	(25,609)	(43,393)
Net cash generated from financing activities	173,419	1,069,007
Net decrease in cash and cash equivalents	(3,155,939)	(2,512,685)
Cash and cash equivalents at 1 January	6,725,516	5,605,572
Exchange gains/(losses) on cash and cash equivalents	3,397	(15,939)
Cash and cash equivalents at 30 June	3,572,974	3,076,948

The notes on pages 20 to 44 are an integral part of this condensed interim consolidated financial information.

Notes to the Condensed Interim Consolidated Financial Information

1 ORGANISATION AND PRINCIPAL ACTIVITIES

AviChina Industry & Technology Company Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on 30 April 2003 as a joint stock company with limited liability under the PRC laws as a result of a group reorganisation of China Aviation Industry Corporation II (“AVIC II”). AVIC II merged with China Aviation Industry Corporation I (“AVIC I”) to form Aviation Industry Corporation of China (“AVIC”) on 6 November 2008. The Company’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 30 October 2003. The address of its registered office is 8th Floor, Tower 2, No. 5A Rongchang East Street, Beijing Economic Technological Development Area, Beijing, the PRC.

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

The Company’s directors regard AVIC, a company established in the PRC, as being the ultimate holding company of the Company. AVIC is a state-owned enterprise under control of the State Council of the PRC government.

This condensed interim consolidated financial information (“Condensed Financial Information”) is presented in thousands of Renminbi (“RMB’000”), unless otherwise stated, and is approved for issue by the Board of Directors on 26 August 2014.

This Condensed Financial Information has not been audited.

Major changes of Group structure

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

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

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

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

Notes to the Condensed Interim Consolidated Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This Condensed Financial Information has been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” promulgated by the International Accounting Standards Board (“IASB”) and Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

This Condensed Financial Information should be read in conjunction with the 2013 annual financial statements.

During the period from 1 July 2013 to 31 December 2013, the Group acquired certain entities which were all under common control of AVIC immediately before and after the business combinations, the Company applies the principles of merger accounting in preparing this Consolidated Financial Information of the Group.

By applying the principles of merger accounting, this Consolidated Financial Information also includes the financial positions, results and cash flows of those entities as if they had been combined with the Group throughout the six months ended 30 June 2013. Comparative figures for the six months ended 30 June 2013 have been restated as a result of such.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

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

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

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

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

		Effective for accounting periods beginning on or after
IAS 19 (Amendment)	Employee benefits	1 July 2014
IAS 16 and IAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation	1 January 2016
IFRS 14	Regulatory deferral accounts	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2017
IFRS 9	Financial instruments	1 January 2018

Notes to the Condensed Interim Consolidated Financial Information

3 ESTIMATES

The preparation of Condensed Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Condensed Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk.

The Condensed Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in any risk management policies since the year end.

(b) Fair value estimation

The Group's financial instruments carried at fair value at 30 June 2014 include available-for-sale financial assets and financial assets held for trading, which are measured by level 1 valuation method. The different levels are defined as follows:

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

There were no transfers between levels of the fair value hierarchy during the period.

The carrying amounts of the Group's current financial assets and liabilities, including cash and cash equivalents, deposits, accounts and other receivables, accounts and other payables and current borrowings approximate their fair values. The fair values of non-current portion of borrowings are disclosed in Note 18(f) to this financial information.

Notes to the Condensed Interim Consolidated Financial Information

5 SEGMENT INFORMATION

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

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

- Manufacturing, assembly, sales and servicing of helicopters, trainers and other aircraft ("Aviation entire aircraft")
- Manufacturing and sales of aviation parts and components ("Aviation parts & components")

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

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

Notes to the Condensed Interim Consolidated Financial Information

5 SEGMENT INFORMATION (Continued)

	Aviation entire aircraft RMB'000 (Unaudited)	Aviation parts & components RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
For the six months ended 30 June 2014			
Total segment revenue	4,932,217	6,171,250	11,103,467
Inter-segment revenue	–	(704,932)	(704,932)
Revenue (from external customers)	4,932,217	5,466,318	10,398,535
Segment results	197,144	725,782	922,926
Depreciation and amortisation	169,991	225,687	395,678
Provision for impairments on receivables and inventories	7,665	14,703	22,368
Finance (income)/costs, net	(1,376)	17,328	15,952
Share of profit of a joint venture	–	5,040	5,040
Share of (loss)/profits of associates	(17,152)	63,495	46,343
Income tax expense	27,967	91,305	119,272
For the six months ended 30 June 2013			
	(Restated)	(Restated)	(Restated)
Total segment revenue	4,517,109	5,559,914	10,077,023
Inter-segment revenue	–	(770,957)	(770,957)
Revenue (from external customers)	4,517,109	4,788,957	9,306,066
Segment results	147,618	693,021	840,639
Depreciation and amortisation	141,404	189,910	331,314
(Reversal of provision)/provision for impairments on receivables and inventories	(2,322)	38,400	36,078
Finance costs, net	197	3,886	4,083
Share of profit of a joint venture	–	1,515	1,515
Share of profits of associates	6,839	46,545	53,384
Income tax expense	27,690	85,403	113,093

Notes to the Condensed Interim Consolidated Financial Information

5 SEGMENT INFORMATION (Continued)

Reconciliation of segment results to profit for the period:

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Total segment result for aviation entire aircraft and aviation components & parts	922,926	840,639
Corporate overheads	(16,997)	(22,496)
Profit before income tax	905,929	818,143
Income tax expense	(119,272)	(113,093)
Profit for the period	786,657	705,050

6 OTHER INCOME

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Rental income	3,129	6,156
Profit from sale of materials	17,380	18,986
Income from rendering of maintenance and other services	3,000	8,174
Dividend income from available-for-sale financial assets	30,643	21,338
	54,152	54,654

Notes to the Condensed Interim Consolidated Financial Information

7 OTHER GAINS/(LOSSES), NET

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Fair value gain on financial assets held for trading	–	507
Gain/(loss) on disposal of:		
– property, plant and equipment	224	(1,418)
– investment properties	49,120	–
– interests in associates	(379)	–
	<u>48,965</u>	<u>(911)</u>

Notes to the Condensed Interim Consolidated Financial Information

8 EXPENSES BY NATURE

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Advertising costs	2,801	5,467
Amortisation on:		
– Land use rights	15,508	13,968
– Intangible assets	4,011	3,992
Auditors' remuneration	3,889	4,793
Raw materials and consumables used	2,920,631	2,298,454
Changes in inventories of finished goods and work-in-progress	(1,579,969)	(1,256,891)
Contract costs incurred	4,351,406	4,030,056
Depreciation on:		
– Investment properties	734	390
– Property, plant and equipment	375,425	312,964
Less: amortisation of deferred income from government grant	(25,708)	(16,222)
	350,451	297,132
Fuel	203,385	192,497
Insurance	15,217	10,836
Operating lease rentals	100,523	94,249
(Reversal of provision)/provision for impairment:		
– Inventories	(161)	188
– Receivables	22,529	35,890
Repairs and maintenance expense	88,939	80,779
Research expenditures and development costs	374,528	260,455
Staff costs, including directors' emoluments	1,821,531	1,672,176
Sub-contracting charges	338,751	288,392
Sundries	478,138	457,635
Transportation expenses	53,486	40,974
Travelling	65,560	61,440
Total cost of sales, selling and distribution expenses, and general and administrative expenses	9,631,154	8,592,482

Notes to the Condensed Interim Consolidated Financial Information

9 FINANCE COSTS, NET

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Finance income:		
Interest income on bank balances and deposits	155,971	124,840
Finance costs:		
Interest expense on bank borrowings		
– Wholly repayable within 5 years	98,014	65,962
– Not wholly repayable within 5 years	346	–
	98,360	65,962
Interest expense on other borrowings		
– Wholly repayable within 5 years	66,824	63,903
– Not wholly repayable within 5 years	10,275	12,535
	175,459	142,400
Less: Amount capitalised in property, plant and equipment	(17,695)	(17,163)
	157,764	125,237
Other finance costs	14,159	3,686
	171,923	128,923
	(15,952)	(4,083)

Notes to the Condensed Interim Consolidated Financial Information

10 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Current income tax	129,638	123,868
Deferred income tax	(10,366)	(10,775)
	<u>119,272</u>	<u>113,093</u>

Except for certain subsidiaries which are taxed at a preferential rate of 15% (2013: 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% (2013: 25%) on the assessable income of the companies within the Group.

11 DIVIDENDS

The Board of Directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

Notes to the Condensed Interim Consolidated Financial Information

12 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period excluding shares held for the restricted share incentive scheme (Note 20).

	For the six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited) (Restated)
Profit attributable to the equity holders of the Company (RMB'000)	375,223	372,844
Weighted average number of ordinary shares in issue less shares held for restricted share scheme for calculating basic earnings per share (thousands)	5,457,002	5,444,222
Basic earnings per share (in RMB)	0.0688	0.0685

Diluted

Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares for the six months ended 30 June 2014.

Notes to the Condensed Interim Consolidated Financial Information

13 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, LAND USE RIGHTS AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets (note) RMB'000	Total RMB'000
Cost					
As at 1 January 2014 (audited)	13,755,241	40,286	1,536,689	140,936	15,473,152
Additions	725,658	–	9,721	6,159	741,538
Disposals	(44,039)	(3,846)	–	–	(47,885)
As at 30 June 2014 (unaudited)	14,436,860	36,440	1,546,410	147,095	16,166,805
Accumulated depreciation/amortisation and impairment					
As at 1 January 2014 (audited)	4,512,171	8,835	120,498	28,759	4,670,263
Depreciation/amortisation	375,425	734	15,508	4,011	395,678
Disposals	(36,343)	(2,238)	–	–	(38,581)
As at 30 June 2014 (unaudited)	4,851,253	7,331	136,006	32,770	5,027,360
Net book value					
As at 30 June 2014 (unaudited)	9,585,607	29,109	1,410,404	114,325	11,139,445
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Cost					
As at 1 January 2013 (audited)	11,114,483	34,676	1,354,181	86,066	12,589,406
Additions	877,199	–	45,068	764	923,031
Disposals	(77,202)	–	–	–	(77,202)
As at 30 June 2013 (unaudited)	11,914,480	34,676	1,399,249	86,830	13,435,235
Accumulated depreciation/amortisation and impairment					
As at 1 January 2013 (audited)	3,979,994	8,147	92,843	22,481	4,103,465
Depreciation/amortisation	312,964	390	13,968	3,992	331,314
Disposals	(65,579)	–	–	–	(65,579)
As at 30 June 2013 (unaudited)	4,227,379	8,537	106,811	26,473	4,369,200
Net book value					
As at 30 June 2013 (unaudited)	7,687,101	26,139	1,292,438	60,357	9,066,035

Note:

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

Notes to the Condensed Interim Consolidated Financial Information

14 ACCOUNTS RECEIVABLE

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade receivables, gross (note (a))		
– Fellow subsidiaries (note (b))	4,855,207	4,676,688
– A joint venture (note (b))	506	485
– Associates (note (b))	44,516	17,043
– Other related party (note (b))	12,033	12,033
– Others	3,290,065	2,738,880
	<u>8,202,327</u>	<u>7,445,129</u>
Less: Provision for impairment of receivables	<u>(274,334)</u>	<u>(247,966)</u>
	----- 7,927,993	----- 7,197,163
Notes receivable (note (c))		
– Fellow subsidiaries (Note 22(b))	1,125,947	1,333,416
– Others	544,429	582,208
	<u>1,670,376</u>	<u>1,915,624</u>
	----- 9,598,369	----- 9,112,787
Less: non-current portion	<u>(154,358)</u>	<u>(154,358)</u>
Current portion	<u>9,444,011</u>	<u>8,958,429</u>

Notes to the Condensed Interim Consolidated Financial Information

14 ACCOUNTS RECEIVABLE (Continued)

Notes:

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Current to 1 year	6,475,489	6,012,460
1 year to 2 years	1,199,671	990,769
Over 2 years	527,167	441,900
	8,202,327	7,445,129

- (b) Trade receivables from these related parties are unsecured, non-interest bearing and are repayable in accordance with the relevant trading terms. Details of these balances are disclosed in Note 22(b).
- (c) Substantially all of the notes receivable are bank acceptance notes with average maturity period of within six months.
- (d) Substantially all of the accounts receivable are denominated in RMB.
- (e) Certain trade receivables were pledged as security for bank loans (Note 18(g)).

15 OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Amounts due from customers for contract work	61,826	31,578
Dividends receivable from associates	404	190
Other advances to (note)		
– ultimate holding company	5,316	2,479
– fellow subsidiaries	351,001	199,651
Other receivables	1,021,528	570,580
Prepayments and deposits	121,769	134,507
Other assets	294,292	244,270
	1,856,136	1,183,255

Note:

Other advances mainly represent current account balances with the respective related companies which are unsecured, non-interest bearing and are repayable on demand. Details of these balances are disclosed in Note 22(b).

Notes to the Condensed Interim Consolidated Financial Information

16 ACCOUNTS PAYABLE

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade payables (note (a))		
– Fellow subsidiaries (note (b))	3,553,625	2,095,018
– Others	8,202,293	8,090,975
	11,755,918	10,185,993
Notes payable (note (c))		
– Fellow subsidiaries (Note 22(b))	942,650	2,899,868
– Others	1,478,190	945,872
	2,420,840	3,845,740
	14,176,758	14,031,733

Notes:

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Current to 1 year	10,132,363	7,030,113
1 year to 2 years	1,294,716	1,335,667
2 years to 3 years	153,325	1,418,780
Over 3 years	175,514	401,433
	11,755,918	10,185,993

- (b) Trade payables to fellow subsidiaries are unsecured, non-interest bearing and will be settled in accordance with the relevant trading terms. Details of these balances are disclosed in Note 22(b).
- (c) Substantially all of the notes payable are bank acceptance notes with average maturity period of within six months. As at 30 June 2014, notes payable of RMB2,020,989,000 (31 December 2013: RMB3,288,767,000) were secured by pledged deposits to the extent of RMB762,538,000 (31 December 2013: RMB1,313,240,000).

Notes to the Condensed Interim Consolidated Financial Information

17 OTHER PAYABLES AND ACCRUALS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Payable for acquisition of equity interests in subsidiaries		
– Fellow subsidiaries (note (a))	397,700	697,937
– Others	12,242	15,634
Payable for property, plant and equipment		
– Fellow subsidiaries (note (a))	251,315	61,925
– Others	58,281	144,664
Wages, salaries, bonuses and other employee benefits	1,307,711	1,345,144
Accrued expenses	998,679	500,261
Deferred income from government grants	51,415	39,625
Consumption tax, business tax and other taxes payable	82,488	133,169
Other advances from (note (b))		
– Ultimate holding company	5,270	6,107
– Fellow subsidiaries	240,550	338,225
Dividend payable to the Company's shareholders	109,489	–
Dividend payable to non-controlling shareholders of subsidiaries	274,061	164,058
Advances from participants of restricted share scheme (Note 20)	20,813	41,695
Other current liabilities	231,357	266,935
	4,041,371	3,755,379
Less: non-current portion	(12,242)	(15,634)
	4,029,129	3,739,745

Notes:

- (a) The balances are unsecured, non-interest bearing and will be settled in accordance with the relevant terms.
- (b) Other advances mainly represent current account balances with the respective related companies which are unsecured, non-interest bearing and are repayable on demand.

Details of these balances are disclosed in Note 22(b).

Notes to the Condensed Interim Consolidated Financial Information

18 BORROWINGS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Short-term borrowings		
Bank borrowings		
– Secured (note (g))	578,049	691,101
– Unsecured	2,045,495	1,935,000
	2,623,544	2,626,101
Other borrowings (note (c))		
– Secured (note (g))	228,750	150,000
– Unsecured	1,136,000	1,176,000
	1,364,750	1,326,000
	3,988,294	3,952,101
Current portion of long-term borrowings	380,000	255,080
	4,368,294	4,207,181
Long-term borrowings		
Bank borrowings		
– Secured(note (g))	1,028,043	896,044
– Unsecured	18,000	18,000
	1,046,043	914,044
Other borrowings (note (c))		
– Secured (note (g))	499,028	498,732
– Unsecured	798,000	753,000
	1,297,028	1,251,732
	2,343,071	2,165,776
Less: Current portion of long-term borrowings	(380,000)	(255,080)
	1,963,071	1,910,696
Total borrowings	6,331,365	6,117,877

Notes to the Condensed Interim Consolidated Financial Information

18 BORROWINGS (Continued)

Notes:

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Wholly repayable within five years		
– Bank borrowings	1,035,543	903,544
– Other borrowings	859,778	939,482
	1,895,321	1,843,026
Not wholly repayable within five years		
– Bank borrowings	10,500	10,500
– Other borrowings	437,250	312,250
	447,750	322,750
	2,343,071	2,165,776

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Bank borrowings:		
– Within one year	380,000	255,080
– In the second year	286,725	334,000
– In the third to fifth year	368,818	314,464
– After the fifth year	10,500	10,500
	1,046,043	914,044
Other borrowings:		
– In the second year	195,000	24,000
– In the third to fifth year	664,778	915,482
– After the fifth year	437,250	312,250
	1,297,028	1,251,732
	2,343,071	2,165,776

Notes to the Condensed Interim Consolidated Financial Information

18 BORROWINGS (Continued)

Notes: (Continued)

(c) As at 30 June 2014, other borrowings represent:

- corporate bonds in an aggregate principal amount of RMB500,000,000 (31 December 2013: RMB500,000,000) which bear interests at 5.08% per annum and guaranteed by the Company;
- loans granted by a fellow subsidiary of the Group amounting to RMB2,162,750,000 (31 December 2013: RMB2,079,000,000) which bear interests at 4% to 7% per annum.

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Weighted average effective interest rates		
- Bank borrowings	6%	6%
- Other borrowings	5%	5%

(e) All borrowings are denominated in Renminbi.

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

	Carrying amount		Fair value	
	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Bank borrowings	666,043	658,964	646,111	637,928
Other borrowings	1,297,028	1,251,732	1,127,759	1,087,139
	1,963,071	1,910,696	1,773,870	1,725,067

The fair values are based on discounted cash flows using applicable discount rates based upon the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics as at the balance sheet dates. Such discount rates ranged from 6.15% to 6.55% as at 30 June 2014 (31 December 2013: 6.15% to 6.55%), depending on the type of the debt. These fair values are within level 2 of the fair value hierarchy (Note 4(b)).

Notes to the Condensed Interim Consolidated Financial Information

18 BORROWINGS (Continued)

Notes: (Continued)

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Securities over the Group's assets, at carrying value:		
– Accounts receivable (Note 14(e))	1,015,177	828,942
Guarantees provided by:		
– Ultimate holding company	–	5,080
– Fellow subsidiaries	438,044	384,964
– Entities within the Group	1,132,028	1,044,732
– Key management of a subsidiary	–	5,000
	1,570,072	1,439,776

19 SHARE CAPITAL

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Registered, issued and fully paid:		
3,117,995,265 (2013: 3,117,995,265) Domestic Shares of RMB1 each	3,117,995	3,117,995
2,356,433,902 (2013: 2,356,433,902) H Shares of RMB1 each	2,356,434	2,356,434
	5,474,429	5,474,429

Notes to the Condensed Interim Consolidated Financial Information

20 SHARE-BASED COMPENSATION

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

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

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

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

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

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

	2014		2013	
	Fair value (per share) HK\$	Number of restricted shares granted (Thousands)	Fair value (per share) HK\$	Number of restricted shares granted (Thousands)
At 1 January	4.15	23,400	4.15	37,014
Vested	4.15	(11,945)	4.15	(13,164)
Lapsed	4.15	–	4.15	(450)
At 30 June	4.15	11,455	4.15	23,400

The fair value of restricted shares charged to the condensed interim consolidated income statement was RMB5,051,000 during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB10,351,000).

Notes to the Condensed Interim Consolidated Financial Information

21 COMMITMENTS

(a) Capital commitments

The Group has the following capital commitments as at 30 June 2014:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Acquisition of property, plant and equipment		
– Authorised but not contracted for	2,907	–
– Contracted but not provided for	58,582	162,874
	61,489	162,874
Construction commitments		
– Contracted but not provided for	1,007,181	352,987
Investments in available-for-sale financial assets		
– Contracted but not provided for	52,850	52,850
	1,121,520	568,711

(b) Operating lease commitments

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases as at 30 June 2014:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Land and buildings		
– Not later than one year	18,651	10,555
– Later than one year and not later than five years	25,630	26,269
– Later than five years	16,890	20,299
	61,171	57,123

Generally, the Group's operating leases are for terms of 1 to 10 years.

Notes to the Condensed Interim Consolidated Financial Information

22 SIGNIFICANT RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions in addition to those shown elsewhere in this Condensed Financial Information. Management of the Group are of the opinion that meaningful information relating to related party disclosures has been adequately disclosed.

(a) Significant transactions with related parties:

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Income:		
Revenue from sale of goods and materials		
– Fellow subsidiaries	7,286,382	6,423,547
– A joint venture	632	997
– Associates	13,289	25,414
Income from rendering of services		
– Fellow subsidiaries	3,000	8,174
Expenses:		
Purchase of goods and raw materials		
– Fellow subsidiaries	4,460,361	3,758,936
– A joint venture	26,060	14,762
– Associates	48,936	18,324
Service fees payable		
– Ultimate holding company	14,650	17,510
– Fellow subsidiaries	117,435	90,070
– Associates	371	–
Rental expenses		
– Fellow subsidiaries	47,411	21,579
Key management compensations		
– Salaries, bonuses and other welfares	2,079	2,047
– Employee share scheme for value of services provided	696	2,325

In the opinion of the directors of the Company, the above transactions were carried out in the ordinary course of the Group's business and were determined based on mutually agreed terms.

Notes to the Condensed Interim Consolidated Financial Information

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Significant balances with related parties:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Assets:		
Trade receivables		
– Fellow subsidiaries	4,855,207	4,676,688
– A joint venture	506	485
– Associates	44,516	17,043
– Others	12,033	12,033
Notes receivable		
– Fellow subsidiaries	1,125,947	1,333,416
Advance to suppliers		
– Fellow subsidiaries	242,239	565,467
– Associates	9,083	7,570
Other receivables and prepayments		
– Ultimate holding company	5,316	2,479
– Fellow subsidiaries	351,001	199,651
– Associates	404	190
Deposits		
– A fellow subsidiary	833,068	1,563,257
Liabilities:		
Trade payables		
– Fellow subsidiaries	3,553,625	2,095,018
Notes payable		
– Fellow subsidiaries	942,650	2,899,868
Advance from customers		
– Fellow subsidiaries	1,283,450	2,548,542
Other payables and accruals		
– Ultimate holding company	5,270	6,107
– Fellow subsidiaries	889,565	1,098,087

Notes to the Condensed Interim Consolidated Financial Information

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

- (c) Other items:
- (i) During the six months ended 30 June 2014, Jiangxi Hongdu Aviation Industry Co., Ltd (a subsidiary of the Company) received construction and design services amounted to approximately RMB199,966,000 (six months ended 30 June 2013: RMB261,995,000) and purchased equipment amounted to approximately RMB26,689,000 (six months ended 30 June 2013: Nil) from fellow subsidiaries of the Group. As at 30 June 2014, these balances are mainly included in the Group's property, plant and equipment.
 - (ii) As at 30 June 2014, certain of the Group's property, plant and equipment with carrying value of approximately RMB285,780,000 (31 December 2013: RMB294,770,000) were situated on leasehold land in the PRC which are granted by AVIC for the Group's use at no cost or have been leased from certain fellow subsidiaries under long-term leases (Note 22(a): Rental expenses).

BOARD OF DIRECTORS

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

SUPERVISORY COMMITTEE

Chairman	Bai Ping
Supervisor	Yu Guanghai
Supervisor	Li Jing

SENIOR MANAGEMENT

President	Tan Ruisong
Vice Presidents	Chen Yuanxian Ni Xianping Zheng Qiang Zhang Kunhui
Company Secretary	Yan Lingxi

THE LEGAL NAME OF THE COMPANY

中國航空科技工業股份有限公司	
AviChina Industry & Technology Company Limited	
Abbreviation name in Chinese:	中航科工
Abbreviation name in English:	AVICHINA
Legal representative:	Lin Zuoming

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 15/F, United Center, Queensway 95, Hong Kong

AUTHORISED REPRESENTATIVES

Tan Ruisong Yan Lingxi

PRINCIPAL BANKERS

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

Bank of Communications Co., Ltd.
No. 188, Yin Cheng Zhong Road, Pudong New District,
Shanghai, the PRC

China Minsheng Banking Corp., Ltd.
No. 2, Fuxingmennei Street, Xicheng District,
Beijing, the PRC

Bank of China
No. 1, Fuxingmennei Street, Xicheng District,
Beijing, the PRC

PLACE OF LISTING, STOCK NAME AND STOCK CODE

Main Board of The Stock Exchange of
Hong Kong Limited (H Shares)
Stock name: AVICHINA
Stock code: 2357

REGISTERED ADDRESS

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

WEBSITE

www.avichina.com

Corporate Information

CORRESPONDENCE ADDRESS

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

Telephone: 86-10-58354309
Facsimile: 86-10-58354310/00
E-mail: avichina@avichina.com

SHARE REGISTRAR

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

AUDITORS

International Auditor

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

Auditor in the PRC

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

LEGAL ADVISERS

As to Hong Kong law

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

As to PRC law

Beijing Jiayuan Law Firm
F407, Ocean Plaza,
No.158, Fuxingmennei Street,
Xicheng District,
Beijing, the PRC

