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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 2022;
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND
THE RULES GOVERNING THE OPERATION OF SHAREHOLDERS'
GENERAL MEETINGS; AND
CHANGES IN COMPOSITION OF THE MEMBERS OF THE SPECIAL
COMMITTEES OF THE BOARD**

Financial Highlights

The Board announces that the Company endeavored to overcome the impact of product structure adjustment, and its revenue continues to grow.

- For the year ended 31 December 2022, the Group recorded a revenue of RMB63,639 million, representing an increase of RMB3,343 million or 5.54% as compared with that of RMB60,296 million in the corresponding period of the preceding year.
- For the year ended 31 December 2022, the net profit attributable to the owners of the parent company amounted to RMB2,216 million, representing a decrease of RMB153 million or 6.46% as compared with that of RMB2,369 million in the corresponding period of the preceding year.
- The Board recommended the payment of a final dividend for the year 2022 in an aggregate amount of RMB616,906,579.36, representing a dividend of RMB0.08 per share (2021: RMB0.08 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 China Accounting Standards for Business Enterprises for the year ended 31 December 2022 (the “**Reporting Period**”), together with the comparative figures for the year 2021, as follows:

Consolidated Income Statement

For the year ended 31 December 2022

Unit: RMB

Items	Note	2022 (Audited)	2021 (Audited)
I. Total operating income		63,639,427,670	60,296,284,748
Including: Operating revenue	3	63,639,427,670	60,296,284,748
Interest income			
Earned premium			
Fee and commission income			
II. Total operating cost		58,711,965,210	55,635,785,241
Including: Operating cost	3	49,253,919,884	47,597,965,155
Interest expenses			
Fee and commission expenses			
Cash surrender amount			
Net expenses of claim settlement			
Net provision for insurance contract reserves			
Policyholder dividend expenses			
Reinsurance expenses			
Taxes and surcharges		351,552,695	137,635,434
Selling expenses	5	763,581,330	688,394,493
Administrative expenses	6	3,926,021,503	3,594,423,526
Research and development expenses	7	4,442,459,325	3,452,213,026
Finance costs	8	-25,569,527	165,153,607
Including: Interest expense		440,359,856	397,113,009
Interest income		297,417,080	306,481,532
Add: Other income	9	347,198,581	275,272,348
Investment income (loss to be listed with “-”)	10	415,680,041	474,448,476
Including: Income from investment in associates and joint ventures		256,765,215	265,683,437
Derecognition income of financial assets at amortised cost		-34,440,626	-9,653,445
Exchange gain (loss to be listed with “-”)			
Net exposure hedging income (loss to be listed with “-”)			
Income from changes in fair value (loss to be listed with “-”)	11	-6,705,884	5,024,934
Credit impairment loss (loss to be listed with “-”)	12	-350,907,638	-41,426,128

Consolidated Income Statement (Continued)

For the year ended 31 December 2022

Unit: RMB

Items	Note	2022 (Audited)	2021 (Audited)
Asset impairment loss (loss to be listed with “-”)	13	-283,833,345	-187,793,184
Income from assets disposal (loss to be listed with “-”)	14	140,680,657	76,297,341
III. Operating profit (loss to be listed with “-”)		5,189,574,872	5,262,323,294
Add: Non-operating income	15	94,675,552	90,308,664
Less: Non-operating expenses	16	36,352,291	37,732,376
IV. Profit before tax (total loss to be listed with “-”)		5,247,898,133	5,314,899,582
Less: income tax expenses	17	257,156,520	480,004,533
V. Net profit (net loss to be listed with “-”)		4,990,741,613	4,834,895,049
(I) Classified according to operating continuity			
1. Net profit from continuing operations (net loss to be listed with “-”)		4,990,741,613	4,834,895,049
2. Net profit from discontinuing operations (net loss to be listed with “-”)			
(II) Classified according to attribution of the ownership			
1. Net profit attributable to the owners of the parent company (net loss to be listed with “-”)		2,216,401,745	2,369,276,265
2. Minority profit and loss (net loss to be listed with “-”)		2,774,339,868	2,465,618,784

Consolidated Income Statement (Continued)

For the year ended 31 December 2022

Unit: RMB

Items	Note	2022 (Audited)	2021 (Audited)
VI. Net of tax of other comprehensive income		42,677,842	540,232,266
Net of tax of other comprehensive income attributable to the owner of the parent company		56,067,074	538,717,219
(I) Other comprehensive income that cannot be reclassified into profit or loss		20,194,797	538,886,088
1. Changes arising from re-measurement of the defined benefit plan		5,704,137	-17,794,276
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		2,000,777	320,660
3. Changes in fair value of other equity instrument investments		32,723,685	556,359,704
4. Changes in fair value of the enterprise's credit risk			
5. Others		-20,233,802	
(II) Other comprehensive income that can be reclassified into profit or loss		35,872,277	-168,869
1. Other comprehensive income that can be reclassified into profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amount charged into other comprehensive income arising from reclassification of financial assets			
4. Provision for credit impairment of other debt investments			
5. Reserves for cash flow hedge (effective parts of cash flow hedge profit or loss)			
6. Translation difference of foreign currency financial statements		35,872,277	-168,869
7. Others			
Net of tax of other comprehensive income attributable to minority shareholders		-13,389,232	1,515,047
VII. Total comprehensive income		5,033,419,455	5,375,127,315
Total comprehensive income attributable to shareholders of the parent company		2,272,468,819	2,907,993,484
Total comprehensive income attributable to minority shareholders		2,760,950,636	2,467,133,831
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	19	0.287	0.307
(II) Diluted earnings per share (RMB/share)	19	0.287	0.307

Consolidated Balance Sheet

As at 31 December 2022

Unit: RMB

Items	Note	31 December 2022 (Audited)	31 December 2021 (Audited)
Current assets:			
Monetary funds		35,561,104,778	25,361,499,508
Settlement reserve			
Loans to banks and other financial institutions			
Financial assets held for trading		527,818,029	1,244,823,022
Derivative financial assets			
Notes receivable	20	10,689,980,516	9,929,754,416
Accounts receivable	21	23,132,463,686	21,321,031,800
Receivables financing		21,961,203	4,291,292
Prepayments		7,427,350,280	8,562,458,424
Premium receivable			
Reinsurance premium receivable			
Reinsurance contract provision receivable			
Other receivables		209,752,785	202,072,117
Including: Interest receivable			
Dividends receivable		11,812,442	37,500,000
Financial assets purchased under agreements to resell			
Inventories		34,112,182,800	32,374,764,020
Contract assets		4,175,952,169	5,149,456,300
Held-for-sale assets		11,184,603	48,656,246
Non-current assets due within one year		500,000,000	202,290,896
Other current assets		635,978,367	711,173,574
Total current assets		117,005,729,216	105,112,271,615

Consolidated Balance Sheet (Continued)

As at 31 December 2022

Unit: RMB

Items	Note	31 December 2022 (Audited)	31 December 2021 (Audited)
Non-current assets:			
Loans and advances			
Debt investment			
Other debt investment			
Long-term receivables		1,241,950	6,134,844
Long-term equity investments		2,383,862,616	1,923,474,669
Other equity instrument investments		2,578,734,723	2,696,553,640
Other non-current financial assets			600,000,000
Investment properties		342,995,831	346,546,113
Fixed assets		14,292,386,719	15,125,713,170
Construction-in-progress		2,947,407,414	3,023,560,156
Bearer biological assets			
Oil and gas assets			
Right-of-use assets		321,177,045	599,491,919
Intangible assets		2,691,658,676	3,235,508,206
Development expenditure			
Goodwill		69,121,895	69,121,895
Long-term deferred expenses		39,390,601	71,629,850
Deferred income tax assets		484,273,167	416,013,126
Other non-current assets		847,907,390	663,115,937
Total non-current assets		27,000,158,027	28,776,863,525
Total assets		144,005,887,243	133,889,135,140

Consolidated Balance Sheet (Continued)

As at 31 December 2022

Unit: RMB

Items	Note	31 December 2022 (Audited)	31 December 2021 (Audited)
Current Liabilities:			
Short-term borrowings		5,935,541,420	3,057,762,250
Borrowings from the central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading		48,392,809	18,196,239
Derivative financial liabilities			
Notes payable	22	10,417,278,468	11,633,186,116
Accounts payable	23	30,906,639,906	27,365,848,151
Advances		22,272,648	10,260,976
Contract liabilities		21,434,055,402	21,306,958,451
Financial assets sold under agreements to repurchase			
Deposits and placements from other financial institutions			
Securities brokering			
Securities underwriting			
Employee benefits payable		2,183,977,718	2,002,883,877
Tax payable		2,057,663,880	454,114,039
Other payables		3,265,606,019	1,886,338,410
Including: Interest payable			
Dividends payable		107,129,526	6,194,055
Fees and commissions payable			
Reinsurance amounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		2,950,158,046	1,225,299,857
Other current liabilities		823,157,217	622,306,803
Total current liabilities		80,044,743,533	69,583,155,169

Consolidated Balance Sheet (Continued)

As at 31 December 2022

Unit: RMB

Items	Note	31 December 2022 (Audited)	31 December 2021 (Audited)
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings		1,674,929,735	4,284,761,981
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		277,529,742	559,212,830
Long-term payables		-269,228,331	-548,941,454
Long-term employee benefits payable		1,400,165,534	1,523,783,896
Estimated liabilities		647,899,871	645,506,219
Deferred income		834,891,591	846,324,736
Deferred income tax liabilities		326,360,143	351,913,854
Other non-current liabilities		916,037,159	1,876,914,653
Total non-current liabilities		5,808,585,444	9,539,476,715
Total liabilities		85,853,328,977	79,122,631,884
Shareholders' equity:			
Share capital		7,711,332,242	7,711,332,242
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves		13,096,081,068	12,974,963,414
Less: treasury shares			
Other comprehensive income		168,575,073	112,507,999
Special reserves		497,012,913	503,687,704
Surplus reserves		373,900,833	308,138,730
General risk reserve			
Undistributed profits		6,276,676,727	5,296,679,064
Total shareholders' equity attributable to parent company		28,123,578,856	26,907,309,153
Minority equity		30,028,979,410	27,859,194,103
Total shareholders' equity		58,152,558,266	54,766,503,256
Total liabilities and shareholders' equity		144,005,887,243	133,889,135,140

NOTES:

1. Information of the Company

AviChina Industry & Technology Company Limited* (hereinafter referred to as the Company, together with its subsidiaries, the Group) was restructured by subsidiaries of the former China Aviation Industry Corporation II (hereinafter referred to as AVIC II), and was incorporated in Beijing in the People's Republic of China (the "PRC") on 30 April 2003 as a joint stock company with limited liability. It was listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 30 October 2003. The Company has obtained the business license with the unified social credit code of 91110000710931141J issued by Beijing Administration for Industry and Commerce. The registered capital of the Company is RMB7,711,332,242. The legal representative is Mr. Yan Lingxi. The address of its registered office is 2nd Floor, Building 27, No. 26 Xihuan South Street, Beijing Economic Technological Development Area, Beijing.

As of 31 December 2022, the Group is principally involved in the research, development, manufacture and sale of aviation products and the delivery of aviation engineering services such as planning, design, consultation, construction and operation.

The controlling shareholder of the Company is Aviation Industry Corporation of China, Ltd.* ("AVIC"), and the ultimate controller is AVIC. The Company has a Board of Directors, which manages and controls the Company's major decisions and daily operation.

These financial statements were approved for issue by the Board on 15 March 2023.

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

2. Basis for preparation of Financial Statements

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

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

3. Operating Revenue and Operating Costs

(1) Details of operating revenue and operating costs

Item	January to December 2022		January to December 2021	
	Revenue	Cost	Revenue	Cost
Main businesses	62,659,253,110	48,444,501,808	59,187,308,556	46,639,856,553
Other businesses	980,174,560	809,418,076	1,108,976,192	958,108,602
Total	63,639,427,670	49,253,919,884	60,296,284,748	47,597,965,156

(2) Revenue from contracts

Contract classification	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Total
By operation region				
Including: Mainland China	20,301,761,265	35,495,154,515	6,658,451,321	62,455,367,101
Other region	-	1,095,734,077	88,326,492	1,184,060,569
By contract type				
Including: Sales contract	20,301,761,265	35,512,119,021	1,537,874,899	57,351,755,185
Service contract	-	1,078,769,571	5,208,902,914	6,287,672,485
By time of goods transfer				
Including: Performance in a period of time	20,163,633,831	230,721,397	5,340,217,621	25,734,572,849
Performance at a point in time	138,127,434	36,360,167,195	1,406,560,192	37,904,854,821
Total	20,301,761,265	36,590,888,592	6,746,777,813	63,639,427,670

4. 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:

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

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.

January to December 2022 / 31 December 2022	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Offset	Total
Revenue from external transactions	20,301,761,265	36,590,888,592	6,746,777,813	-	63,639,427,670
Revenue from inter-segment transactions	-	3,358,446,631	685,906,852	-4,044,353,483	-
Investment income from associates and joint ventures	16,294,327	232,106,662	8,364,226	-	256,765,215
Asset impairment losses and credit impairment losses	70,297,725	482,186,363	84,531,788	-2,274,893	634,740,983
Depreciation and amortization costs	694,774,663	1,082,336,638	37,815,899	-	1,814,927,200
Profit before tax	468,438,529	4,704,690,423	293,069,580	-218,300,399	5,247,898,133
Income tax expense	13,217,294	205,573,751	38,376,050	-10,575	257,156,520
Net profit	455,221,235	4,499,116,672	254,693,530	-218,289,824	4,990,741,613
Total assets	68,218,571,136	86,354,180,326	9,804,027,267	-20,370,891,486	144,005,887,243
Total liabilities	48,245,569,360	33,859,291,128	7,004,337,012	-3,255,868,523	85,853,328,977

Other non-cash expenses other than depreciation and amortization costs and asset impairment losses	2,393,652	124,425,278	-	-	126,818,930
Long-term equity investment in associates and joint ventures	451,591,059	1,186,171,467	391,360,205	-	2,029,122,731
Increase in other non-current assets other than long-term equity investments	188,522,771	672,183,202	-3,245,840,434	148,041,016	-2,237,093,445

(Continued)

January to December 2021 / 31 December 2021	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Offset	Total
Revenue from external transactions	20,388,178,726	33,180,817,339	6,727,288,683	-	60,296,284,748
Revenue from inter-segment transactions	-	4,882,314,638	335,159,139	-5,217,473,777	
Investment income from associates and joint ventures	5,509,984	257,121,788	3,051,665	-	265,683,437
Asset impairment losses and credit impairment losses	37,252,452	187,066,176	10,960,877	-6,060,193	229,219,312
Depreciation and amortization costs	654,140,027	850,429,158	239,236,436	-	1,743,805,621
Profit before tax	852,102,938	4,440,888,758	233,533,513	-211,625,627	5,314,899,582
Income tax expense	117,414,231	285,982,940	74,972,349	1,635,013	480,004,533
Net profit	734,688,707	4,154,905,818	158,561,164	-213,260,640	4,834,895,049
Total assets	58,685,251,572	75,554,896,154	16,110,365,105	-16,461,377,691	133,889,135,140
Total liabilities	41,594,474,167	30,034,187,576	10,192,614,812	-2,698,644,671	79,122,631,884
Other non-cash expenses other than depreciation and amortization costs and asset impairment losses	70,737,959	169,771,576	-	-	240,509,535
Long-term equity investment in associates and joint ventures	430,413,692	1,052,138,256	86,182,836	-	1,568,734,784
Increase in other non-current assets other than long-term equity investments	690,373,433	2,601,416,582	-175,265,038	-335,526,474	2,780,998,503

5. Selling expenses

Item	Amount for the current year	Amount for the previous year
Employee compensation	414,202,119	352,654,045
After-sales service charges	117,057,627	91,266,381
Business travel costs	68,830,903	77,728,058
Three guarantees loss and quality claim fees	51,358,972	56,672,889
Office fees	16,289,700	7,939,850
Advertising and publicity expenses	9,275,001	10,870,981
Transportation costs	5,995,811	6,584,382
Exhibition fees	4,545,646	5,303,627
Sample and product losses	2,651,077	5,212,253
Depreciation and amortization costs	1,214,833	2,494,380
Others	72,159,641	71,667,647
Total	763,581,330	688,394,493

6. Administrative expenses

Item	Amount for the current year	Amount for the previous year
Employee compensation	2,390,795,628	2,117,502,717
Depreciation and amortization costs	398,950,379	360,461,250
Maintenance and repair costs	159,311,168	211,345,147
Amortization of equity incentives in the current period	113,593,396	169,771,576
Office fees	85,385,675	70,446,863
Labor protection costs	75,123,176	53,605,835
Property afforestation fees	64,216,789	71,439,402
Business entertainment expenses	64,141,341	69,673,480
Professional service fees	55,499,049	45,764,489
Business travel costs	36,170,010	52,889,886
Rental	25,254,010	23,898,841
Power and fuel expenses	24,440,629	27,315,449
Insurance premium	18,530,907	8,583,900
Publicity expenses	16,415,164	11,947,094
Conference expenses	12,545,920	11,189,836
Audit fee	11,678,453	16,772,666
Including: Auditor's fees for the annual report	2,420,000	2,800,000
Others	373,969,809	271,815,095
Total	3,926,021,503	3,594,423,526

7. Research and development expenses

Item	Amount for the current year	Amount for the previous year
Employee compensation	1,867,571,415	1,391,259,913
Materials expenses	1,603,445,410	1,114,770,211
Experimental and special fees	296,822,364	404,869,073
Depreciation and amortization costs	164,611,520	105,701,268
Outsourcing fee	133,391,026	123,757,214
Administrative expense	86,828,158	50,653,952
Transportation and business travel costs	51,195,198	59,576,677
Design fee	49,513,599	15,886,364
Power and fuel expenses	26,936,421	20,948,492
Others	162,144,214	164,789,862
Total	4,442,459,325	3,452,213,026

8. Finance costs

Item	Amount for the current year	Amount for the previous year
Interest expenses	447,247,747	433,351,194
Less: Interest incomes	297,417,080	306,481,532
Less: Interest capitalized	6,887,890	36,238,185
Add: Exchange losses	-180,869,253	63,834,931
Add: Other expenditures	12,356,949	10,687,199
Total	-25,569,527	165,153,607

9. Other income

Sources of other income	Amount for the current year	Amount for the previous year
National major science and technology project	42,870,385	28,900,320
Production line maintenance subsidy	37,550,000	-
Instant value-added tax refund	35,901,005	12,327,575
High-tech allowance	33,854,000	30,529,250
Employment subsidy	22,730,872	61,106,115
Subsidies for research and development	20,107,420	21,522,706
Government relocation compensation	17,037,299	17,480,481
Subsidies for research and development and industrialization project of a connector	11,941,957	9,424,689
Financial allocations	10,897,581	2,030,000
Special fund for industrialization construction of intelligent electric servo control system	6,428,000	500,000
Refund of individual tax handling fee	5,643,081	3,517,123
Subsidy for electric actuator and transmission system industrial construction project	5,000,000	-
Special subsidies for scientific research funds	4,833,753	5,262,418
MIIT project	4,555,617	5,085,297
Technical transformation	3,704,693	2,124,267
Flight instrument capacity improvement items	2,983,410	-
Training subsidies	2,764,590	2,353,845
Land compensation	2,660,909	2,217,728
Science and technology innovation awards for enterprise	1,820,100	8,981,150
Subsidies of boiler retrofitting	1,145,000	1,075,000
Subsidies for other projects	72,768,909	60,834,384
Total	347,198,581	275,272,348

10. Investment income

Item	Amount for the current year	Amount for the previous year
Long-term equity investment incomes calculated at equity method	256,765,215	265,683,437
Investment income from disposal of long-term equity investments	359,171	6,591,790
Investment income from holding financial assets held for trading	143,255	10,172,114
Investment income from disposal of financial assets held for trading	89,059,236	109,397,630
Dividend income from holding other equity instrument investments	19,363,319	43,873,347
Gain on revaluation of remaining equity at fair value after losing control	-	3,082,789
Gain on debt restructuring	57,930,471	12,698,213
Investment income from holding other non-current financial assets	26,500,000	32,465,753
Gain on derecognition of financial assets measured at amortized cost	-34,440,626	-9,653,445
Others	-	136,848
Total	415,680,041	474,448,476

Note: Debt restructuring gains are the cash discounts obtained by the Company on settlement of payment for supplier.

11. Income from changes in fair value

Source of income from changes in fair value	Amount for the current year	Amount for the previous year
Financial assets held for trading	10,256,167	179,821
Including: Gain from changes in fair value of derivative financial instruments	-	-
Financial liabilities held for trading	-16,962,051	4,845,113
Total	-6,705,884	5,024,934

12. Credit impairment loss

Item	Amount for the current year	Amount for the previous year
Loss on bad debts of accounts receivable	-335,309,131	-7,679,063
Loss on bad debts of notes receivable	-7,950,740	-36,447,195
Loss on bad debts of other receivables	-7,167,427	3,060,963
Others	-480,340	-360,833
Total	-350,907,638	-41,426,128

13. Assets impairment loss

Item	Amount for the current year	Amount for the previous year
Inventory depreciation loss and contract performance cost impairment losses	-282,403,880	-184,610,914
Contract asset impairment losses	-496,080	-3,182,270
Others	-933,385	-
Total	-283,833,345	-187,793,184

14. Income from assets disposal

Item	Amount for the current year	Amount for the previous year	Amount included in non-recurring profit or loss for the current year
Income from disposal of non-current assets	140,680,657	76,297,341	140,680,657
Including: Income from disposal of non-current assets classified as held for-sale	137,754,037	74,239,175	137,754,037
Including: Income from disposal of fixed assets	137,754,037	74,239,175	137,754,037
Income from disposal of non-current assets not classified as held-for-sale	2,926,621	2,058,166	2,926,621
Including: Income from disposal of fixed assets	2,593,406	2,058,166	2,593,406
Income from disposal of intangible assets	333,215	-	333,215
Total	140,680,657	76,297,341	140,680,657

15. Non-operating income

Item	Amount for the current year	Amount for the previous year	Amount included in non-recurring profit or loss for the current year
Gains on damaged and retired non-current asset	4,591,992	1,245,925	4,591,992
Government grants irrelevant to the daily business operations	195,585	1,909,551	195,585
Unpayable payments	28,092,877	19,039,805	28,092,877
Income from compensation, liquidated damages and fines	54,980,074	38,477,377	54,980,074
Liquidation income	-	25,160,946	-
Others	6,815,024	4,475,060	6,815,024
Total	94,675,552	90,308,664	94,675,552

16. Non-operating expenses

Item	Amount for the current year	Amount for the previous year	Amount included in non-recurring profit or loss for the current year
Losses on damaged and retired non-current assets	16,807,818	24,862,835	16,807,818
External donation expenditure	2,274,675	3,845,278	2,274,675
Obsolescence losses of inventories	116,358	1,789,467	116,358
Expenses on compensation, liquidated damages and fines	13,371,347	3,511,767	13,371,347
Others	3,782,093	3,723,029	3,782,093
Total	36,352,291	37,732,376	36,352,291

17. Income tax expenses

(1) Income tax expenses

Item	Amount for the current year	Amount for the previous year
Current income tax calculated in accordance with tax laws and related regulations	300,946,337	504,780,520
Deferred income tax expenses	-43,789,817	-24,775,987
Total	257,156,520	480,004,533

(2) Adjustment process of accounting profits and income tax expenses

Item	Amount for the current year
Total consolidated profit before tax for the year	5,247,898,133
Income tax expenses at statutory/applicable rates	1,311,974,533
The impact of different tax rates applied to subsidiaries	-469,844,541
The impact of adjustments to income taxes in previous periods	-28,235,931
The impact of non-taxable revenue	-74,740,328
The impact of non-deductible costs, expenses and losses	-65,907,862
The impact of deductible losses on the use of deferred income tax assets not recognized in previous periods	-18,714,589
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current year	66,193,927
Tax effect of surplus deduction	-467,019,579
Others	3,450,890
Income tax expenses	257,156,520

18. Dividends

Item	Amount for the current year	Amount for the previous year
Proposal: Proposed final dividend per share: RMB0.08 (2021: RMB0.08)	616,906,579	616,906,579

The proposed final dividend is recommended by the Board of Directors at the meeting held on the date of approval of these financial statements and is subject to approval by the shareholders of the Company at the annual general meeting.

19. Earnings per share

In accordance with the Rules Governing the Preparation and Disclosure of Information by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010) of China Securities Regulatory Commission, the weighted average return on net assets, basic earnings per share and diluted earnings per share of Group for the current period are as follows:

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the parent Company	8.06	0.287	0.287
Net profit attributable to ordinary shareholders of the parent company after non-recurring profit or loss	6.06	0.216	0.216

20. Notes receivable

(1) Classified presentation of notes receivable

Item	Closing balance	Opening balance
Banker's acceptance bill	4,278,846,085	3,667,548,775
Commercial acceptance bill	6,411,134,431	6,262,205,641
Total	10,689,980,516	9,929,754,416

(2) Notes receivable pledged

Item	Amount pledged at the end of the year
Banker's acceptance bill	429,408,797
Commercial acceptance bill	1,615,523,166
Total	2,044,931,963

(Continued)

Item	Amount pledged at the beginning of the year
Banker's acceptance bill	273,457,320
Commercial acceptance bill	1,632,449,651
Total	1,905,906,971

(3) Classified presentation by bad debt accrual method

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision made individually	-	-	-	-	-
Bad debt provision made as per portfolio	10,765,723,654	100.00	75,743,138	0.70	10,689,980,516
Including: Banker's acceptance bill	4,279,878,693	39.75	1,232,608	0.03	4,278,646,085
Commercial acceptance bill	6,485,844,961	60.25	74,510,530	1.15	6,411,334,431
Total	10,765,723,654	—	75,743,138	—	10,689,980,516

(Continued)

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision made individually	-	-	-	-	-
Bad debt provision made as per portfolio	9,997,546,814	100.00	67,792,398	0.68	9,929,754,416
Including: Banker's acceptance bill	3,668,053,656	36.69	504,881	0.01	3,667,548,775
Commercial acceptance bill	6,329,493,158	63.31	67,287,517	1.06	6,262,205,641
Total	9,997,546,814	100.00	67,792,398	—	9,929,754,416

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

Name	Closing balance		
	Book balance	Bad debt provision	Provision proportion (%)
Banker's acceptance bill	4,279,878,693	1,232,608	0.03
Commercial acceptance bill	6,485,844,961	74,510,530	1.15
Total	10,765,723,654	75,743,138	—

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

Category	Opening balance	Changes in the current year				Closing balance
		Accrued	Recovered or reversed	Written back or written off	Other decrease	
Notes receivable subjected to provision for expected credit losses on portfolio basis	67,792,398	16,259,279	8,308,539	-	-	75,743,138
Total	67,792,398	16,259,279	8,308,539	-	-	75,743,138

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

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

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

21. Accounts receivable

Item	Closing balance	Opening balance
Accounts receivable	24,334,320,840	22,233,218,824
Less: Impairment provision	1,201,857,154	912,187,024
Net accounts receivable	23,132,463,686	21,321,031,800

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

Category of portfolio	Closing balance			
	Original book value	Proportion of bad debt provision (%)	Bad debt provision	Book value
Bad debt provision made individually	171,322,771	91.38	156,562,771	14,760,000
Bad debt provision made as per portfolio	24,162,998,069	4.33	1,045,294,383	23,117,703,686
Including: Bad debts provision made on the group of credit risk characteristics	24,162,998,069	4.33	1,045,294,383	23,117,703,686
Total	24,334,320,840	—	1,201,857,154	23,132,463,686

(Continued)

Category of portfolio	Opening balance			
	Original book value	Proportion of bad debt provision (%)	Bad debt provision	Book value
Bad debt provision made individually	178,874,498	91.74	164,107,133	14,767,365
Bad debt provision made as per portfolio	22,054,344,326	3.39	748,079,891	21,306,264,435
Including: Bad debts provision made on the group of credit risk characteristics	22,054,344,326	3.39	748,079,891	21,306,264,435
Total	22,233,218,824	—	912,187,024	21,321,031,800

1) Bad debt provision of accounts receivable made individually

Name	Closing balance			
	Book balance	Bad debt provision	Provision proportion (%)	Reasons for provision
Company 1	24,600,000	9,840,000	40.00	Part of it is expected to be unable to recover
Company 2	13,595,425	13,595,425	100.00	All of it is expected to be unable to recover
Company 3	11,701,493	11,701,493	100.00	All of it is expected to be unable to recover
Other customers	121,425,853	121,425,853	100.00	All of it is expected to be unable to recover
Total	171,322,771	156,562,771	—	—

2) Bad debt provision of accounts receivable made by portfolio

Aging	Closing balance		
	Book balance	Bad debt provision	Provision proportion (%)
Within 1 year	19,147,104,747	161,633,178	0.84
1-2 years	3,244,313,043	294,361,445	9.07
2-3 years	1,021,926,654	208,502,483	20.40
3-4 years	288,689,349	109,834,766	38.05
4-5 years	165,499,229	71,155,988	42.99
Over 5 years	295,465,047	199,806,523	67.62
Total	24,162,998,069	1,045,294,383	—

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

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of bad debt provision (%)
Within 1 year	19,163,286,843	177,815,274	0.93
1-2 years	3,248,673,832	298,553,976	9.19
2-3 years	1,027,360,093	213,926,180	20.82
3-4 years	325,451,206	131,836,623	40.51
4-5 years	193,232,506	106,989,356	55.37
Over 5 years	376,316,360	272,735,745	72.48
Total	24,334,320,840	1,201,857,154	—

(Continued)

Aging	Opening balance		
	Accounts receivable	Bad debt provision	Proportion of bad debt provision (%)
Within 1 year	18,311,199,040	132,044,973	0.72
1-2 years	2,522,703,932	204,764,940	8.12
2-3 years	624,533,148	153,385,668	24.56
3-4 years	282,860,997	129,976,917	45.95
4-5 years	168,079,959	86,514,337	51.47
Over 5 years	323,841,748	205,500,189	63.46
Total	22,233,218,824	912,187,024	—

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

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

Category	Opening balance	Amount changed in the current year				Closing balance
		Provision	Accounts recovered or transferred back	Amounts written back or written off	Other decrease	
Bad debt provision made individually	164,107,133	4,009,999	11,413,115	141,246	-	156,562,771
Bad debts provision made on the group of credit risk characteristics	748,079,891	346,911,205	4,198,958	8,737,813	36,759,942	1,045,294,383
Total	912,187,024	350,921,204	15,612,073	8,879,059	36,759,942	1,201,857,154

Note: The reasons for other decrease are that ①AVIC JONHON Optronics Technology Co., Ltd.* (中航光電科技股份有限公司), a subsidiary of the Company, entered into a debt restructuring agreement with customers who provided for bad debts at the full amount on single item at the end of the year. The opening bad debt balance was RMB505,650 of which RMB100,000 was repaid in the current year, leaving a balance of RMB405,650 for replacement of trust assets. ②During the year, Jiangxi Hongdu Aviation Industry Co., Ltd.* (江西洪都航空工業股份有限公司), a subsidiary of the Company, lost control over its subsidiary Jiangxi Changjiang General Aviation Co., Ltd.* (江西長江通用航空有限公司) which was therefore no longer included in the consolidation scope of the Group at the end of the year, resulting in a reduction of RMB148,530 in bad debt provision for accounts receivable. ③China Aviation Planning and Design Institute Co., Ltd.* (中國航空規劃設計研究總院有限公司), a wholly-owned subsidiary of the Company, disposed AVIC Renewable Energy Investment Co., Ltd.* (中國航空工業新能源投資有限公司), resulting in a reduction of RMB36,170,199 in bad debts for the current year.

22. Notes payable

(1) Classification of notes payable

Category	Closing balance	Opening balance
Banker's acceptance bill	5,381,710,243	6,201,218,821
Commercial acceptance bill	5,035,568,225	5,431,967,295
Total	10,417,278,468	11,633,186,116

(2) Aging of notes payable

The ageing of the Group's notes payable at the end of the year mentioned above was from 27 days to 346 days.

23. Accounts payable

(1) Presentation of accounts payable

Item	Closing balance	Opening balance
Materials costs payable	26,613,988,704	22,246,824,882
Construction costs payable	3,013,750,293	3,811,330,908
Equipment costs payable	628,119,942	244,268,241
Others	650,780,967	1,063,424,120
Total	30,906,639,906	27,365,848,151

(2) The aging of accounts payable based their transactions date is analyzed as below

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	26,225,350,312	22,122,950,520
1-2 years (including 2 years)	2,266,228,138	2,826,862,697
2-3 years (including 3 years)	985,070,750	1,068,400,209
Over 3 years	1,429,990,706	1,347,634,725
Total	30,906,639,906	27,365,848,151

Management discussion and analysis

In 2022, 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 announcement to demonstrate their operation and development.

For the year ended 31 December 2022, the Group recorded a revenue of RMB63,639 million, representing an increase of RMB3,343 million or 5.54% as compared with that of RMB60,296 million in the corresponding period of the preceding year. The net profit attributable to the owners of the parent company amounted to RMB2,216 million, representing a decrease of RMB153 million or 6.46% as compared with that of RMB2,369 million in the corresponding period of the preceding year.

Consolidated operating results

1. Composition of revenue

The revenue of the Group for the year 2022 was RMB63,639 million, representing an increase of RMB3,343 million or 5.54% as compared with that of RMB60,296 million in the corresponding period of the preceding year, which was mainly attributable to the growth of revenue of aviation ancillary system and related business.

The revenue of the Group's aviation entire aircraft business for the year 2022 amounted to RMB20,302 million, representing a decrease of RMB86 million or 0.42% as compared with that of RMB20,388 million in the corresponding period of the preceding year. The revenue of the aviation entire aircraft business for the year 2022 accounted for 31.90% of the total revenue of the Group, representing a decrease of 1.91 percentage points 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 2022 amounted to RMB36,591 million, representing an increase of RMB3,410 million or 10.28% as compared with that of RMB33,181 million in the corresponding period of the preceding year, which was mainly attributable to the increase of revenue of avionics products. The revenue of the aviation ancillary system and related business for the year 2022 accounted for 57.50% of the total revenue of the Group, representing an increase of 2.47 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 2022 amounted to RMB6,746 million, representing an increase of RMB19 million or 0.28% as compared with that of RMB6,727 million in the corresponding period of the preceding year. The revenue of the aviation engineering services business for the year 2022 accounted for 10.60% of the total revenue of the Group, representing a decrease of 0.56 percentage point as compared with that in the corresponding period of the preceding year.

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

2. Selling expenses

The Group's selling expenses for the year 2022 amounted to RMB764 million, representing an increase of RMB76 million or 11.05% as compared with that of RMB688 million in the corresponding period of the preceding year, which was mainly attributable to increase in labor cost of sales persons and sales service expense incurred by subsidiaries of the Company in the course of marketing. In 2022, the selling expenses accounted for 1.20% of the revenue of the Group, representing an increase of 0.06 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 2022 amounted to RMB3,926 million, representing an increase of RMB332 million or 9.24% as compared with that of RMB3,594 million in the corresponding period of the preceding year, which was mainly attributable to the increase in staff cost of administrative staff. In 2022, the administrative expenses accounted for 6.17% of the revenue of the Group, representing an increase of 0.21 percentage point as compared with that in the corresponding period of the preceding year.

4. Research and development expenses

The research and development ("R&D") expenses of the Group for the year 2022 amounted to RMB4,442 million, representing an increase of RMB990 million or 28.68% as compared with that of RMB3,452 million in the corresponding period of the preceding year, which was mainly attributable to enhanced R&D input by the Group. In 2022, the research and development expenses accounted for 6.98% of the revenue of the Group, representing an increase of 1.25 percentage points as compared with that in the corresponding period of the preceding year.

5. Finance Costs

The Group's finance costs in 2022 amounted to RMB-26 million, representing a decrease of RMB191 million or 115.76% as compared with that of RMB165 million in the corresponding period of the preceding year, which was mainly attributable to the increase in exchange earnings of certain subsidiaries. Please refer to Note 8 to the financial statements for details.

6. Operating profit

The Group's operating profit in 2022 was RMB5,190 million, representing a decrease of RMB72 million or 1.37% as compared with that of RMB5,262 million in the corresponding period of the preceding year, which was mainly attributable to the decrease in results of AVICOPTER PLC* (中航直升機股份有限公司) (“AVICOPTER”), a subsidiary of the Company, and the increase in expenses during the year.

7. Income tax expenses

The Group's income tax expenses in 2022 was RMB257 million, representing a decrease of RMB223 million or 46.46% as compared with that of RMB480 million in the corresponding period of the preceding year. The main reasons are that, on the one hand, some subsidiaries enhanced R&D input, the amount of pre-tax deduction increased according to the relevant provisions of the Chinese tax law on “enterprise R&D expenses can be deducted before tax”; on the other hand, due to the tax impact of the first unlock of shares in the second term of the equity incentive plan of the subsidiary AVIC JONHON Optronic Technology Co., Ltd.* (中航光電科技股份有限公司) (“JONHON Optronic”), the income tax expenses decreased year-on-year. Please refer to Note 17 to the financial statements for details.

8. Net profit attributable to the owners of the parent company

The net profit attributable to the owners of the parent company for the year 2022 amounted to RMB2,216 million, representing a decrease of RMB153 million or 6.46% as compared with that of RMB2,369 million in the corresponding period of the preceding year. The main reasons are that, on the one hand, the decrease in results of AVICOPTER resulted in a year-on-year decline in its net profit attributable to the Company; on the other hand, the enhanced R&D inputs by the Group resulted in an increase in the R&D expenses and other expenses, the net profit attributable to the owner of the parent company decreased year-on-year.

Segment Information

The Group's business is 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 2022 was RMB20,302 million, representing a decrease of 0.42% 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 RMB17,491 million, representing a decrease of RMB175 million or 0.99% as compared with that in the corresponding period of the preceding year, and accounted for 86.15% of the total revenue of the aviation entire aircraft business; (2) the revenue derived from the trainer aircraft business, which amounted to RMB2,517 million, representing an increase of RMB136 million or 5.71% as compared with that in the corresponding period of the preceding year, and accounted for 12.40% of the total revenue of the aviation entire aircraft business; (3) the revenue derived from the general purpose aircraft business, which amounted to RMB294 million, representing a decrease of RMB47 million or 13.78% as compared with that in the corresponding period of the preceding year, and accounted for 1.45% of the total revenue of the aviation entire aircraft business.

The revenue of the aviation entire aircraft business of the Group for the year 2022 accounted for 31.90% of the Group's total revenue, representing a decrease of 1.91 percentage points as compared with that in the corresponding period of the preceding year.

Gross Profit Margin

The gross profit margin of the Group's aviation entire aircraft business for the year 2022 was 11.47%, representing an increase of 4.49 percentage points as compared with that in the corresponding period of the preceding year, which was mainly attributable to the adjustment of helicopter products structure during the year.

The Aviation Ancillary System and Related Business

Revenue

The Group's revenue derived from the aviation ancillary system and related business for the year 2022 was RMB36,591 million, representing an increase of 10.28% as compared with that in the corresponding period of the preceding year. Among the above revenue, the revenue derived from avionics business amounted to RMB25,852 million, representing an increase of RMB4,305 million or 19.98% as compared with that in the corresponding period of the preceding year, and accounted for 70.65% 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 2022 accounted for 57.50% of the Group's total revenue, representing an increase of 2.47 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 2022 was 29.86%, representing a decrease of 0.88 percentage point 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 2022 was RMB6,746 million, representing an increase of 0.28% as compared with that in the corresponding period of the preceding year. The revenue derived from the aviation engineering services business in 2022 accounted for 10.60% of the Group's total revenue, representing a decrease of 0.56 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 engineering services business for the year 2022 was 16.77%, representing an increase of 0.78 percentage point as compared with that in the corresponding period of the preceding year.

Business Review and Outlook

In 2022, the Company implemented the concept of innovative development, maintained stable operation while seeking progress and improving quality. We enhanced R&D inputs and made efforts to promote major projects, support reform and innovation, and continuously enhance development momentum, contributing aviation power to Chinese modernization.

The Group closely followed its strategy. In order to build an internationally competitive aviation airborne system integration provider, China Avionics Systems Co., Ltd.* (中航航空電子系統股份有限公司) (“**AVIC Avionics**”) conducted the share swap and absorption of AVIC Electromechanical Systems Co., Ltd.* (中航工業機電系統股份有限公司) (“**AVIC Electromechanical**”) to continuously improve the aviation industry chain and lay a solid foundation for the systematisation, integration and intelligentization development of the aviation airborne industry. JONHON Optronics promoted the construction of industrialization projects, and completed non-public offerings of A shares and raised funds of approximately RMB3.4 billion. Focusing on promoting the long-term development of the helicopter industry, the Company launched a helicopter business integration, namely AVICOPTER, a subsidiary of the Company, intended to purchase the 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**”) and 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 the Company and AVIC respectively by way of issuing consideration shares.

In 2022, in the face of the complex and severe international environment and the pandemic, the Group strived to build a world-class aviation high-tech industry group and steadily promoted its businesses.

The Group continued to improve its core competitiveness and influence of helicopter business.

We officially entered the Tibetan plateau emergency rescue market with the successful delivery of the first AC312E helicopter to Tibet Himalaya General Airlines Co., Ltd.* (西藏喜馬拉雅通用航空有限公司). Tianjin Helicopter Company Limited* (天津直升機有限責任公司) obtained the AC312E helicopter production license, speeding up the construction of Tianjin helicopter industry base. The advanced medium-sized multi-purpose helicopter AC352 obtained the type certificate, filling the gap in China’s helicopters spectrum. We made new progress in the construction of aviation emergency rescue system with the successful maiden flight of the large multi-purpose helicopter AC313A and the completion of the helicopter rope-landing operation standard verification flight of the AC311A helicopter. The AC332 helicopter completed all design tests before the first flight. The first domestic S-300C helicopter officially delivered and successfully entered the domestic general

aviation market.

The Group made new breakthroughs in the trainer business. Jiangxi Hongdu Aviation Industry Co., Ltd.* (江西洪都航空工業股份有限公司) (“**Hongdu Aviation**”) built a new model based on the new industry chain of “main body - system integration supplier - professional supplier”, shaped a new pattern of “collaborative R&D, integrated delivery and joint guarantee” in the electrical circuit interconnection system industry. It carried out collaborative R&D, promoted technological innovation, boosted the success of new research projects and steadily promoted the integrated delivery. The production, test flight and delivery of L15 advanced trainer have been steadily advanced. A number of foreign trade delivery orders of K8 aircraft have been completed, and the first contract has been signed for civil CJ-6.

The Group continued to drive technological innovation in the aviation ancillary system and related business. JONHON Optronics established an overseas production base to undertake international development strategy and was certified as a “National Intellectual Property Demonstration Enterprise”, further enhancing its core competitiveness. At the same time, new products of high-speed links and optical links in the field of spaceflight have been applied to assist in the launch missions of the “Wentian” and “Mengtian” Lab Module. We have vigorously expanded the commercial aerospace market and contributed to the airworthiness certification of large domestic aircraft. Tianjin Aviation Mechanical and Electrical Co., Ltd. carried out experimental research on new fire extinguishing system, providing data and methods for system design. Lanzhou Flight Control Co., Ltd.* launched the first intelligent and flexible manufacturing production line to accelerate high-quality development with intelligent manufacturing. AVIC Taiyuan Aviation Instrument Co., Ltd. facilitated the successful maiden flight of AG600 full state new fire-fighting aircraft. AVIC Shaanxi Qianshan Avionics Co., Ltd.* provided ancillary flight parameters and audio system for AC313A to guarantee the successful maiden flight.

The Group made steady progress in the aviation engineering services business. The research area of the national civil aircraft flight test base contracted by 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 CAPDI**”) passed the acceptance, providing strong support for the completion of the certificate application and flight tests of large aircraft. We successfully won the bid for the engineering design of the civil aviation science and technology innovation base project, demonstrating comprehensive technical strength; designed the KIZAD Life Science Park Project, achieving a breakthrough from scratch in the field of overseas medical engineering projects; won the bid for the Airbus Aircraft Full Life Cycle Services Project, further expanding the cooperation between China and Europe and obtained the qualification of national foreign aid project implementation enterprise, further expanding the overseas market; won

the bid for the Shenzhen Airport South Domestic Transshipment Depot Project, successfully implementing the market strategy of Guangdong-Hong Kong-Macao Greater Bay Area; and won the bid for Beijing Yongfeng Industrial Base Energy Center Project to practice green development and continue to develop the market of comprehensive energy field.

The Company continued to improve its governance system, innovated in investor relations, strengthened communication with stakeholders through multiple measures, actively rewarded shareholders, and continuously improved its brand value. The Company won the “Best Investment Value Award for Listed Companies” of the 12th China Securities Golden Bauhinia Awards and the China Top 100 Listed Companies Award. At the same time, the Company have taken the initiative to fulfill its social responsibility, practiced the “Carbon Peak and Carbon Neutrality” strategy and integrated green development into the overall high-quality development.

In 2023, facing the challenges of global industrial chain adjustment and restructuring, the global economy is facing downward pressure. Under the theme of “high-quality development”, the Company will seize the development opportunities in the new era, make efforts to promote scientific and technological self-reliance and self-improvement, accelerate the construction of aviation products, vigorously promote the construction of talent projects in the new era, deepen the implementation of the medium and long-term development plan and actively manage various of risks. The Group will focus on development strategies, and accelerate the construction of a modern aviation high-tech industrial group to promote high-quality development.

1. The Group will promote the integration of helicopter business and the long-term development of helicopter business, grasp the opportunity of the development of aviation emergency rescue equipment, increase the development and production of emergency rescue equipment, and support the construction of the helicopter base in Tianjin, so as to build a world class helicopter industry group;
2. The Group will complete the professional integration of avionics and electromechanical systems, accelerate the development of aviation ancillary system, enhance the efficiency of resource allocation, bring into play the synergy effect, so as to build a world class system integration provider with international competitiveness;
3. The Group will further enhance the quality of the listed company, actively strive to inject more high-quality resources, continuously optimize the capital structure and shareholder structure, constantly identify M&A targets in the aviation industry, and actively explore market incentives measures of listed company;
4. The Group will deepen the cooperation with the domestic aviation research institutions, make efforts in the field of green aviation and intelligent aviation, unite our strength to carry out original and leading scientific and technological researches, contributing to the realization of

high-level scientific and technological self-reliance and self-improvement for the Chinese aviation industry;

5. The Group will adhere to independent innovation in the interconnection system business, comprehensively build the capacity of systematic comprehensive links solutions, actively expand emerging market areas, speed up the breakthrough of innovative and leading core technologies, and lead new fields and new tracks with first-class technologies;
6. The Group will strengthen and refine the main business of the aviation engineering services to enhance market-oriented operation capability, achieve precise market breakthroughs, deepen fine management and improve the overall operation quality of project; and
7. The Group will enhance communication with the market, innovative ways of investor relations activities, strengthen the publicity and promotion of aviation high-tech industry, and let investors have a deep understanding of the Company's business, maintain the positive profile of the Company in the capital market and enhance the value contribution of our brand.

Cash Flow and Financial Resources

1 *Liquidity and Capital Resources*

As at 31 December 2022, the Group's cash and cash equivalents amounted to RMB34,890 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 2022 and 2021 were as follows:

Main items of cash flow	<i>Unit: RMB million (except for percentage)</i>			
	2022	2021	Changes (amount)	Changes rate (percentage)
Net cash flows from operating activities	10,358	2,245	8,113	361.38%
Net cash flows(used in) from investing activities	(1,613)	(1,942)	329	16.94%
Net cash flows from financing activities	2,477	424	2,053	484.20%

2 Operating, Investing and Financing Activities

Net cash inflows from operating activities of the Group for 2022 amounted to RMB10,358 million, representing an increase of net inflows by RMB8,113 million as compared with the net cash inflows of RMB2,245 million in the corresponding period of the preceding year, which was mainly attributable to the increase of the advanced prepayments by customers during the Reporting Period.

Net cash outflows from investing activities of the Group for 2022 amounted to RMB1,613 million, representing a decrease of net outflows by RMB329 million as compared with the net cash outflows of RMB1,942 million in the corresponding period of the preceding year, which was mainly attributable to the decrease of the fixed deposits of more than three months.

Net cash inflows from financing activities of the Group for the year 2022 amounted to RMB2,477 million, representing an increase of net inflows by RMB2,053 million as compared with the net cash inflows of RMB424 million in the corresponding period of the preceding year, which was mainly attributable to the increase of borrowings made by certain subsidiaries.

As at 31 December 2022, the Group's total borrowings amounted to RMB11,229 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 RMB6,011 million, RMB2,887 million and RMB2,331 million, respectively.

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

Maturity	<i>RMB million</i>
Within one year	2,887
In the second year	724
In the third to fifth year	1,534
After the fifth year	73
Total	5,218

As at 31 December 2022, the Group's bank borrowings amounted to RMB4,878 million with a weighted average interest rate of 3% per annum, accounting for 43.44% of the total borrowings. Other borrowings amounted to RMB6,351 million with a weighted average interest rate of 3% per annum, accounting for 56.56% of the total borrowings.

As at 31 December 2022, there was no significant balance of borrowings denominated in foreign currencies.

Gearing Ratio

As at 31 December 2022, the Group's gearing ratio was 7.80% (as at 31 December 2021: 7.90%), which was arrived at by dividing the total borrowings by the total assets as at 31 December 2022.

Contingent Liabilities

As at 31 December 2022, the Group had no significant contingent liabilities.

Guaranteed and Secured Loans

As at 31 December 2022, the Group's mortgage and pledge borrowings amounted to RMB158 million, of which RMB68 million was secured by house buildings with a net book value of RMB8 million; RMB90 million was secured by notes receivables and accounts receivables with a net book value of approximately RMB90 million.

Borrowings placed under guarantees amounted to RMB86 million, of which RMB82 million represented guarantees amongst the members of the Group, and RMB4 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 2022, a total of RMB5,521 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 (the ‘**H Share Placing**’). As at the date of this announcement, the Company has utilized the net proceeds from the H Share Placing according to the plans as disclosed in the announcement of the Company dated 14 December 2018. However, due to factors such as the COVID-19 pandemic, the Company was unable to implement the potential acquisition of aviation equity interest or aviation assets. As affected by the international situation and the macroeconomic environment, the timeline for completion of utilization of the net proceeds from the H Share Placing may be delayed from the planned timetable, The Company will continue to disclose the progress of the actual utilization of the net proceeds from the H Share Placing in its future periodic reports. Set out below is the information regarding the use of proceeds from the H Share Placing:

Use of proceeds from the HShare Placing	Net proceeds utilized for the year ended 31 December 2022	Utilized net proceeds up to 31 December 2022	Unutilized net proceeds as of 31 December 2022	Expected timeline for completion of utilization of the net proceeds
Investment in aviation product businesses, the industrialization projects of aviation research institutes and industry investment fund for aviation business, the funding of acquisitions of aviation equity interest or aviation assets and for general corporate purposes	Nil	Approximately RMB963 million, of which approximately RMB812 million was used in investment in aviation product businesses and approximately RMB 151 million was used in industrialization projects of aviation research institutes and investment fund for aviation business	Approximately RMB 231 million will all be intended to use in investment in aviation product businesses	2024 or before

Employees

As at 31 December 2022, the Group had 47,475 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	16,212	34.15
Aviation ancillary system and related business	28,678	60.41

Aviation engineering services business and others	2,585	5.44
Total	47,475	100.00

For the year ended 31 December 2022, the total staff costs of the Group amounted to RMB12,343 million, representing an increase of RMB1,163 million or 10.40% as compared with those of RMB11,180 million in the corresponding period of the preceding year.

Purchase, Sale and Redemption of Listed Securities

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2022.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies during the Reporting Period

On 10 June 2022, (1) AVIC Avionics and AVIC Electromechanical have entered into the Share Swap and Absorption Agreement, pursuant to which AVIC Avionics has agreed to issue AVIC Avionics A Shares to the Share Swap participating shareholders of AVIC Electromechanical as at the Share Swap Date in exchange for the AVIC Electromechanical A Shares held by them at an exchange ratio of 1 AVIC Electromechanical A Shares to 0.6605 AVIC Avionics A Share. (2) Conditional upon the Share Swap and Absorption Agreement becoming effective, AVIC Avionics also intended to place AVIC Avionics A Shares to not more than 35 designated investors to raise fund at a total amount not exceeding RMB5, 000 million. AVIC Avionics has entered into the Subscription Agreements with the Company, AVIC Aviation Industry Investment Co., Ltd.* (中航航空產業投資有限公司) (“**AVIC Aviation Industry Investment**”), AVIC Shenfei Aircraft Company Limited* (中航沈飛股份有限公司) (“**AVIC Shenfei**”) and AVIC Chengdu Aircraft Industrial (Group) Co., Ltd.* (成都飛機工業(集團)有限責任公司) (“**Chengdu Aircraft Industry**”), respectively. Pursuant to the Subscription Agreements, subject to the Completion, (i) the Company has agreed to subscribe for AVIC Avionics A Shares at a total consideration of RMB500 million in cash; (ii) AVIC Aviation Industry Investment agreed to subscribe for AVIC Avionics A Shares at a total consideration of RMB300 million in cash; (iii) AVIC Shenfei has agreed to subscribe for AVIC Avionics A Shares at a total consideration of RMB180 million in cash; and (iv) Chengdu Aircraft Industry has agreed to subscribe for AVIC Avionics A Shares at a total consideration of RMB180 million in cash. and (3) the Company and AVIC Airborne Systems Co., Ltd.* (中航機載系統有限公司) (“**AVIC Airborne Systems**”) have entered into the Entrusted Voting Arrangement Agreement,

pursuant to which, after the completion of the Share Swap and Absorption and the Subscription and the Entrusted Voting Arrangement becoming effective, the Company will be able to exercise approximately 42.48% voting right in AVIC Avionics. AVIC Avionics will continue to be a subsidiary of the Company and consolidated in the consolidated financial statements of the Company. As the highest applicable percentage ratio calculated pursuant to Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) in respect of the acquisition of AVIC Electromechanical under the Share Swap and Absorption exceeds 100%, the Share Swap and Absorption, if materialised, will constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Furthermore, upon completion of the Share Swap and Absorption, the shareholding the Company in AVIC Avionics will reduce from 39.43% to 16.92%. Therefore, the Share Swap and Absorption will also constitute a Deemed Disposal of AVIC Avionics under the Listing Rules. As at the date of this announcement, AVIC Electromechanical is a connected person of the Company by virtue of being owned as to 51.97% by AVIC, directly and indirectly through several of its subsidiaries. The Company has no interest in AVIC Electromechanical as at the date of this announcement. Therefore, the Share Swap and Absorption constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Upon completion of the Subscription, the shareholding of the Company in AVIC Avionics will reduce from 16.92% to 16.52%. Therefore, the Subscription of AVIC Avionics A Shares by the Company will constitute a Deemed Disposal of AVIC Avionics under the Listing Rules. As at the date of this announcement, AVIC Avionics is a subsidiary of the Company. Furthermore, it is a connected subsidiary of the Company by virtue of being owned as to 16.41% by AVIC Airborne Systems, a wholly-owned subsidiary of AVIC. Therefore, the Subscription of AVIC Avionics A Shares by the Company, if materialised, will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. AVIC Aviation Industry Investment is an indirect non wholly-owned subsidiary of AVIC, AVIC Shenfei is a non-wholly-owned subsidiary of AVIC and Chengdu Aircraft Industry is a wholly-owned subsidiary of AVIC. Therefore, AVIC Aviation Industry Investment, AVIC Shenfei and Chengdu Aircraft Industry are connected persons of the Company. Accordingly, the Subscription of AVIC Avionics A Shares by AVIC Aviation Industry Investment, AVIC Shenfei and Chengdu Aircraft Industry, if materialised, will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcements of the Company dated 26 May and 10 June 2022 and the circular dated 29 September 2022.

On 9 January 2023, (1) the Company, AVICOPTER and AVIC have reached the indicative agreement of the Agreement on the Acquisition of Assets by Issue of Shares, pursuant to which AVICOPTER intends to purchase approximately 92.43% equity interests in Changhe Aircraft and approximately 80.79% equity interests in Harbin Aircraft from the Company, and purchase approximately 7.57% equity interests in Changhe Aircraft and approximately 19.21% equity interests

in Harbin Aircraft from AVIC (Changhe Aircraft and Harbin Aircraft are collectively known as the “**Target Companies**”) by way of issuing consideration shares to the Company and AVIC. AVICOPTER intends to acquire the Target Assets by issuing new shares to the Company and AVIC as consideration. The final consideration of the Target Assets will be determined with reference to the valuation results stated in the valuation report in respect of the Target Assets issued by an appraisal agency which meets the requirements specified in the Securities Law of the People’s Republic of China, and the valuation report shall be filed with the competent state-owned assets supervision authority and will be confirmed in supplemental agreement(s) to be signed by the parties. As at the date of this announcement, AVIC is the controlling shareholder of the Company holding directly and indirectly approximately 62.30% of the total issued shares of the Company. AVIC is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, upon the Agreement on the Acquisition of Assets by Issue of Shares becoming effective, the proposed transfer of equity interests in the Target Companies held by AVIC to AVICOPTER and the issue of shares of AVICOPTER to AVIC as consideration (if materialised) shall constitute connected transaction of the Company under Chapter 14A of the Listing Rules. In addition, upon the Agreement on the Acquisition of Assets by Issue of Shares becoming effective, the transfer of equity interests in the Target Companies held by the Company and the issue of shares of AVICOPTER to the Company as consideration (if materialised) shall constitute notifiable transaction of the Company under Chapter 14 of the Listing Rules. (2) AVICOPTER intends to issue shares to the Company, AVIC Airborne Systems Co., Ltd.* (中航機載系統有限公司) (“**AVIC Airborne Systems**”), which is a wholly-owned subsidiary of AVIC, and not more than 33 other third parties by a proposed non-public placing of new shares (the “**Raising of Supporting Funds**”). The Company and AVIC Airborne Systems intend to subscribe for part of the non-public portion of the issue of shares by AVICOPTER, respectively, by cash. The total funds to be raised under the Raising of Supporting Funds are not expected to exceed 100% of the consideration under the Agreement on the Acquisition of Assets by Issue of Shares, and the number of shares to be issued is not expected to exceed 30% of the total share capital of AVICOPTER after the completion of the Acquisition of Assets by Issue of Shares. AVICOPTER has entered into the indicative agreements of the Share Subscription Agreements, respectively, pursuant to which the Company intends to subscribe shares in the amount of RMB200 million under the Raising of Supporting Funds. AVIC Airborne Systems intends to subscribe shares in the amount of RMB100 million under the Raising of Supporting Funds. As at the date of this announcement, AVIC is the controlling shareholder of the Company holding directly and indirectly approximately 62.30% of the total issued shares of the Company, AVIC Airborne Systems is a wholly-owned subsidiary of AVIC. AVIC Airborne Systems is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, upon the Share Subscription Agreements becoming effective, the share subscription by AVIC Airborne Systems pursuant to the Raising of Supporting Funds (if materialised) shall constitute connected transaction of the Company

under Chapter 14A of the Listing Rules. In addition, upon the Share Subscription Agreements becoming effective, the Raising of Supporting Funds (if materialised) shall constitute notifiable transaction of the Company under Chapter 14 of the Listing Rules. For details, please refer to the announcements of the Company dated 23 December 2022 and 9 January 2023.

Save as disclosed above, no other material acquisitions and disposals of subsidiaries and associated companies of the Group occurred during the Reporting Period.

Other Significant Events during the Reporting Period

On 13 January 2022, the non-public issuance of A Shares (the “**Non-public Issuance**”) by JONHON Optronic has been completed. The total number of shares of JONHON Optronic in issue has been increased by 35,576,016 A shares in the issue price of RMB95.57 per share, as a result of the completion of the Non-public Issuance. The Company has subscribed for 2,092,706 A shares of JONHON Optronic. As at the date of this announcement, the Company holds 36.73% of the equity of JONHON Optronic. For details, please refer to the announcements of the Company dated 13 January 2022 and 9 July 2021.

On 21 February 2022, Harbin Aviation Industry (Group) Co., Ltd.* (哈爾濱航空工業(集團)有限公司) (the “**Harbin Aviation Group**”) and AVIC Helicopter Co., Ltd.* (中航直升機有限責任公司) (the “**AVIC Helicopter**”), two subsidiaries of the Company, each entered into a state-owned equity transfer agreement (the “**Agreement**”) with the Company. Pursuant to the Agreement, each of Harbin Aviation Group and AVIC Helicopter agrees to transfer to the Company (the “**Transfer**”) 157,428,702 A Shares in AVICOPTER (a non-wholly owned subsidiary of the Company whose A Shares are listed on the Shanghai Stock Exchange) held by Harbin Aviation Group, representing 26.71% of the total issued shares of AVICOPTER, and 75,350,398 A Shares in AVICOPTER held by AVIC Helicopter, representing 12.78% of the total issued shares of AVICOPTER. The aggregate A Shares to be transferred by Harbin Aviation Group and AVIC Helicopter to the Company are 232,779,100 A Shares, representing 39.49% of the total issued shares of AVICOPTER, which shall be directly held by the Company. At the same time, Harbin Aviation Group and AVIC Helicopter shall reduce their respective issued share capital and capital reserve. As at the date of this announcement, the Transfer has been completed. The direct shareholding of the Company in AVICOPTER is 271,431,658 A Shares, and the percentage of direct shareholding of the Company in AVICOPTER increases from 6.56% to 46.05%. The Transfer further optimizes the shareholding structure of the helicopter business of the Group, laying a solid foundation for the development of the helicopter business of the Group. For details, please refer to the announcements of the Company dated 21 February 2022 and 25 August 2022.

Save as disclosed above, no other significant events of the Group occurred during the Reporting Period.

Change of Directors, Supervisors and Senior Management

Due to change in work arrangement, on 30 August 2022, Mr. Li Xichuan applied to the Board for resignation from his position as non-executive Director and the member of the Development and Strategy Committee. At the extraordinary general meeting held on 26 October 2022, the Shareholders in attendance considered and approved the resolution in relation to the appointment of Mr. Liu Bingjun as a non-executive Director of the Company with a term of office commencing from the approval at the general meeting until the date on which the resolution relating to the election of the new session of the Board is resolved at the annual general meeting to be convened in 2024.

Due to change in work arrangement, on December 2022, Mr. Liu Wanming applied to the Board for resignation from his position as deputy general manager.

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

Due to change in work arrangement, on 21 February 2023, Mr. Yan Lingxi applied to the Board for resignation from his position as general manager. At the Board meeting held on 21 February 2023, the Board considered and approved the resolution in relation to the appointment of Mr. Sun Jizhong as the general manager of the Company, with his term of office commencing from the date of approval of such resolution at the Board meeting to the date on which the term of office of the seventh session of the Board expires. At the same time, Mr. Sun Jizhong has been nominated as candidates for executive Director, for a term of office commencing from the date on which his proposed appointment is approved at the general meeting of the Company until the date on which the election of the new session of the Board is resolved at the annual general meeting to be convened in 2024.

Results, Dividend and Dividend Policy

The Board recommended the payment of a final dividend for the year 2022 in an aggregate amount of RMB616,906,579.36, representing a dividend of RMB0.08 per share (2021: RMB0.08 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 Friday, 2 June 2023 (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 Sunday, 28 May 2023 to Friday, 2 June 2023 (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, 25 May 2023.

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 Thursday, 18 May 2023 (the "**2022 AGM**"). Subject to the approval of the Company's shareholders at the 2022 AGM, the aforementioned dividend is expected to be paid by the Company on or before 30 June 2023.

The 2022 AGM will be held on Thursday, 18 May 2023. The H share register of members of the Company will be closed from Friday, 28 April 2023 to Thursday, 18 May 2023 (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 Thursday, 18 May 2023 are entitled to attend and vote at the 2022 AGM. In order to be eligible to attend and vote at the 2022 AGM, holders of the Company's H shares shall lodge all transfer instruments together with the relevant share certificates with Computershare Hong Kong Investor Services Limited, the Company's H shares register, not later than 4:30 pm on Thursday, 27 April 2023.

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

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

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

Audit and Risk Management Committee

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

The Board has established the Audit and Risk Management Committee in carrying out the duty of assisting the Board and independently monitoring the financial operation, audit procedures and the risk management operation of the Company. The Terms of Reference of the Audit and Risk Management Committee were amended in accordance with the actual situation of the Company and the Guide for the Effective Audit Committee issued by the Hong Kong Institute of Certified Public Accountants and the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules (as amended from time to time).

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

The Audit and Risk Committee had reviewed the Group's annual results and consolidated financial statements for the year ended 31 December 2022.

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 2022 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 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 Listing Rules and the Shares Trading Management Rules for Directors, Supervisors, Senior Management and Employees 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 2022.

The Annual Report

The annual report of the Company for the year ended 31 December 2022 will be despatched 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.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND THE RULES GOVERNING THE OPERATION OF SHAREHOLDERS’ GENERAL MEETING

Proposed Amendments to the Articles of Association

On 15 March 2023, the Board proposed to amend the articles of associations of the Company (the “**Articles of Association**”) as follows:

- 1. To amend Article 1 of the Articles of Association as the administrative regulations such as the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) will be repealed on 31 March 2023:**

Article 1 AviChina Industry & Technology Company Limited (hereinafter referred to as “**the Company**”) is incorporated in accordance with the provisions of the Company Law of the People's Republic of China (hereinafter referred to as **the “Company Law**”), ~~the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies, the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, and the Letter of Opinion on Supplemental Amendment to Articles of Association of Companies~~

~~Listing in Hong Kong~~ and other laws and administrative regulations of China.

2. To amend Article 48 of the Articles of Association in accordance with Appendix 3 to the Listing Rules:

Article 48 Holders of ordinary shares of the Company shall enjoy the following rights:

1. collect dividends and other profit distributions on the basis of the number of shares held by them;
2. participate or to appoint proxies to participate in shareholders' meetings and exercise speaking rights and voting rights;
3. supervise and manage the Company's business activities, and raise suggestions or inquiries;
4. transfer share in accordance with laws, administrative regulations and the Articles of Association;
5. obtain relevant information in accordance with the Articles of Association, which shall include:
 - (1) obtaining the Articles of Association after payment of a charge to cover costs;
 - (2) being entitled to browse for free and make a copy, after payment of reasonable charges, of:
 - (a) all parts of the register of shareholders; and
 - (b) the minutes of the shareholders' meetings;
 - (3) being entitled to browse and make a copy, after payment of reasonable charges, of:
 - (a) personal information on the directors, supervisors, manager and other senior management staff of the Company, including:
 - (a.1) current and previous names and aliases;
 - (a.2) main address (domicile);
 - (a.3) nationality;
 - (a.4) full-time and all other part-time occupations and duties; and
 - (a.5) identification documents and their numbers.
 - (b) the status of the Company's share capital; and
 - (c) reports of the aggregate par value, number of shares, and highest and lowest prices of each class of shares bought back by the Company since the last fiscal year as well as all the expenses paid by the Company therefor; ~~and~~
 - (e) ~~the minutes of shareholders' meetings;~~
6. participate in the distribution of the remaining property of the Company according to their shareholding when the Company is terminated or liquidated; and

7. other rights conferred by laws, administrative regulations and the Articles of Association.

3. To amend Article 64 of the Articles of Association in accordance with Appendix 3 to the Listing Rules:

Article 64 The instrument appointing a proxy to vote shall be delivered to the address of the Company or any other place designated in the notice of the meeting at least 24 hours before the convening of the meeting to which such instrument is relevant, or 24 hours before the designated time for voting. If the instrument is signed by the other person authorized by the appointer, the power of attorney authorizing the signature or other authorization documents shall be notarially certified. Such power of attorney or other authorization documents notarially certified, together with the instrument appointing the proxy shall be placed at the address of the Company or any other place designated in the notice of the meeting.

If the appointer is a legal person, its legal representative or such person authorized by a resolution of the board of directors or other decision-making body of such legal person can attend at any shareholders' general meeting of the Company as a representative of the appointer.

If a shareholder is a recognized clearing house (or its proxy), it could authorize one or more persons it considers appropriate as its representative at any shareholders' general meeting ~~or~~ any class shareholders' meeting; or any creditors' meeting, however, if more than one person are so authorized, the authorization letter should specify the number and class of shares relating to each of the authorized persons. The authorized person can represent a recognized clearing house (or its proxy) to exercise its rights (including speaking rights and voting rights) in the same manner as it is an individual shareholder of the Company.

4. To amend Article 67 of the Articles of Association in accordance with the Company Law of the People's Republic of China (the "Company Law"):

Article 67 Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution must be passed by more than half (excluding half) of the voting rights represented by the shareholders (including proxies) present at the meeting.

A special resolution must be passed by more than two-thirds of the voting rights represented by

the shareholders (including proxies) present at the meeting.

The proposed amendments to the Articles of Association will be submitted for the consideration and approval of the Shareholders by way of special resolution at the 2022 AGM of the Company.

Proposed Amendments to the Rules Governing the Operation of Shareholders' General Meetings

On 15 March 2023, the Board also proposed to amend the rules governing the operation of shareholders' general meetings of the Company (the "**Rules Governing the Operation of Shareholders' General Meetings**") as follows:

- 1. To amend Article 1 of the Rules Governing the Operation of Shareholders' General Meetings as the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) will be repealed on 31 March 2023:**

Article 1 To define the duties and authorities of the shareholders' meeting of AviChina Industry & Technology Company Limited (hereinafter referred to as the "**Company**") and regulate the operation of the shareholders' meeting. These Rules are hereby formulated in accordance with the Company Law of the People's Republic of China (hereinafter referred to as the "**Company Law**"), ~~the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas~~, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "**Listing Rules**") and other laws and regulations governing domestic and overseas companies and the Articles of Association of AviChina Industry & Technology Company Limited (hereinafter referred to as the "**Articles of Association**").

- 2. To amend the following articles of the Rules Governing the Operation of Shareholders' General Meetings pursuant to the latest provisions of the Company Law and other laws and administrative regulations as well as the Articles of Association:**

Article 23 Unless otherwise provided by the relevant laws, regulations, the Listing Rules and the Articles of Association regarding the means of shareholders communication, or waived by all shareholders of the Company on the receipt of a written notice, a written notice of a general meeting shall be given no less than ~~thirty (30) days~~ twenty (20) days prior to the annual general meeting or fifteen (15) days prior to the extraordinary general meeting, by notifying all of the shareholders who are registered on the register of members of the Company of the matters to be

considered at the meeting and the date and the place of the meeting. ~~A shareholder who intends to attend the shareholders' meeting should send his written reply to the company 20 days before the holding of the meeting.~~

~~**Article 29** Shareholders and their authorised proxies who intend to attend the shareholders' general meeting shall deliver a written reply to the company 20 days before the meeting is convened. The company shall compute the number of shares with voting rights represented by the shareholders and their authorised proxies who intend to attend the meeting based on the written replies received 20 days before the shareholders' general meeting. Where the number of shares with voting rights represented by the shareholders intending to attend the meeting is more than half of the company's total number of shares with voting rights, the company may convene a shareholders' general meeting. Where the shareholders are not represented, the company shall notify the shareholders once again through a public announcement within five days of the matters proposed to be discussed at the meeting and the date and venue of the meeting. Upon notification of the public announcement, the company may convene a shareholders' general meeting.~~

3. To amend Article 35 of the Rules Governing the Operation of Shareholders' General Meetings in accordance with Appendix 3 to the Listing Rules and the Articles of Association:

Article 35 Shareholders shall be registered to attend general meetings. Shareholders registering for a meeting should provide the following documents.

1. A natural person shareholder should present his/her identity document and provide information that enables the Company to confirm his/her identity as a shareholder. A proxy authorised by a shareholder to attend the meeting shall present his or her identity document, the proxy form and provide documents that enable the Company to confirm the identity of the principal as a shareholder.
2. Where the legal representative of a corporate shareholder attends the meeting, he/she shall present his/her identity document, proof of his/her legal representative status and provide documents that enable the Company to confirm the identity of the corporate shareholder. Where a proxy is appointed to attend a meeting, the proxy shall present his or her identity document, a written power of attorney issued by the legal representative of the corporate shareholder or a notarised copy of the authorisation resolution of the board of directors or other decision-making body of the corporate shareholder, and a document enabling the Company to confirm the identity of the principal as a shareholder.

Any shareholder who is a recognized clearing house (a “**Recognized Clearing House**”) within the meaning of the applicable laws at the place where the shares of the Company are listed or its proxy may authorize one or more persons it considers appropriate as its representative at any shareholders’ general meeting ~~or~~ any class shareholders’ meeting or any creditors’ meeting to act as its representative; provided, however, that if more than one persons are so authorized the powers of attorney shall set forth the number and class of shares in respect of which each such persons is so authorized. Any person so authorized may exercise all the rights, including the right to speak and vote, on behalf of the Recognized Clearing House (or its proxy) as if that person were an individual shareholder in the Company.

4. To amend Article 50 of the Rules Governing the Operation of Shareholders’ General Meetings in accordance with the Company Law:

Article 50 Resolutions of the General Meeting shall consist of ordinary resolutions and special resolutions.

1. Ordinary Resolution

An ordinary resolution must be passed by ~~at least one-half a~~ majority of the voting rights represented by the shareholders (including proxies) present at the meeting.

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The proposed amendments to the Rules Governing the Operation of Shareholders’ General Meetings are subject to the consideration and approval of the Shareholders by way of a special resolution at the 2022 AGM of the Company.

A notice of the 2022 AGM and a circular containing, among other things, the proposed amendments to the Articles of Association and the Rules Governing the Operation of Shareholders’ General Meetings will be despatched to the Shareholders in due course.

CHANGES IN COMPOSITION OF THE MEMBERS OF THE SPECIAL COMMITTEES OF THE BOARD

The Board is pleased to announce that, on 15 March 2023, Mr. Yan Lingxi was appointed as the chairman of the Development and Strategy Committee and a member and the chairman of the

Nomination Committee, and Mr. Liu Bingjun was appointed as a member of the Development and Strategy Committee.

By Order of the Board
AviChina Industry & Technology Company Limited*
Yan Lingxi
Chairman

Beijing, 15 March 2023

As at the date of this announcement, the Board comprises executive Director Mr. Yan Lingxi, non-executive Directors Mr. Lian Dawei, Mr. Liu Bingjun, Mr. Xu Gang and Mr. Wang Jun, as well as independent non-executive Directors Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping.

** For identification purpose only*