



AviChina Industry & Technology Company Limited
中国航空科技工业股份有限公司
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code : 2357)



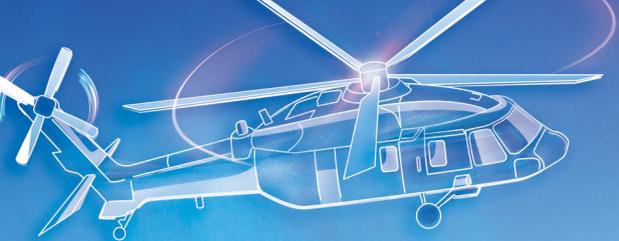
2022

Annual Report



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Company Profile

The Company is a joint stock limited company established in the PRC on 30 April 2003. The Company's H Shares have been listed on the Hong Kong Stock Exchange since 30 October 2003 (stock code: 2357). As at the date of this report, the shareholders of the Company mainly include AVIC, Airbus and Tianjin Free Trade Zone Investment.

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

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



PRINCIPAL PRODUCTS OF THE GROUP

Helicopter: Z-series and AC series;

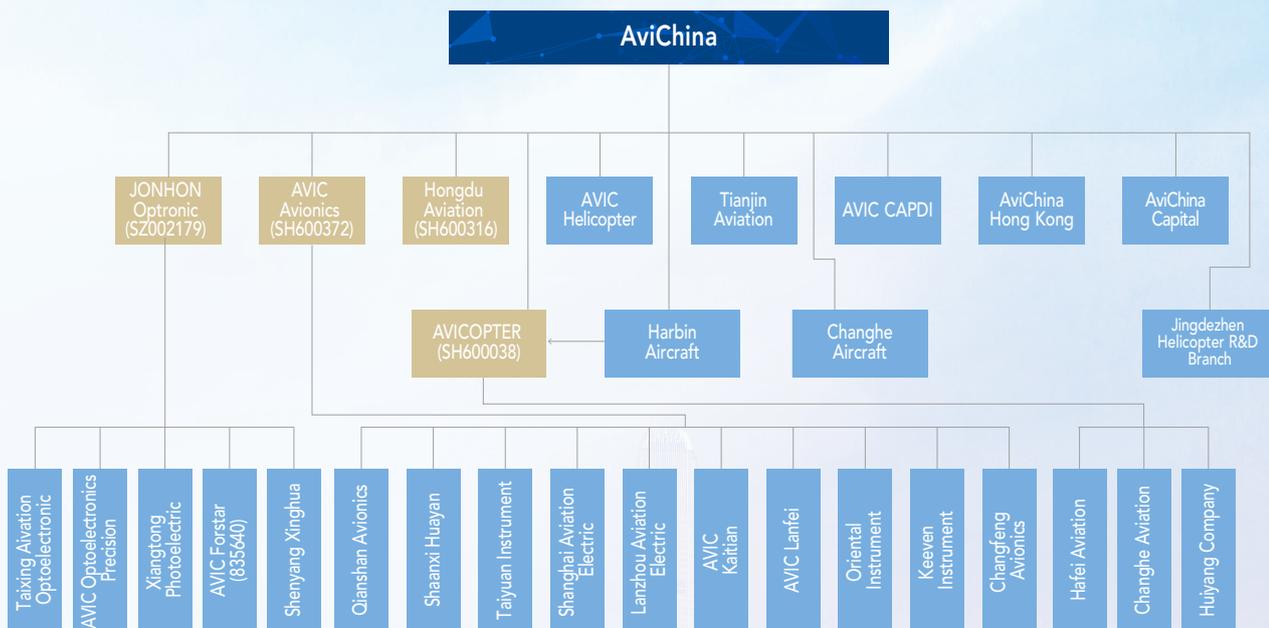
Trainer: L15, K8 and CJ-6 (PT-6) trainers series;

General-purpose aircraft: Y-12 multi-purpose aeroplanes series and the N-5 agricultural aeroplanes series;

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

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

CORPORATE STRUCTURE OF THE GROUP





Financial Highlights

CONSOLIDATED PROFIT AND LOSS

(Prepared under China Accounting Standards for Business Enterprises)
(RMB million, other than basic and diluted earnings per share)

	For the year ended 31 December		
	2022	2021	Changes
Revenue	63,639	60,296	5.54%
Profit before tax	5,248	5,315	-1.26%
Net profit attributable to the owners of the parent company	2,216	2,369	-6.46%
Gross profit margin	22.60%	21.06%	1.54 percentage points
Earnings per share (RMB)			
– Basic	0.287	0.307	-6.51%
– Diluted	0.287	0.307	-6.51%

CONSOLIDATED ASSETS AND LIABILITIES

(Prepared under China Accounting Standards for Business Enterprises)
(RMB million)

	As at 31 December		
	2022	2021	Changes
Total assets	144,006	133,889	7.56%
Total liabilities	85,853	79,123	8.51%
Minority equity	30,029	27,859	7.79%
Shareholders' equity attributable to parent company	28,124	26,907	4.52%

Financial Highlights

Financial information on the Group's comprehensive business in the recent five years starting from 1 January 2018 is summarized as follows:

(Prepared under China Accounting Standards for Business Enterprises)

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

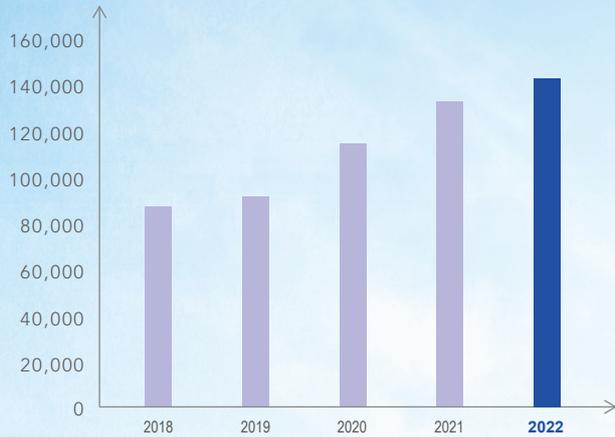
	As at 31 December/For the year ended 31 December				
	2022	2021	2020	2019	2018
Total assets	144,006	133,889	115,587	92,209	88,126
Total liabilities	85,853	79,123	69,483	53,252	52,734
Minority equity	30,029	27,859	23,173	20,095	18,201
Shareholders' equity attributable to parent company	28,124	26,907	22,930	18,862	17,191
Revenue	63,639	60,296	50,924	42,906	35,865
Profit before tax	5,248	5,315	4,268	3,186	2,840
Net profit attributable to the owners of the parent company	2,216	2,369	1,932	1,360	1,261
Gross profit margin	22.60%	21.06%	20.88%	21.49%	21.97%
Earnings per share (RMB)					
– Basic	0.287	0.307	0.250	0.220	0.215
– Diluted	0.287	0.307	0.250	0.220	0.215



Financial Highlights

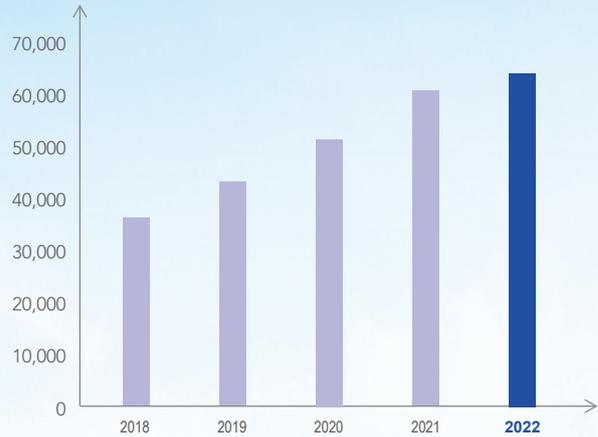
TOTAL ASSETS

(RMB million)



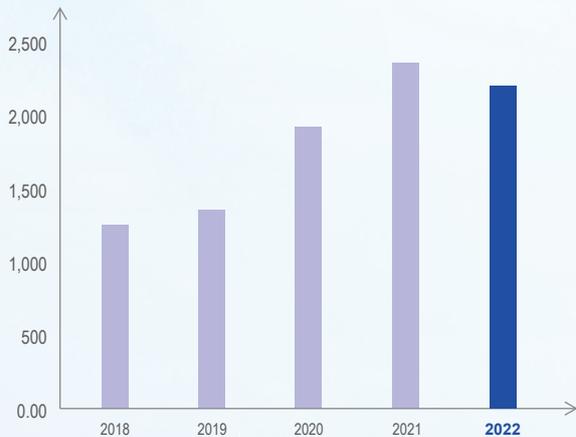
REVENUE

(RMB million)



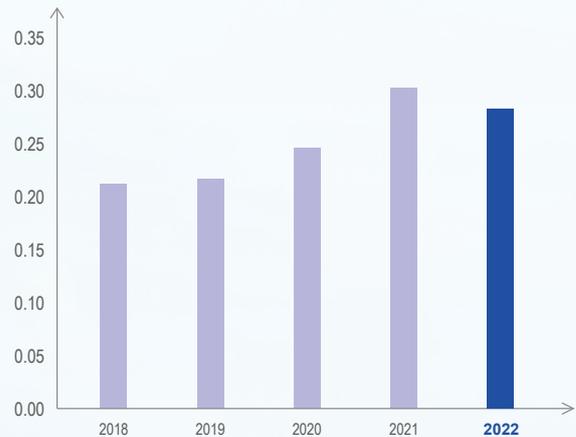
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

(RMB million)



BASIC EARNINGS PER SHARE OF THE COMPANY

(RMB)



Chairman's Statement



Yan Lingxi
Chairman

To all Shareholders:

On behalf of the Board of the Company, I am pleased to present the consolidated annual results for the year 2022 of AviChina Industry & Technology Company Limited (the "Company") and its subsidiaries (the "Group").

The year 2023 marks the 20th anniversary of the listing of the Company. Looking back, along with the continuous growth of China's economy and the increasing comprehensive national strength, the aviation industry has entered in a new era of prosperous development. The Company has ridden on the momentum and risen up to the challenges. We adhere to our original aspiration and stick to our strategies. We have continuously improved the industrial chain, led the industry in technological innovation, expanded our business scale, maintained stable profitability and actively rewarded our shareholders. We have united the efforts of the capital market and initiated a number of asset restructuring to boost the development of aviation industry and technology, achieving great results.

ANNUAL RESULTS

For the year ended 31 December 2022, the Group recorded a revenue of RMB63,639 million, and the net profit attributable to the owners of the parent company amounted to RMB2,216 million.



Chairman's Statement

BUSINESS REVIEW

In 2022, in the face of uncertain international environment and the onerous task of domestic reform, development and stability, China has steadily improved the development quality of the national economy although impacted by unexpected factors. AVIC, the Company's controlling Shareholder, has overcome many difficulties such as the spread of the pandemic, and focused on supporting reform and innovation, continuously enhancing its development momentum and setting a new record in research and production. In the new era of aviation industry, we have made great achievements in the past ten years. Large passenger aircraft completed all the airworthiness certification and received the type certificate issued by the Civil Aviation Administration of China (CAAC). New aircraft models made their public debut. New breakthroughs were made in exporting aviation products. AG600M full state new fire-fighting aircraft made their maiden flights, achieving a new breakthrough in aviation emergency rescue equipment. The new generation of aviation products was unveiled at the China Airshow, which demonstrates the spirit of China. The three-year action of reforming state-owned enterprises was completed as scheduled. AVIC was listed in the Fortune Global 500 for the 14th successive year with the ranking of 144, and was ranked the second among the global 500 top companies in the aerospace and defense industry.

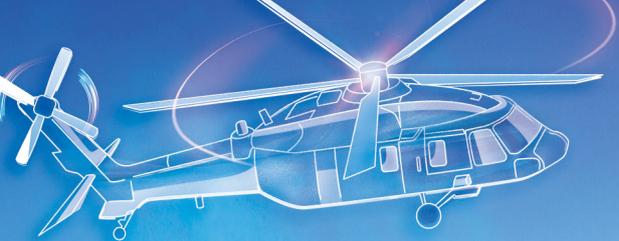
Against the background of the vigorous development of AVIC, in 2022, the Company committed itself to building a world-class aviation high-tech industry group, adhered to the concept of green aviation development, practiced the "dual carbon" strategy and actively promoted various tasks. AVIC Avionics conducted the share swap and absorption of AVIC Electromechanical, making a solid step forward in creating a flagship listing platform for airborne systems. The Company further optimized the shareholding structure of the helicopter business and actively promoted the business integration, with the prospect of sustainable and rapid development. The large multi-purpose civil helicopter AC313A successfully made its maiden flight. The advanced medium-sized multi-purpose civil helicopter AC352 obtained the type certificate. The AC332 helicopter completed all designed tests before the first flight. The Company accelerated the construction of Tianjin civil helicopter industry base. The production, test flight and delivery of L15 advanced trainer have been steadily advanced. The first contract has been signed for civil CJ-6. Aviation ancillary system provided assistance for the AG600 full state new fire-fighting aircraft. The whole value chain services of aviation engineering services was improved. The Company participated in the IPO strategic placement of Guobo Electronics Co., Ltd., a provider of active phased array T/R components, on the STAR Market, actively deploying investments in the aviation industry chain. We have improved our corporate governance system and continued to enhance our brand value. The Company was awarded the Golden Bauhinia "The Best Investment Value Award for Listed Companies". AVIC Forstar was awarded the "Most Valuable 10 Listed Companies on Beijing Stock Exchange" and JONHON Optronics was awarded the "Most Valuable 100 Listed Companies on the Main Board" and "Top 100 ESG Listed Companies in China".

OUTLOOK

In the past five years, China's economic and social development has made significant achievements that have attracted worldwide attention. The national research and development investments and the contribution of scientific and technological progress have been effectively increased. The results of China's science and technology innovation are fruitful, and the added value of high-tech manufacturing and equipment manufacturing enterprises has been improved dramatically, which is very encouraging. Aviation technology is one of the most rapidly developing science and technology fields with the greatest impact on human production and life since the 1900s. The aviation technology industry is a high-end manufacturing industry closely linked with "high quality", "high-tech" and "high-end manufacturing", is a high-quality basic platform for the cross-border development of multiple industries, and is also an important manifestation of a country's manufacturing level, innovation ability, technology level and comprehensive national strength. As the only aviation high-tech industry group listed in Hong Kong, the Company has a promising development prospect.

The year 2023 is a critical year for the implementation of the 14th Five-Year Plan. The world economic outlook is uncertain due to the impact of multiple crises, while China's economy is expected to show an accelerated recovery. Under the leadership of the national innovation-driven development strategies, civil aviation transportation is rapidly recovering, new energy aircraft application scenarios are emerging, and the opening of low-altitude airspace is further increasing, so aviation technology will change future life. The business development of the Company is in line with the direction of national industrial policy and the Company has the advantages of aviation high-tech and strong innovation capabilities, which are attractive to the social capital that values safety and certainty and will promote the Company to embrace new opportunities for value enhancement.

Long as the journey is, we will reach our destination if we stay the course; difficult as the task is, we will get the job done if we keep working at it. In 2023, the Company will continue to devoted itself to building a world-class aviation high-tech industry group, be determined to strategic goals and seize opportunities, and complete the integration and restructuring of the airborne business and helicopter business. The Company will support the construction of Tianjin civil helicopter industry base and promote the long-term development of the helicopter business. The Company will deepen cooperation with top domestic aviation research institutions, make efforts in the fields of green aviation and intelligent aviation, and gather strength to carry out original and leading scientific and technological researches. The Company will continue to promote the leading innovation project, put more R&D investments in strategic and forward-looking technology fields, and lead the new track in new fields with first-class technology. The Company will actively seek opportunities for merger and acquisition in both domestic and foreign aviation industry chains. The Company will actively carry out investment and financing and equity operation to further optimize the capital structure and shareholder structure. The Company will actively respond to the market and investors to maintain the Company's good image in the capital market, and continue to enhance the value of the Company. The Company will optimize the governance system and capability, prevent operational risks and strengthen the construction of compliance management system. The Company will actively fulfill social responsibilities, gradually promote the construction of green aviation, clean aviation and green zero-carbon aviation, so as to achieve comprehensive high-quality development.



Chairman's Statement

We will break winds and waves, and sail toward a brighter future. We have made remarkable achievements in the past 20 years since the establishment, and now we embark on a new journey. In 2023, the Board will lead the Company to remain steadfast in its strategic goals, to give full play to the important role of capital in aviation scientific and technological innovation, to promote the high-quality development of AVIC with high technology, to forge ahead with greater courage and determination, with more solid actions and practices, to make every effort to enhance the value of the Company, and to strive to write a new chapter of high-quality development. I and all our staff will strive forward with enthusiasm and dedication to build a world-class aviation high-tech industrial group.

APPRECIATION

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

阎良喜

Yan Lingxi

Chairman

Beijing, 15 March 2023

Management Discussion and Analysis

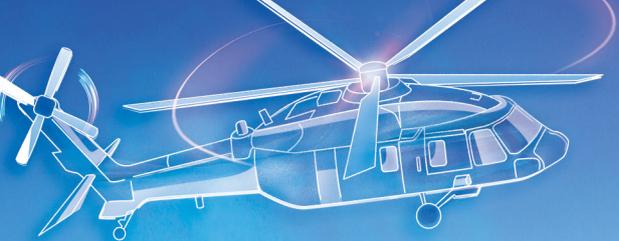


Sun Jizhong
General Manager

The following discussion should be read in conjunction with the Group's consolidated financial statements and notes thereto set out in this annual report and other sections therein.

SUMMARY

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.



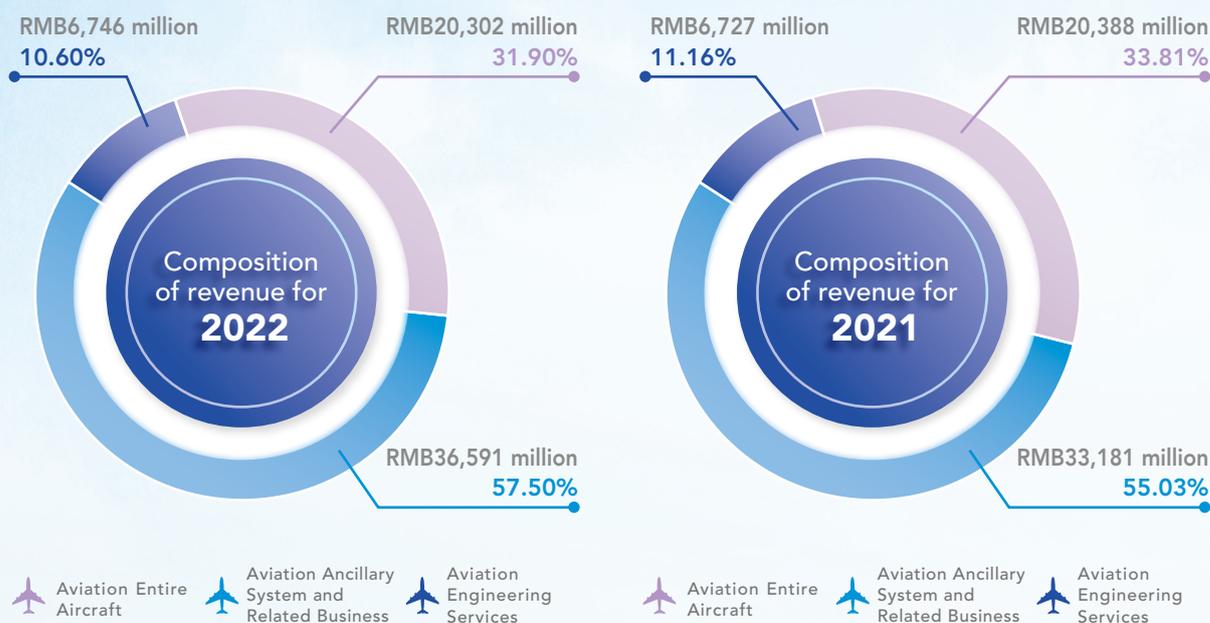
Management Discussion and Analysis

The following shows the comparison between the consolidated operating results of the Group for the year ended 31 December 2022 and those for the year ended 31 December 2021:

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 VI. 55 to the financial statements for details.



Management Discussion and Analysis

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, a subsidiary of the Company, and the increase in expenses of the Group 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 JONHON Optronics, the income tax expenses decreased year-on-year. Please refer to Note VI. 64 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.

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.

CONTINGENT LIABILITIES

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

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:

Unit: RMB million (except for percentage)

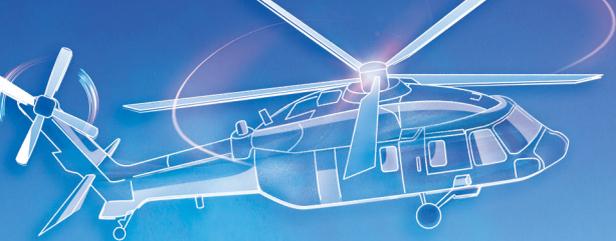
Main items of cash flow	2022	2021	Changes (amount)	Changes rate (percentage)
Net cash flows from operating activities	10,358	2,245	8,113	361.38%
Net cash flows (used in) investing activities	(1,613)	(1,942)	329	16.94%
Net cash flows from financing activities	2,477	424	2,053	484.20%

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.



Management Discussion and Analysis

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	RMB million
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.

SEGMENT INFORMATION

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

THE AVIATION ENTIRE AIRCRAFT BUSINESS

Revenue

The Group's revenue derived from the aviation entire aircraft business for 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.



Management Discussion and Analysis

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, AVIC Avionics conducted the share swap and absorption of 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 and 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 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. 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 Optronic 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 carried out experimental research on new fire extinguishing system, providing data and methods for system design. AVIC Lanfei launched the first intelligent and flexible manufacturing production line to accelerate high-quality development with intelligent manufacturing. Taiyuan Instrument facilitated the successful maiden flight of AG600 full state new fire-fighting aircraft. Qianshan Avionics 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 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.



Management Discussion and Analysis

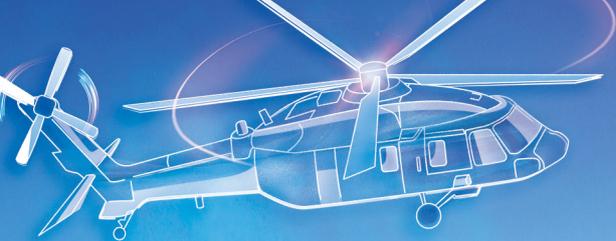
In 2023, facing the challenges of global industrial chain adjustment and restructuring, the global economy is facing downward pressure. Under the theme of “high-quality development”, the Company will seize the development opportunities in the new era, make efforts to promote scientific and technological 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.

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 report, 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 H Share 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 RMB151 million was used in industrialization projects of aviation research institutes and investment fund for aviation business	Approximately RMB231 million will all be intended to use in investment in aviation product businesses	2024 or before



Management Discussion and Analysis

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.

REMUNERATION OF EMPLOYEES

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

TRAINING FOR EMPLOYEES

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

In 2022, the Group focused on the development strategy and carried out targeted international operation and management system training, such as strategic planning and investment management, capital budget and financial policy industry, and risk management and internal control training, to strengthen the core competitiveness of enterprises and adapt to the changing market demand. At the same time, the Group carried out training for young and middle-aged leaders, further developed young employees’ broad vision, forward-looking judgment, interdisciplinary understanding and organizational leadership, and formed a youth reserve talent echelon. Relying on regional advantages, the Group innovated talent policies, cultivated all kinds of talents in an all-round way, and strengthened the support and guarantee of talents.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Director



Mr. Yan Lingxi (閔靈喜)

52, a master degree holder and a senior engineer. Mr. Yan graduated from Beihang University with a bachelor degree in engineering in 1991 and with a master degree in management in 1999. He commenced his career in the aviation industry in July 1991 and worked in the reform bureau of the Ministry of Aero-Space Industry, the corporate management office of Nanjing Jincheng Machinery Factory, the corporate management department and the asset and business management department of Aviation Industry Corporation of China, respectively. From August 2014 to September 2016, Mr. Yan had been a director of AVICOPTER. From October 2016 to February 2018, Mr. Yan had successively been the head of the Office of the Board of Directors and the deputy director of Capital Management Department of AVIC, and the deputy general manager and the secretary of the board of directors of AVIC Industry-Finance. From March 2019 to November 2021, Mr. Yan served as director of the Capital Operation Department of AVIC. From April 2004 to August 2016, Mr. Yan had been the director of the securities and legal department, the secretary of the Board and the assistant to the general manager of the Company, respectively. Mr. Yan was the standing deputy general manager of the Company from February 2018 to March 2019. And he was the non-executive Director of the Company from May 2019 to May 2021. Mr. Yan has been the general manager of the Company from December 2021 to February 2023. Mr. Yan has been the executive Director of the Company since January 2022, and been the Chairman of the Board of the Company since February 2023.



Directors, Supervisors and Senior Management

Non-executive Directors



Mr. Lian Dawei (廉大為)

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



Liu Bingjun (劉秉鈞)

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

Directors, Supervisors and Senior Management



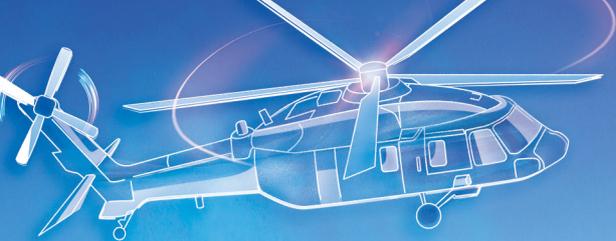
Mr. Xu Gang (徐崗)

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



Mr. Wang Jun (王軍)

69, a first level senior accountant. Mr. Wang graduated from Zhengzhou Aviation Industry Management Institution majoring in finance and business management. Mr. Wang commenced his career in aviation industry in August 1969 and used to be a division chief of planning department, secretary of company officer, deputy director of financial department of Harbin Dongan Engine Manufacturing Company; general manager of Shanghai Andong Industry & Trading Corporation. From February 2002, he had been the general accountant and vice general manager of Dongan Engine Manufacturing Group; director and vice general manager of Dongan Engine 2 Manufacturing Group; director, vice general manager and general manager of Harbin Aviation Group; Chairman of the board of directors of Dongan Heibao Co., Ltd.; Chairman of the board of directors and general manager of Harbin Dongan Engine (Group) Co., Ltd. Mr. Wang had been the vice general manager and chief financial officer of the Company since April 2010 to March 2014. Mr. Wang had been an independent director of AVIC BIAM New Materials Technology and Engineering Co., Ltd. from 2018 to June 2020. Mr. Wang has been a director of AVIC BIAM New Materials Technology and Engineering Co., Ltd. since July 2020. He has been the non-executive Director of the Company since May 2021.



Directors, Supervisors and Senior Management

Independent Non-executive Directors



Mr. Liu Weiwu (劉威武)

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



Mr. Mao Fugen (毛付根)

60, a holder of the doctorate degree, a senior management accountant and a committee member of the Cost Research Society of China. Mr. Mao graduated from the School of Accounting of Xia Men University in 1985 and achieved a master degree in economics (accounting) from Xia Men University in 1988, and a doctorate degree in economics (accounting) from Xiamen University in 1994. Mr. Mao is a long-term EMBA lecture professor in Xiamen University and other universities with main research areas including management accounting, corporate finance, crossborder corporate finance management and other areas and he has extensive experience in senior management training. Mr. Mao successively served as the lecturer, deputy professor and professor of the School of Accounting of Xiamen University. Mr. Mao had been an independent non-executive director of ZheJiang AoKang Shoes Co., Ltd. from December 2013 to December 2019, an independent non-executive director of Xiamen ITG Group Corp., Ltd. from May 2014 to May 2020 and an independent non-executive director of Huaneng Lancang River Hydropower Co., Ltd from August 2015 to February 2021. He is currently a professor of the School of Accounting of Xiamen University. He has been an independent non-executive director of Deppon Logistics Co., Ltd. since February 2018. He has been an independent non-executive director of Zhonghong Pulin Medical Product Co., Ltd. since July 2021. He has been the independent non-executive Director of the Company since May 2021.

Directors, Supervisors and Senior Management



Mr. Lin Guiping (林貴平)

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

SUPERVISORS



Mr. Zheng Qiang (鄭強)

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



Directors, Supervisors and Senior Management



Mr. Guo Guangxin (郭廣新)

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



Mr. Zhao Zhuo (趙卓)

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

Directors, Supervisors and Senior Management

SENIOR MANAGEMENT



Mr. Sun Jizhong (孫繼忠)

General Manager

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



Mr. Wang Jingmin (王敬民)

Chief Accountant

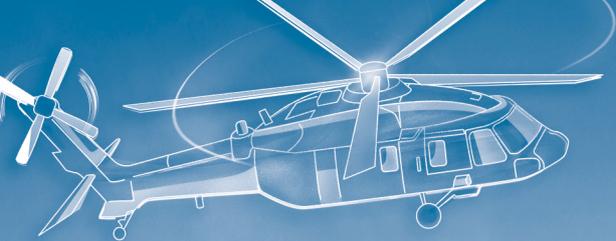
50, Senior Accountant. Mr. Wang graduated from Zhengzhou Aviation Industry Management College in 1996 with a bachelor degree in accounting. In 2009, he graduated from Northeast Normal University majoring in business management with a master degree in management. Mr. Wang commenced his career in the aviation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



Mr. Xu Bin (徐濱)

Board Secretary

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



Report of The Board

The Board hereby presents its Report of the Board together with the audited financial statements of the Group for the year ended 31 December 2022. All references made below to other sections, reports or notes of this annual report form part of this Report of the Board.

BUSINESS OF THE GROUP

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

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

ENVIRONMENTAL POLICIES

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

During this reporting period, the Company continuously strengthened the management of environmental protection, actively participated in energy saving and emission reduction, and pursued green development. For details, please refer to the section headed “Environmental, Social and Governance Report” on page 78 to page 123 of this annual report.

RESULTS, DIVIDEND AND DIVIDEND POLICY

The results of the Group for 2022 are set out in the Consolidated Income Statement on page 136 of this annual report.

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 report, subject to adjustment (if any) based on the number of total issued shares as at the Record Date(as defined below).

The final dividend will be paid to those shareholders whose names appear on the Company’s register of members at the close of business on 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.



Report of The Board

INFORMATION ON TAX DEDUCTION

H shareholders shall be taxed for the dividends distributed by the Company in accordance with the Enterprise Income Tax Law of the PRC, the Detailed Rules for the Implementation of the Enterprise Income Tax Law of the PRC, the Individual Income Tax Law of the PRC and other relevant laws, regulations and rules. However, H shareholders may enjoy tax relief in accordance with the provisions of applicable tax treaties entered into by the countries/regions where they belong to by virtue of residential identification and the PRC. For details, please refer to the announcement of the Company dated 10 June 2022.

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

SHARE CAPITAL

The Company's structure of share capital as at 31 December 2022 was as follows:

Class of Shares	Number of Shares as at 31 December 2022	Percentage of total
		number of Shares in issue as at 31 December 2022 (%)
Domestic Shares	1,500,669,406	19.46
Overseas listed foreign invested shares (H Shares)	6,210,662,836	80.54
Total	7,711,332,242	100

FIVE-YEAR FINANCIAL HIGHLIGHTS

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

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, pursuant to the register kept under Section 336 of the Securities and Futures Ordinance (the "SFO"), Shareholders holding 5% or more equity interests in the class shares and underlying shares of the Company were as follows:

Name of Shareholders	Class of Shares	Capacity	Number of Shares	Approximate percentage of shareholdings to the same class of Shares in issue	Nature of Shares held
AVIC (Note 1)	H Shares	Beneficial owner; Interest in controlled corporation	3,553,069,569	57.21%	Long position
	Domestic Shares (Note 2)	Beneficial owner	1,250,899,906	83.36%	Long position
Tianjin Free Trade Zone Investment	Domestic Shares (Note 2)	Beneficial owner	249,769,500	16.64%	Long position
Airbus (Note 3)	H Shares	Beneficial owner	312,255,827	5.03%	Long position

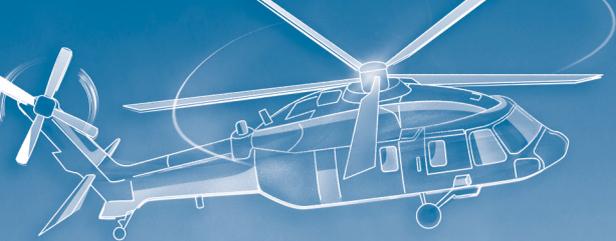
Notes:

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

Save as disclosed above, as at 31 December 2022, the Company had not been notified of any interests and short positions in 5% or more of the shares and underlying shares of the Company which had been recorded in the register kept under Section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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



Report of The Board

PRE-EMPTIVE RIGHTS

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

DONATION

For the year ended 31 December 2022, for details of major donation of the Group, please refer to the section headed “Environmental, Social and Governance Report” from page 78 to page 123 of this annual report.

DESIGNATED DEPOSITS AND OVERDUE TERM DEPOSITS

As at 31 December 2022, there was no designated deposit or overdue term deposit placed by the Group that could not be collected by the Group upon maturity.

FIXED ASSETS

Details of fixed assets of the Group are set out in Note VI. 18 to the financial statements.

RESERVES

Details of movement in reserves of the Group for the year ended 31 December 2022 are set out in the Consolidated Statement of Changes in Shareholders’ Equity and Notes VI. 45-49 to the financial statements.

DISTRIBUTABLE RETAINED EARNINGS

As at 31 December 2022, the Company had distributable retained earnings of RMB1,098,237,279.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, the Group’s total purchases from the five largest suppliers for the aviation business accounted for 17.73% of the Group’s total purchases, of which, purchases from the largest supplier accounted for 5.42% of the Group’s total purchases. The Group’s sales to the five largest customers accounted for 53.82% of the Group’s total sales, of which, sales to the largest customer accounted for 32.61% of the Group’s total sales.

Purchases from the five largest suppliers in the aviation entire aircraft segment accounted for 30.10% of the total purchases in the Group in that segment, of which, purchases from the largest supplier accounted for 9.94% of the total purchases in that segment. Sales to the five largest customers in the aviation entire aircraft segment accounted for 99.80% of the total sales in that segment, of which, sales to the largest customer accounted for 86.92% of the total sales in that segment.

Purchases from the five largest suppliers in the aviation ancillary system and related business segment accounted for 9.94% of the total purchases in the Group in that segment, of which, purchases from the largest supplier accounted for 2.82% of the total purchase in that segment. Sales to the five largest customers in the aviation ancillary system and related business segment accounted for 20.28% of the total sales in that segment, of which, sales to the largest customer accounted for 5.38% of the total sales in that segment.

Purchases from the five largest suppliers in the aviation engineering services segment accounted for 15.67% of the total purchases in the Group in that segment, of which, purchases from the largest supplier accounted for 3.61% of the total purchase in that segment. Sales to the five largest customers in the aviation engineering services segment accounted for 19.22% of the total sales in that segment, of which, sales to the largest customer accounted for 5.16% of the total sales in that segment.

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

SUBSIDIARIES

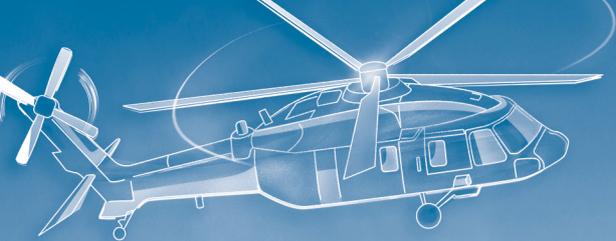
Details of the subsidiaries of the Company are set out in Note VIII. 1 to the consolidated financial statements.

DIRECTORS

Details of the Directors are set out from pages 23 to 27 of this annual report. Details of changes of the Directors during the year 2022 are set out from pages 50 of this annual report.

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

1. 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



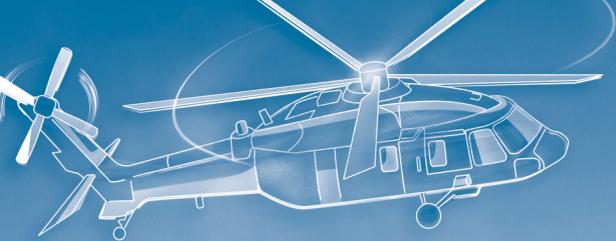
Report of The Board

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 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 Hong Kong 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 Hong Kong Listing Rules. Furthermore, upon completion of the Share Swap and Absorption, the shareholding of 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 Hong Kong Listing Rules. As at the date of this report, 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. Therefore, the Share Swap and Absorption constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong 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 Hong Kong Listing Rules. As at the date of this report, 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 Hong Kong 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 Hong Kong Listing Rules. On 13 April 2023, the Share Swap and Absorption has been completed. For details, please refer to the announcements of the Company dated 26 May, 10 June 2022 and 13 April 2023 and the circular dated 29 September 2022.



2. 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 report, 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 Hong Kong 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 Hong Kong 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 Hong Kong Listing Rules. (2) AVICOPTER intends to issue shares to the Company, 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 report, 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 Hong Kong 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 Hong Kong 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 Hong Kong 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 Company occurred during the Reporting Period.



Report of The Board

CONNECTED TRANSACTIONS

Continuing Connected Transactions

(a) *Continuing connected transactions between the Company and connected persons in 2022*

For the year ended 31 December 2022, the Group engaged in continuing connected transactions with AVIC Group, AVIC Avionics and its subsidiaries (“**AVIC Avionics Group**”). AVIC is the controlling shareholder of the Company and therefore is a connected person of the Company. AVIC has direct and indirect equity interest of more than 10% in AVIC Avionics, which is a subsidiary of the Company and is consolidated in the audited accounts of the Company. AVIC Avionics is therefore a connected subsidiary of the Company under the Hong Kong Listing Rules. The Group also entered into continuing connected transactions with AVIC Finance, AVIC Trust and AVIC Lease, which are subsidiaries of AVIC and therefore connected person of the Company.

With AVIC

During the year 2022, the Group carried out the following continuing connected transactions with AVIC Group pursuant to the three continuing connected transaction agreements entered into between the Company and AVIC:

- 1 On 21 August 2020, the Company entered into the mutual supply of products agreement with AVIC to continue certain continuing connected transactions, pursuant to which, AVIC Group and the Group agreed to mutually provide manufacturing raw materials, parts and components, finished and semi-finished aviation products (including but not limited to aviation entire aircraft and aviation parts and components) required by aviation products used in their respective production and business operation activities and their related sale and ancillary services for a term of three years ending 31 December 2023. On 28 October 2022, the Board proposed to revise and increase the proposed annual cap for the expenditure transaction of the mutual supply of products agreement for the year ending 31 December 2023 shall not be more than RMB 23,640 million, the proposed annual cap for the revenue transaction of the mutual supply of products agreement for the year ending 31 December 2023 shall not be more than RMB34,516 million. Such new annual caps for the year ending 31 December 2023 had been approved by the independent shareholders at the general meeting held on 10 February 2023.
- 2 On 21 August 2020, the Company entered into the mutual provision of services agreement with AVIC to continue certain continuing connected transactions, pursuant to which, AVIC Group agreed to provide certain services relating to the production and business operations of the Group for a term of three years ending 31 December 2023 and the Group also agreed to provide certain services relating to the production and business operations of AVIC Group including but not limited to engineering technologies, engineering general contracting and equipment general contracting services for a term of three years ending 31 December 2023.

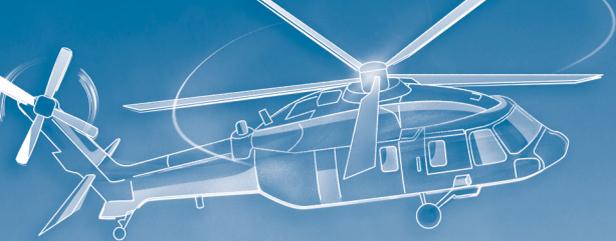
- 3 On 21 August 2020, the Company entered into the land use rights and properties leasing agreement with AVIC to continue certain continuing connected transactions, pursuant to which, AVIC Group and the Group agreed to mutually lease certain land and properties for manufacturing and operation for a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

With AVIC Avionics

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

Financial Service Framework Agreement with AVIC Finance

- 5 On 21 August 2020, the Company entered into the financial services framework agreement with AVIC Finance, pursuant to which, AVIC Finance has agreed to provide the Group with the deposit services, the loan services, the settlement services, the guarantee services, the AVIC finance factoring services and the other financial services (i.e. such other financial services (including but not limited to bill acceptance and discount services) as approved by the CBIRC) for a term of three years ending 31 December 2023. On 28 October 2022, the Company entered into the Supplemental Financial Services Framework Agreement with AVIC Finance, pursuant to which, the proposed annual cap for the Deposit Services of the Supplemental Financial Services Framework Agreement for the year ending 31 December 2023 shall not be more than RMB45,000 million. Such new annual cap had been approved by the independent shareholders at the general meeting held on 10 February 2023.



Report of The Board

Financial Service Framework Agreement with AVIC Trust

- 6 On 10 July 2018, the Company entered into the Financial Service Framework Agreement with AVIC Trust, pursuant to which, the Group will, from time to time, utilise the financial services provided by AVIC Trust as and when the Group deems necessary for a term of three years ended 9 July 2021. Such services include the tailored financial products offered by AVIC Trust to the Group which will enhance the Group's capital operation efficiency. On 9 July 2021, the relevant parties to the Previous Financial Service Framework Agreement, which include the Company and AVIC Trust, have agreed to continue with the arrangement under the Financial Service Framework Agreement upon similar terms and/or covering similar scope of services, of which it extends the Financial Service Framework Agreement from 9 July 2021 to 31 December 2023.

Finance Lease and Factoring Framework Agreement entered with AVIC Lease

- 7 On 21 August 2020, the Company entered into the Finance Lease and Factoring Framework Agreement with AVIC Lease, pursuant to which, AVIC Lease has agreed to provide the Group with the Finance Lease Services by itself and provide the Group with the AVIC lease factoring services through the AVIC Lease Factoring Subsidiary for a term of three years ending 31 December 2023.

(b) Continuing connected transactions between the subsidiaries of the Company and connected persons in 2022

Entrusted Loan and Guarantee Framework Agreement entered by AVIC CAPDI, and AVIC Renewable Energy

- 8 On 23 August 2019, AVIC CAPDI, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with AVIC Renewable Energy, pursuant to which, AVIC CAPDI agreed to grant the Entrusted Loans (each for a term of not more than one year) to AVIC Renewable Energy through AVIC Finance for the three years ended 31 December 2022. The daily balance of the outstanding entrusted loans under the Framework Agreement shall not be more than RMB300 million during the three years ended 31 December 2022. Pursuant to the Framework Agreement, AVIC CAPDI also agreed to provide Guarantees to AVIC Renewable Energy for the economic businesses with banks and financial institutions for the three years ended 31 December 2022. The daily balance of the outstanding guarantees under the Framework Agreement shall not be more than RMB300 million during the three years ended 31 December 2022. AVIC is the controlling Shareholder of the Company, and AVIC Renewable Energy was a subsidiary of the Company at the time of signing the Framework Agreement and is owned as to more than 10% by AVIC. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC Renewable Energy was a connected subsidiary of the Company and the grant of the Entrusted Loans and Guarantees under the Framework Agreement by AVIC CAPDI to AVIC Renewable Energy constituted continuing connected transactions of the Company.

Entrusted Loan and Guarantee Framework Agreement entered by AVIC CAPDI and AVIC Construction and Development Technology

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

Financial Service Framework Agreement entered by Tianjin Tianli and AVIC Securities

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

For details of the aforementioned continuing connected transactions, please refer to the announcements of the Company dated 10 July 2018, 23 August 2019, 18 March 2020, 21 August 2020, 9 July 2021, 1 November 2021, 30 August 2022, 5 September 2022 and 28 October 2022 and the circulars dated 10 November 2020 and 16 January 2023.

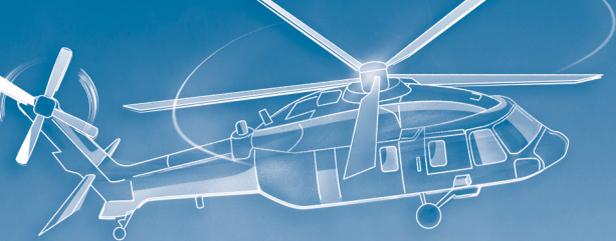


Report of The Board

The annual caps of the year 2022 or the continuing connected transactions and the actual transaction amounts incurred by the Group in 2022 are set out below. For the year ended 31 December 2022, such continuing connected transactions of the Group were calculated on a consolidated basis as follows:

	For the year 2022	
	Actual Amount (RMB million)	Annual Cap (RMB million)
1 Mutual Supply of Products Agreement		
(a) Annual expenditure of the Group	11,471	18,850
(b) Annual revenue of the Group	18,152	20,670
2 Mutual Provision of Services Agreement		
(a) Annual expenditure of the Group	414	840
(b) Annual revenue of the Group	2,644	5,640
3 Land Use Rights and Properties Leasing Agreement		
(a) The Group as the lessee		
– Right-of-use assets	212	300
– Other payments	1	30
(b) The Group as lessor		
– Lease payments	25	40
4 Products and Services Mutual Supply and Guarantee Agreement		
(a) Annual expenditure of the Group	783	1,490
(b) Annual revenue of the Group	262	340
	Maximum daily outstanding balance (RMB million)	Cap for the maximum daily outstanding balance (RMB million)
5 Financial Services Framework Agreement with AVIC Finance		
(a) Maximum daily outstanding balance of deposits (including accrued interests)	24,432	35,000
(b) Maximum daily outstanding balance of AVIC Finance factoring services	1,050	1,200

	Actual Amount (RMB million)	Annual Cap (RMB million)
(c) Other financial services provided by AVIC Finance to the Group	47	1,200
	Maximum daily outstanding balance (RMB million)	Cap for the maximum daily outstanding balance (RMB million)
6 Financial Services Framework Agreement with AVIC Trust		
The daily maximum balance of the Group's wealth management products at AVIC Trust	1,030	1,150
7 Finance Lease and Factoring Framework Agreement entered with AVIC Lease		
(a) Finance lease		
– Direct lease	0	2,000
– Sale and leaseback	0	2,000
(b) Maximum daily outstanding balance of AVIC lease factoring services	25	1,500
8 Entrusted Loan and Guarantee Framework Agreement with AVIC Renewable Energy		
(a) The daily maximum entrusted loan balance of the Group (including interest)	34	300
(b) The daily maximum guarantee provided by the Group	0	300
9 Entrusted Loan and Guarantee Framework Agreement with AVIC Construction and Development		
(a) The daily maximum entrusted loan balance of the Group (including interest)	0	200
(b) The daily maximum guarantee provided by the Group	0	200
10 Financial Service Framework Agreement entered by Tianjin Tianli and AVIC Securities		
The daily maximum balance of the Group's wealth management products at AVIC Securities	200	200



Report of The Board

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

The Board (including independent non-executive Directors) has reviewed the above continuing connected transactions and confirmed that the aforementioned transactions had been entered into in accordance with the following conditions:

- (a) the transactions were entered into in the ordinary and usual course of business of the Group;
- (b) the transactions were either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties;
- (c) the transactions were entered into in accordance with the terms under relevant agreements, and the terms thereunder were fair and reasonable and in the interests of the Company and its shareholders as a whole; and
- (d) the aggregate amounts of the transactions have not exceeded the respective caps as set out above.

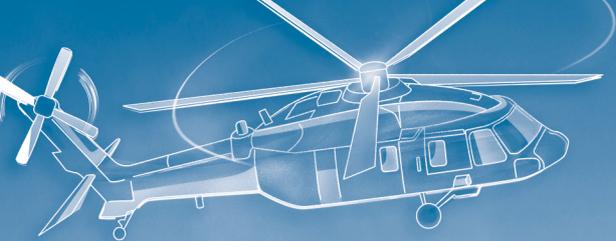
The Company's auditors have reviewed the above continuing connected transactions, and have confirmed in a letter to the Directors stating that:

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

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

One-Off Connected Transactions

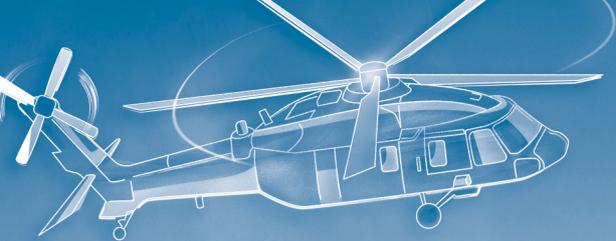
- On 22 April 2022, AVIC and AVIC CAPDI have entered into the Equity Transfer Agreement with (i) Beijing Xuneng Development Technology Co., Ltd.* (北京旭能發展科技有限責任公司) (“**Xuneng Development**”); (ii) Jilin Zhongkai New Energy Development and Utilization Co., Ltd.* (吉林省中愷新能源開發利用有限責任公司) (“**Jilin Zhongkai**”); and (iii) Anhui Zhongcheng Dadi Energy Development Co., Ltd.* (安徽中城大地能源發展有限公司) (“**Anhui Zhongcheng**”), pursuant to which AVIC agreed to transfer its 30.70% equity interest in AVIC Renewable Energy at a consideration of approximately RMB226.64 million, and AVIC CAPDI agreed to transfer its 21.30% equity interest in AVIC Renewable Energy at a consideration of approximately RMB157.25 million. Upon completion of the Equity Transfer Agreement, AVIC Renewable Energy was owned as to: (i) approximately 48.0% by AVIC CAPDI; (ii) approximately 36.40% by Xuneng Development; (iii) approximately 10.40% by Jilin Zhongkai; and (iv) approximately 5.20% by Anhui Zhongcheng, respectively. Xuneng Development is a company owned as to 50% by AVIC Trust Co., Ltd.* (中航信託股份有限公司) (“**AVIC Trust**”) and 50% by Anhui Zhongcheng, respectively. AVIC Trust is owned as to approximately 73.56% by AVIC Industry-Finance, which is a non-wholly owned subsidiary of AVIC, a controlling shareholder of the Company. Therefore, Xuneng Development is a connected person to the Company pursuant to Chapter 14A of the Hong Kong Listing Rules and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcements of the Company dated 21 March and 22 April 2022.
- On 6 May 2022, the Company has acquired a total of 58,951,452 shares, representing 0.66% of the issued shares of AVIC Industry-Finance through on-market purchases on Shanghai Stock Exchange at an average price of RMB3.396 per share, at a total consideration amounting to approximately RMB200 million. Prior to the Acquisition, the Company had no interest in AVIC Industry-Finance. As at the date of this report, AVIC directly holds 39.45% shareholding in AVIC Industry-Finance. Accordingly, the Acquisition constitutes a connected transaction under Rule 14A.28 (1) of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 6 May 2022.
- On 27 May 2022, AVIC Avionics entered into the Shaanxi Huayan Capital Contribution Agreement with Shaanxi Huayan and AVIC Zhonghang Electric Measuring Instruments Co., Ltd.* (中航電測儀器股份有限公司) (“**AVIC Electric Measuring**”), pursuant to which AVIC Avionics and AVIC Electric Measuring as the existing shareholders will participate in the capital contributions in Shaanxi Huayan in a total amount of RMB50.0 million on a pro-rata basis. On 27 May 2022, Shaanxi Huayan is owned 80% by AVIC Avionics and 20% by AVIC Electric Measuring. Accordingly, AVIC Avionics will contribute an amount of approximately RMB40.0 million in cash in Shaanxi Huayan. As at the date of this report, AVIC Avionics is a non-wholly-owned subsidiary of the Company. Shaanxi Huayan is a connected subsidiary of AVIC Avionics by virtue of being owned as to over 10% by AVIC indirectly through its subsidiary, AVIC Electric Measuring. Therefore, the capital contribution by AVIC Avionics in Shaanxi Huayan constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 27 May 2022.



Report of The Board

4. On 15 June 2022, AVIC Renewable Energy has succeeded in the public tender at Beijing Property and Equity Exchange to acquire the 100% equity interests in AVIC Construction Energy Technology Jiangsu Co., Ltd.* (中航建投能源科技江蘇有限公司) (“**Jiangsu Energy**”), Jilin AVIC Construction Energy Technology Co., Ltd.* (吉林中航建投能源科技有限公司) (“**Jilin Energy**”), Shaanxi AVIC Construction Energy Technology Co., Ltd.* (陝西中航建投能源科技有限公司) (“**Shaanxi Energy**”) and Shanghai AVIC Construction Energy Technology Co., Ltd.* (上海中航建投能源科技有限公司) (“**Shanghai Energy**”), Jilin Energy Debt and Shaanxi Energy Debt (“**Target Equity Interests (Public Tender Companies)**”) at a total consideration of approximately RMB27.44 million. In this regard, AVIC International Construction Co., Ltd.* (中國航空國際建設投資有限公司) (“**AVIC Construction**”) entered into property transfer agreement(s), pursuant to which AVIC Construction agreed to sell, and AVIC Renewable Energy agreed to acquire, the Target Equity Interests (Public Tender Companies). The final consideration is approximately RMB27.44 million in aggregate which is determined with reference to: (i) the net assets value of the relevant Target Companies as at 30 September 2021 as determined by an independent and qualified PRC valuer using the asset based approach in its valuation report; and (ii) the value of Jilin Energy Debt and Shaanxi Energy Debt. As at the date of this report, AVIC Construction is a wholly-owned subsidiary of the Company. At the time of signing the property transfer agreement, AVIC Renewable Energy was a connected subsidiary of the Company by virtue of being owned as to over 10% by AVIC indirectly through its indirect non-wholly-owned subsidiary, i.e., Xuneng Development. Therefore, the Disposals constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 15 June 2022.
5. On 22 September 2022, AVIC (a controlling shareholder of the Company), JONHON Optronic (a non-wholly owned subsidiary of the Company) and Shenyang Xinghua (a non-wholly owned subsidiary of the Company) have entered into the Capital Contribution Agreement. Pursuant to the Capital Contribution Agreement, AVIC and JONHON Optronic agreed to make a capital contribution in Shenyang Xinghua on a pro-rata basis. AVIC agreed to contribute an amount of RMB96,500,344.57 by way of capitalisation of capital reserve (exclusively state-owned). JONHON Optronic agreed to contribute RMB163,415,393.63 in cash. Upon Completion, the registered capital of Shenyang Xinghua will increase from RMB80,856,400 to RMB110,925,200. The shareholdings of AVIC and JONHON Optronic will remain unchanged, holding approximately 37.13% and 62.87% equity interest in Shenyang Xinghua, respectively. As at the date of this report, JONHON Optronic is a non-wholly owned subsidiary of the Company. AVIC is a controlling shareholder of the Company holding directly and indirectly 62.30% of all issued Shares. Shenyang Xinghua is a non-wholly owned subsidiary of the Company and owned more than 10% by AVIC. Pursuant to Chapter 14A of the Listing Rules, AVIC is a connected person of the Company, and Shenyang Xinghua is a connected subsidiary of the Company. Therefore, the Capital Contribution constitutes connected transaction of the Company. For details, please refer to the announcements of the Company dated 30 August 2022 and 22 September 2022.

6. On 30 September 2022, (i) the Company has entered into the Sale and Purchase Agreement 1 with AVIC; and (ii) AviChina Hong Kong has entered into the Sale and Purchase Agreement 2 with China Aviation Industry (Hong Kong) Company Limited* (中國航空工業集團(香港)有限公司) (“China Aviation Industry (Hong Kong)”). Pursuant to the Sale and Purchase Agreements, the Company agreed to sell 0.724% shares in AVIC Cabin System Co., Ltd. (中航客艙系統有限公司) (“AVIC Cabin”) to AVIC at a consideration of RMB341,199.10, and AviChina Hong Kong agreed to sell 6.339% shares in AVIC Cabin to China Aviation Industry (Hong Kong) (a non-wholly owned subsidiary of AVIC) at a consideration of RMB2,987,412.27. Upon Completion, the Company and AviChina Hong Kong will cease to have any shareholding in AVIC Cabin and AVIC Group will hold approximately 98.82% shares in AVIC Cabin. As at the date of this report, AviChina Hong Kong is a wholly-owned subsidiary of the Company, AVIC is the controlling shareholder of the Company and China Aviation Industry (Hong Kong) is a wholly-owned subsidiary of AVIC. Therefore, AVIC and China Aviation Industry (Hong Kong) are connected persons of the Company under Chapter 14A of the Listing Rules, and the Disposal contemplated under the Sale and Purchase Agreements constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 30 September 2022.
7. On 17 October 2022, the Company purchased 1,000,000 A shares of AVIC Avionics on the A share market of the Shanghai Stock Exchange with an average price of approximately RMB19.23 per share (the “**First Share Acquisition**”). On 20 October 2022, the Company has further acquired a total of 360,000 A shares of AVIC Avionics on the A share market of the Shanghai Stock Exchange with an average price of approximately RMB19.40 per share (the “**Second Share Acquisition**”). Furthermore, the Company also intends to increase its shareholding in AVIC Avionics on the A share market of the Shanghai Stock Exchange within 6 months from the date of the First Share Acquisition at a total amount (including the consideration paid for the First Share Acquisition and the Second Acquisition) up to RMB40 million. As at the date of this report, AVIC Avionics is a subsidiary of the Company. Furthermore, it is also a connected subsidiary of the Company by virtue of being owned as to more than 10 % directly and indirectly by AVIC, the controlling shareholder of the Company. The transactions under the Share Acquisitions constitute connected transactions of the Company under Rule 14A.28 of the Hong Kong Listing Rules. For details, please refer to the announcements of the Company dated 17 October 2022 and 20 October 2022.



Report of The Board

8. On 11 December 2022, AVIC Renewable Energy has entered into the Subscription Agreement with AVIC CAPDI, Xuneng Development, Jilin Zhongkai, Anhui Zhongcheng and the External Independent Investors. Pursuant to the Subscription Agreement, Xuneng Development and the External Independent Investors have agreed to subscribe for the equity interests in AVIC Renewable Energy at the Subscription Price. The capital contribution amount of the External Independent Investors is RMB169,881,488, and the capital contribution amount of Xuneng Development is RMB217,567,036. Upon Completion, AVIC Renewable Energy ceased to be accounted as a subsidiary of the Group. As at the date of this report, Xuneng Development is a company owned as to 50% by AVIC Trust and 50% by Anhui Zhongcheng, respectively. AVIC Trust is owned as to approximately 73.56% by AVIC Industry-Finance, which is a non-wholly owned subsidiary of AVIC, the controlling shareholder of the Company. Besides, AVIC Renewable Energy was a connected subsidiary of the Company at the time of signing the Subscription Agreement by virtue of being directly owned more than 10% by Xuneng Development. Therefore, Xuneng Development is a connected person of the Company and Xuneng Development's Subscription, which also constituted a deemed disposal, constituted a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 11 December 2022.
9. On 6 January 2023, (i) the Company, AVIC and Changhe Aircraft entered into Capital Contribution Agreement I, pursuant to which AVIC agreed to make a capital contribution of RMB124,630,126.37 in Changhe Aircraft by way of capitalisation of capital reserve (exclusively state-owned); and (ii) the Company, AVIC and Harbin Aircraft entered into Capital Contribution Agreement II, pursuant to which AVIC agreed to make a capital contribution of RMB604,948,510.10 in Harbin Aircraft by way of capitalisation of capital reserve (exclusively state-owned). Upon completion of the Capital Contribution, (i) the registered capital of Changhe Aircraft will increase from RMB442,591,998.72 to RMB478,821,686.62, the equity interests of the Company in Changhe Aircraft will be diluted from 100% to approximately 92.43%, and Changhe Aircraft will remain as a subsidiary of the Company; and (ii) the registered capital of Harbin Aircraft will increase from RMB1,184,958,700 to RMB1,466,723,259.90, the equity interests of the Company in Harbin Aircraft will be diluted from 100% to approximately 80.79%, and Harbin Aircraft will remain as a subsidiary of the Company. As at the date of this report, Changhe Aircraft and Harbin Aircraft are subsidiaries of the Company, and 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 Hong Kong Listing Rules. Accordingly, the Capital Contribution constitutes connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the Company's equity interests in Changhe Aircraft and Harbin Aircraft will be diluted upon completion of the Capital Contribution, the Capital Contribution also constitutes deemed disposal of equity interests in Changhe Aircraft and Harbin Aircraft under Rule 14A.24 of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 6 January 2023.

For other one-off connected transactions of the Group, please refer to "Material Acquisitions and Disposal of Subsidiaries and Associated Companies During the Reporting Period" of this session from page 35 to page 37.

OTHER SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

1. On 13 January 2022, the non-public issuance of A Shares (the “**Non-public Issuance**”) by JONHON Optronics has been completed. The total number of shares of JONHON Optronics 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 Optronics. As at the date of this report, the Company holds 36.73% of the equity of JONHON Optronics. For details, please refer to the announcements of the Company dated 13 January 2022 and 9 July 2021.
2. On 21 February 2022, Harbin Aviation Group and AVIC Helicopter, two wholly-owned 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 report, 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.

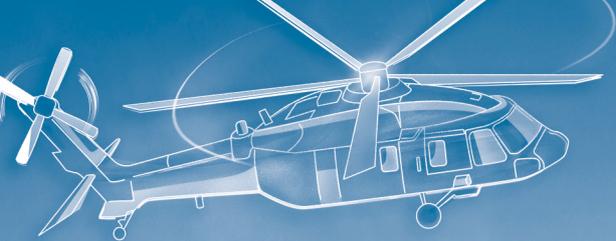
Save as disclosed in this annual report, no other significant events of the Group occurred during the Reporting Period.

CORPORATE GOVERNANCE

Details of corporate governance practices adopted by the Company are set out in the section of “Corporate Governance Report” of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Board, throughout the year ended 31 December 2022 and up to the date of this report, the Company maintained a sufficient public float of more than 25% of the Company’s issued shares as required under the Hong Kong Listing Rules.



Report of The Board

AUDITOR

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

The financial statements for the year 2022 have been audited by Da Hua Certified Public Accountants LLP.

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

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Due to change in work arrangement, on 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 candidate 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.

BOARD AND SUPERVISORY COMMITTEE

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

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

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors (except the independent non-executive Directors) and Supervisors has entered into a service contract with the Company. None of the Directors or Supervisors has entered into service contracts which are not terminable by the Company within one year without payment of compensation (other than statutory compensation).

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

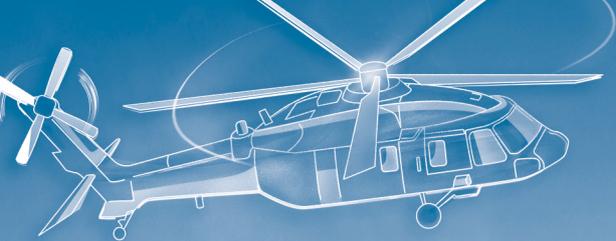
As at 31 December 2022, none of the Directors or Supervisors or senior management had any interest in any businesses which may constitute competition, directly or indirectly, with the Company.

RELATIONSHIPS AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN FINANCE, BUSINESSES AND KINSHIP

None of the Directors or Supervisors or senior management had any relationship with each other in finance, businesses and kinship besides working relationship.

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

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



Report of The Board

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

As at 31 December 2022, based on information provided by directors and supervisors, save as disclosed below, none of the Directors, Supervisors or Chief Executive of the Company had interests or held short positions in the shares, underlying shares and/or debentures of the Company and/or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers”.

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

Note: As at 31 December 2022, Mr. Zheng Qiang held 33,500 A shares in AVIC Industry-Finance, representing approximately 0.0003% of the total issued share capital of AVIC Industry-Finance. AVIC Industry-Finance is a subsidiary of AVIC, and therefore is associated corporations (within the meaning of Part XV of the SFO) of the Company.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2022, none of the Directors or Supervisors was entitled to acquiring shares or debentures of the Company or its associated corporations (within the meaning of the SFO).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existing during the year of 2022.

COMPLIANCE WITH LAWS AND REGULATIONS

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

The Group has implemented internal control measures to ensure its compliance with such laws and regulations. During the year ended 31 December 2022, within the knowledge of the Directors, the Group does not have any violation of relevant laws and regulations in the PRC which gives rise to significant impact to the Group's development, performance and business.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

PRINCIPAL RISKS AND UNCERTAINTIES

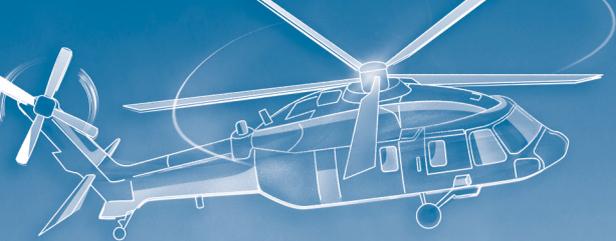
For details of the financial risks of the Group, please refer to Note IX to the financial statements in this annual report. For details of the exchange rate risks of the Group, please refer to the section headed "Management Discussion and Analysis" in this annual report. Save as disclosed above, a number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

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance coverage in respect of any legal actions which may be instituted against its Directors and senior management in relation to their services during the reporting period.

EVENTS AFTER THE BALANCE SHEET DATE

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



Report of The Supervisory Committee

To all shareholders,

In 2022, the Supervisory Committee independently performed functions in strict accordance with the Company Law of the PRC, the Articles of Association, the Procedural Rules for Meetings of the Supervisory Committee and other relevant requirements, scrupulously and diligently performed duties, offered advice and suggestions, effectively safeguarded the legitimate interests of the Company, shareholders and employees, and continued to promote the high-quality development of the Company.

In 2022, the Supervisory Committee convened two meetings, at which eight resolutions were considered and approved. The Supervisory Committee fulfilled its tasks on reviewing the 2021 annual report, 2022 interim report, and the profits distribution plans for 2021 and the first six months of 2022. The Supervisory Committee also attended the general meetings and the Board meetings held in 2022 to monitor the validity of procedures for the convening of and resolutions of the general meetings and the Board meetings. Through convening Supervisory Committee meetings and attending the general meetings and the Board meetings, the Supervisory Committee performed its duties of supervising the major operating activities of the Company, as well as the performance of Directors and senior management officers in discharging their duties, and made suggestions to the Board and senior management. During the year, the Supervisory Committee continued to supervise key links including strategy implementation, income distribution, major loss reporting mechanism, risk management and internal control system. At the same time, the Company actively promoted the improvement of relevant systems of corporate governance. In 2022, the Company revised certain articles of the Rules of Procedures of the Board, and formulated the Management Measures for the Authorization of the Board, the Report System of the Board to the General Meeting, the Guarantee Management Measures, the Terms of Reference of the Development and Strategy Committee, the List of Authority of the Board, the List of Authority of the General Manager, and the Work Plan for the Tenure System and Contractual Management of the Senior Management, Which makes the corporate governance more standardized and more efficient.

The Supervisors attended two meetings of the Audit and Risk Management Committee for the year 2022 and heard the report of the auditors of the Company, and communicated with the independent non-executive Directors and auditors in respect of the Company's major operating matters to acquire overall financial position of the Company. Through the communication and discussion with the senior management of the Company, the Supervisory Committee considered the financial report submitted to the general meeting had objectively and fairly reflected the financial position and operating results of the Company and the accounts of the Company has standard specification, clear record and compete figures.

In addition, the Supervisory Committee had reviewed the Report of the Board which the Board submitted to the general meeting, and considered that the report had fairly reflected the current position of the Company. In 2022, the Board and the senior management of the Company had duly performed various duties, ensured the smooth progress of all businesses of the Company and promoted the high-quality development of the Company.

Report of The Supervisory Committee

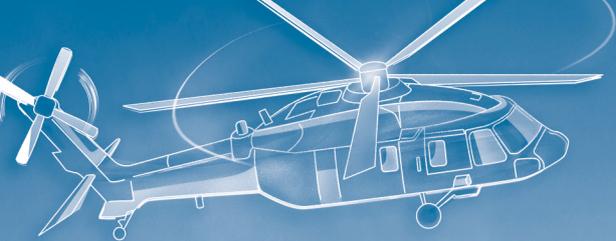
In 2023, the Supervisory Committee will conscientiously perform its duties diligently and responsibly in strict accordance with relevant regulations, support, cooperate with and promote the work of the Board and senior management in accordance with the law, be honest and upright, strengthen the supervision function, improve the supervision mechanism, further safeguard the legitimate interests of the Company, shareholders and employees, and continuously promote the high-quality development of the Company.



Chairman of the Supervisory Committee
Zheng Qiang

Beijing, 15 March 2023

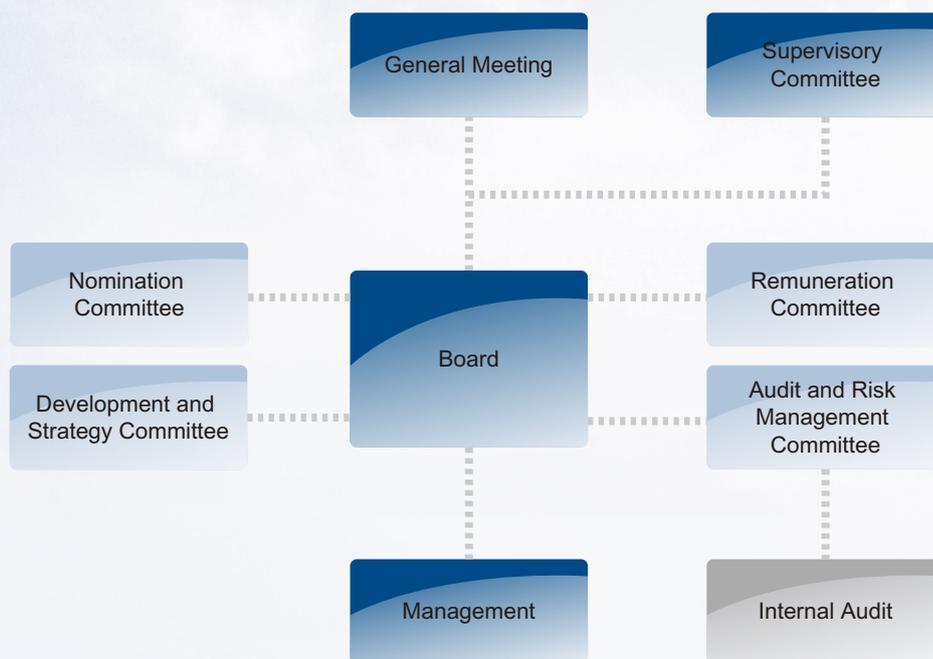




Corporate Governance Report

The Company strictly complies with various applicable laws, rules and regulations as well as the Articles of Association to standardize its operation. During the reporting period, pursuant to the regulatory documentations such as the Articles of Association, Rules Governing the Operation of General Meetings, Rules Governing the Operation of Board Meetings, Rules Governing the Operation of the Supervisory Committee, Working Guidelines for the Management, Terms of Reference of the Audit and Risk Management Committee, Terms of Reference of the Remuneration Committee, Terms of Reference of the Nomination Committee, Terms of Reference of the Development and Strategy Committee and the Rules on Information Disclosure and Measures for Connected Transactions Management, the Company continuously enhanced its corporate governance standard through the co-ordination and operation of general meetings, the Board and the relevant specialized committees of the Board, the Supervisory Committee and the management.

The overall governance structure of the Company is set out as follows:



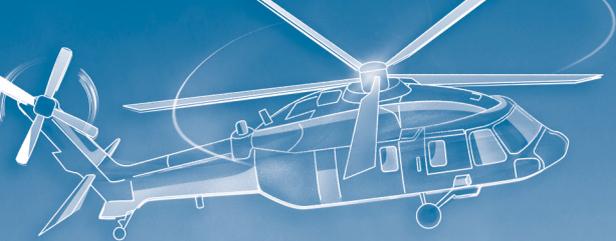
BUSINESS MODEL AND LONG TERM STRATEGY

The Company mainly operates through its subsidiaries. The Company will give full play to its advantages, actively develop aviation business and perfect the aviation industry chain. The details of the business and financial review of the Group for the year 2022 are set out in the section headed "Management Discussion and Analysis" of this annual report.

CORPORATE GOVERNANCE POLICY

During the reporting period, the Board mainly adopted the following corporate governance policies:

- Corporate governance and related suggestions: In light of complex international political and economic situation and the effect of the Pandemic in 2022, the Company discussed risks and risk management at Board meetings, Supervisory Committee meetings and the meetings of the relevant specialized committees. The Board conducted continuous assessment on potential influence of ever-changing external environment and amendments to national laws and regulations and regulatory rules on the business of the Company.
- Improvement of the capacity of Directors and senior management: The Company from time to time provided information in relation to the supervision and the operations of the Company to the Directors to equip them with knowledge of the industry and the Group, and to facilitate the decision-making process of the Board and the specialized committees. During the reporting period, Directors studied and discussed a series of topics such as inside information and disclosure of interests responsibilities. The Company also arranged for a series of forums on the hot topics and important issues relating to the aviation business.
- Compliance with laws and regulations: During this year, to emphasize the importance of compliance with the PRC laws and regulations, the Company revised certain articles of the Rules Governing the Operation of the Board, and formulated the Management Measures for the Authorization of the Board, the Report System of the Board to the General Meeting, the Guarantee Management Measures, the Terms of Reference of the Development and Strategy Committee, the List of Authority of the Board, the List of Authority of the General Manager, and the Work Plan for the Tenure System and Contractual Management of the Senior Management, making the corporate governance more standardized and more efficient. The Company continued to revise and improve the rules and regulations of the Company according to the business model of the Company and the new requirements of laws and regulations to assure the Company's operation in compliance with rules and regulations. In respect of risk management and internal control, the Company worked on seeking and establishing a risk management and internal control system fitting for the business development and operation model of the Company, and continued to review and appraise the underlying risks which may affect the realization of the Company's operation goals, so as to comprehensively improve the Company's risk management and internal control level.
- Corporate governance report: The Board reviewed the corporate governance report contained in this annual report before the publication of this annual report and was of the view that the corporate governance report was in compliance with the relevant requirements of the Hong Kong Listing Rules.



Corporate Governance Report

CORPORATE GOVERNANCE CODE

During the reporting period, the Company strictly complied with various applicable laws, rules and regulations as well as the Articles of Association to standardize its operation. The Board reviewed the corporate governance practices adopted by the Company for the year ended 31 December 2022 and was of the view that the Company complied with the principles and code provisions set out in the Corporate Governance Code under the Hong Kong Listing Rules.

THE BOARD

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

DIRECTORS

As at the date of this report, the Board comprises eight Directors, including one executive Director, namely, Mr. Yan Lingxi (Chairman), four non-executive Directors, namely Mr. Lian Dawei, Mr. Liu Bingjun, Mr. Xu Gang and Mr. Wang Jun, and three independent non-executive Directors, namely, Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping. The Directors have comprehensive industrial skills, knowledge and experience. With extensive professional knowledge and experience, the independent non-executive Directors have assumed the supervisory and balancing roles and they are capable to make judgments independently and objectively in order to protect the interests of the Company and its shareholders as a whole, which complies with the guidelines on the independence of independent non-executive Directors as set out in Rule 3.13 of the Hong Kong Listing Rules. In addition, the Company had received a written confirmation from each independent non-executive Director on their independence. Based on such confirmation and the relevant information available to the Board, the Company believes that each independent non-executive Director remains independent.

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

Each Director (including any non-executive Director) holds office for a period of three years, and is eligible for re-election upon expiration of the term of office. A list of Directors, their respective profiles and roles in the Board are set out on pages 23 to 27 of this annual report. Relevant information is also published on the website of the Company. There is no relationship (including financial, business, family or other material or relevant relationships) among members of the Board.

The Company has made appropriate insurance arrangements for the legal action that the Directors and senior management may face during the reporting period.

RESPONSIBILITIES OF THE BOARD

The Board manages affairs of the Group on behalf of the shareholders of the Company. Each Director is obliged to act in the best interest of the Company with prudence and honesty.

The Board regularly reviews the Group's overall strategy, business goals and operation results. The Board exercises its power to formulate the objectives and strategies of the Group, and to monitor the operation and financial performance of the Group.

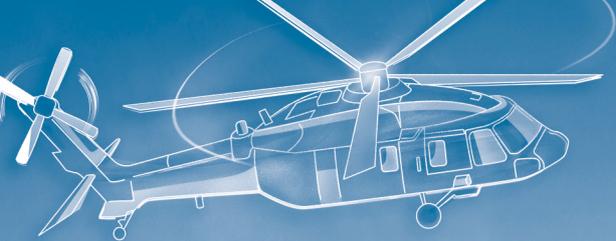
The Board shall also be responsible for the completeness of the financial information and the effectiveness of internal control systems and risk management procedures of the Group. The Board is also responsible for preparing the financial statements of the Group. All policies, material transactions or transactions involving conflicts of interest of the Group shall be decided by the Board. The general manager is responsible for attaining the business goals of the Company and managing the daily operations. Duties reserved to the Board and those delegated to the management are clearly set out in the Rules Governing the Operation of the Board Meetings, the Working Guidelines for the Management, the List of Authority of the Board and the List of Authority of the General Manager. The Board regularly reviews the duties and power delegated to the general manager to ensure that such arrangements are appropriate.

RESPONSIBILITIES OF THE MANAGEMENT

The management of the Company is mainly responsible for the operation and management of the Company. They perform their duties within the scope authorized by the Board and are responsible for their performance under the supervision and review of the Board and the Supervisory Committee. The management of the Company regularly provides company information to the Directors and Supervisors and updates on the Company and the industry to enhance the communication among the management and the Directors and Supervisors, facilitate the performance of the duties by the Directors and Supervisors and keep the Directors and Supervisors informed of the latest information of the overall performance, business operation, financial condition and management of the Company.

CHAIRMAN AND GENERAL MANAGER

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



Corporate Governance Report

DIRECTORS TRAINING

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

In addition, every Director will receive information in relation to guidelines on ethnics and other major governance matters upon joining the Board. Director training is a constant process to ensure that the Directors are fully informed in making their contribution to the Board. During the reporting period, the Directors received regular updates and summaries on the changes and latest development of the business and operation of the Group and the relevant legal and regulatory environment. In addition, all Directors are encouraged to participate in relevant training courses with the expense covered by the Company.

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

Corporate Governance Report

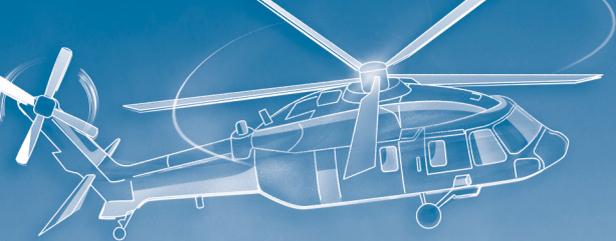
In addition, the Directors also proactively studied and learnt knowledge on corporate governance through reading relevant materials in order to consolidate their development in their respective specialties. The Directors of the Company also attended lectures on corporate governance, Hong Kong Listing Rules, etc. The trainings received by each Director during the reporting period were as follows:

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

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

** On 26 October 2022, Mr. Liu Bingjun was appointed as a non-executive Director of the Company.

*** Due to change in work arrangement, on 30 August 2022, Li Xichuan applied to the Board for resignation from his position as non-executive Director and the member of the Development and Strategy Committee.



Corporate Governance Report

BOARD MEETINGS

The Board convenes four regular meetings every year. Matters to be considered at these regular Board meetings have been provided in writing. Further, extraordinary Board meetings are held as and when required and reasonable notices are sent to the Directors before the convening of such meetings in accordance with the provisions of the Company Law of the PRC and the Articles of Association.

The Board Secretary assists the Chairman in preparing the resolutions and related materials for each Board meeting. To the extent possible, the meeting documents are delivered to the Directors or specialized committee members at least three days before the date of the relevant meeting. The Chairman also ensures that all Directors are properly briefed on issues to be discussed at the Board meeting, including provision of relevant documents containing analysis and background information to the Directors.

The management has also provided the Directors and specialized committee members with appropriate and adequate information on a timely manner. This ensures that the Directors and specialized committee members are well-informed of the Company's latest development so as to facilitate discharging their duties.

All Directors have access to the service of the Board Secretary. The Board Secretary is responsible for ensuring that the Board procedures are followed and advising the Board on compliance matters. The Directors, members of the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Development and Strategy Committee may seek independent professional advice at the Company's expenses when discharging their duties.

The Board encourages the Directors to discuss the subject matters of the meetings openly and candidly at Board meetings and ensures that every executive Director is available for inquiries raised by non-executive Directors. Independent non-executive Directors may convene meetings amongst themselves as necessary to discuss issues related to the Group. Board minutes are kept by the Board Secretary. The Board minutes, together with any materials related to the Board meetings are available for inspection by any member of the Board.

The Board has established a Development and Strategy Committee, an Audit and Risk Management Committee, a Remuneration Committee and a Nomination Committee to ensure good corporate governance. Duties of these committees are set out in accordance with the principles of the Corporate Governance Code. Each committee reports directly to the Board. Minutes of committee meetings are kept by the Board Secretary. In 2022, the Company convened two meetings of the Audit and Risk Management Committee, two meetings of the Nomination Committee, one meeting of Remuneration Committee and one meeting of Development and Strategy Committee. The terms of reference of the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee are published on the websites of the Company and the Hong Kong Stock Exchange.

Eight meetings were held by the Board during 2022. The attendance record of every Director at the Board meetings in 2022 is set out below:

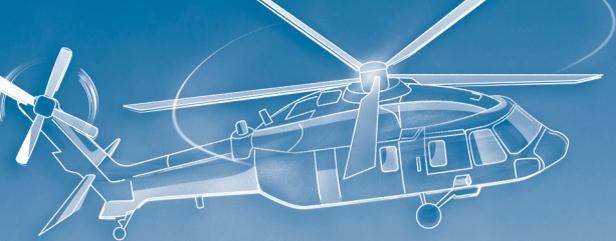
Directors	Times of meeting should attend	Times of attendance	Times of attendance by proxy
Executive Directors			
Mr. Zhang Minsheng*	8	8	0
Mr. Yan Lingxi	8	8	0
Non-executive Directors			
Mr. Lian Dawei	8	8	0
Mr. Liu Bingjun**	2	2	0
Mr. Xu Gang	8	6	2
Mr. Wang Jun	8	5	3
Mr. Li Xichuan***	6	5	1
Independent Non-executive Directors			
Mr. Liu Weiwu	8	7	1
Mr. Mao Fugen	8	7	1
Mr. Lin Guiping	8	8	0

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

** On 26 October 2022, Mr. Liu Bingjun was appointed as a non-executive Director of the Company.

*** Due to change in work arrangement, on 30 August 2022, Li Xichuan applied to the Board for resignation from his position as non-executive Director and the member of the Development and Strategy Committee.

In 2022, Directors who did not attend the Board meeting in person due to other business commitments all read the related meeting materials and appointed other Directors as proxy to present their opinions and exercise their voting rights on their behalf at the meeting.



Corporate Governance Report

DEVELOPMENT AND STRATEGY COMMITTEE

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

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

In 2022, the Development and Strategy Committee held one meeting to consider the committee's development, the Company's future development strategies and international cooperation. The attendance record of the members of the committee is set out as follows:

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

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

** On 15 March 2023, Mr. Yan Lingxi was appointed as the chairman of the Development and Strategy Committee, Mr. Liu Bingjun was appointed as the member of the Development and Strategy Committee.

*** Due to change in work arrangement, on 30 August 2022, Li Xichuan applied to the Board for resignation from his position as non-executive Director and the member of the Development and Strategy Committee.

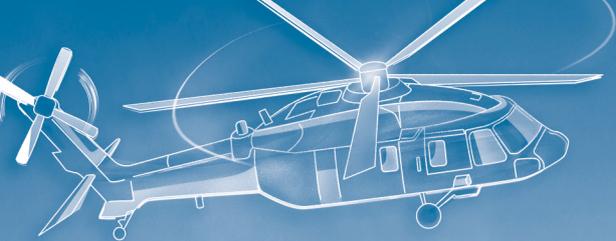
REMUNERATION COMMITTEE

As at the date of the report, the Remuneration Committee of the Company comprises the Directors, namely Mr. Liu Weiwu, Mr. Lian Dawei, Mr. Mao Fugen and Mr. Lin Guiping. Mr. Liu Weiwu is the chairman of the Remuneration Committee.

Main responsibilities of the Remuneration Committee of the Company include: to formulate the Company's policies and structure of remuneration of Directors, Supervisors and senior management members, to make recommendations to the Board on the Company's policies and structure in respect of all Directors' and senior management members' remuneration and on the establishment of a formal and transparent procedure for developing remuneration policies; to review and approve proposals on the management's remuneration with reference to the Company's goals and objectives determined by the Board; to appraise and decide, on a yearly basis, remunerations of Directors, Supervisors and senior management members. In 2022, the remuneration policy for Directors implemented by the Remuneration Committee is that the Remuneration Committee shall consider various factors including salaries paid by comparable companies, time commitment, responsibilities and employment conditions of elsewhere in the group and whether performance based remuneration shall be adopted.

The Remuneration Committee is responsible for approving the emolument policies of the Directors, Supervisors and senior management and proposing to the Board amendments to the emolument policies and system. The Remuneration Committee will take into consideration factors such as work performance and experience of Directors and Supervisors when determining their remunerations and will report to the Board after each meeting. In 2022, the Remuneration Committee held one meeting to consider and approve the resolutions relating to the remuneration standard of new director and the remuneration standard of Directors, Supervisors and senior management in 2022. The attendance record of the members of the committee is set out as follows:

Name of Director	Position	Times of meetings should attend	Times of attendance	Times of attendance by proxy
Mr. Liu Weiwu	Chairman of the Remuneration Committee, independent non-executive Director	1	1	0
Mr. Lian Dawei	Non-executive Director	1	1	0
Mr. Mao Fugen	Independent non-executive Director	1	1	0
Mr. Lin Guiping	Independent non-executive Director	1	1	0



Corporate Governance Report

For the year ended 31 December 2022, remunerations of senior management members by band are set out as follows:

Remuneration Band	Number
RMB700,000-900,000 (inclusive)	1
RMB900,000-1,100,000 (inclusive)	2
RMB1,600,000-1,800,000 (inclusive)	1

Details of remunerations of Directors and Supervisors for the year ended 31 December 2022 are set out in Note XI.(V)1 to the financial statements.

AUDIT AND RISK MANAGEMENT COMMITTEE

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

The Board has established the Audit and Risk Management Committee in carrying out the duty of assisting the Board and independently monitoring the financial operation, audit procedures and the risk management operation of the Company. The Terms of Reference of the Audit and Risk Management Committee were 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 Hong Kong Listing Rules (as amended from time to time).

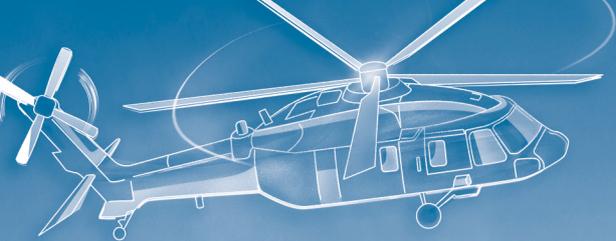
The Audit and Risk Management Committee is responsible for monitoring the financial operation and audit procedures of the Company, assessing effectiveness of the internal control and risk management systems of the Company, performing its internal audit function, reviewing and supervising the performance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

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

During 2022, the Audit and Risk Management Committee:

- reviewed the financial statements and the annual results announcement for the year ended 31 December 2021;
- reviewed the interim financial statements and relevant interim results announcement for the six months ended 30 June 2022;
- reviewed the Company's profit distribution plan for the year of 2021 and the interim profit distribution plan for the year of 2022;
- reviewed the proposal relating to the appointment of auditor of the Company for the year of 2022 and determination of its remuneration;
- reviewed the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2022, and regarded the systems being effective and sufficient;
- reviewed the Company's financial reporting system and risk management and internal control procedures; and
- reviewed the reports on operating results of the Company for the year of 2021 and the first half of 2022, the internal control report of the Company for the year of 2021, and listened to the report from the external auditor on its audit work in relation to the year of 2021 and on its review of 2022 interim report as well as its recommendations to the management of the Company.



Corporate Governance Report

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

The Audit and Risk Management Committee held two meetings in 2022. The Audit and Risk Management Committee reviewed and evaluated the findings of the Auditor's Report issued by the external auditors, the accounting principles applied by the Group and the risk management, internal control and the financial statements of the Company. The Audit and Risk Management Committee reported to the Board its scope of work, discussion results and recommendations after every meeting. The attendance record of the members of the committee is set out as follows:

Name of Director	Position	Times of meetings should attend	Times of attendance	Times of attendance by proxy
Mr. Mao Fugen	Chairman of the Audit and Risk Management Committee, independent non-executive Director	2	2	0
Mr. Wang Jun	Non-executive Director	2	1	1
Mr. Liu Weiwu	Independent non-executive Director	2	1	1
Mr. Lin Guiping	Independent non-executive Director	2	2	0

EXTERNAL AUDITORS

In 2022, the annual payment made by the Company to the Company's external auditors in relation to auditing services for the year of 2022 amounted to RMB2.42 million. Such payment had been approved by the Audit and Risk Management Committee, the Board and the general meeting. In addition, the payment made by the Company to the Company's external auditors in relation to auditing services for project amounted to RMB4 million. Saved for above, the Company's external auditors did not provide other non-auditing services to the Company and the Company did not make the payment in relation to non-auditing services.

The statement of the external auditors of the Company in relation to their reporting responsibilities on the consolidated financial statements is set out on pages 128 to 129 of this annual report.

NOMINATION COMMITTEE

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

The Nomination Committee shall perform the following duties: to review the structure, size and composition of the Board; to ensure the Board members have the skills, experience and diversity of perspectives appropriate to meet the requirements of the business of the Company, and make recommendations on any proposed changes to the Board where necessary to be in line with the Company's strategies; to study the nomination standards and procedures for the Directors and senior management of the Company and to make recommendations to the Board; to identify individuals suitable to act as Directors and senior management, review such candidates and make appointment-related recommendations, select and nominate relevant individuals to be appointed as Directors or make recommendations to the Board on such selection and nomination; to assess the independence of independent non-executive Directors; to make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular for the chairman of the Board and the president of the Company; to report to the Board on the decisions or suggestions made by the Nomination Committee. The procedures for appointment of a new Director of the Company are: for any Director candidate recommended by the shareholders pursuant to the Articles of Association, the Nomination Committee shall nominate such Director candidate for consideration and approval by the Board, which is then put forward for election at a general meeting.

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

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

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

For the gender ratio of the Group's employees, please refer to the "Environmental, Social and Governance Report" section of this report. The Company is committed to creating a diverse and inclusive work environment to attract and retain the best talent and promote business growth. The Group will continue to take measures, including but not limited to recruit and treat employees in accordance with the principle of gender equality, provide gender equality training and development opportunities, and ensure the rights and interests of female employees, to promote diversity among employees at all levels and focus on diversified management talent reserves.



Corporate Governance Report

The Nomination Committee held two meetings in 2022. The Nomination Committee discussed the composition and size of the Board and specialized committees, approved resolutions relating to the adjustment of members of the specialized committees and Directors. The attendance record of the Nomination Committee members at the meetings is as follows:

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

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

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

INDEPENDENT OPINION MECHANISM OF THE BOARD

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

1. The Company currently has three independent non-executive directors, who account for more than one-third of the seats on the Board, which is conducive to maintaining the independent advice and judgment of the Board. In 2022, the Company has complied with the requirements of Rules 3.10 (1), 3.10 (2), and 3.10A, of the Hong Kong Listing Rules namely, at least one-third (not less than three) of its directors are independent non-executive directors, and at least one independent non-executive director has appropriate professional qualifications or accounting or related financial management expertise. The Company supervises the performance of independent non-executive directors. According to Article 31 of the Rules Governing the Operation of the Board, if a Director fails to attend the board meeting in person for two consecutive times or does not entrust other Directors to attend the board meeting, the Board may request the general meeting to replace him.
2. The Company has received written confirmation from independent non-executive Directors on their independence in accordance with Rule 3.13 of the Hong Kong Listing Rules. The Company believes that all independent non-executive Directors are independent.

3. The Chairman meets with independent non-executive Directors at least once a year.
4. According to Article 13 of the Rules Governing the Operation of the Board, the Company provides necessary working conditions for each specialized committee to perform its duties. When necessary, each specialized committee may hire intermediary institutions or professionals to provide professional advice, and the reasonable expenses incurred shall be borne by the Company.

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

COMPANY SECRETARY

As approved by the Board, Mr. Xu Bin has been appointed as the Company Secretary and authorized representative of the Company since 25 August 2016.

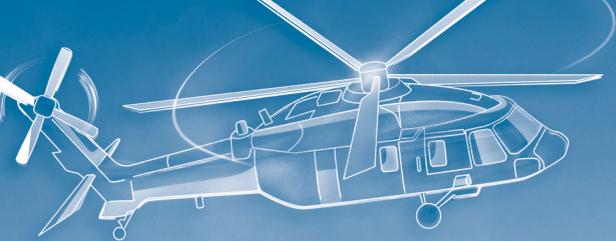
During the reporting period, Mr. Xu Bin has attended relevant trainings with aggregated time of over 15 hours.

INTERESTS HELD BY DIRECTORS AND SECURITIES TRANSACTIONS

All Directors should declare to the Board whether they hold offices or positions in other companies or entities upon their appointments as Directors and they are required to update the Board annually in respect of their relevant interests. If the Board considers that a Director has a conflict of interest in any motion or transaction, the Director shall declare his interests and abstain from voting. If required, the Director should be excused from the meeting.

Interests of the Company held by the Directors as at 31 December 2022 have been disclosed in the Report of the Board of this annual report. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Hong Kong Listing Rules and the Shares Trading Management Rules for Directors, supervisors, senior management and employees of the Company (the “Rules”) as its own guidelines for securities transactions by Directors, Supervisors and employees of the Company. The Rules of the Company is stricter than the Model Code to a certain degree. All Directors and Supervisors have been provided with a copy of the Model Code and the Rules upon appointments. Prior to 60 days and 30 days before the announcement of the annual or interim results of the Company, respectively, written reminders of the restrictions on dealing in any securities or derivatives of the Company under the Hong Kong Listing Rules will be provided to the Directors and the Supervisors appropriately. All Directors and Supervisors of the Company have confirmed their compliance with the Model Code in 2022 upon specific enquiries with them.

Employees who are likely to possess unpublished inside information of the Group are also required to comply with the Model Code. The Company is not aware of any breach in this regard in 2022.



Corporate Governance Report

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Directors are responsible for monitoring the preparation of the consolidated financial statements for every financial year and ensuring those consolidated financial statements present a true and fair view on the operating results, financial performance and cash flow of the Group in the relevant financial year. In preparing the consolidated financial statements for the year ended 31 December 2022, the Directors have:

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

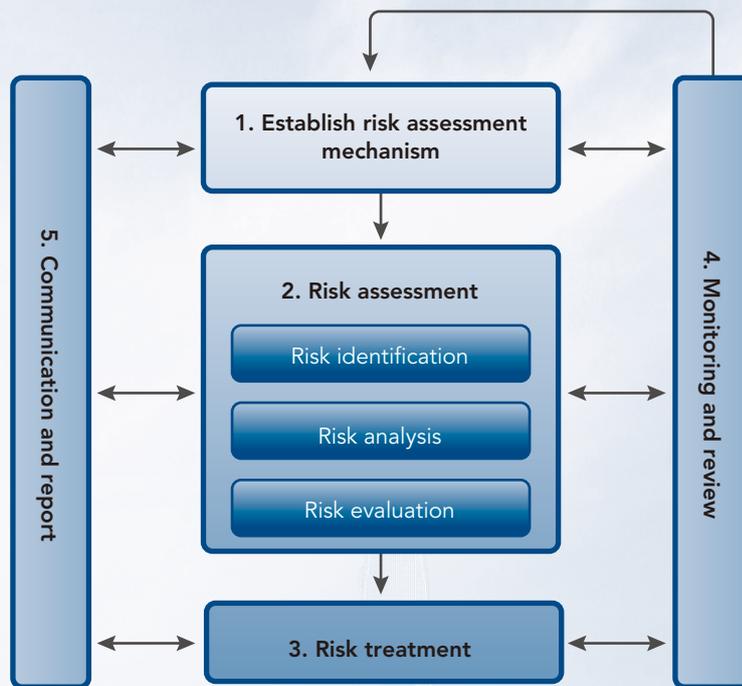
In accordance with the requirements of the Hong Kong Listing Rules, the Company has timely announced its annual and interim results within three and two months respectively after the end of the relevant financial periods.

INTERNAL CONTROL

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

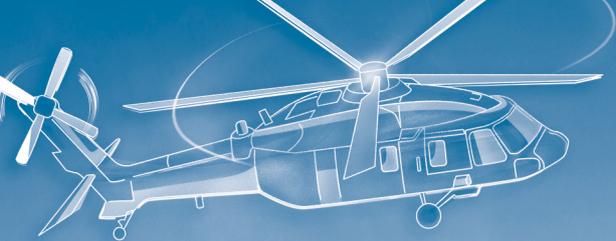
The institution of the Company in charge of internal control and audit acts as a supporting institution of its Audit and Risk Management Committee to monitor and provide guidance on how the Company and its subsidiaries establish and improve their respective risk management and internal control systems,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

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



Notes:

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



Corporate Governance Report

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

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

In 2022, in accordance with the requirements of The Basic Standard for Enterprise Internal Control of the PRC and its supporting guidelines, in order to ensure the effectiveness of internal control design and operation, timely detect of defects in internal control, and continuously improve the ability to prevent and control risks in various business links, the major subsidiaries of the Company issued internal control evaluation reports after evaluating the effectiveness of their own internal control and appointed accounting firms to conduct independent audit on their internal control in 2022. During the reporting period, those companies established and effectively implemented the internal control of the businesses and items within the scope of the evaluation, achieving the objectives of internal control with no major defect identified. On this basis, and taking into account the evaluation on the internal control and the state of establishment of the internal control system of other subsidiaries and the risk management status of each subsidiary, the department of the Company which was responsible for internal control and audit evaluated the risk management and internal control of the Group as a whole and reported the evaluation conclusions to the Audit and Risk Management Committee and the Board. Through the Audit and Risk Management Committee, the Board reviewed the effectiveness of the risk management and internal control system of the Group for the year ended 31 December 2022, including all the significant financial, operational and control and risk management functions, and was satisfied that such system was effective and sufficient. The Audit and Risk Management Committee also reviewed and was satisfied with the sufficiency of resources and the qualifications and experience of the employees for performing the Group's accounting and financial reporting functions, the adequacy of the employee training courses and the relevant budget. The Company also attaches high importance to continuously improve the Company's risk management and internal control system according to the business development model of the Company and the new requirements of laws and regulations, so as to adapt to new situations and new environment. However, due to the inherent limitations of the risk management and internal control system, the establishment of the Group's risk management and internal control system is for the purpose of managing potential risks rather than eliminating all the risks. Therefore, the internal control system can only provide a reasonable assurance, rather than an absolute assurance, for the Group to achieve its operational targets. Likewise, it is impossible for the risk management and internal control system to completely eliminate all material inaccurate statements made or all the losses caused to the Group.

SUPERVISORY COMMITTEE

The Supervisory Committee is accountable to the general meetings of the Company. The seventh session of the Supervisory Committee comprises two shareholder representative Supervisors (Mr. Zheng Qiang and Mr. Guo Guangxin) and one employee representative Supervisor (Mr. Zhao Zhuo). In 2022, the Supervisory Committee held two meetings and considered and approved eight resolutions. It supervised, on behalf of shareholders of the Company, the financial position of the Group, the legality and compliance of the performance of duties by the Directors and senior management of the Company, attended the Board meetings and general meetings and fulfilled its duties diligently.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the China Accounting Standards for Business Enterprises and the disclosure provisions of the Hong Kong Companies Ordinance. To the knowledge of the Directors, there is no event or condition that may have a material adverse effect on the continuing operation of the Company.

GENERAL MEETING

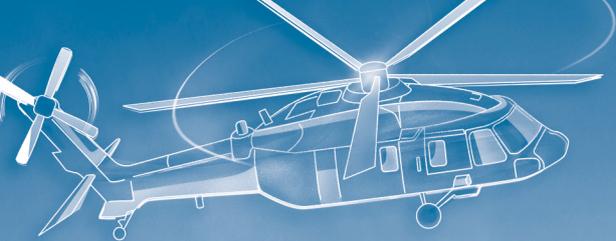
The general meeting is the supreme authority of the Company. It performs its functions according to laws and makes decisions on major issues in relation to the Company. The annual general meeting and extraordinary general meetings of the Company provide a channel for shareholders to communicate directly with the Board. In 2022, the Company convened three general meetings, at which fourteen resolutions in total were considered and approved. All Directors, Supervisors and members of the senior management of the Company endeavored to attend the general meetings. The following is the attendance record of the Directors:

Director	Time(s) of meeting(s) should attend	Times of attendance
Mr. Zhang Minsheng*	3	3
Mr. Yan Lingxi	3	3
Mr. Lian Dawei	3	3
Mr. Liu Bingjun**	1	1
Mr. Xu Gang	3	3
Mr. Wang Jun	3	1
Mr. Li Xichuan***	2	2
Mr. Liu Weiwu	3	2
Mr. Mao Fugen	3	2
Mr. Lin Guiping	3	3

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

** On 26 October 2022, Mr. Liu Bingjun was appointed as a non-executive Director of the Company.

*** Due to change in work arrangement, on 30 August 2022, Li Xichuan applied to the Board for resignation from his position as non-executive Director and the member of the Development and Strategy Committee.



Corporate Governance Report

Pursuant to the relevant provisions of the Company Law of the PRC and the Articles of Association, in the event that shareholders request to convene an extraordinary general meeting or a class shareholders' meeting, a request in writing setting out the matters to be considered at the meeting shall be signed and submitted by two or more shareholders who collectively hold 10% or more of the total voting rights represented at the meeting proposed to be held for the Board to convene an extraordinary general meeting or a class shareholders' meeting. Upon receipt of such written request, the Board shall convene the extraordinary general meeting or the class shareholders' meeting as soon as possible.

In accordance with the Company Law of the PRC, when the Company convenes an annual general meeting, any shareholder holding 3% or more of the total voting rights of the Company shall have the right to submit new proposals to the Company in writing, and the Company shall place on the agenda of the meeting such matters in the proposals that are within the scope of functions and powers of the general meeting.

The Board or any shareholder or shareholders who separately or collectively hold more than 3% of the voting rights of the Company are entitled to nominate candidates for election as Directors to the Board for shareholders' approval at the general meeting of the Company. A written notice of the intention to nominate a Director candidate and a notice in writing by that candidate indicating his acceptance of such nomination are required to be given to the Company not sooner than the date of dispatch of the notice of the general meeting and not later than seven days before the date of such general meeting. The nomination of each Director candidate shall be submitted to the general meeting as a separate resolution for the shareholders' consideration.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Board Secretary, whose contact details are as follows:

AviChina Industry & Technology Company Limited

Postal Code: 100029

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

Telephone: 86-10-58354348

Facsimile: 86-10-58354300/10

E-mail Address: avichina@avichina.com

ARTICLES OF ASSOCIATION

The Company strictly abides by the PRC laws and regulations, and makes amendments to certain articles of the Articles of Association from time to time in accordance with the PRC laws and regulations. During the reporting period, there were no changes to the Company's Articles of Association.

The Articles of Association of the Company was uploaded on the website of the Company and the Hong Kong Stock Exchange.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

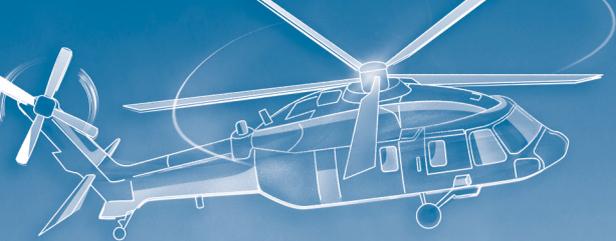
The Board secretary is responsible for information disclosure of the Company. The Company has formulated and enforced the Management Rules of Investor Relations and the Management Rules of Registration of Inside Information and Insiders to ensure information disclosed by the Company is accurate, complete and made in a timely manner, and meanwhile, strictly supervise the dealing and publishing of inside information to keep such information in confidentiality before being disclosed. During the reporting period, the Company published its annual report, interim report and other relevant announcements (including the overseas regulatory announcements published by the subsidiaries of the Company whose shares are listed on other stock exchanges) in accordance with the Hong Kong Listing Rules and made detailed disclosures on material information and reported the progress of any significant issues relating to the Company.

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

The Company has assigned specific employees to assume the role of investor relations management. Pursuant to information disclosure methods required by the Hong Kong Stock Exchange, the Company had put more efforts in the maintenance of its websites to ensure that information is disclosed accurately and in a timely manner. The Company not only renews and modifies its website continuously in accordance with the Hong Kong Listing Rules, but also regularly publishes and updates business news and information contained in its website to help investors understand the up-to-date situation of the Company clearly. Details of the businesses of the Group and announcements such as interim results and annual results could also be downloaded from the Company's website. Besides updating the website of the Company timely and periodically, the Company also opened a Wechat public account so that investors can learn the recent situation of the Company more conveniently.

The Company also emphasized the mutual communication with its investors. A specific department of the Company is in charge of the communication with shareholders, investors and other participants of the capital market pursuant to the requirements of the Corporate Governance Code. During 2022, despite of the impact of the Pandemic, the Company actively used online communication methods such as video conferences and teleconferences, and created opportunities for face-to-face communications, organizing "Entering AviChina, Entering Strategic Core Technology Companies" and "Science High-end Salon" to enable shareholders and investors to timely and fully understand the operations and development plans of the Company and respond the key concerns from investors. The annual general meeting and extraordinary general meetings also provide further platform and opportunities for shareholders to exchange opinions directly with members of the Board. The efforts of information disclosure and investor relations of the Company have been affirmed by the market. In 2022, the Company was awarded the "Golden Bauhinia – the Listed Company with the Best Investment Value".

The Company has reviewed the implementation of the shareholder communication policy for the year of 2022 and considers it effective.



Environmental, Social and Governance Report

This is the seventh ESG (Environmental, Social and Governance) report published by the Group, which covers the ESG performance for the period from 1 January 2022 to 31 December 2022, part of which exceeds the aforesaid scope. The report follows the provisions of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange. Unless otherwise specified, the financial data quoted in this report are derived from the audited financial report. Other data are derived from the internal official documents of the Group and relevant statistics. The report has been reviewed by the Board.

This report has been prepared in accordance with the reporting principles stipulated in the “ESG Reporting Guide” of the Hong Kong Stock Exchange:

Materiality: The materiality matrix disclosed in the report explains the process and ultimate results of the determination of material issues in details. Key stakeholders and targeted measures for communication have also been listed out. For details, please refer to “Stakeholders Engagement” and “Determination of Material ESG Issues” in the section headed “Responsibility Management”.

Quantization: All references and standards, calculation methods and parameters used for the environmental data disclosed in the report have been indicated.

Balance: Both positive and negative information have been disclosed objectively in this report to ensure unbiased content.

Consistency: The indicators disclosed in this report are presented to the extent possible in the form of comparative data of 2 consecutive years or more based on actual management conditions. The scope of disclosure of the report includes AviChina and its subsidiaries.



I RESPONSIBILITY MANAGEMENT

AviChina is devoted to building a sound corporate governance system with a diversified governance structure and clear strategies and procedures against corruption. AviChina embraces investors' feedback to keep stable and efficient operation and carries out sustainable development initiatives to improve corporate governance level.

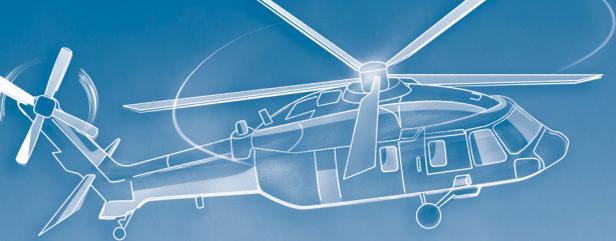
1. Statement of the Board

AviChina has always adhered to the path of high-quality development and is committed to improving and deepening sustainable business practices. It continued to establish and perfect ESG governance mechanism and made efforts to achieve harmonious integration between the environment and society, thus creating long-term stable environmental, social and corporate values. The Board of Directors attaches great importance to the sustainable development performance of AviChina and has established an ESG governance structure with the Board as the ultimate leader to oversee the implementation of the Group's ESG strategies and objectives, continuously monitor and assess ESG risks and fully assume responsibility for sustainable development matters. At the same time, the Group has set up an ESG management working group to coordinate and manage ESG issues. The group is responsible for ensuring that all aspects of ESG are integrated into the daily management and operation of the Company, and reports regularly to the Board of Directors on ESG-related work.

The Group regularly understands the expectations and requirements of stakeholders on an annual basis, identifies and assesses important ESG issues and priorities, the results of which are reviewed by the Board of Directors and adequately responded to through information disclosure. In 2022, the Board conducted targeted review and monitoring of the strategic goal of "Carbon Peak and Carbon Neutrality", safety production and supply chain ESG management priorities, and considered the ESG work plan for 2023.

This report discloses in detail the progress of the ESG work of AviChina for 2022, which was considered and approved by the Board of Directors on 15 March 2023.





Environmental, Social and Governance Report

2. Stakeholders Engagement

Stakeholders' expectations and feedback are important bases for the Group's decision making on responsibility management strategies and judgment of management effectiveness. The Group has established an effective stakeholder communication mechanism. In 2022, the Group actively communicated with a total of six groups of stakeholders including governmental and regulatory bodies, shareholders, customers and partners, environment, employees, community and the public, which allowed it to gain insights and respond to the expectations of stakeholders in a timely manner.

Stakeholders	Expectations and Requirements	Communication and Response Methods
Governmental and Regulatory Bodies	<ul style="list-style-type: none"> Implementation of national policies, laws and regulations Promotion of local economic development Improvement of local employment Promotion of industrial development 	<ul style="list-style-type: none"> Submission of documents Advice and suggestions Special report Negotiation and cooperation
Shareholders	<ul style="list-style-type: none"> Returns on investment Compliant operation Production safety 	<ul style="list-style-type: none"> Company announcements Telephone reception Visitor reception
Customers and Partners	<ul style="list-style-type: none"> Performance by law Business integrity Quality products and services 	<ul style="list-style-type: none"> Business communications Exchanges and seminars
Environment	<ul style="list-style-type: none"> Compliant emissions Greenhouse gas emission reduction Ecological conservation 	<ul style="list-style-type: none"> Work report Report submissions Investigations and inspections
Employees	<ul style="list-style-type: none"> Protection of rights and interests Occupational health Compensation and benefits Career development 	<ul style="list-style-type: none"> Workers congress Collective bargaining Democratic communication platform
Community and the Public	<ul style="list-style-type: none"> Improvement of the community environment Participation in public welfare undertakings Provision of public and transparent information 	<ul style="list-style-type: none"> Company websites Company announcements Interviews and communications Public welfare activities

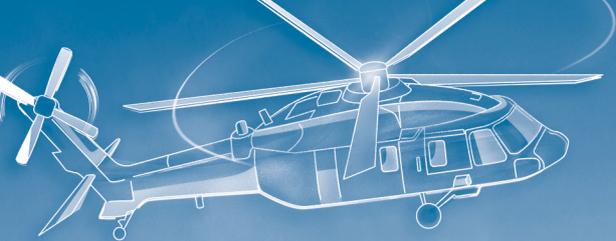
3. Determination of Material ESG Issues

The Group identifies the importance of ESG issues in accordance with the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange and with reference to the Sustainability Reporting Standards of the Global Reporting Initiative. To promote more accurate and complete ESG disclosures, the Group conducted an anonymous survey with stakeholders including governmental and regulatory bodies, shareholders, customers and partners, environment, employees, community and the public, with the aim of gathering broad insights into their awareness and assessment of the Group’s ESG performance. During the reporting period, the Group received a total of 568 valid questionnaires. According to the survey results and taking into account the situation of peer companies, the Group formulated the materiality matrix for the year, which became the basis of disclosure for this report and the guiding direction for sustainability management in the future.

The materiality matrix on sustainable development of the Group in 2022 is presented below:

Materiality Matrix of the Group in 2022





Environmental, Social and Governance Report

4. Business Integrity and Anti-corruption

Relying on national laws and regulations including the Criminal Law of the People's Republic of China, the Supervision Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and systems including the Requirements for Strictly Prohibiting Staff from Accepting Gifts, the Integrity Risk Prevention and Control Manual in the Field of International Cooperation Business, the Integrity Risk Prevention and Control Manual in the Field of Research Expense Management and the Practice Risk Prevention and Control Manual in the Field of Personnel Selection and Employment formulated by subsidiaries, the Group continued to improve its anti-corruption work responsibilities, working mechanisms and disciplinary measures in those systems, and has declared zero-tolerance attitude toward corruption and established a system for verification of reported content and protection of whistleblowers. The internal supervisory bodies of the Group strictly supervised and reviewed daily operations throughout the year, and paid special attention to important compliance risk points and corruption prevention and control points. 2022 saw no corruption litigation cases against the Group or its employees.

In 2022, on the basis of the unified management of the Group, each subsidiary formulated its own anti-corruption system according to the actual situation. Among them, Hafei Aviation has formulated the Implementation Rules for Post-Decision Evaluation of "Three Importance and One Significance" of the Company and the List of Supervision Subjects of the Company (2022), and revised the Work Rules of the Discipline Inspection Committee of the Company, the Measures on Supervision and Management of Discipline Inspection of the Company and the List of Duties and Responsibilities and Guidance for Performance of the Discipline Inspection Member of the Company, to continuously improve the high quality development of discipline inspection work and promote the implementation of responsibilities. Keeven Instrument formulated three systems for the supervision and discipline work system in the Reporting Period, namely, the Work Measures for Cases of the Company, the Party Disciplinary Work Regulations of the Company (Trial) and the Measures for Discipline Inspection Work of Discipline Inspection Committee of the Company, which further standardized, institutionalized and scientified the discipline inspection system, effectively improved the efficiency of discipline and supervision inspection work, and provided guidance for normalized integrity work.

Under the guidance of the anti-corruption policy, the Group has carried out diversified integrity risk identification initiatives, including the establishment of a hierarchical catalog of high-risk integrity positions and the formulation of anti-corruption management implementation rules. At the same time, the Group has formulated guidelines for the prevention and control of integrity risks catalog in five areas: research management, rework management, resume management, contract management and warehouse management, and around "micro-power (微權力)" business operation and control mechanism for 100 operations in 13 business areas, including organization and personnel, research and production, and operation management, to enhance the identification of integrity risks and develop targeted response strategies, thus better controlling the integrity risk management process.

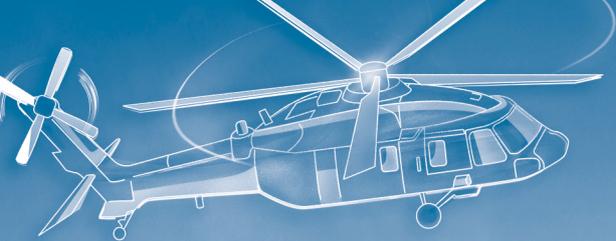
Environmental, Social and Governance Report

During the year, the Group continuously improved the supervision and reporting procedures, and each subsidiary set up multiple reporting channels, including intranet reporting, email reporting, letters and telephone. All reporting channels have been kept available and opened to all employees and personnel of external units. The Group strictly protects whistleblowers and information security of reports, and verifies and handles them through research and judgment meetings on the basis of confidential treatment, and transfers the incidents involving job-related crimes to judicial organs.

The Group has established an integrity education mechanism with collaboration at the company level. In 2022, the Group carried out deep study through “online + offline” methods including field study and watching videos, to ensure that all staff receive integrity education, thus jointly creating an atmosphere of supervision and public opinion on compliance, integrity and self-discipline, and participation of all staff. In addition, the Group conducted a number of integrity education and training sessions for members of the Board of Directors during the reporting period to continuously strengthen the construction of a culture of integrity and to uphold the bottom line of business ethics.

Table: Anti-corruption Training of the Group

Indicators	Unit	Number in 2022
Employee anti-corruption training coverage	%	93
Total hours of anti-corruption training for employees	Hour	28,047.5



Environmental, Social and Governance Report

Case study: Keeven Instrument conducted special training on anti-corruption to enhance self-discipline

In 2022, Keeven Instrument continued to promote the quality and effectiveness of discipline and rules education, deepened the culture of integrity, and carried out a series of training activities around anti-corruption and integrity promotion.

- It conducted annual interviews and called for regular learning. It continuously strengthened the relevance and effectiveness of integrity education, and continuously enhanced the awareness of integrity of relevant personnel. Deputy Secretary of the Party Committee and Secretary of the Discipline Inspection Commission of Keeven Instrument carried out the annual interview at the general meeting of all cadres, calling for normalized learning, promoting the full and rigorous Party self-governance, and improving the quality of anti-corruption work.
- It formulated a warning education and study plan. Organized 1,726 person-times, watch TV special Zero-Tolerance for 6,320 person-times, study the “Small Treasury” Warning Education Film and Interpretation of the Regulations of the PRC Supervision Law through the Business Network Office (商網辦公) platform for 1,192 person-times, and study the Guidelines for the Construction of “Micro-power” Business Operation and Control Mechanism of the Airborne System and Construction Plan of the “Micro-power” Business Operation and Control Mechanism of the Company for 1,332 person-times. In 2022, a total of 24,697 persons participated in the warning education and study.
- It held a warning education conference on the theme of typical case and all leading cadres attended the conference. It focused on the case notification, analysis of the reasons, improve governance and other aspects to strengthen the warning education of the typical case.

At the same time, the Discipline Inspection Committee of Keeven Instrument kept to release integrity-related messages and integrity-related reminders on WeChat public account before holidays and issue notices of strict discipline during holidays, effectively enhancing the discipline determination, moral determination and anti-corruption determination of Party members and cadres.

II PRODUCT RESPONSIBILITY

The Group attaches great importance to product responsibility and enhances product service and product quality in terms of innovation, cooperation and intellectual property protection with technological innovation as the core. While shouldering product responsibility, AviChina respects customer privacy, protects data security, continues to promote supply chain ESG risk management, and joins hands with all stakeholders for joint sustainable development.

1. Technology Innovation

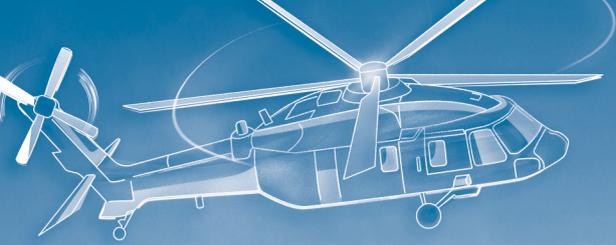
The Group regards science and technology innovation as an important way to improve the coordination and balance of development. The Company promotes development by R&D innovation, facilitates communication by industry cooperation and safeguards results by intellectual property rights, providing strong support for the transformation of scientific and technological achievements and injecting new energy for product responsibility.

1.1 R&D Innovation

The Group focuses on R&D innovation, adheres to the innovation-driven development strategy and calls on its subsidiaries to make efforts in multiple ways. In 2022, the subsidiaries revised the Management Measures for Evaluation of Technological Innovation Projects, the Management Measures for Acceptance Evaluation of Results of Technological Innovation Projects, the Management Measures for Research Equipment and Materials and the Management Measures for Application and Transformation of Scientific and Technological Achievements and other institutional documents to further improve the technology research management mechanism, enhance the innovation strategy, and strengthen the key core technology investment. We have won a number of national, provincial and municipal science and technology awards.

Table: Selected Scientific Research and Innovation Achievements of the Group in 2022

AVIC CAPDI	<ul style="list-style-type: none"> • In 2022, the company issued 42 technical standards; participated and completed the preparation of 10 external standards, including 1 national standard (chief compiler), 2 national standards, 2 industry standards and 5 group standards; and undertook 19 external standards preparation projects.
Tianjin Aviation	<ul style="list-style-type: none"> • In 2022, the company carried out three major pre-research projects, namely, research on intelligent arc detection technology for civil aircraft, research on the key technology and application of ultra-fine dry powder fire extinguishing system, and research on the development and installed application of civil aircraft fire protection system.
JONHON Optronics	<ul style="list-style-type: none"> • In 2022, the company applied and secured 4 national projects, 2 provincial projects and 2 municipal projects, and obtained supporting funds of more than RMB30 million. • The company was awarded the new title of provincial key laboratory and technology innovation demonstration enterprise compared with 2021.



Environmental, Social and Governance Report

- Shanghai Aviation Electric • In 2022, the company completed the construction of EMC laboratory and successfully passed the CNAS/DILAC re-evaluation and expansion review, involving a total of 53 items/parameters, including 19 items of EMC test, 12 items of power supply compatibility test, and a standard update of solar radiation test and optical test.
- Shenyang Xinghua • In 2022, the company won the third prize of Liaoning Province Science and Technology Progress Award in terms of “research and application of high-density connection technology with high temperature resistance”, “development and application of three-dimensional carbide tube engine wiring harness integration technology”, “development and application of strong vibration resistance and high reliable connection technology”.

Case study: C919 was awarded production license with the successful transformation of R&D achievements

The C919 is short-and medium-range single-aisle jet civil aircraft developed by China itself, for which a number of enterprises under the Group supply fuselage structural parts, slats, landing gear hatches, lighting systems, connectors and other avionics equipment.

In September 2022, CAAC issued a Type Certificate (TC) for C919 as a “birth certificate” for the aircraft, signifying that the design of the aircraft is recognized as meeting the airworthiness standards and that the airworthiness authorities allow the aircraft manufacturer to proceed with mass production based on the approved quality control system, successfully transforming scientific and technological achievements into production practice, which is an important demonstration of the transformation of scientific and technological achievements.

1.2 Industry Partnership

In 2022, the Group continued to promote the integration of industry-university-research, and actively cooperated with scientific research institutions, top universities and well-known enterprises, with a view to jointly promoting the optimal allocation of social resources and industrial development through effective integration of education and research, and industry production by means of industry-university interaction and university-enterprise cooperation.

Table: Annual Key Industry Cooperation Achievements of the Group

Huiyang Company	<ul style="list-style-type: none">• The company implemented patent license with China Helicopter Research and Development Institute and licensed 4 invention patents.• The company continued to strengthen scientific and technological innovation, and actively applied governmental scientific research projects, secured 4 national projects, 2 provincial projects and 2 municipal projects.
Shenyang Xinghua	<ul style="list-style-type: none">• The company, Shenyang Aerospace University, and Nanjing University of Aeronautics and Astronautics carried out joint research and made breakthrough in the secondary development of motor controller software and joint commissioning technology research work, successfully realized tests for the whole projects of permanent magnet synchronous motor, improving the scientific and technological research standards of motor controlled direction.
Changfeng Avionics	<ul style="list-style-type: none">• The company cooperated with China (Suzhou) Intellectual Property Protection Center, and taking the opportunity of the Protection Center to implement the reform of patent pre-examination service project in certain fields, promoted the substantive authorization of more than thirty unlicensed invention patents of the company, which provided service guarantee for the company's technological innovation.



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1.3 Intellectual Property Management

The Group implemented laws and regulations relating to intellectual property including the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and each subsidiary regularly revised its internal management measures such as the Regulations on the Management of Intellectual Property Rights to standardize the management process of intellectual property assets such as patents and trademarks and enhance the prevention and control of intellectual property risks. In 2022, the Company and its subsidiaries actively promoted the transformation of knowledge achievements and advanced the relevant management in a standardized and orderly manner. Some of the intellectual property protection work carried out by the Group is as follows:

- In 2022, Keeven Instrument benchmarked with the relevant regulations of the company, revised the Regulations on the Management of Intellectual Property Rights, and established the company's intellectual property management leading group, with a clear list of leading group personnel and responsibilities. The company now has 68 valid patents, of which 13 new patents were granted in 2022, and applied for 23 patents in the whole year.
- In 2022, AVIC CAPDI further optimized the company's intellectual property management system, issued assessment indicators for the number and quality of patent applications for each unit, and provided specific guidance on the exploration, collation and application of patent technology solutions, effectively protecting the company's technological innovation achievements and enhancing the company's intellectual property advantages.
- In 2022, JONHON Optronics deeply promoted the construction of intellectual property system, successively compiled and revised various management systems and procedural documents, and built a patent search mechanism throughout the R&D stage. Meanwhile, the company incorporated the relevant requirements in the standard about the risk warning and search of intellectual property into the R&D process of the company's systems. In addition, the company passed the system audit and obtained the certification during the year.

Table: Patent Applications of the Group

Indicator	Unit	Number in 2021	Number in 2022
Patent applications	Pieces	1,772	1,923
Patents granted	Pieces	1,288	1,174

2. Products and Service

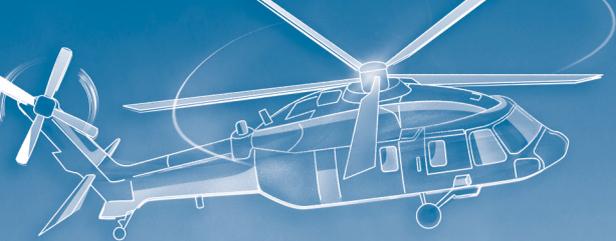
The Group is committed to continuous improvement of product quality management and continuous improvement of product quality and product services. At the same time, the Group focuses on privacy protection work, safeguards service information security, and works with supply chain partners to support product services, providing a solid foundation for high-quality product services.

2.1 Product Quality

The Group relies on relevant laws and regulations including the Product Quality Law of the People's Republic of China, the Regulations on the Administration of Production Licenses of Industrial Products, and the Rules for the Domestic Transportation of Civil Aviation Goods, and each subsidiary has formulated Quality Management System Requirements, After-sales Service Control Procedures, Customer Satisfaction Monitoring Procedures and User Technical Training Management Regulations, etc., and established a quality management process covering the whole life cycle of the products by following the working principles of combining strict control with active prevention and dedicated inspection with operator self-inspection and mutual inspection.

In 2022, the subsidiaries continued to carry out ISO 9001 quality management system certification and other work, optimizing initiatives in line with the specific requirements of the system, while following the policy and system. Some subsidiaries carried out the following initiatives to manage product quality:

- In 2022, the quality management department of Tianjin Aviation, with reference to the delivery contracts signed between the scientific research and production planning department and users, taking into account the actual operation work of the company, regarded three types of enterprises involving key model tasks, high demand for user orders and more problems reported or complained about in the previous year as the main users, formulated and carried out customer satisfaction surveys, and formed a summary of customer satisfaction assessment work. By understanding the feedback of customers, the company developed corresponding measures to improve product quality efficiently.
- In 2022, Shenyang Xinghua revised 34 quality management system documents, including Quality Manual, Supplier Management Procedures, Inspection Control Procedures and Non-conforming Product Control Procedures, to continuously improve the applicability of product quality system documents.
- AVIC Forstar established the Quality Briefing this year to disclose and share important quality information of the company every month, and to promote the overall product quality management level by providing early warning tips on quality risks, holding monthly company-level quality meetings and organizing training on typical quality cases.



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The Group has formulated product management systems including the Customer Management Control Procedures, the Procedures of Product Design and Development Control, the Procurement Control Procedures, the Manufacturing Process Control Procedures, the Inspection Control Procedures, the After-sale Service Control Procedures and the Improvement Control Procedures. For the product complaint process, the Group specifies the complaint matters, reasons for complaints, resolution measures and time points, etc., and feeds them back to users after countersigning by the relevant responsible departments. At the same time, the Group requires each subsidiary to promptly arrange relevant personnel to visit and formulate corresponding improvement plans to ensure proper resolution of complaint events in all aspects. In 2022, the Group received a total of 374 complaint events about products, and the complaint processing rate reached 90.37%.

The Group complies with the relevant regulations of the SAMR Defective Product Administrative Center for the recall of defective products and the relevant contents of the internal After-sale Service Control Procedures and Quality Manual, and has established, implemented and maintained a standardized process for the recall of monitoring and measuring equipment requiring calibration or verification (validation), and developed corrective and preventive measures to ensure product safety to the fullest extent. In 2022, the Group had no recalls.

2.2 Protection of Customer Privacy

The Group strictly complies with the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, Regulations on the Security Protection of Computer Information Systems of the People's Republic of China, Administrative Measures for the Security Protection of International Networking of Computer Information Networks and other relevant laws and regulations, and has formulated the Management Measures of the Company's Commercial Secrets, the Management Measures of Customer Information of Marketing Department and other relevant regulations. The Group carried out a series of safeguards around system preparation, permission management, technical protection and awareness cultivation to protect the security of customer privacy and prevent the occurrence of incidents that infringe on customer rights such as illegal use, leakage and sale of customer privacy. In 2022, the Group did not have any information leakage incidents.

System preparation

In order to guarantee the standardization and effectiveness of privacy security work, in 2022, each subsidiary continuously established and improved relevant systems and policies taking into account their respective internal situation. Tianjin Aviation adopted the Guidance Catalogue on the Scope of Commercial Secrets this year, which contains information on the scope and standards of customer information security and related carriers, and is used as the company's commercial secrets specification. JONHON Optronic continued to improve the Management Measures of the Company's Commercial Secrets, Management Measures of Confidentiality of the Company's Customer Commercial Information, Interim Measures of Confidentiality Management of Portable Electronic Devices, Management Measures of Customer Information of Marketing Department and other systems during the reporting period, and strictly assessed and seriously dealt with employees' violations.

Permission management

In 2022, the Group continued to refine the setting of job function authority for relevant staff, set the boundaries of private information that can be accessed, and strictly controlled the scope of information knowledge. At the same time, the Group limits the scope of information of the relevant departments and personnel according to their job function authority, and further clarifies the scope of information of trade secret matters. Once the positions of employees involved in confidential matters change, the corresponding authority will be adjusted immediately.

Technical protection

Customer privacy information is protected through electronic and information-based methods. The Group conducts comprehensive remote monitoring of each subsidiary's Internet computer and strictly prohibits disclosing sensitive and confidential information to the public. Each Internet terminal is equipped with an audit system, and monthly security audits are conducted on the Internet terminals. If any information transmission does not meet the security and confidentiality requirements, the Group will notify and handle the matter concerned in accordance with the Company's security and confidentiality measures. During the reporting period, in accordance with the baseline for classified protection of cybersecurity, certain subsidiaries has established professional cybersecurity operation and maintenance teams and cybersecurity protection systems with the idea of defense in depth and active protection, and regularly carried out classified protection of cybersecurity assessment and penetration testing work.

Awareness cultivation

Raising employees' awareness of privacy and security protection is the cornerstone of information protection efforts. In 2022, the Group actively carried out training on the knowledge of commercial secrets management and conducted several training sessions on commercial secrets management from top to bottom from time to time to strengthen the awareness of secrecy and the responsibility of job authority. Secrete-related personnel strictly keep the customer information under their personal responsibility and shall not lend confidential information to people outside the scope of knowledge. Non-secrete-related personnel shall not pry or obtain matters beyond their own work scope, and shall not disclose the company's trade secret information privately.

3. Supply Chain Management

The Group strictly complies with the Tendering and Bidding Law of the People's Republic of China and other relevant laws and regulations, and has formulated and improved relevant internal systems including the Supplier Management Procedures, the Procurement and Supplier Management Procedures, the Outsourcing and Commission Quality Control Procedures and the External Supplier Evaluation Regulations, with the aim of constructing a healthy supply cooperation relationship and a supplier management system with excellent operation. Each subsidiary has set up a standardized supplier entry and exit mechanism, and all suppliers are audited and evaluated by the relevant departments of supply chain management, and undertakes to consider their environmental, social and governance-related performance when screening potential suppliers, so as to encourage suppliers to provide green and responsible products while continuously improving the sustainable development capability of supply chain management.



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Each subsidiary of the Company controls all types of suppliers throughout their life cycle through an online procurement management system, and based on management methods such as the Supplier Management System and the Management Measures on Supplier Performance Evaluation, comprehensively examines the qualification and compliance of suppliers and conducts reviews on their authenticity to ensure standardization and compliance in supply chain management.

Table: Distribution of the Group's Suppliers

Number of suppliers by region	Unit	Number in 2021	Number in 2022
Domestic	company	7,523	9,076
Foreign	company	64	193

The Group focuses on risk control for supply chain management, and each subsidiary also carries out risk identification, risk analysis, risk assessment, risk warning, risk control, risk response and other identification and prevention work for the supply chain risk. Meanwhile, the Group gives priority to suppliers with ISO 14001 energy management system certification and OHSAS18000 occupational health and safety management system certification, and signs supply guarantee agreements. In addition, the Group relies on the ERP (Enterprise Resource Planning) system and the national enterprise credit information inquiry system to monitor the validity of suppliers' business licenses, quality management system certifications and other qualifications from time to time to reduce the risk of expiration.

The sustainable construction of supply chain is one of the important links for the Group to achieve sustainable development and low carbon development. The Group calls on suppliers to actively choose environmentally friendly products and makes the choice of environmentally friendly products one of the assessment criteria for the inspection of the Company's suppliers. For those who have not chosen such products for the time being, the Group urges suppliers to choose environmentally friendly products and services to enhance their environmental awareness.

In 2022, each subsidiary has continued to refine its management requirements in light of its own situation. For example, Keeven Instrument has clarified environmental protection clauses in procurement contracts, and for companies that have been included in the list of qualified suppliers, procurement personnel and supplier management personnel have informed them that the selection of environmentally friendly products is an aspect of supplier assessment. AVIC CAPDI specifies environmental requirements according to the whole process of supplier management. In the supplier screening access, suppliers with environmental responsibility are required to have the environmental management system certification and product certification materials. In the bidding and procurement process, the bidding or procurement documents specify the environmental requirements of the product or service and make this an important assessment. When the contract is signed, the contract specifies the environmental standards, specifications, testing standards, inspection procedures, etc. of the products or services and the Environmental and Occupational Health and Safety Management Agreement will be signed together. During the implementation process, the relevant products are tested to ensure that they meet the requirements.

III GREEN OPERATION

The Group has established a sustainable development strategy with “green aviation” as the core and is committed to establishing a green management system. The Group has always adhered to the green development concept of “efficient, clean and low-carbon”, standardized and improved environmental management system, strengthened energy resources management, controlled pollutant emissions, and contributed to the achievement of the national “Carbon Peaking and Carbon Neutral” strategy goal through practical actions. The Group proactively identifies and responds to the risks and opportunities brought by climate change, closely monitors and properly manages the negative impact of its production and operation on the environment, protects biodiversity, and takes the harmonious development of energy and the environment as its responsibility to achieve the sustainability of its own development and operation.

1. Addressing Climate Change

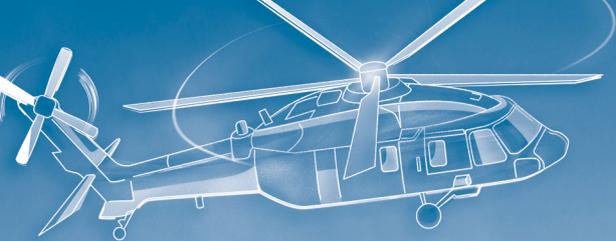
Against the backdrop of the national goal of achieving “carbon peaking” and “carbon neutral”, AviChina recognizes the far-reaching impact of climate-related risks and opportunities on its business development and has incorporated them into its daily operation and ESG management process as an important aspect of corporate management.

1.1 Climate Governance

The Group attaches great importance to the risks posed by climate change and has proactively incorporated addressing climate change into the Company’s risk management system and daily operation management, and has built a Group-wide climate governance structure to enhance the effectiveness of addressing climate change. The Board of Directors, as the highest responsible and decision-making body for ESG and climate governance of the Group, is responsible for formulating and regularly reviewing the implementation of climate change-related matters. The Group’s ESG Management Working Group is responsible for assisting each subsidiary in the daily management of climate-related work and promoting the implementation of the identification and disclosure of climate-related risks and opportunities.

1.2 Climate Strategy

In order to help achieve the national strategy of “Carbon Peaking and Carbon Neutral”, the Group has taken the initiative to identify climate change risks and opportunities by referring to the framework and recommendations of the Task Force on Climate Related Financial Disclosure (TCFD) and has taken countermeasures to gradually establish a climate change response system and enhance its ability to adapt to climate change by taking into account its own business characteristics.



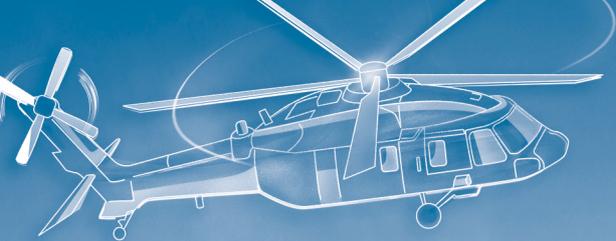
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Table: Climate Change Risk Identification and Countermeasures

Risk type	Specific risks	Risk description	Risk response
Transformation risk	Policy and legal risks	<ul style="list-style-type: none"> The country has put forward the 3060 Carbon Peaking And Carbon Neutral Target, striving to achieve carbon peaking by 2030 and carbon neutral by 2060, and relevant departments have issued administrative measures and action plans, including Opinions on the Complete and Accurate Implementation of the New Development Concept and Carbon Peaking And Carbon Neutral Work and Action Plan to Achieve Carbon Peaking by 2030, which will further strengthen the dual control of energy consumption intensity and total amount, and energy conservation monitoring and enforcement may increase. The country has strengthened the management of carbon market, issued the Carbon Emissions Trading Management Measures (for Trial Implementation) and plans to include eight key emission industries, such as petrochemical, chemical, building materials, iron and steel, non-ferrous, paper, power and aviation, into the national carbon market one after another. If the Group is included in the carbon trading system in the future, it may need to spend additional costs due to insufficient carbon quotas. On 29 June 2020, the Ministry of Ecology and Environment of the PRC issued the Technical Guidelines for the Development of Emergency Emission Reduction Measures for Key Industries in Heavy Pollution Weather, which imposes higher requirements on emission reduction measures and related indicators for enterprises. Subsidiaries with lower environmental performance ratings of the Group will face constraints such as production restrictions and production suspensions, which may result in delivery and revenue risks if preventive measures are not taken in advance. 	<ul style="list-style-type: none"> The Group has always grasped the opportunity of the national energy low-carbon transition and adjusted its energy consumption plan in a timely manner in accordance with the policy requirements, increasing the proportion of new energy utilization while continuously improving energy utilization efficiency and reducing compliance risks. The Group will continue to pay attention to changes in carbon market policies, strengthen communication with various regulatory authorities, and pay close attention to changes in its own carbon emission data to plan ahead for response. The Group will require each subsidiary to plan emission reduction measures to meet the requirements of the Technical Guidelines for the Development of Emergency Emission Reduction Measures for Key Industries in Heavy Pollution Weather.

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Risk type	Specific risks	Risk description	Risk response
	Technology risk	<ul style="list-style-type: none"> The national 14th Five-Year Plan has clearly proposed to implement green manufacturing projects, strengthen the upgrading of key industries and improve the green manufacturing system, which will lead to the continuous research and development of new clean technologies in the aerospace and manufacturing fields where the Group is located, and the Group may face the risk of technological obsolescence if it fails to keep up with the trend of technological innovation in the future. 	<ul style="list-style-type: none"> The Group pays close attention to new energy and clean energy power products and clean technologies, actively conducts relevant research in accordance with national policy requirements, and learns and introduces low-carbon process technologies in a timely manner in order to cope with technological risks. The Group vigorously develops strategic emerging industries and promotes the deep integration of emerging technologies such as 5G communications, data centers and new energy vehicles with green and low-carbon industries. The Group focuses on its 5G communications and data center business and increases its presence in consumer electronics.
	Reputational risk	<ul style="list-style-type: none"> The industry to which the Group belongs is a high carbon emission industry and its carbon emissions are closely monitored by various stakeholders. In the context of the global low carbon transition, any failure of compliance or over-emission by the Group will have a negative impact on the Group's brand image and reputation 	<ul style="list-style-type: none"> The Group strictly follows national and industry laws and regulations related to carbon emissions, sets up a strict energy use management system, closely monitors its own carbon emissions and makes active responses.
Physical risk	Acute risk	<ul style="list-style-type: none"> The occurrence of extreme weather such as typhoons, extreme rainfall and floods may cause damage to production equipment, and in serious cases may even cause shutdowns, endangering the lives of employees. 	<ul style="list-style-type: none"> The Group formulates emergency response plans for extreme weather and strengthens daily emergency drills to raise the awareness of all staff on safety precautions to minimize the impact caused by extreme weather.
	Chronic risk	<ul style="list-style-type: none"> Continued average temperature increases may lead to water shortages in some areas, resulting in increased water costs and higher production and operating costs. 	<ul style="list-style-type: none"> The Group has been vigorously carrying out watersaving technology improvement of equipment, improving the recycling rate of water resources, developing new water-saving technologies and promoting daily water-saving actions.



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1.3 *Climate Risk Management*

The Group adopts a proactive risk management and regular risk monitoring approach to address the identified climate change risks and opportunities. The ESG management working group, in conjunction with the relevant departments of risk management, integrates climate change risk management with the overall risk management process of the Company. We have established a climate risk management and monitoring mechanism on a pilot basis, carried out operational decisions related to climate change risk response, and promoted the full implementation of climate change risk management in the entire operation process of all departments and subsidiaries.

1.4 *Climate Change Indicators and Targets*

The Group has gradually carried out decarbonization, set a Group-wide strategic target of “carbon peaking and carbon neutral”, and actively explored ways to measure and reduce the absolute value of carbon emissions across the Group, so as to influence and drive the synergistic low-carbon development of the entire industrial chain. The Company encourages each manufacturing subsidiary with high carbon emissions to set carbon reduction targets and plan carbon reduction paths and programs in accordance with its own production and operating conditions.



Table: Carbon Emission Reduction Targets of Some Subsidiaries of the Group

Subsidiaries	Low-Carbon Emission Reduction Targets
Harbin Aircraft	To reduce carbon dioxide emissions by 18% per RMB10,000 of output value by 2025 compared to 2020
Qianshan Avionics	To reduce carbon dioxide emissions by 18% per RMB10,000 of industrial output value by 2025 compared to 2020 By 2030, to reduce carbon dioxide emissions per RMB10,000 of industrial output value by more than 65% compared to 2005, and carbon dioxide emissions will peak and steadily decline
AVIC Forstar	To reduce carbon emissions annually by 2025 compared to 2023
Huiyang Company	To reduce carbon dioxide emissions by 18% per RMB10,000 of output value by 2025 compared to 2020
JONHON Optronic	To reduce GHG emissions to 85,000 tons (in tons equivalent or tons equivalent per RMB10,000 of revenue) or 20% by 2025 compared to 2021
Shenyang Xinghua	To reduce GHG emissions by 8% by 2025 compared to 2021
Changhe Aircraft	To reduce carbon dioxide emissions by 2% per RMB10,000 of output value (comparable price) by 2022 compared to 2021
Shanghai Aviation Electric	To reduce GHG emissions by 18% by 2025 compared to 2020



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Table: Greenhouse Gas Emission of the Group

Indicator of greenhouse gas emission	Unit	2021	2022
Greenhouse gas (CO ₂) emission (scope 1)	Ten thousand tons of equivalent CO ₂ emissions	/	5.7
Greenhouse gas (CO ₂) emission (scope 2)	Ten thousand tons of equivalent CO ₂ emissions	/	30.7
Total greenhouse gas emission	Ten thousand tons of equivalent CO ₂ emissions	45.2	36.4 ¹
Intensity of greenhouse gas emission	Tons of equivalent CO ₂ emissions per RMB10,000 revenue	0.07	0.06

2. Environmental Management

The Group actively fulfils its corporate environmental responsibility. We have established and implemented a comprehensive environmental management system based on relevant laws and regulations combined with industry standards, and are committed to minimizing our impact on the environment, conserving the earth's resources and protecting biodiversity.

2.1 Environmental Management System

The Group strictly complies with the Environmental Protection Law of the People's Republic of China, the Regulations on Environmental Protection Management of Construction Projects and other relevant laws and regulations, and has established a Group-wide multi-dimensional environmental management system covering production operations, project construction and routine office work. Each subsidiary has established an effective environmental management governance structure around the Group's management policy and formulated environmental management system procedure documents including Environmental and Occupational Health and Safety Management System Manual, Solid Waste Management Procedures, Environmental Factor Identification, Evaluation, Updating and Control Procedures, Environmental Position Responsibilities and Authority Management Procedures, Accident, Incident and Environmental Dispute Management Procedures, Emergency Preparedness and Response Management Procedures. The environmental management system procedure documents specify the environmental protection requirements in the operation and production activities of each unit of the company, as well as the daily environmental protection-related management methods and supervision processes.

¹ Greenhouse gas is calculated in accordance with the coefficients provided in the Circular on the Management of Greenhouse Gas Emissions Report for Power Generation Enterprises in 2023-2025 and Guidelines for National Greenhouse Gas Inventories 2019 Revision.

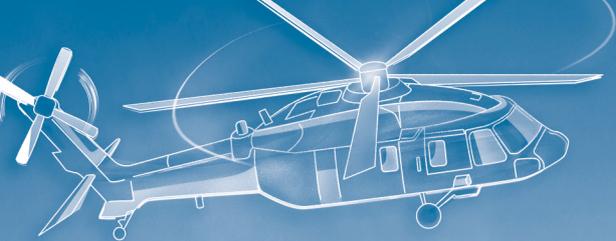
Each subsidiary has actively introduced environmental management system certification standards including GB/T24001-2016 and ISO 14001. In 2022, 85% of the Group's subsidiaries were certified by the environmental management system. Among the subsidiaries, AVIC Lanfei, Hafei Aviation, Qianshan Avionics, AVIC Optoelectronics Huayi (Shenyang) Electronic Technology Co., Ltd. (中航光電華億(瀋陽)電子科技有限公司) ("AVIC Optoelectronics Huayi"), AVIC CAPDI, AVIC Forstar, Hongdu Aviation, Huiyang Company, JONHON Optronics, Shenyang Xinghua, Xiangtong Photoelectric, Changfeng Avionics, Taiyuan Instrument, Lanzhou Aviation Electrical, Shaanxi Huayan, AVIC Kaitian all successfully passed the relevant environmental certification audit and obtained the certification certificates.

2.2 Environmental Risk Management

The Group actively addresses various environmental risks in the production and operation process as well as during the construction process, continuously conducts environmental risk assessment, establishes a list of pollution sources and pollution factors by comprehensively identifying pollution factors such as wastewater, exhaust gas, solid waste, noise and soil pollution sources, and conducts regular environmental data monitoring of pollution factors to ensure that pollutant emissions meet the requirements of national environmental emission standards.

In view of the environmental risks that may arise in the production process, the Group formulates emergency response plans for environmental emergencies, establishes a mechanism for environmental risk and hidden danger investigation, evaluates the environmental risk and hidden danger identified, determines the level of risk and hidden danger, and formulates preventive and control measures for environmental risks and hidden danger. Each subsidiary of the Company has formulated an emergency plan for environmental incidents and stocked the necessary emergency supplies for environmental emergencies.

In 2022, each subsidiary organized emergency drills and training to improve its ability to cope with environmental risks. Among them, Changhe Aircraft has established a mechanism for environmental risks and hidden danger investigation for potential environmental risks in the company's production process, assessed the environmental risks and hidden danger identified, determined the level of risks and hidden danger and formulated environmental risks and hidden danger prevention and control measures. At the same time, Changhe Aircraft has revised the Emergency Response Plan for Environmental Emergencies of the Company and 22 special emergency response plans, and has stocked the necessary emergency response materials for environmental emergencies.



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2.3 Ecological Protection

The Group is highly concerned about the impact of its production and operation activities on the environment and strives to minimize the impact on the ecological environment. For all construction projects, the Group strictly follows the relevant requirements to carry out environmental impact assessments, prepare environmental impact reports and submit them for approval, and finally implement them in accordance with the approval of the local environmental management authorities. The Group fully implement the requirements of the “Three simultaneous” requirements and ensure that the environmental protection facilities for the prevention of pollution and other public hazards must be designed, constructed and put into use at the same time as the main project, so as to do a solid job of environmental impact assessment and complete acceptance.

For projects involving land development and utilization, the Group conducts soil environmental address surveys to determine whether they can be used for industrial land use and to avoid the development of biodiversity-rich soils. The Group consults with the local biological management department before starting the project and fully adopts the department’s regulatory opinion before starting the project. During and after the project, the Group takes measures to restore the soil, such as building rain gardens, to minimize the impact on biodiversity.

The Group is aware of the high importance of biodiversity protection and biological habitat restoration, and strictly supervises the whole cycle of production and operation, relying on the form of conducting environmental and social impact assessments and formulating special protection measures to continuously reduce the disturbance and damage caused by the construction process to the surrounding land and plant and animal habitats, thus minimizing the impact of production and operation on the surrounding natural ecology and biodiversity.

3. Emission Management

The Group implements the overall environmental management policy of “full compliance, low-carbon production and green operation” of AVIC, and strictly complies with relevant laws and regulations including the Environmental Protection Law of the People’s Republic of China, the Atmospheric Pollution Prevention and Control Law of the People’s Republic of China, the Water Pollution Prevention and Control Law of the People’s Republic of China, the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and the Law of the People’s Republic of China on the Prevention and Control of Pollution from Environmental Noise and local emission standards. Each subsidiary, according to the actual situation of their production and operation, has revised, improved and implemented the Management System of Wastewater, Exhaust Gas, Noise, Soil and Other Pollution Sources, the Management System of Industrial Solid Waste and other related management systems, which provides systematic specification around “three types of wastes” management, noise management, indicator monitoring, pollution management facilities management, daily supervision and inspection, publicity and education, environmental factors identification and other aspects, in order to create an ecological and environmental friendly enterprises.

3.1 Wastewater and Exhaust gas Management

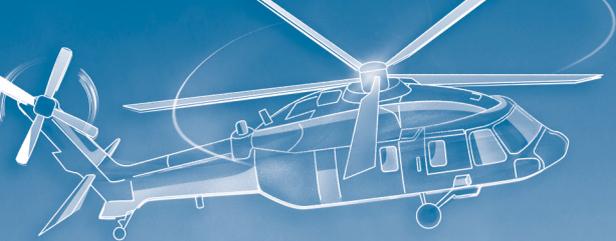
The Company closely monitors the exhaust gas and wastewater pollutants generated by each subsidiary in its production operations. Each subsidiary has set up corresponding emission reduction targets for exhaust gas and wastewater, taking into account its own production and operation conditions, and is committed to reducing the pollution caused by its production and operation to the environment.

Table: Some Wastewater and Exhaust Gas Emission Reduction Targets of the Group

Subsidiaries	Wastewater and exhaust gas emission reduction targets
AVIC Optoelectronics Huayi	To reduce particulate matter emissions by 0.01 (ton) by 2025 compared to 2022
Qianshan Avionics	To reduce VOCs emissions by 0.5 (ton) by 2025 compared to 2022
Shanghai Aviation Electric	To reduce exhaust gas emissions by 5% by 2025 compared to 2020

The Company’s subsidiaries are committed to reducing the production of exhaust gas and wastewater at source by upgrading their production processes and technologies to achieve comprehensive emission control in their production operations. Among them, some subsidiaries have carried out the following corrective actions:

- Harbin Aircraft built 3 new gas boilers to renovate steam heating, and after October 2022, the company only used gas boilers to supply steam for production, and completely deactivated coal-fired boilers, effectively reducing boiler exhaust gas emissions by about 50% compared to 2021.
- Qianshan Avionics conducted research on new materials to replace the use of chemicals and carried out technological renovations and equipment upgrades to reduce emissions.
- Changhe Aircraft has adopted a number of innovations in the production process: The main rotor blade factory has adopted a centralized emulsion supply circulation system in the machine processing CNC production line, achieving a reduction of 120 tons of waste emulsion generated annually. In addition, the use of tungsten carbide thermal spraying process to treat other parts has reduced the generation of heavy metal wastewater compared to the use of the cadmium-titanium plating process. The company continues to use low-pollution boron-sulfuric acid and phosphoric acid oxidation surface treatment process to replace the chromic acid oxidation production process, reducing the particular pollutant emissions by about 40% and effectively reducing production costs and pollutant treatment costs. During the reporting period, the company invested RMB6 million in the construction of natural gas boiler project, which significantly reduced the pollutants of sulfur dioxide, particulate matter and nitrogen oxides compared with coal-fired boilers.



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At the same time, in order to ensure the achievement of wastewater and exhaust gas emission reduction targets, each subsidiary continued to upgrade wastewater and exhaust gas treatment and recycling equipment. Among them, some subsidiaries have invested in wastewater and exhaust gas treatment equipment as follows:

- AVIC Forstar organized the installation of 107 sets of mobile welding fume collection equipment, 96 sets of oil fume purification facilities, and environmental protection equipment in the oil dipping room and the sanding machine room in the foam cutting room, which effectively reduced air pollution and exhaust gas emissions.
- JONHON Optronic has installed 15 sets of exhaust gas purification facilities, including 12 sets of VOCs exhaust gas treatment facilities, 1 set of electroplating exhaust gas treatment facilities, and 2 sets of dust particle purification and treatment facilities. By increasing the exhaust gas purification facilities, the company collected and disposed the disordered exhaust gas within the factory area, reducing the disordered exhaust gas emissions and environmental pollution.
- Shenyang Xinghua invested more than RMB1.7 million in environmental renovation of facilities that produce exhaust gas by means of eliminating the plating equipment that produces exhaust gas with chemical reactions, installing additional purification and filtration devices for the equipment that produces paint spraying exhaust gas, and installing adsorption devices for the exhaust gas produced by the ovens to ensure that the exhaust gas meets the emission standards.

Table: Wastewater and Exhaust Gas Emission Data of the Group

Type of emissions	Unit	Number in 2021	Number in 2022
Total emission of exhaust gas	Ten thousand standard cubic meters	939,393.4	794,645.4
Emission of sulphur dioxide	Tons	86	18
Total emission of nitrogen oxides	Tons	290	47
Total emission of soot	Tons	16	8
Total emission of wastewater	Tons	3,015,648	2,830,084
Emission of COD	Tons	173	143

3.2 Waste and Packaging Material Treatment

The Group has always adhered to the prevention and control principles of “reduction, recycling and decontamination”, made efforts to standardize the collection, storage and disposal management of solid waste in daily production, deepened the exploration of innovative technologies and processes application, and committed to minimizing environmental impact.

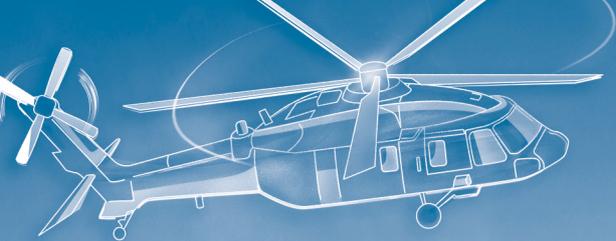
General Waste Disposal

The Group’s solid waste discharge mainly comes from general industrial waste and hazardous waste generated in the course of daily production and operation, as well as domestic waste generated in the office area of the plant, etc. The general waste types are mainly waste metal scraps, copper scraps, iron scraps, lead scraps, cables, waste processing shells, and waste cartons, while hazardous wastes mainly include waste paint residue, alcohol, lubricating oil and emulsion.

For general waste, each subsidiary, focusing on the Group’s environmental management policy, reduces waste generation by rationalizing production and actively improving processes. For general industrial wastes and domestic wastes, the Group insists on the way of waste classification and recycling, and collects recyclable wastes such as waste metals, cables and waste cartons generated in the daily production and operation process, and sells them to qualified third parties for recycling, and entrusts municipal sanitation departments to handle non-recyclable wastes in a unified manner. Through scientific classification and recycling, each subsidiary has effectively reduced the emission of general waste.

Some of the Group’s waste recycling measures and results in 2022:

- JONHON Optronic has reduced the emission of general industrial solid waste by collecting, transferring and disposing of general industrial solid waste, and recycled a total of 4,406 tons of general industrial solid waste in 2022.
- Qianshan Avionics made full use of the scraps in the manufacturing process, reusing, recycled and recovered materials to reduce the generation of general waste.
- Changhe Aircraft engaged professional companies to recycle 42.3 tons of waste oil generated during equipment maintenance and parts cleaning, and more than 1,000 tons of metal scraps generated during the machining process for comprehensive utilization, generating economic benefits of more than RMB7 million and avoiding secondary pollution.



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Hazardous Waste Disposal

For hazardous wastes, AVIC continued to improve the hazardous waste disposal plan, established a hazardous waste management ledger, and has taken strict safety measures. The Group strictly classified and stored hazardous wastes in accordance with national standards, and pasted hazardous waste signs at more prominent locations in production workshops and other areas. In addition, the Group regularly invites third-party units with professional qualifications for the transfer and disposal of hazardous waste. Among them, some subsidiaries have customized efficient disposal plans for wastes with high disposal difficulties:

- Keeven Instrument signed a contract with Beijing Jinyu Mangrove Environmental Protection Technology Co., Ltd. (北京金隅紅樹林環保技術有限責任公司) and invested a total of RMB210,751 to dispose of the laboratory waste, waste mineral oil, waste emulsion, waste empty drums, waste organic solvents and other hazardous waste generated by the company through a qualified treatment body in a timely manner to ensure that the environmental protection disposal procedures are legal and compliant, which also reduced the safety hazards of company's hazardous waste.
- In the inspection and assembly process, AVIC Lanfei adopts multiple utilization measures such as the precipitation of waste organic solvents like gasoline and filtration of supernatant to improve the frequency of use of waste organic solvents and reduce the generation of hazardous waste. For the waste mineral oil, waste emulsion and resin waste generated in the machining process, the company improves the utilization efficiency and reduces the generation of hazardous waste by filtering and processing.
- For the main hazardous waste - electroplating sludge, JONHON Optronic reduces the amount of electroplating sludge generated by optimizing equipment and other measures, including using new screw-type sludge pumps and agitators, reducing the water content of the incoming sludge of the filter press, and improving the efficiency of the filter press. By replacing the filter press, the company solved the problems of high viscosity of electroplating sludge generated after the original biochemical technology processes and high water content of the incoming sludge, which greatly reduced the amount of electroplating sludge generated. The filter press directly generated 558 tons of electroplating sludge in 2022, which was 43.4% lower than in the same period last year. After further sludge drying treatment for that sludge, there were 418 tons of electroplating sludge in total.
- Shenyang Xinghua signed a chemical nickel reduction contract with the Shenyang University of Technology and reduced the chemical nickel waste by 40 tons during the year. According to the national regulations on hazardous waste management, the company has built a temporary storage room for hazardous waste and set up a full-time environmental manager for the registration, locking and daily management of hazardous waste.

Based on the Group's environmental management policy, some subsidiaries have set targets to reduce hazardous waste emissions.

Table: Some Hazardous Waste Reduction Targets of the Group

Subsidiaries	Hazardous waste reduction targets
AVIC Optoelectronics Huayi	To reduce hazardous waste emissions by 0.1 ton by 2025 compared to 2022
AVIC Forstar	To reduce total hazardous waste to less than 3 tons by 2025 compared to 2022
Shanghai Aviation Electric	To reduce hazardous waste emissions by 1 ton by 2025 compared to 2020

Packaging Material Disposal

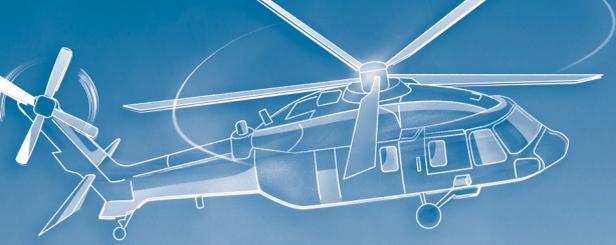
The Group's packaging materials mainly involve plastic, paper, metal and composite materials. The Group requires its subsidiaries to limit excessive packaging of parts and components, avoid redundant packaging as far as possible when purchasing materials and promote recycling and is committed to minimizing the utilization rate of packaging materials and improving the recycling rate of packaging materials.

Table: Waste Emission and Packaging Material Use Data of the Group

Type of emissions	Unit	Number in 2021	Number in 2022
Total emission of general waste	Tons	82,265	14,979 ²
Emission intensity of general waste	Kg per RMB10,000 revenue	14.14	2.35
Total emission of hazardous waste	Tons	11,029	3,636 ³
Emission intensity of hazardous waste	Kg per RMB10,000 revenue	1.83	0.57
Use of packaging materials	Tons	2,967	5,937
Intensity of use of packaging materials	Kg per RMB10,000 revenue	0.49	0.93

² Total emission of general waste decreased significantly compared to last year due to the disposal of part of the business of AVIC CAPDI, a subsidiary of the Company.

³ Total emission of hazardous waste decreased significantly compared to last year due to the disposal of part of the business of AVIC CAPDI, a subsidiary of the Company.



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4. Use of Resources

The Group has continued to improve its corporate resource management measures and strictly complied with the Energy Conservation Law of the People's Republic of China, the Water Law of the People's Republic of China and other laws and regulations. Each subsidiary implements energy conservation and emission reduction-related policies internally, including the Energy Management System, Energy Management Manual, Energy Conservation and Emission Reduction Management Procedures and Energy Management Responsibility System, to clarify the internal energy use and resource use management standards of each company, ensure the development and implementation of energy conservation and consumption reduction, make the process of energy management clearer, more standardized and more explicit, and further build a model resource-saving enterprise.

The Group is committed to realizing the comprehensive institutionalization and systematization of energy resources management. The Group has deepened the exploration of energy-saving innovative technology-related applications and continuously strengthened the management of water resources use. Each subsidiary has established energy-saving work management committees, its leading groups and offices, deepened the construction of energy management systems, and incorporated energy performance into employee assessment standards, so as to effectively improve the efficiency of resource and energy utilization, fully implement the concept of emission reduction, and promote green development.

4.1 Energy Management

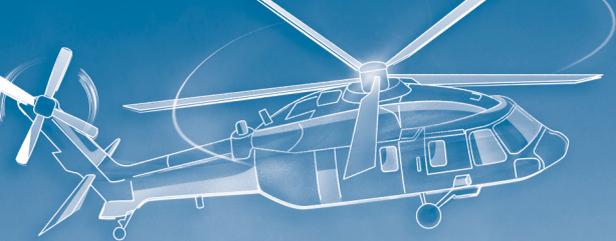
Based on the ideology of "green development", the Group continues to promote energy-saving scientific research and development and energy-saving technological transformation. Each subsidiary of the Group has set energy-saving targets.



Table: Some Energy-Saving Related Targets of the Group

Subsidiaries	Energy saving target
Harbin Aircraft	To reduce 4,350 tons of standard coal in comprehensive energy use by 2025 compared to 2020
AVIC Optoelectronics Huayi	To reduce electricity consumption by 100,000 kWh by 2025 compared to 2022
AVIC Forstar	To maintain stable resource consumption with continued production capacity growth by 2025 compared to 2022
Shenyang Xinghua	To reduce the comprehensive energy consumption per RMB10,000 (comparable price) by 14% by 2025 compared to 2021
Changhe Aircraft	To reduce the company's comprehensive energy consumption per RMB10,000 output value by 13.5% from 0.0135 ton of standard coal/RMB10,000 revenue to 0.0117 ton of standard coal/RMB10,000 revenue by 2025 compared to 2020
Shanghai Aviation Electric	To reduce electricity consumption by 10% by 2025 compared to 2020

In 2022, the Group has actively adopted green processes in production and operation, explored innovative and efficient production methods, proactively eliminated backward equipment and processes with high energy consumption and high emissions, promoted the application of new technologies and materials for energy conservation and emission reduction, deepened the exploration of the application of energy consumption monitoring systems, and implemented energy conservation and emission reduction concepts and targets. Among them, some of the subsidiaries' energy saving and consumption reduction initiatives and the results achieved are as follows:



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- Harbin Aircraft advocated the main energy-consuming units to adopt “peak-load shifting” production and controlled the valley electricity consumption ratio up 0.58% compared with 2021 through effective assessment and management. The company standardized the operating hours of air compressors to reduce and avoid the energy waste caused by the idle operation of air compressors during non-production hours, and reduced electricity consumption by over 140,000 kWh for the year. The company carried out a departmental transformation of the heating network of the plant, and after the transformation, the winter heating of the plant has been integrated into the municipal centralized heating network, which reduced raw coal consumption by 24,000 tons and carbon dioxide emissions by approximately 30,000 tons compared with 2021. The company innovated six new air compressors, purchased 776 LED lights to replace the original lighting, and conducted the technical transformation and renewal of equipment, which reduced the annual carbon dioxide emissions by approximately 116 tons.
- Huiyang Company regularly conducts energy statistical analysis, refines energy management indicators and assessment standards, pays attention to the management of electricity consumption of production auxiliary equipment, and eliminates equipment explicitly ordered by the state according to the plan.
- Qianshan Avionics adopts energy-saving equipment for all equipment used in production and manufacturing, prohibits the use of high-energy-consuming equipment and has eliminated all high-energy-consuming equipment.
- Changhe Aircraft eliminated 90 sets of high-energy-consuming electromechanical equipment, carried out the construction of a rooftop distributed photovoltaic project, and energy-saving renovation of the company’s lighting system and air conditioning system. The company kept weekly energy inspections, and effectively prevented the problems of “deflation, oozing, dripping and leaking”. The company achieved a comprehensive energy consumption of 0.0124 tons of standard coal per RMB10,000 revenue output value, down 8.15% compared with 2020.
- Shenyang Xinghua actively promoted the use of clean energy, and conducted the construction of distributed photovoltaic equipment on the roof of several factory office buildings, which was converted into electrical energy storage for the whole company use, with an annual power generation of 1.56MWh, and is expected to reduce carbon emissions of more than 900 tons. The company innovated the system of the driveway street lights in the park, and adjusted the existing LED utility supply method to solar panel energy storage for power supply. The company saves 50kWh of electricity per day after adopting solar panel energy storage for power supply.

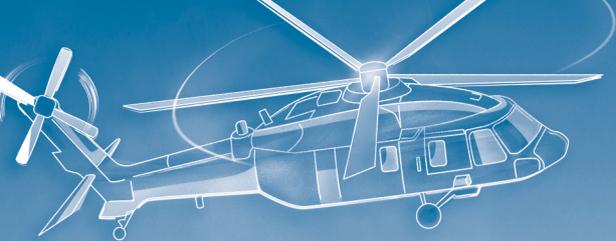
- Hongdu Aviation has realized energy saving and emission reduction by updating equipment and techniques. The company replaced the 800KVA S9 transformer with the 800KVA S11 transformer, which can save electricity consumption of 3,679.2kWh and reduce carbon dioxide emission by 2.82 tons per year. The company has adopted robot automatic spraying for the whole machine to improve coating surface quality, reduce rework rate and save paint usage.

Case study: Hongdu Aviation launched a special discussion on energy saving action
 In 2022, in response to the abnormal situation that the company’s energy consumption continued to rise, Hongdu Aviation carried out a special discussion activity on energy-saving action, formulated monthly energy-saving action plans, and actively organized rectification and improvement according to the contents of the plans. By the end of the activity period, the company received 47 special action plans for energy saving, with a total saving amount of RMB8,017,600, saving 3,337,700 kWh of electricity, 102,900 tons of water, 328,423 cubic meters of natural gas, 1,146.15 tons of steam and 3,851.89 tons of carbon dioxide emission.

Table: Energy Consumption of the Group

Indicator of energy consumption	Unit	2021	2022
Coal	Tons	21,939	3,140
Gasoline	Tons	913	707
Kerosene	Tons	5,348	5,823
Diesel	Tons	90	100
Natural gas	Ten thousand standard cubic meters	1,579	1,379
Electricity	Ten thousand kWh	48,326	43,572
Outsourcing thermal power	Million kJ	419,441	529,671
Comprehensive energy consumption	Ten thousand tons of standard coal	10.4	10.2 ⁴
Intensity of comprehensive energy consumption	Tons of standard coal per RMB10,000 revenue	0.02	0.02

⁴ The comprehensive energy consumption is calculated according to the conversion coefficients of various energy into standard coal in General Principles for Calculation of Comprehensive Energy Consumption GB/T 2589-2020.



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4.2 Water Resources Management

The Group is committed to comprehensive water resources management, thorough research and development of innovative water conservation technologies, and continuous improvement of water resources usage efficiency and recycling rate. The Group encourages each subsidiary to set short-term and long-term targets for water conservation in accordance with its own production and operation. In 2022, the Group strengthened the dynamic supervision of water consumption, regularly inspected the water supply system, updated and enhanced water resources monitoring, and resolutely avoided the occurrence of long-flowing water, as well as deflation, oozing, dripping and leaking and various wasteful phenomena. In addition, the Group actively adopted initiatives related to multiple uses of water and recycling of water, deepened the exploration of reclaimed water and rainwater consumption technology instead of using fresh water to gradually increase the proportion of recycled water use, and vigorously promoted water-saving appliances, so as to reduce unit water consumption.

Table: Water Saving Targets of Some Subsidiaries of the Group

Subsidiaries	Energy saving targets
Harbin Aircraft	To reduce water use by 35,000 tons by 2025 compared to 2020
AVIC Optoelectronics Huayi	To reduce water use by 50 tons by 2025 compared to 2022
AVIC Forstar	To keep the water consumption basically the same as that in 2022, remaining within 28,000 tons, with continuous expansion of the company's production scale by 2025 compared to 2022
JONHON Optronics	To reduce water use by 5,000 tons by 2025 compared to 2021
Shenyang Xinghua	To reduce the comprehensive energy consumption per RMB10,000 (comparable price) by 14% by 2025 compared to 2021
Shanghai Aviation Electric	To reduce water use by 500 tons by 2025 compared to 2020

Case study: AVIC Lanfei has established water resources supervision system

In 2022, AVIC Lanfei made efforts to reduce water consumption, rationalize the use of resources, and focused on establishing the company’s energy-saving operation and supervision system to improve the overall operation and energy-saving management level. The company keeps records of water extraction from pumping stations, regularly inspects water supply equipment and facilities and repairs leaks in a timely manner. In 2022, all metering equipment was replaced, and the company’s water pumps and the pumps of Beishan Forestry were replaced with variable frequency pumps. AVIC Lanfei has carried out micro-jet irrigation renovation for green maintenance and watering in the plant area, which has achieved the effect of energy saving and water beautification of the plant area.

Case study: Changhe Aircraft has established a sewage treatment station

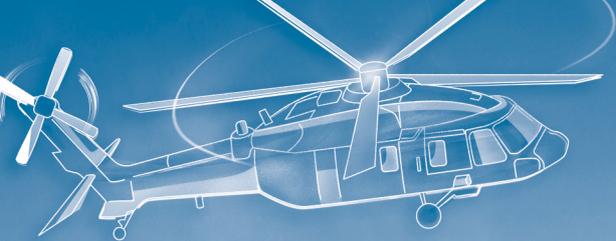
Changhe Aircraft completed the construction of the Lvmeng factory sewage treatment station to treat the production and domestic wastewater in the factory. The station has a treatment capacity of 1,800 tons/day with 24-hour continuous operation. The wastewater can be discharged after treatment to meet the Class A standard of GB18918-2002 of the Pollutant Discharge Standard for Urban Sewage Treatment Plants. In 2022, the company achieved 100% use of recycled water for cooling water, and water consumption of 0.613 tons per RMB10,000, which is 7.68% lower than the base of 2020.

Table: Water Consumption of the Group

Indicator of water consumption	Unit	2021	2022
Total water consumption	Tons	5,476,591	3,785,023
Water consumption intensity	Tons per RMB10,000 revenue	0.9	0.6

4.3 Green Office

The Group adheres to the concept of green operation, implements green office initiatives, encourages each subsidiary to upgrade green office equipment, and reduces energy consumption and waste generation in the office process. At the same time, the Group actively promotes energy conservation and environmental protection-related knowledge, improves employees’ awareness of resource concerns and green environmental protection, carries out low-carbon emission reduction-related training, and relies on energy conservation and environmental protection theme week and knowledge competitions to drive employees to practice environmental protection and promote green office within the Group.



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Case study: Harbin Aircraft launched green office promotion activities

In 2022, Harbin Aircraft took National Energy Conservation Publicity Week as an opportunity to carry out energy conservation publicity and training activities. Throughout the year, more than 400 people were organized to participate in energy conservation knowledge training and more than 5,000 people participated in an online energy conservation knowledge quiz. The activities promote energy-saving measures that can be implemented in each unit, advocate the concept of green office, and low-carbon lifestyle and popularize energy-saving knowledge. The company makes use of annual activities such as “World Water Day” and “Energy Conservation Publicity Week” to actively promote water conservation, and publishes energy-saving slogans on the company’s public screen. The company also published a special article on water conservation in Harbin Aircraft News to popularize the knowledge of water conservation and establish the concept of thrift and saving, and practice action of saving.

IV PEOPLE-ORIENTED APPROACH

Talent is the source and driving force of enterprise development. The Group effectively protects the labor rights and development opportunities of employees, comprehensively promotes the talent development strategy, fully mobilizes employees’ enthusiasm, stimulates their potential, strives to create a fair and just working environment for employees, and enhances their sense of contentment, happiness and belonging.

1. Employee Recruitment

The Group strictly abides by the Labor Law of the People’s Republic of China, the Labor Contract Law of the People’s Republic of China and other employment-related laws and regulations, and has formulated internal systems such as the Management System for Staffing, the Rules for Implementation of Labor Contract, the Management Measures for Employee Separation, adhering to legal employment and putting the human rights of employees into practice. At the same time, the Group respects and protects the legal rights and interests of all employees by following a fair and equitable employment policy and not creating any discrimination in the recruitment process based on gender, age, religion, ethnicity, family, disability, political stance, etc.

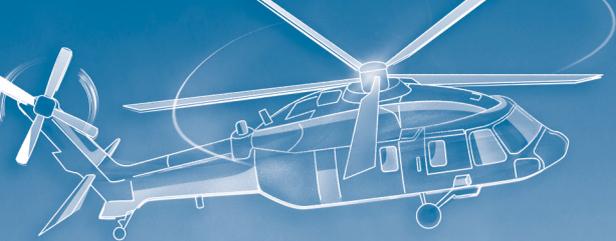
The Group follows the Recruitment Management System and strictly prohibits the employment of child labor and all forms of forced labor. The Group ensures compliance with the use of labor by checking ID cards and negotiating and voluntarily signing contracts with employees. In case of violation, the Group will handle the matter appropriately in accordance with the response plan in the Responsibility and Ethics Management Policy and Regulation to fully protect the legitimate rights and interests of employees.

Table: Employee Employment of the Group

Type of employee		Number of employees in 2021 (person)	Number of employees in 2022 (person)	Percentage of employees in 2022
Total number of employees (person)		46,428	47,475	
Number and % of employees by gender	Male employees	31,964	32,897	69.3%
	Female employees	14,464	14,578	30.7%
Number and % of employees by age	30 and below	15,580	15,378	32.4%
	30-50	25,987	27,110	57.1%
	51 and above	4,861	4,987	10.5%
Number and % of employees by grade	Senior management	224	223	0.5%
	Middle management	1,806	1,949	4.1%
	General employees	44,398	45,303	95.4%
Number and % of employees by region	Chinese Mainland employees	46,428	47,403	99.8%
	Overseas and Hong Kong, Macau and Taiwan employees	0	72	0.2%

Table: Employee Turnover of the Group

Type of employee		2021	2022
Employee turnover rate by gender	Male employees	6.2%	5.9%
	Female employees	6.2%	6.3%
Employee turnover rate by age	30 and below	14.0%	13.8%
	30-50	2.4%	2.6%
	51 and above	0.8%	0.9%
Employee turnover rate by region	Chinese Mainland employees	6.2%	6.0%
	Overseas and Hong Kong, Macau and Taiwan employees	0	54.2%



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2. Employee Development and Training

The self-growth of employees is a good foundation for the Group's business development. Therefore, the Group continuously establishes relevant training systems and devotes itself to inheriting corporate culture and cultivating key talents to promote corporate development. The Group accelerates the cultivation of talents by improving the training course system, optimizing the management ladder training program, evaluating the training effects, assessing the training management work and recognizing the vocational skill level around the strategic development and human resources planning.

The Group is committed to creating equal promotion opportunities for its employees and building clear career development channels. In order to promote the overall quality improvement of professional talents and help the long-term development of corporate talents, the Group has formulated the Measures for Employee Wage Management, the Measures for Attendance and Leave Management, the Rules for Implementation of Employee Rewards and other related systems to support the career development of employees.

In terms of training, the Group has formulated the Regulations on Staff Training Management to continuously improve the training management mechanism, strengthen the construction of talent team and help the enterprise develop with high quality. At the same time, the Group actively conducts various forms of special training around process knowledge, production management knowledge, quality, skills, safety and environmental protection, confidentiality, corporate culture, Party and mass, etc. to cover all types of employees and effectively improve their professional ability and comprehensive quality. In 2022, the Company and its subsidiaries organized training courses to help employees' career development. Among them, some subsidiaries have carried out excellent work as follows:

- JONHON Optronics continues to promote annual training work and focuses on "innovative thinking" and "craftsmanship". The company carried out training for young technical and skill backbones, built a course system consisting of "comprehensive quality + professional ability + working methods", and initially established a faculty consisting of "company leaders + department technical leaders + company technical experts".
- Tianjin Aviation further clarifies the work requirements of core personnel for senior-level talent management in view of the requirements of senior talent management so as to effectively play the role of departmental leaders in management and guidance, and reduce the risk of talent loss. Meanwhile, the company has formulated the implementation plan of hierarchical optimization management and continuously optimized the methods of human post management reform.
- AVIC CAPDI sets up a training center, which will plan training programs with each unit based on common training needs and organize coordinated training for the whole company. The Technical Quality and Safety Department of the company leads the professional technical committees to organize training for all professionals around the company's urgent need for capacity enhancement and general skills development.

- AVIC Forstar plans to build the “Day Easy School (得一學堂)”. As one of the important initiatives of the Group’s “Year of Enhancement”, the “Day Easy School” will open a new chapter for AVIC Forstar to build a learning organization and promote high-quality development of the enterprise.

Table: Employee Training of the Group

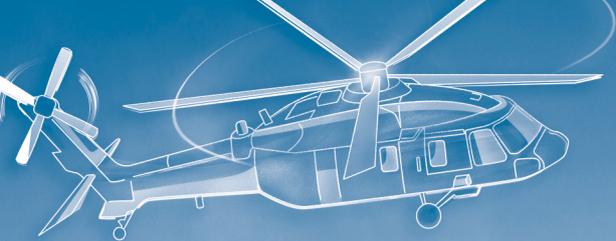
Type		2021	2022
Average training hours of employees by gender (hours)	Male employees	31	32
	Female employees	32	30
Average training hours of employees by grade (hours)	Senior management	65	58
	Middle management	51	46
	General employees	30	31
Percentage of trained employees by gender (%)	Male employees	93%	96%
	Female employees	94%	95%
Percentage of trained employees by grade (%)	Senior management	92%	93%
	Middle management	98%	98%
	General employees	93%	95%

Case study: Keeven Instrument held an intensive training course for the 2022 new college students

In July, Keeven Instrument held an intensive training course for the 2022 new college students, which took the form of “theory study + field visit + quality development + welcome evening party” and experience exchange between new and existing employees. The training launched 12 courses, and invited leaders and middle-level leaders of the company to give lectures to the new employees, covering factory history, company development planning, integrity education, confidentiality education, corporate culture, market and product introduction, human resources status, fire safety education, production system introduction and so on. Through this training, the company has strengthened the understanding of the new college students to the company, prompted them to quickly integrate into the company’s work and life environment, and laid a solid foundation for the future construction of the company’s talent team.

Case study: Huiyang Company conducted online training with outstanding peers

In order to comprehensively promote training project management and boost reform and development, Huiyang Company conducted online training courses in 2022, and the training program was conducted with the introduction of advanced knowledge related to management, lean and technical aspects. The training has further improved the theoretical knowledge and management ability of management and technical personnel of Huiyang Company and achieved a breakthrough in business skills level, laying a solid foundation for the management of the company.



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3. Occupational Health and Safety

It is the Group's social responsibility to create a safe production and office environment. The Group continuously improves its safety management and works together to create a safe and healthy working atmosphere. The Group strictly abides by national laws and regulations such as the Work Safety Law of the People's Republic of China and the Code of Occupational Disease Prevention of People's Republic of China organizes regular education and training and safety drills, in order to enhance the awareness and ability of occupational health of all employees, and strengthen the prevention and control of risk at source and process control.

The Group pays great attention to the physical and mental health of its employees and focuses on improving the health level of its employees. The Group has formulated relevant rules and regulations, including the 6S Management Code, the Responsibility System for Production Safety and Occupational Health, the Occupational Health Management System, the Interim Measures for the Management of Occupational Disease Hazard Post Allowance, the Production Site Safety Management System, the Implementation Measures for Occupational Health and Safety Training, which clearly target at occupational health physical examination, health guardianship files. The Group carries out medical check-ups for the pre-job, on-the-job and off-the-job personnel of occupational disease hazard workforce to ensure the health of employees and provides corresponding labor protective equipment for different types of operations and supervising their use. Meanwhile, the Group conducts mental health consultation services from time to time to care employees' mental health and lead a positive and healthy lifestyle. The Group regularly organizes safety inspections, promptly investigates and manages safety hazards, continuously increases investment in safety production, improves working environment and places, and strengthens labor protection to protect employees' life and health safety. In 2022, the hours lost due to work-related injuries was 5,840 hours.

Table: Occupational Health and Safety Data of the Group

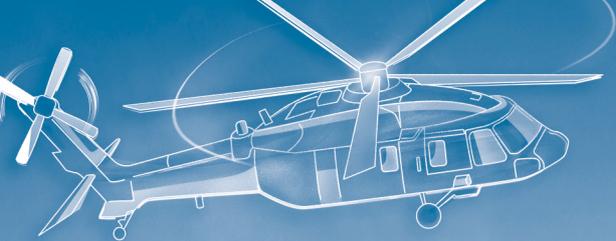
Type of work injury	2020	2021	2022
Number of work-related deaths in each year of the past three years (person)	1	0	0
Rate of work-related deaths in each year of the past three years	0.002%	0	0

In 2022, the Company and its subsidiaries carried out inspection and management of production safety and occupational disease hazards in order to improve the occupational health and safety of employees. Among them, the health and safety-related initiatives implemented by some subsidiaries are as follows:

- Huiyang Company organized safety production inspections, including pre-holiday inspections, inspections during the “20th CPC National Congress”, special inspections on special equipment, hazardous chemicals, mobile electrical equipment, and special inspections of construction safety of related parties of construction projects, for 55 times, and found 527 hidden dangers, with a correction rate of 99.43%.
- Changhe Aviation carried out testing of occupational hazards in workplaces where occupational hazards exist. 29 occupational hazards have been sampled and analyzed. Among them, the passing rate of dust testing reaches more than 98%, and the passing rate of noise and other physical harmful factors testing reaches more than 95%. At the same time, the company files the daily testing, evaluation and implementation of rectification, and publicizes and informs the testing results of toxic and harmful workplace hazards in order to raise employees’ health and safety awareness and eliminate hazards fundamentally.
- Tianjin Aviation convened the main person in charge of the company and occupational health management personnel to participate in the occupational health education and training of Tianjin City and the group company, to implement the main responsibility of the company in preventing and controlling occupational disease hazards and steadily promote occupational health management.
- Changfeng Avionics, in order to ensure the health and safety of employees, provides sufficient protective clothing, masks, face masks, gloves, protective shoes and other labor protective equipment in accordance with national standards, invests safety funds, and vigorously improves the safety level of the company’s equipment and facilities. In addition, the company regularly conducts the evaluation of the current situation of safety production and the evaluation of the current situation of occupational health to ensure a safe and healthy working environment.

Case study: Huiyang Company conducted special emergency drills

With a view to enhancing the emergency knowledge of the staff, the handling of dangerous situations, as well as self-rescue and escape skills, Huiyang Company carried out a total of 37 special emergency drills in 2022, with a total of more than 800 participants, mainly including emergency drills in electric shock injuries, lifting injuries, substations, elevator accident, of which 15 special emergency drills were conducted for firefighting. After the drills, the company organized relevant personnel to review, find deficiencies and revise the emergency plan.



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4. Employee Caring

The Group cares about the work and life of its employees, and is committed to enhancing their satisfaction and sense of belonging. The Group organizes to assist employees in difficulties and helps them solve practical problems. Each subsidiary organizes various health competitions such as badminton, basketball and walking to promote a positive and healthy lifestyle, which makes the employees' spirit refresh. In addition, the Group equips employees with ergonomic office facilities, installs humidification system and separate fresh air system in the component testing center, controls the temperature of the testing hall through internal and external air exchange to ensure that the temperature and humidity meet the requirements, and create a better experimental and working environment. The Group cares for its employees through various ways, fulfills its responsibility for employee care in all aspects, and endeavors to create a happy, healthy and harmonious working life atmosphere for its employees, effectively improving their sense of happiness at work.

V SOCIAL RESPONSIBILITY

The Group actively practices social responsibility and demonstrates our corporate responsibility. The Group responds to the national policy call to support rural revitalization and carries out poverty alleviation activities in poor rural areas to boost rural development. At the same time, the Group actively responds to supporting local economic development and community services, delivering warmth to the society.

Table: Community Investment of the Group

Community investment category	2021	2022
Number of service hours for volunteer activities (hours)	17,350	55,436
Total investment in service for volunteer activities (RMB10,000)	/	82.47

1. Rural Revitalization

As the country begins to strategize on rural revitalization, the Group actively responds to the national call, continues to deepen and consolidate the results of poverty eradication, contributes to rural revitalization in various forms, and provides targeted assistance in Guizhou Province, Guanling County and Ziyun County of the province to solve the practical problems of local villagers and contribute to social and economic development.

Case study: JONHON Optronics took multiple measures to support rural revitalization

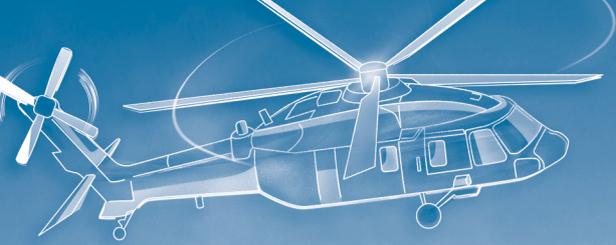
In August 2022, JONHON Optronics implemented the village water project and built a water barrage for the targeted village of Yangyu Village, Huangzhuang Town, Song County, providing a total of RMB63,000 funds support for relevant expense. The completion of the barrage project made the village realize 24-hour uninterrupted water supply and solved the problem of difficult drinking water for more than 200 people in 4 villager groups in Yangyu village. At the same time, JONHON Optronics carried out the Golden Autumn Scholarship activity and donated RMB21,000 for 7 students in difficulties in Yangyu Village, Huangzhuang Township to help children from difficult families to enter school smoothly.

Case study: Shanghai Aviation Electric carried out consumer poverty alleviation

In 2022, in order to make new progress in promoting rural revitalization, Shanghai Aviation Electric designated personnel to actively connect with the "Love•Aviation" consumption poverty alleviation platform, and took the initiative to understand the characteristics of agricultural and sideline products in the targeted poverty-stricken area of Puding County, Guizhou Province. The company conducted deep research on local products, and taking into account the actual situation of the county in assistance and the advantages of the company, formulated a work plan for consumption poverty alleviation with a total consumption of RMB140,000.

Case study: AVIC CAPDI cooperated with townships to promote rural revitalization

In 2022, AVIC CAPDI continued to provide support to Shanxi Village, Hetan Town, Xinhuang County, Huaihua City. The rural revitalization task force closely followed the "five revitalization" tasks and further consolidated the results of poverty eradication through poverty prevention and monitoring, pairing support, centralized investigation, infrastructure and public service construction, etc. At the same time, other members of AVIC CAPDI took the opportunity of holiday visits to purchase consumer goods in Ziyun County, Puding County and Zhenning County of Guizhou Province to help rural revitalization. The company purchased rural revitalization consumer goods of RMB831,000 in 2022.



Environmental, Social and Governance Report

2. Engaging in Public Welfare Activities

The Group is deeply committed to public welfare and gives full play to its responsibilities as a corporate citizen. Each subsidiary company has formulated relevant systems including Public Welfare Management Regulations, Management Measures for External Donations of JONHON Optronics and Management Measures for the Activities of Keeven Instrument Wu Dagan Volunteer Service Team to encourage employees to participate in volunteer activities and social welfare activities, inherit the spirit of volunteerism and help create a beautiful and friendly society. The Group fully supports the social and economic development of the local community and actively responds to the national strategy by cooperating with the government, schools, communities and other parties.

Case study: Shenyang Xinghua carried out industry-university-research cooperation to promote the development of industry research

In order to improve the level of scientific research, in 2022, Shenyang Xinghua, Shenyang Aerospace University, and Nanjing University of Aeronautics and Astronautics carried out joint research and made breakthrough in the secondary development of motor controller software and joint commissioning technology research work, successfully realized tests for the whole projects of permanent magnet synchronous motor, improving the scientific and technological research standards of motor controlled direction.

Case study: Changhe Aviation built the aviation emergency rescue key laboratory

Since the aviation emergency rescue industry chain involves metallurgy and chemicals, advanced materials, electronic information, new energy and various fields such as infrastructure construction, personnel training and financial services, the benefits of aviation investment are huge and much higher than traditional equipment manufacturing industry such as automobiles. In 2022, Changhe Aviation established an integrated industry-university-research platform by building an aviation emergency rescue key laboratory and on the basis of the transformation of scientific research results to build aviation emergency rescue industry chain and provide technical and security services for local governments to attract investment.



Case study: Lanzhou Aviation Electrical carried out strategic cooperation with local government

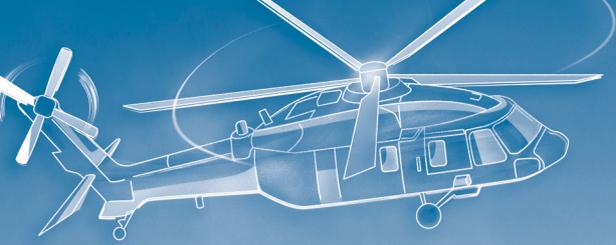
Lanzhou Aviation Electrical actively carries out strategic cooperation with local governments and research institutes. In 2022, Lanzhou Aviation Electrical promoted the implementation plan for the development of aviation industry chain in Gansu Province, built a technological innovation system based on the industry chain and key products as the core, further enhancing the development capability of aircraft airborne system products and military-ground integrated maintenance service guarantee capability, promoted the development of general aviation and unmanned aircraft industry, emergency equipment and large defense industry, and aviation-derived civilian products industry, and accelerated the common construction and sharing of development and production resources.

Case study: AVIC Forstar continued to deepen university-enterprise cooperation

AVIC Forstar continued to deepen university-enterprise cooperation and integration of production and education, giving full play to the discipline and talent advantages of municipal universities, realizing “university-enterprise cooperation and win-win industry-university situation”, and promoting high-quality and rapid development of enterprises. In 2022, AVIC Forstar and Xi’an University decided to carry out comprehensive, long-term and substantial strategic cooperation projects, including: Research on Low Profile Metal Heat Dissipation Structure (《低矮化金屬散熱結構研究》), Research on Aluminum Alloy Conductive Oxidation Technology (《鋁合金導電氧化技術研究》), and Design and Development Research of New High Temperature Resistant (1200℃) Elastic Metal Materials (《新型耐高溫(1200℃)彈性金屬材料的設計開發研究》), to drive the local economic development.

For a long time, the Group has always integrated social responsibility with corporate development and continued to provide support with love and care. The Group actively encourages its employees to participate in volunteer activities and actively contribute to building a better community.





Environmental, Social and Governance Report

Case study: Changfeng Avionics conducted aviation science lectures

In 2022, in order to improve the overall service level of the company's Wu Dagan Volunteer Service Team, Changfeng Avionics selected 10 young workers with good image quality, outstanding performance ability and willing to engage in the dissemination of aviation science knowledge to join the company's brand communication team. The main task of the team is divided into company reception explanation and aviation science explanation. Through the explanation of the brand communication team, on the one hand, the company has built a group of young team who tells Changfeng Avionics stories, and has aviation knowledge and stronger sense of honor, pride and sense of belonging to the enterprise. On the other hand, the company allows the majority of viewers, visitors, learners and other audience groups to know Changfeng Avionics, understand aviation, and promote the Changfeng brand and aviation culture so as to establish a good brand image of Changfeng, and enhance social influence and reputation.

Case study: Shanghai Aviation Electric actively participated in the volunteer protection work of pandemic prevention and control

In 2022, Shanghai was strongly affected by the pandemic, and in the challenge of the pandemic, the Shanghai Aviation Electric responded positively at the first time and set up a youth commando team for the pandemic prevention and control, and organized volunteers to work for the pandemic prevention and control of Shanghai Aviation Electric. The total service hours of volunteer activities exceed 600 hours. With a high sense of mission and responsibility, the team strongly supported the "two-front battle" between the pandemic prevention and control and scientific research and production of Shanghai Aviation Electric.

Case study: Changhe Aviation popularized aviation knowledge in school

In June 2022, in order to popularize aviation knowledge and spread the ideal of "serving the country with aviation", Changhe Aviation carried out the "Chinese Dream Aviation Dream" 100 aviation science popularization activities to the school in Guandong Village Primary School, Tutang Town, Jiujiang City. Through this popularization activity, the children got a new understanding of the helicopter business of the motherland and a feeling of "serving the country with aviation" in their hearts.



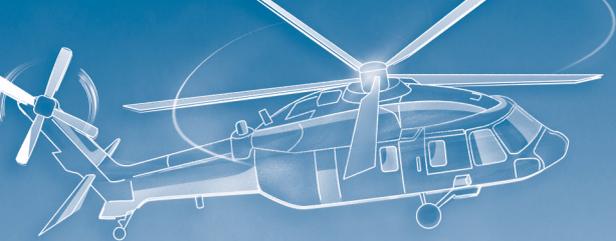
Case study: Harbin Aircraft launched “gathering youth power and promoting spirits of Leifeng” volunteer service week of Learning from Leifeng

In 2022, in order to promote the spirit of voluntary services of “dedication, fraternity mutual aid and progress” and to lead and motivate the members of the Communist Youth League to follow the role model of Comrade Leifeng to demonstrate achievements in post contribution, gather power in fulfilling social responsibility and give paly to their roles in the group’s reform and innovation, Harbin Aircraft shaped the culture of positivity, working in unity, integrity and diligence and dedication to promote the institutionalization and normalization of volunteer service activities of Learning from Leifeng. The Youth League Committee of Harbin Aircraft organized the Wu Daguan Volunteer Service Team to launch a series of activities of Learning from Leifeng, covering with aviation science promotion, pandemic prevention and control, plant area beautification, working environment improvement, environmental protection, rewarding our community, hardship assistance and other aspects. Over 200 youth members participated in the activities, with the cumulative service time of approximately 478 hours.

Case study: Shanghai Aviation Electric launched a series of volunteer service activities of Learning from Leifeng

In March 2022, in order to meet the 100th anniversary of the founding of the Communist Youth League and to further promote Lei Feng Spirit and the spirit of volunteer service, in connection with the group’s “Great Love of Aviation with True Feelings” volunteer service activity, on the occasion of the 3.5 Learn from Lei Feng Day, the Youth League Committee of Shanghai Aviation Electric organized and launched a series of volunteer service activities of Learning from Leifeng. Shanghai Aviation Electric organized a youth volunteer service team to visit the front-line staffs who worked late night overtime. Shanghai Aviation Electric launched the charity donation activities, through which the youth volunteers from various branches donated clothes, anti-pandemic materials and learning books for the students in poor mountainous areas. Shanghai Aviation Electric organized youth volunteers to clean the roads in surrounding areas. With a kind heart, the youth volunteers of Shanghai Aviation Electric offered love to the society through practical actions.





Independent Auditor's Report



大華會計師事務所

大華會計師事務所(特殊普通合夥)

Da Hua Certified Public Accountants (Special General Partnership)

北京市海澱區西四環中路16號院7號樓12層 [100039]

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D.H.S.Z. [2023]008388

To the Shareholders of AviChina Industry & Technology Company Limited:

I. AUDIT OPINION

We have audited the financial statements of AviChina Industry & Technology Company Limited (hereinafter referred to as AviChina), which comprise the consolidated balance sheet and the balance sheet of the Company as at 31 December 2022, the consolidated income statement and the income statement of the Company, the consolidated cash flow statement and the cash flow statement of the Company, the consolidated statement of changes in shareholders' equity and the statement of changes in shareholders' equity of the Company for the year of 2022, and the corresponding notes to the financial statements.

In our opinion, the accompanying financial statements present in all material respects in accordance with the requirements of Accounting Standards for Business Enterprises, and fairly reflect AviChina's financial position at 31 December 2022 and the financial performance and cash flows for the year of 2022.

II. BASIS FOR AUDIT OPINION

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

III. KEY AUDIT MATTERS

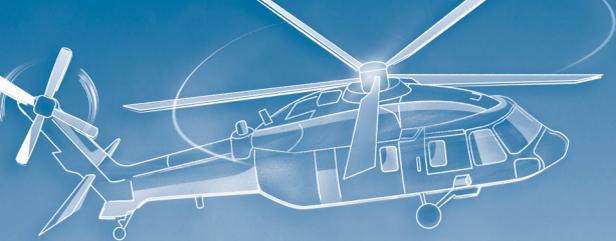
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion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

Independent Auditor's Report (Continued)

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

1. Expected credit loss (ECL) of accounts receivable

1) Item Description	2) How our audit addressed the key audit matter
<p>See Note IV 11. Notes receivable, 12. Accounts receivable, 13. Accounts receivable financing and 14. Other receivables. See Note VI.3. Notes receivable, 4. Accounts receivable, 5. Receivables financing and 7. Other receivables to the financial statements.</p>	<p>Our major audit procedure relating to the provision for ECL on receivables include:</p>
<p>As of December 31, 2022, the net amount of accounts receivable of AviChina was RMB34,054,158,190. Among them, the book balance of notes receivable was RMB10,765,723,654, and the provision for bad debts was RMB75,743,138; The book balance of accounts receivable is RMB24,334,320,840, and the provision for bad debts is RMB1,201,857,154; The book balance of other receivables was RMB347,391,930, and provision for bad debts was RMB137,639,145; The original value of accounts receivables financing is RMB21,961,203.</p>	<ol style="list-style-type: none"> <li data-bbox="758 646 1394 819">(1) Understanding and evaluating the effectiveness of the company's internal control design of ECL, operation related to customer credit policies and management of accounts receivable; <li data-bbox="758 819 1394 1078">(2) Analyzing the rationality of the estimation method for the expected credit loss of the AviChina's accounts receivable, calculating the ECL in accordance with the Company's accounting policies, and analyzing the adequacy of the provision for the ECL of accounts receivable; <li data-bbox="758 1078 1394 1379">(3) For accounts receivable with significant individual amounts, based on the identified characteristics of the debtor, as well as the debtor's financial condition and repayment ability, analyzing and reviewing the management's ECL estimate to confirm the rationality of the ECL provision method and the adequacy of the provision results; <li data-bbox="758 1379 1394 1595">(4) Verifying the rationality of the ECL provision by analyzing the aging of accounts receivable and the credit status of customers, combined with accounts receivable letter of confirmation and subsequent payment collection situation; <li data-bbox="758 1595 1394 1744">(5) Reviewing the disclosure and presentation of the company's accounts receivable and corresponding bad debt reserves.
<p>We identified the provision for ECL on accounts receivable as a key audit matter due to the large amount of accounts receivable and the estimation of ECL is based on management's judgment.</p>	<p>Based on the audit work performed, we believe that the management's judgment and estimation of the ECL on the receivables are reasonable.</p>



Independent Auditor's Report (Continued)

2. Impairment of inventories

1) Item Description

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

As of December 31, 2022, the book balance of AviChina's inventory was RMB34,812,338,080, and the provision for inventory was RMB700,155,280. AviChina's inventories at the end of the period were measured at the lower of cost or net realizable value, with net realizable value determined as the estimated selling price of the finished goods produced less the estimated costs to be incurred to completion, estimated selling expenses and related taxes. We identified the provision for inventory impairment as a key audit matter due to the large amount of inventory falling price reserves and it requires significant judgment from management.

2) How our audit addressed the key audit matter

Our major audit procedure for impairment provision of inventories include:

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

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

Independent Auditor's Report (Continued)

IV. OTHER INFORMATION

The management of AviChina is responsible for the other information. The other information comprises the information included in the 2022 annual report of AviChina other than the financial statements and our auditor's report thereon.

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

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

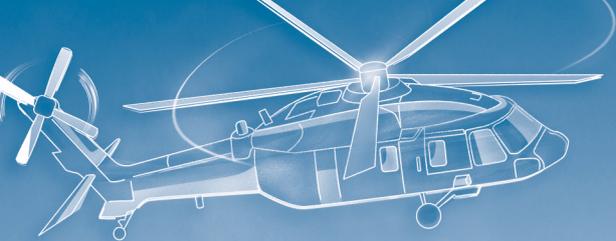
If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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



Independent Auditor's Report (Continued)

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

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

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

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

Independent Auditor's Report (Continued)

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

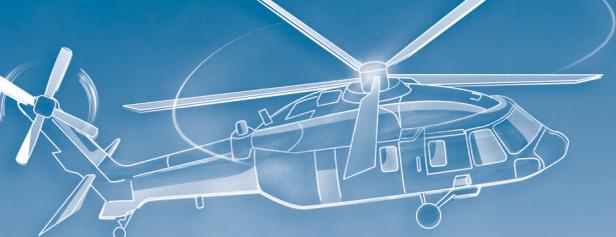
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Da Hua Certified Public Accountants
(Special General Partnership)

Beijing, China

CICPA: Liu Li
(Engagement partner)
CICPA:Feng Shuo
15 March 2023



Consolidated Balance Sheet

31 December 2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	31 December 2022	31 December 2021
Current assets:			
Monetary funds	1	35,561,104,778	25,361,499,508
Settlement reserve		–	–
Loans to banks and other financial institutions		–	–
Financial assets held for trading	2	527,818,029	1,244,823,022
Derivative financial assets		–	–
Notes receivable	3	10,689,980,516	9,929,754,416
Accounts receivable	4	23,132,463,686	21,321,031,800
Receivables financing	5	21,961,203	4,291,292
Prepayments	6	7,427,350,280	8,562,458,424
Premium receivable		–	–
Reinsurance premium receivable		–	–
Reinsurance contract provision receivable		–	–
Other receivables	7	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	8	34,112,182,800	32,374,764,020
Contract assets	9	4,175,952,169	5,149,456,300
Held-for-sale assets	10	11,184,603	48,656,246
Non-current assets due within one year	11	500,000,000	202,290,896
Other current assets	12	635,978,367	711,173,574
Total current assets		117,005,729,216	105,112,271,615

Consolidated Balance Sheet (Continued)

31 December 2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	31 December 2022	31 December 2021
Non-current assets:			
Loans and advances		–	–
Debt investment		–	–
Other debt investment		–	–
Long-term receivables	13	1,241,950	6,134,844
Long-term equity investments	14	2,383,862,616	1,923,474,669
Other equity instrument investments	15	2,578,734,723	2,696,553,640
Other non-current financial assets	16	–	600,000,000
Investment properties	17	342,995,831	346,546,113
Fixed assets	18	14,292,386,719	15,125,713,170
Construction-in-progress	19	2,947,407,414	3,023,560,156
Bearer biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets	20	321,177,045	599,491,919
Intangible assets	21	2,691,658,676	3,235,508,206
Development expenditure		–	–
Goodwill	22	69,121,895	69,121,895
Long-term deferred expenses	23	39,390,601	71,629,850
Deferred income tax assets	24	484,273,167	416,013,126
Other non-current assets	25	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

Legal representative:

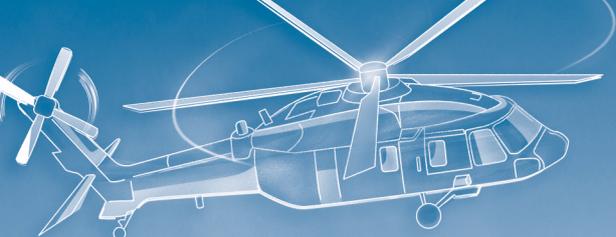
Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Hu Wanlin



Consolidated Balance Sheet (Continued)

31 December 2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	31 December 2022	31 December 2021
Current Liabilities:			
Short-term borrowings	26	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	27	48,392,809	18,196,239
Derivative financial liabilities		–	–
Notes payable	28	10,417,278,468	11,633,186,116
Accounts payable	29	30,906,639,906	27,365,848,151
Advances	30	22,272,648	10,260,976
Contract liabilities	31	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 compensation payable	32	2,183,977,718	2,002,883,877
Tax payable	33	2,057,663,880	454,114,039
Other payables	34	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	35	2,950,158,046	1,225,299,857
Other current liabilities	36	823,157,217	622,306,803
Total current liabilities		80,044,743,533	69,583,155,169

Consolidated Balance Sheet (Continued)

31 December 2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	31 December 2022	31 December 2021
Non-current liabilities:			
Insurance contract reserves		—	—
Long-term borrowings	37	1,674,929,735	4,284,761,981
Bonds payable		—	—
Including: Preferred shares		—	—
Perpetual bonds		—	—
Lease liabilities	38	277,529,742	559,212,830
Long-term payables	39	-269,228,331	-548,941,454
Long-term employee compensation payable	40	1,400,165,534	1,523,783,896
Estimated liabilities	41	647,899,871	645,506,219
Deferred income	42	834,891,591	846,324,736
Deferred income tax liabilities	24	326,360,143	351,913,854
Other non-current liabilities	43	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	44	7,711,332,242	7,711,332,242
Other equity instruments		—	—
Including: Preferred shares		—	—
Perpetual bonds		—	—
Capital reserves	45	13,096,081,068	12,974,963,414
Less: treasury shares		—	—
Other comprehensive income	46	168,575,073	112,507,999
Special reserves	47	497,012,913	503,687,704
Surplus reserves	48	373,900,833	308,138,730
General risk reserve		—	—
Undistributed profits	49	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

Legal representative:

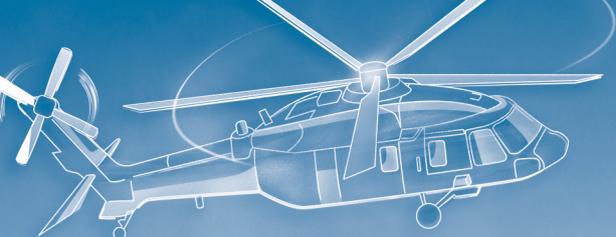
Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Hu Wanlin



Balance Sheet of the Company

31 December 2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note XVII	31 December 2022	31 December 2021
Current assets:			
Monetary funds		303,564,813	61,429,523
Financial assets held for trading		362,824,767	667,040,137
Derivative financial assets		–	–
Notes receivable		–	–
Accounts receivable	1	340,786	824,134
Receivables financing		–	–
Prepayments		–	–
Other receivables	2	249,082,153	227,505,857
Including: Interest receivable		–	–
Dividends receivable		–	–
Inventories		–	–
Contract assets		–	–
Held-for-sale assets		–	–
Non-current assets due within one year		500,000,000	200,000,000
Other current assets		–	352,675
Total current assets		1,415,812,519	1,157,152,326
Non-current assets:			
Debt investment		–	–
Other debt investment		–	–
Long-term receivables		1,191,952	841,942
Long-term equity investments	3	15,222,414,665	11,852,954,759
Other equity instrument investments		1,734,174,940	1,474,452,704
Other non-current financial assets		–	600,000,000
Investment properties		25,495,577	26,654,890
Fixed assets		452,440	649,174
Construction-in-progress		–	–
Bearer biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		14,137,265	4,086,243
Intangible assets		497,262	896,009
Development expenditure		–	–
Goodwill		–	–
Long-term deferred expenses		–	–
Deferred income tax assets		2,698,366	1,842,194
Other non-current assets		10,000,000	10,000,000
Total non-current assets		17,011,062,467	13,972,377,915
Total assets		18,426,874,986	15,129,530,241

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Hu Wanlin

Balance Sheet of the Company (Continued)

31 December 2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note XVII	31 December 2022	31 December 2021
Current liabilities:			
Short-term borrowings		-	-
Financial liabilities held for trading		-	-
Derivative financial liabilities		-	-
Notes payable		-	-
Accounts payable		-	-
Advances		-	-
Contract liabilities		-	-
Employee compensation payable		9,713,292	9,282,473
Tax payable		29,905,333	10,518,572
Other payables		472,394,752	325,829,496
Including: Interest payable		-	-
Dividends payable		-	-
Held-for-sale liabilities		-	-
Non-current liabilities due within one year		4,565,092	1,038,891
Other current liabilities		-	-
Total current liabilities		516,578,469	346,669,432
Non-current liabilities:			
Long-term borrowings		-	-
Bonds payable		-	-
Including: Preferred shares		-	-
Perpetual bonds		-	-
Lease liabilities		8,391,617	-
Long-term payables		-	-
Long-term employee compensation payable		-	-
Estimated liabilities		-	-
Deferred income		-	-
Deferred income tax liabilities		111,349,643	158,306,812
Other non-current liabilities		-	-
Total non-current liabilities		119,741,260	158,306,812
Total liabilities		636,319,729	504,976,244
Shareholders' equity:			
Share capital		7,711,332,242	7,711,332,242
Other equity instruments		-	-
Including: Preferred shares		-	-
Perpetual bonds		-	-
Capital reserves		8,276,651,521	4,963,456,690
Less: treasury shares		-	-
Other comprehensive income		330,433,384	461,576,470
Special reserves		-	-
Surplus reserves		373,900,831	308,138,728
Undistributed profits		1,098,237,279	1,180,049,867
Total shareholders' equity		17,790,555,257	14,624,553,997
Total liabilities and shareholders' equity		18,426,874,986	15,129,530,241

Legal representative:

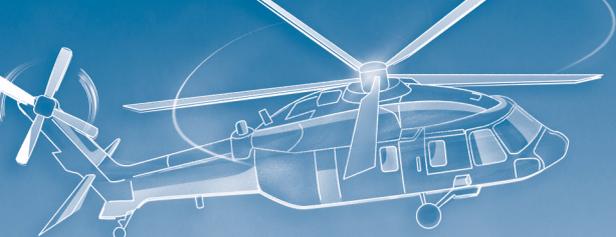
Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Hu Wanlin



Consolidated Income Statement

2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	2022	2021
I. Total operating income		63,639,427,670	60,296,284,748
Including: Operating revenue	50	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	50	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	51	351,552,695	137,635,434
Selling expenses	52	763,581,330	688,394,493
Administrative expenses	53	3,926,021,503	3,594,423,526
Research and development expenses	54	4,442,459,325	3,452,213,026
Finance costs	55	-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	56	347,198,581	275,272,348
Investment income (loss to be listed with "-")	57	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 "-")	58	-6,705,884	5,024,934
Credit impairment loss (loss to be listed with "-")	59	-350,907,638	-41,426,128
Asset impairment loss (loss to be listed with "-")	60	-283,833,345	-187,793,184
Income from assets disposal (loss to be listed with "-")	61	140,680,657	76,297,341

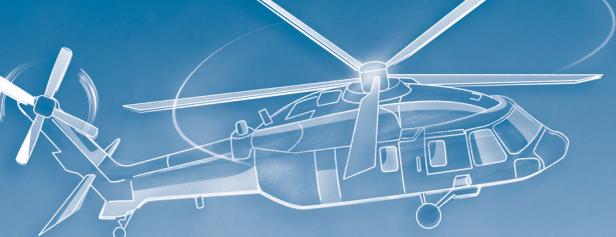
Consolidated Income Statement (Continued)

2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	2022	2021
III. Operating profit (loss to be listed with "-")		5,189,574,872	5,262,323,294
Add: Non-operating income	62	94,675,552	90,308,664
Less: Non-operating expenses	63	36,352,291	37,732,376
IV. Profit before tax (loss before tax to be listed with "-")		5,247,898,133	5,314,899,582
Less: income tax expenses	64	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
VI. Net of tax of other comprehensive income	65	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	-



Consolidated Income Statement (Continued)

2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	2022	2021
(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)		0.287	0.307
(II) Diluted earnings per share (RMB/share)		0.287	0.307

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Hu Wanlin

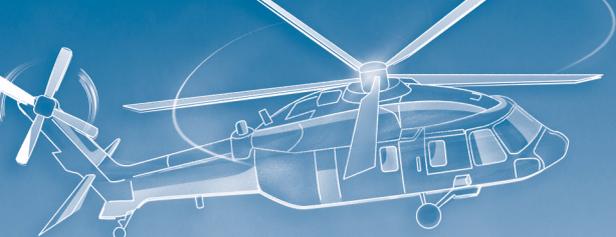
Income Statement of the Company

2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note XVII	2022	2021
I. Operating income	4	1,778,432	2,218,648
Less: Operating cost	4	1,304,395	1,389,598
Taxes and surcharges		1,063,073	1,786,945
Selling expenses		–	–
Administrative expenses		44,937,718	44,314,208
Research and development expenses		–	446,753
Finance costs		-26,667,148	1,827,869
Including: Interest expense		–	–
Interest income		15,882,837	8,685,946
Add: Other income		975,864	211,253
Investment income (loss to be listed with “-”)	5	704,129,833	662,812,077
Including: Income from investment in associates and joint ventures		29,063,710	32,390,286
Derecognition income of financial assets at amortised cost		–	–
Net exposure hedging income (loss to be listed with “-”)		–	–
Income from changes in fair value (loss to be listed with “-”)		-13,865,631	-883,218
Credit impairment loss (loss to be listed with “-”)		137,412	-3,490,880
Asset impairment loss (loss to be listed with “-”)		–	–
Income from assets disposal (loss to be listed with “-”)		–	–
II. Operating profit (loss to be listed with “-”)		672,517,872	611,102,507
Add: Non-operating income		–	947,551
Less: Non-operating expenses		2,899	200,200
III. Profit before tax (loss before tax to be listed with “-”)		672,514,973	611,849,858
Less: income tax expenses		14,893,951	17,834,692
IV. Net profit (net loss to be listed with “-”)		657,621,022	594,015,166
(I) Net profit from continuing operations (net loss to be listed with “-”)		657,621,022	594,015,166
(II) Net profit from discontinuing operations (net loss to be listed with “-”)		–	–



Income Statement of the Company (Continued)

2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note XVII	2022	2021
V. Net of tax of other comprehensive income		-187,550,816	396,061,285
(I) Other comprehensive income that cannot be reclassified into profit or loss		-187,550,816	396,061,285
1. Changes arising from re-measurement of the defined benefit plan		-	-
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		2,000,777	320,660
3. Changes in fair value of other equity instrument investments		-189,551,593	395,740,625
4. Changes in fair value of the enterprise's credit risk		-	-
5. Others		-	-
(II) Other comprehensive income that can be reclassified into profit or loss		-	-
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		-	-
2. Changes in fair value of other debt investments		-	-
3. Amount charged into other comprehensive income arising from reclassification of financial assets		-	-
4. Provision for credit impairment of other debt investments		-	-
5. Reserves for cash flow hedge (effective parts of cash flow hedge profit or loss)		-	-
6. Translation difference of foreign currency financial statements		-	-
7. Others		-	-
VI. Total comprehensive income		470,070,206	990,076,451

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Hu Wanlin

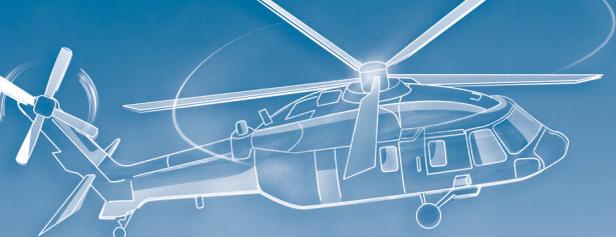
Consolidated Cash Flow Statement

2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	2022	2021
I. Cash flow from operating activities:			
Cash received from sales of goods or rendering of services		64,148,916,334	59,976,813,751
Net increase in deposits and placements from financial institutions		—	—
Net increase of borrowings from the central bank		—	—
Net increase in placements from other financial institutions		—	—
Cash received from premiums of original insurance contract		—	—
Net amount of reinsurance business		—	—
Net increase in deposits from policyholders		—	—
Cash received from interests, fees and commissions		—	—
Net increase in placement from banks and other financial institutions		—	—
Net increase in repurchasing		—	—
Net cash received from securities brokering		—	—
Refund of taxes and surcharges		474,118,876	141,018,858
Other cash received relating to operating activities	66	3,738,297,487	3,120,443,141
Subtotal of cash inflows from operating activities		68,361,332,697	63,238,275,750
Cash paid for purchase of goods and receipt of services		40,807,728,979	45,219,215,398
Net increase in loans and advances		—	—
Net increase in deposits with the central bank and other banks		—	—
Cash paid for claim settlements on original insurance contract		—	—
Net increase in financial assets held for trading		—	—
Net increase in loans to banks and other financial institutions		—	—
Cash paid for interests, fees and commissions		—	—
Cash paid for policy dividends		—	—
Cash paid to and for employees		11,561,816,117	10,565,792,240
Taxes and surcharges cash payments		1,490,602,712	1,038,984,169
Other cash paid relating to operating activities	66	4,143,411,615	4,169,695,563
Subtotal of cash outflow from operating activities		58,003,559,423	60,993,687,370
Net cash flow from operating activities		10,357,773,274	2,244,588,380



Consolidated Cash Flow Statement (Continued)

2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	Note VI	2022	2021
II. Cash flows from investing activities:			
Cash received from return of investment		7,557,804,353	4,677,380,998
Cash received from investment income		357,001,743	521,027,094
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		181,097,309	86,676,763
Net cash received from disposal of subsidiaries and other business entities		–	11,136,524
Other cash received relating to investing activities	66	95,000,138	1,000,000,000
Subtotal of cash inflows from investing activities		8,190,903,543	6,296,221,379
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		3,183,115,141	2,857,821,578
Cash paid to acquire investments		6,052,895,463	4,983,353,990
Net increase in pledge loans		–	–
Net cash paid for acquisition of subsidiaries and other business entities		–	53,476,190
Other cash paid relating to investing activities	66	568,231,546	344,000,000
Subtotal of cash outflows from investing activities		9,804,242,150	8,238,651,758
Net cash flows from investing activities		-1,613,338,607	-1,942,430,379
III. Cash flows from financing activities:			
Cash received from absorbing investment		1,795,204,184	3,327,270,391
Including: Cash received from minority shareholders' investment in subsidiaries		1,795,204,184	3,327,270,391
Cash received from borrowings		11,874,458,005	6,544,472,045
Cash received from bond issue		–	–
Other cash received relating to financing activities	66	807,493,800	1,055,487,041
Subtotal of cash inflow from financing activities		14,477,155,989	10,927,229,477
Cash paid for repayments of debts		9,244,276,188	7,471,834,580
Cash paid for distribution of dividends, profits or interest repayment		1,734,106,861	1,663,101,330
Including: Dividends and profits paid to minority shareholders by subsidiaries		748,953,108	860,107,534
Other cash paid relating to financing activities	66	1,021,633,009	1,368,486,176
Subtotal of cash outflow from financing activities		12,000,016,058	10,503,422,086
Net cash flow from financing activities		2,477,139,931	423,807,391
IV. Effect of foreign exchange rate changes on cash and cash equivalents		130,057,208	-23,720,758
V. Net increase in cash and cash equivalents		11,351,631,806	702,244,634
Add: Opening balance of cash and cash equivalents	66	23,538,721,525	22,836,476,891
VI. Closing balance of cash and cash equivalents	66	34,890,353,331	23,538,721,525

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Hu Wanlin

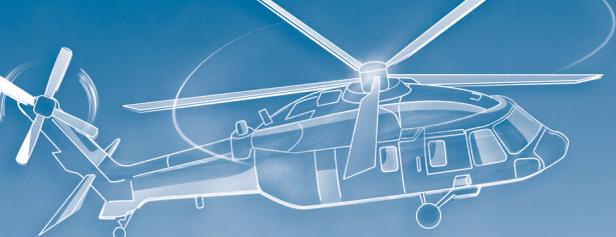
Cash Flow Statement of the Company

2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	2022	2021
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering of services	–	–
Refund of taxes and surcharges	2,039,540	–
Other cash received relating to operating activities	489,256,689	11,541,403
Subtotal of cash inflows from operating activities	491,296,229	11,541,403
Cash paid for purchase of goods and receipt of services	–	–
Cash paid to and for employees	21,128,410	22,334,638
Taxes and surcharges cash payments	1,172,798	33,918,373
Other cash paid relating to operating activities	379,803,867	143,226,757
Subtotal of cash outflow from operating activities	402,105,075	199,479,768
Net cash flow from operating activities	89,191,154	-187,938,365
II. Cash flows from investing activities:		
Cash received from return of investment	1,891,769,731	3,113,090,448
Cash received from investment income	676,617,180	640,199,222
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	–	–
Net cash received from disposal of subsidiaries and other business entities	–	–
Other cash received relating to investing activities	–	–
Subtotal of cash inflows from investing activities	2,568,386,911	3,753,289,670
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	107,434	203,890
Cash paid to acquire investments	1,795,541,145	3,769,684,612
Net cash paid for acquisition of subsidiaries and other business entities	–	–
Other cash paid relating to investing activities	–	–
Subtotal of cash outflows from investing activities	1,795,648,579	3,769,888,502
Net cash flows from investing activities	772,738,332	-16,598,832



Cash Flow Statement of the Company (Continued)

2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	2022	2021
III. Cash flows from financing activities:		
Cash received from absorbing investment	-	-
Cash received from borrowings	-	-
Cash received from bond issue	-	-
Other cash received relating to financing activities	-	-
Subtotal of cash inflow from financing activities	-	-
Cash paid for repayments of debts	-	-
Cash paid for distribution of dividends, profits or interest repayment	616,906,579	385,566,612
Other cash paid relating to financing activities	3,604,204	5,660,890
Subtotal of cash outflow from financing activities	620,510,783	391,227,502
Net cash flow from financing activities	-620,510,783	-391,227,502
IV. Effect of foreign exchange rate changes on cash and cash equivalents	716,587	-6,202,545
V. Net increase in cash and cash equivalents	242,135,290	-601,967,244
Add: Opening balance of cash and cash equivalents	61,429,523	663,396,767
VI. Closing balance of cash and cash equivalents	303,564,813	61,429,523

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Hu Wanlin

Consolidated Statement of Changes in Shareholders' Equity

2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	2022										Total shareholders' equity		
	Share capital	Other equity instrument	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profit	Others		Subtotal	Minority equity
I. Closing balance of the previous year	7,711,332,242	-	12,974,963,414	-	112,507,999	503,687,704	308,138,730	-	5,296,679,044	-	26,907,309,153	27,859,194,103	54,766,503,256
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Error correction of previous period	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	7,711,332,242	-	12,974,963,414	-	112,507,999	503,687,704	308,138,730	-	5,296,679,044	-	26,907,309,153	27,859,194,103	54,766,503,256
III. Change in increase or decrease of the current year (decrease to be listed with "+")	-	-	12,117,654	-	56,067,074	-6,674,791	65,762,103	-	979,997,663	-	1,216,269,703	2,169,785,307	3,386,055,010
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
(II) Capital invested and decreased by shareholders	-	-	113,562,900	-	-497,975,533	-	-	-	2,216,401,745	-	1,718,426,212	2,760,930,636	4,479,376,848
1. Ordinary shares invested by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment recognized as shareholders' equity	-	-	111,755,172	-	-	-	-	-	-	-	111,755,172	327,097,468	438,852,630
4. Others	-	-	1,807,729	-	-	-	-	-	-	-	1,807,729	34,297,193	36,104,922
(III) Profit distribution	-	-	-	-	-	-	65,762,103	-	-682,668,682	-	-616,906,579	-1,008,249,950	-1,625,156,529
1. Appropriation to surplus reserves	-	-	-	-	-	-	65,762,103	-	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-	65,762,103	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-over in shareholders' equity	-	-	-	-	554,042,607	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	554,042,607	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current year	-	-	-	-	-	-6,674,791	-	-	-	-	-6,674,791	25,510,970	18,836,179
2. Use in the current year	-	-	-	-	266,820,099	-	-	-	-	-	266,820,099	216,502,014	483,322,113
(VI) Others	-	-	7,554,754	-	-	273,494,890	-	-	-	-	273,494,890	190,991,044	464,485,934
IV. Closing balance of the current year	7,711,332,242	-	13,096,081,068	-	168,575,073	497,012,913	373,900,833	-	6,276,676,721	307,207	28,123,578,856	30,028,979,410	58,152,558,266

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Hu Wanlin

Consolidated Statement of Changes in Shareholders' Equity (Continued)

2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

2021

Items	Share capital	Preferred shares	Other equity instrument bonds	Equity attributable to shareholders of the parent company				Undistributed profit	Subtotal	Minority equity	Total shareholders' equity
				Capital reserve	Other comprehensive income	Special reserves	Surplus reserves				
I. Closing balance of the previous year	7,711,332,242	-	-	11,625,507,285	(445,009,828)	437,321,387	246,737,213	-	3,398,501,345	23,173,413,938	46,150,003,582
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Corrections in prior period errors	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	7,711,332,242	-	-	11,625,507,285	(445,009,828)	437,321,387	246,737,213	-	3,398,501,345	23,173,413,938	46,150,003,582
III. Change in increase or decrease of the current year (decrease to be listed with "-")											
(I) Total comprehensive income	-	-	-	1,349,456,129	557,517,827	66,166,317	59,401,517	-	1,898,177,719	4,685,780,165	8,616,499,674
(II) Capital invested and decreased by shareholders	-	-	-	-	538,717,219	-	-	-	2,907,993,494	2,467,133,831	5,315,127,315
1. Ordinary shares invested by shareholders	-	-	-	1,349,417,773	-	-	-	-	1,349,417,773	2,749,320,311	4,098,739,084
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	259,011,804	259,011,804	259,011,804
3. Amount of share-based payment recognized as shareholders' equity	-	-	-	82,816,311	-	-	-	-	82,816,311	86,818,417	169,634,728
4. Others	-	-	-	1,266,601,462	-	-	-	-	1,266,601,462	2,368,940,090	3,635,541,552
(III) Profit distribution	-	-	-	-	-	-	-	-	(446,269,405)	(386,867,888)	(943,484,466)
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	(59,401,517)	-	(59,401,517)
2. Appropriation to general risk reserve	-	-	-	-	-	-	-	-	(386,867,888)	-	(386,867,888)
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-over in shareholders' equity	-	-	-	18,800,608	-	-	-	-	(18,800,608)	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	18,800,608	-	-	-	(18,800,608)	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	66,595,870	-	-	66,595,870	32,944,446	99,540,316
1. Appropriation in the current year	-	-	-	-	-	197,516,708	-	-	197,516,708	82,781,510	274,298,218
2. Use in the current year	-	-	-	-	-	(124,920,838)	-	-	(124,920,838)	(49,837,064)	(174,757,902)
(VI) Others	-	-	-	38,356	-	(429,553)	-	-	(6,028,533)	(6,419,730)	(13,421,375)
IV. Closing balance of the current year	7,711,332,242	-	-	12,974,963,414	112,507,999	503,687,704	308,138,730	-	5,296,679,064	27,859,194,103	54,746,503,256

Legal representative:

Yan Lingxi

Person in charge of accounting:

Wang Jingmin

Person in charge of the accounting department:

Hu Wanlin

Statement of Changes in Shareholders' Equity of the Company

2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	2022							Total shareholders' equity									
	Share capital	Other equity instrument Preferred shares	Other equity instrument Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income		Special reserves	Surplus reserves	Undistributed profit	Others					
I. Closing balance of the previous year	7,711,332,242	-	-	-	-	-	-	-	308,138,728	1,180,049,867	-	-	-	-	-	-	14,624,553,997
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Error correction of previous period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	7,711,332,242	-	-	-	-	-	-	-	308,138,728	1,180,049,867	-	-	-	-	-	-	14,624,553,997
III. Change in increase or decrease of the current year (decrease to be listed with "-")	-	-	-	-	-	-	-	-	65,762,103	-81,812,588	-	-	-	-	-	-	-
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	657,621,022	-	-	-	-	-	-	-
(II) Capital invested and decreased by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Ordinary shares invested by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment recognized as shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-over in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Use in the current year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current year	7,711,332,242	-	-	-	-	-	-	-	373,900,831	1,098,237,279	-	-	-	-	-	-	17,790,555,257

Legal representative:
Yan Lingxi

Person in charge of accounting:
Wang Jingmin

Person in charge of the accounting department:
Hu Wanlin

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

2022

Prepared by: AviChina Industry & Technology Company Limited

Unit: RMB

Items	2021							Total shareholders' equity				
	Share capital	Preferred shares	Other equity instrument Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income		Special reserves	Surplus reserves	Undistributed profit	Others
I. Closing balance of the previous year	7,711,332,242	-	-	-	4,963,456,690	-	34,493,107	-	248,737,212	1,062,024,907	-	14,020,044,158
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	7,711,332,242	-	-	-	4,963,456,690	-	34,493,107	-	248,737,212	1,062,024,907	-	14,020,044,158
III. Change in increase or decrease of the current year (decrease to be listed with "-")	-	-	-	-	-	-	427,083,363	-	59,401,516	118,024,960	-	604,509,839
(I) Total comprehensive income	-	-	-	-	-	-	396,061,285	-	-	594,015,166	-	990,076,451
(II) Capital invested and decreased by shareholders	-	-	-	-	-	-	-	-	-	-	-	-
1. Ordinary shares invested by shareholders	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment recognized as shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	59,401,516	444,968,128	-	-385,566,612
2. Distribution to shareholders	-	-	-	-	-	-	-	-	59,401,516	-59,401,516	-	-385,566,612
3. Others	-	-	-	-	-	-	-	-	-	-385,566,612	-	-385,566,612
(IV) Internal carry-over in shareholders' equity	-	-	-	-	-	-	31,022,078	-	-	31,022,078	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	31,022,078	-	-	31,022,078	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current year	-	-	-	-	-	-	-	-	-	-	-	-
2. Use in the current year	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current year	7,711,332,242	-	-	-	4,963,456,690	-	461,576,470	-	308,138,728	1,180,049,867	-	14,624,553,997

Legal representative:
Yan Lingxi

Person in charge of accounting:
Wang Jingmin

Person in charge of the accounting department:
Hu Wanlin

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

I. BASIC INFORMATION OF THE COMPANY

(I) Basic Information

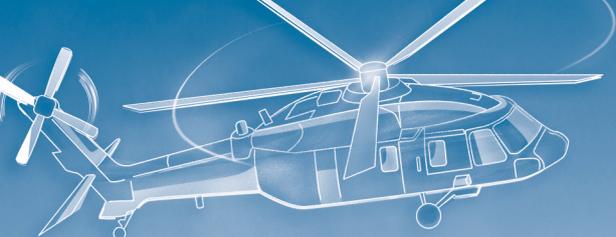
AviChina Industry & Technology Company Limited (hereinafter referred to as the Company, together with its subsidiaries, the Group) was restructured by a subsidiary of the former China Aviation Industry Corporation II (hereinafter referred to as AVIC II), and was incorporated in Beijing in the People's Republic of China (hereinafter referred to as the PRC) on 30 April 2003 as a joint stock company with limited liability. It was listed on The Stock Exchange of Hong Kong Limited (the Hong Kong Stock Exchange) on 30 October 2003. The Company has obtained the business license with the unified social credit code of 91110000710931141J issued by Beijing Administration for Industry and Commerce. The registered capital of the Company is RMB7,711,332,242. 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.

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

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

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

I. BASIC INFORMATION OF THE COMPANY (Continued)

(I) Basic Information (Continued)

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

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

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

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

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

(III) Name of parent company and group headquarters

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

(IV) Approval of financial reports

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

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The scope of the Group's consolidated financial statements includes 12 second-tier subsidiaries, including AVICOPTER PLC (中航直升機股份有限公司), and 50 third-tier and fourth-tier subsidiaries, including Huiyang Aviation Propeller Limited (惠陽航空螺旋槳有限責任公司).

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

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

2. Accounting period

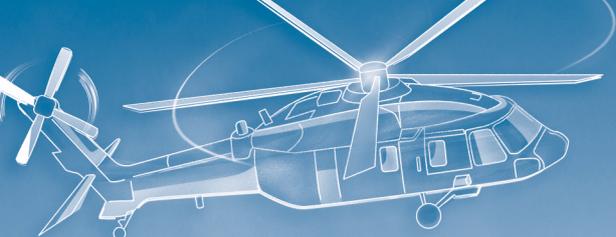
The Group’s accounting period is from 1 January to 31 December.

3. Business cycle

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

4. Recording currency

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

6. Preparation methods of consolidated financial statements

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

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

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

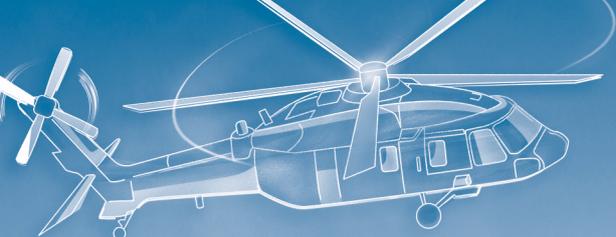
6. Preparation methods of consolidated financial statements (Continued)

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

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

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparation methods of consolidated financial statements (Continued)

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

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

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

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

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Cash and cash equivalents

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

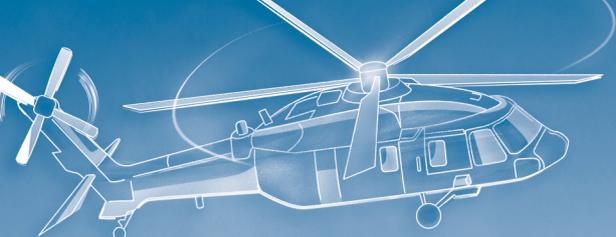
9. Foreign currency transactions and translation of foreign currency financial statements

(1) Foreign currency transaction

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

(2) Translation of foreign currency financial statements

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities

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

(1) Financial assets

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

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

i. Financial assets at amortised cost

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

ii. Financial assets at fair value through other comprehensive income

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

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

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

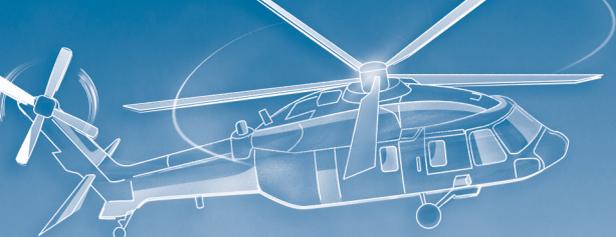
The Group recognizes the interest income by the effective interest method. The interest income shall be determined by multiplying the book balance of financial assets by the effective interest rate, except for the following circumstances: ① for the purchased or originated financial assets that the credit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

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

iii. Financial assets at fair value through profit or loss

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

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

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

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

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

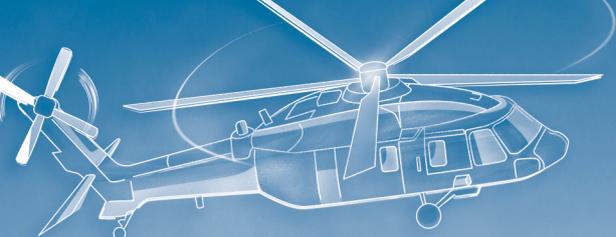
3) Expected credit losses

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

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

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

3) Expected credit losses (Continued)

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

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

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

(2) Financial liabilities

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

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

i. Financial liabilities at fair value through profit or loss

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(2) Financial liabilities (Continued)

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

ii. Other financial liabilities

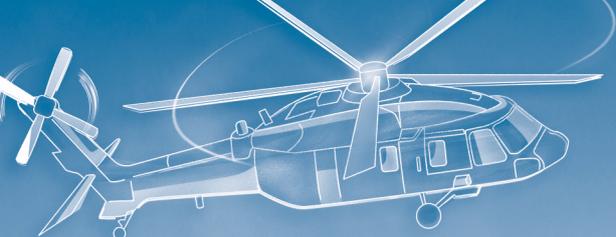
Other financial liabilities are subsequently measured at the amortized cost according to the effective interest method, with gains or losses arising from derecognition or amortization recorded in profit or loss. Except for the following items, the Group classifies the financial liabilities as the financial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

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

2) Derecognition conditions of financial liabilities

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

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

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

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

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

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

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

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

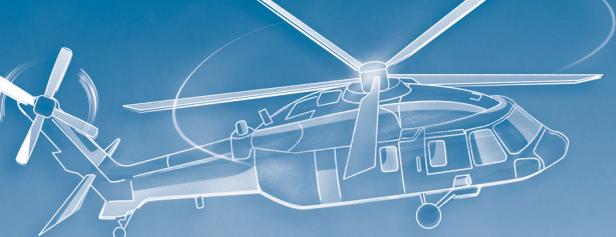
(1) If the Group fails to unconditionally perform one contractual obligation by delivering cash or other financial assets, the contractual obligation satisfies the definition of financial liability. While some financial instruments do not expressly include the terms and conditions for the obligation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

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

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

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Notes receivable

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

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

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

12. Accounts receivable

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

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

The basis for determining the portfolio is as follows:

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Accounts receivable financing

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

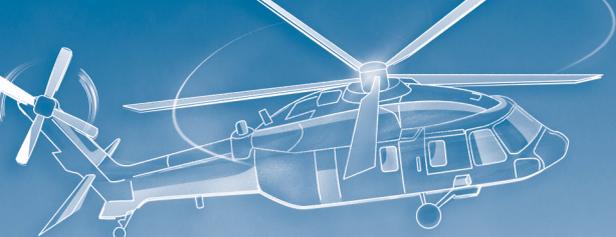
The financial assets at fair value through other comprehensive income, except for credit impairment losses or gains and exchange gains or losses, all other gains or losses generated shall be recorded in other comprehensive income, until the financial assets are derecognized or reclassified.

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

14. Other receivables

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. Other receivables (Continued)

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

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

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

15. Inventories

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

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

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Contract assets

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

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

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

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

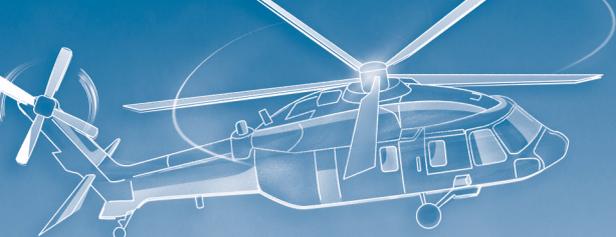
17. Contract cost

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

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

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

17. Contract cost (Continued)

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

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

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

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

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

18. Long-term equity investments

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

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

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

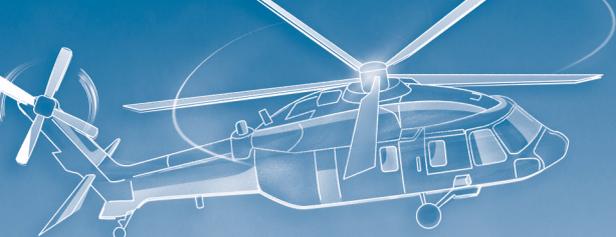
18. Long-term equity investments (Continued)

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

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

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

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



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From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Long-term equity investments (Continued)

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

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

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

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

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

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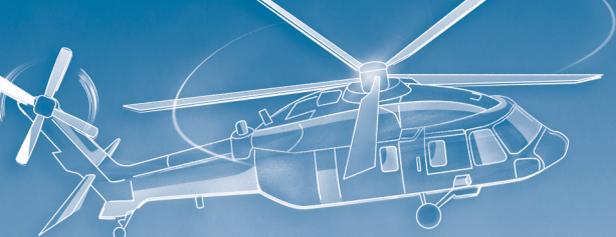
IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Long-term equity investments (Continued)

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

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

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



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From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Investment properties

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

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

Category	Estimated useful life	Estimated net residuals rate	Annual rate of depreciation (amortization)
Land use right	20-50 years	0%	2% to 5%
Plant & buildings	20-45 years	0% to 5%	2.11% to 5%

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

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Fixed assets

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

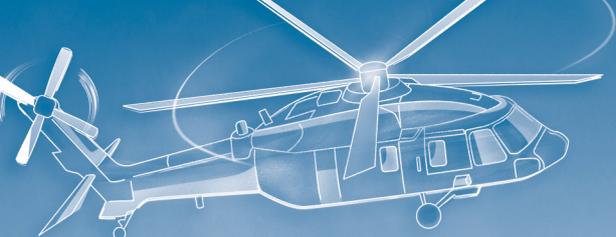
No fixed asset may be recognized unless it simultaneously meets the conditions as follows: The economic benefits pertinent to the fixed asset are likely to flow into the Group; and the cost of the fixed asset can be measured reliably. Fixed assets of the Group include plant and buildings, machinery equipment,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

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

No.	Category	Depreciation life (year)	Estimated residuals (%)	Annual depreciation rate (%)
1	Plant & buildings	10-40	0 to 5	2.00 to 10.00
2	Machinery equipment	3-20	0 to 5	4.75 to 33.33
3	Transportation equipment	4-10	0 to 5	9.50 to 25.00
4	Electrical equipment	3-15	0 to 5	6.47 to 33.33
5	Office facilities	3-8	0 to 5	9.70 to 33.33
6	Other equipment	3-30	0 to 5	3.17 to 33.33

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Construction in progress

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

22. Borrowing costs

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

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

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

23. Right-of-use assets

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

(1) Initial measurement

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

(2) Subsequent measurement

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

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

(3) Depreciation of right-of-use assets

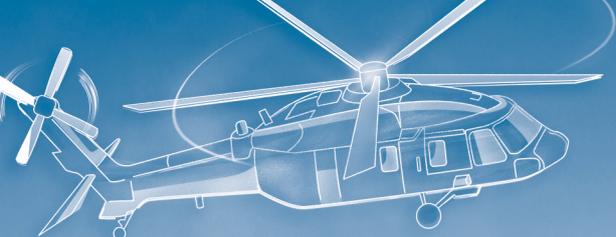
Starting from the commencement date of the lease term, the Group will depreciate the right-of-use asset. The right-of-use asset is usually depreciated from the current month that the lease term starts. The depreciation amount for provision is included in the cost of underlying assets or the current profit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

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

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

(4) Impairment of right-of-use assets

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Intangible assets

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

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

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

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

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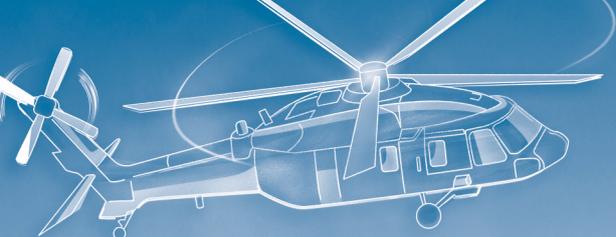
IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Research and development

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

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

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



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From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

26. Long-term deferred expenses

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

27. Goodwill

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

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

28. Impairment of non-financial long-term assets

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

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

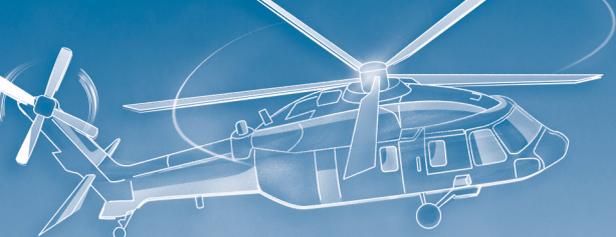
In testing an asset group or a set of asset group to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, calculates the recoverable amount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

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

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

29. Contract liabilities

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



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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

30. Employee compensation

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

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

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

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

31. Lease liabilities

(1) Initial measurement

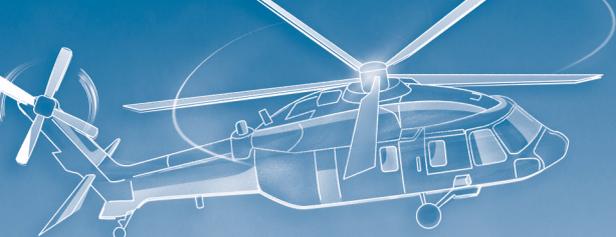
The Group initially measures the lease liabilities according to the present value of the lease payment which is not made at the commencement of the lease term.

1) Lease payment

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

2) Discount rate

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



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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

31. Lease liabilities (Continued)

(2) Subsequent measurement

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

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

(3) Remeasurement

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. Share-based payment

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

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

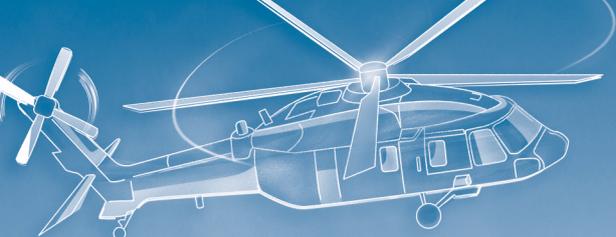
On each balance sheet date and settlement date before settlement of relevant liabilities, the fair value of liabilities shall be remeasured, and its changes shall be included in the current profit or loss.

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

33. Estimated liabilities

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

34. Recognition principles and measuring methods of revenue

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

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

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

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

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

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

Notes to the Financial Statements

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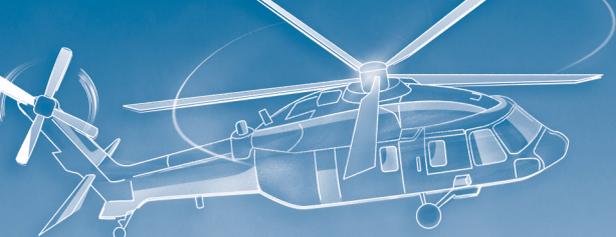
IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

35. Government grants

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

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

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

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

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

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

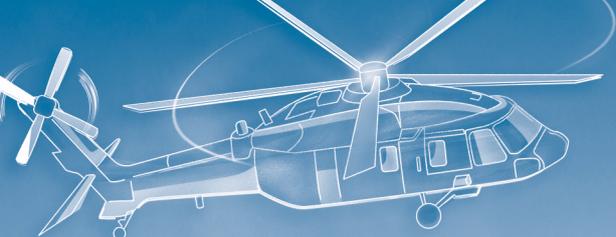
35. Government grants (Continued)

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

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

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

36. Deferred income tax assets and deferred income tax liabilities

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

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

37. Lease

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

(1) Identification of lease

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

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

37. Lease (Continued)

(2) The Group as the lessee

1) Initial measurement lease confirmation

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

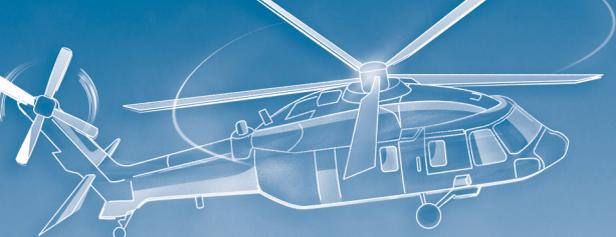
The right-of-use asset and lease liabilities are recognized by the Group as lessee.

2) Lease change

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

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

37. Lease (Continued)

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

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

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

(3) *The Group as the lessor*

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

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

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

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

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

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

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

Notes to the Financial Statements

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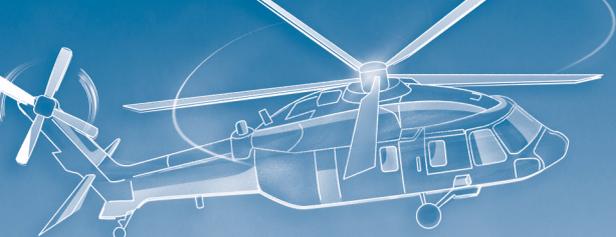
IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

38. Held-for-sale

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

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

38. Held-for-sale (Continued)

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

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

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

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

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

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

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

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From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

39. Segment information

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

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

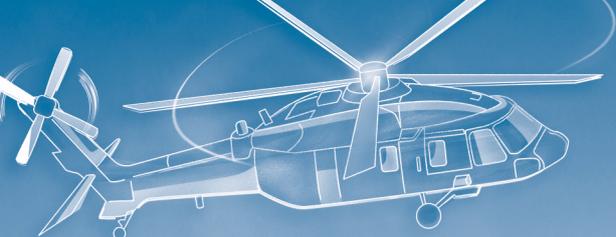
40. Discontinued operation

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

41. Safety production expenses

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

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



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From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

42. Significant accounting judgments and key sources of estimation uncertainty

(1) Critical judgments of applicable accounting policies

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

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

The directors of the Company assessed whether the Company has control over any entity based on whether the Company has the practical ability to direct the relevant activities of the entity unilaterally. The management of the Company considers that the Company has de facto control of certain entities even though it has less than 50% of the equity interest and voting rights, since the equity interests held by other shareholders are dispersed and the other shareholders have not organised their interests in such a way that they exercise more votes than the Group. After assessment, the directors of the Company concluded that the Company has sufficiently dominant voting interest to direct the relevant activities of those entities and therefore the Group has control over these entities.

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

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

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From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(2) Key sources of estimation uncertainty

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

a. Revenue recognition – input method

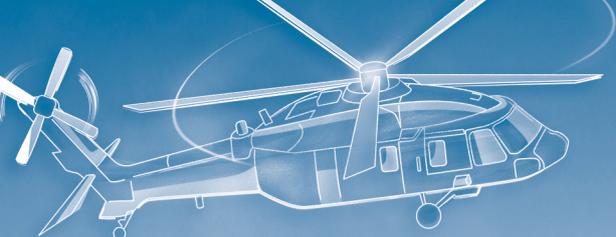
For performance obligations that are fulfilled within a certain period of time, the Group recognizes revenue in accordance with the progress of performance during that period. The Group uses the input method to determine the appropriate schedule of performance, which is determined as the proportion of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

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

The Group's management determines the estimated useful lives and related depreciation and amortisation charges for plant and buildings, equipment, right-of-use assets, investment properties and intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortisation charges where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

c. Impairment of inventories

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



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From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(2) Key sources of estimation uncertainty (Continued)

d. Impairment of financial assets and contract assets

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

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

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

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

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(2) Key sources of estimation uncertainty (Continued)

f. Impairment of other operating assets

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

g. Deferred tax and income tax

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

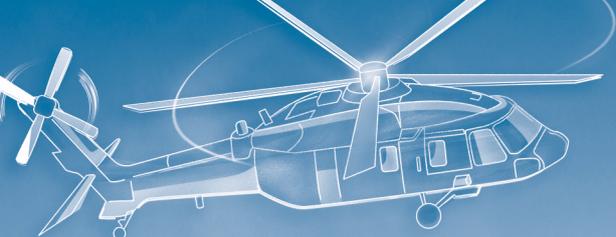
43. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

1) The impact of the implementation of the CASBE 15 on the Group

On 31 December 2021, the MOF issued the Interpretation of CASBE 15 (Cai Kuai [2021] No. 35, hereinafter referred to as "Interpretation No. 15"), and the "accounting treatment regarding the external sales of the fixed assets before reaching intended use and the products or by-products produced during the R&D process (the 'trial sales')" and "judgment on onerous contracts" thereunder came into effect from 1 January 2022.

The implementation of Interpretation No. 15 did not have a material impact on the financial statements for the current reporting period.



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(1) Changes in significant accounting policies (Continued)

2) *The impact of the implementation of the CASBE 16 on the Group*

On 13 December 2022, the MOF issued the Interpretation of CASBE 16 (Cai Kuai [2022] No. 31, hereinafter referred to as "Interpretation No. 16"), and among the accounting treatment of three matters in Interpretation No. 16: "accounting treatment regarding deferred income taxes related to assets and liabilities arising from a single transaction for which no exemption from initial recognition applies" came into effect from 1 January 2023, which allows companies to implement the exemption earlier than the year of publication, while the Group has not early implemented the accounting treatment related to this matter in the current year; "accounting treatment regarding the income tax effects of dividends related to financial instruments classified as equity instruments by the issuer" and "accounting treatment regarding the revision of cash-settled share-based payment to equity-settled share-based payment" came into effect from the date of issuance.

The implementation of Interpretation No. 16 did not have a material impact on the financial statements for the current reporting period.

(2) Changes in significant accounting estimates

There is no change in accounting estimates during the year.

(3) Correction of significant previous errors and the effect

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

Notes to the Financial Statements

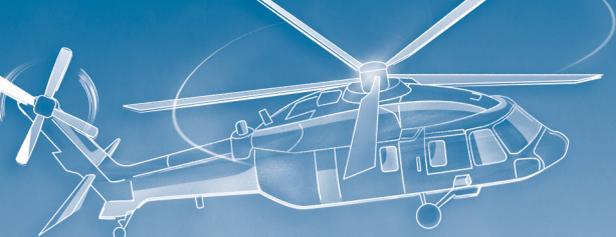
From 1 January 2022 to 31 December 2022

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

V. TAXES

1. Main taxes and tax rates

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

V. TAXES (Continued)

1. Main taxes and tax rates (Continued)

Description of taxpayers at different corporate income tax rates:

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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

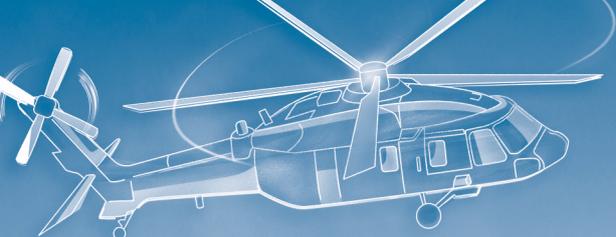
(The notes to the financial statements are presented in RMB, except as otherwise noted)

V. TAXES (Continued)

1. Main taxes and tax rates (Continued)

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

Name of taxable entity	Income tax rate	Note
AVIC Optoelectronic Precision Electronics (Guangdong) Co., Ltd. (中航光電精密電子(廣東)有限公司)	15%	①
AVIC Optoelectronic (Guangdong) Co., Ltd. (中航光電(廣東)有限公司)	25%	
AVIC Optoelectronics (Germany) Co., Ltd. (中航光電(德國)有限責任公司)	31.925%	
Reconn Technology Vietnam Co., Ltd. (越南睿連科技有限責任公司)	20%	
AVIC Optoelectronic (Shanghai) Co., Ltd. (中航光電(上海)有限公司)	20%	③
AVIC JONHON Optronics Interconnection Technology (Nanchang) Co., Ltd. (中航光電互連科技(南昌)有限公司)	25%	
China Avionics Systems Co., Ltd. (中航航空電子系統股份有限公司)	25%	
Shanghai Aviation Electric Co., Ltd. (上海航空電器有限公司)	15%	①
Shanghai Hanghao Auto Parts Co., Ltd. (上海航浩汽車零部件有限公司)	15%	①
AVIC Guohua (Shanghai) Laser Display Technology Co., Ltd. (中航國畫(上海)激光顯示科技有限公司)	15%	①
Shanghai Hangkai Electronic Technology Co., Ltd. (上海航鏜電子科技有限公司)	15%	①
Shanghai Super Champion Machinery & Electrical Equipment Co., Ltd. (上海越冠機電設備有限公司)	15%	①
Lanzhou Wanli Aviation Electric Co., Ltd. (蘭州萬里航空機電有限責任公司)	15%	②
Lanzhou Flight Control Co., Ltd. (蘭州飛行控制有限責任公司)	15%	②
Lanzhou Lanfeiweishi Measurement and Control Technology Co., Ltd. (蘭州蘭飛唯實測控技術有限責任公司)	20%	③
AVIC Taiyuan Aviation Instrument Co., Ltd. (太原航空儀錶有限公司)	15%	①
AVIC Shaanxi Huayan Aero-Instrument Co., Ltd. (陝西華燕航空儀錶有限公司)	15%	②
AVIC Xi'an Huayan Aero-Instrument Co., Ltd. (西安華燕航空儀錶有限公司)	20%	③
AVIC Shaanxi Qianshan Avionics Co., Ltd. (陝西千山航空電子有限責任公司)	15%	②
Chengdu CAIC Electronics Co., Ltd. (成都凱天電子股份有限公司)	15%	②
Chengdu Chenghang Vehicle Instrument Co., Ltd. (成都成航車輛儀錶有限責任公司)	15%	②
Suzhou Changfeng Avionics Co., Ltd. (蘇州長風航空電子有限公司)	15%	①
Shaanxi Oriental Aeronautic Instrument Manufacture Co., Ltd. (陝西東方航空儀錶有限責任公司)	15%	②
Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司)	15%	①
Beijing Keeven Avionics Technology Co., Ltd. (北京青雲航電科技有限公司)	25%	
China Aviation Planning and Design Institute Co., Ltd. (中國航空規劃設計研究院有限公司)	15%	①



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

V. TAXES (Continued)

1. Main taxes and tax rates (Continued)

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

Name of taxable entity	Income tax rate	Note
China Aviation Integration Equipment Co., Ltd. (中航工程集成設備有限公司)	15%	①
China Aviation Engineering Supervision (Beijing) Co., Ltd. (中航工程監理(北京)有限公司)	25%	
AVIC CAPDI Engineering Consulting (Beijing) Co., Ltd. (中航工程諮詢(北京)有限公司)	20%	③
China Aviation International Construction and Investment Co., Ltd. (中國航空國際建設投資有限公司)	15%	①
AVIC CAPDI (Macau) Company Limited (中航院設計諮詢(澳門)有限公司)	0%-12%	
Shenzhen AVIC Architectural Design Co., Ltd. (深圳市中航建築設計有限公司)	20%	③
Beijing Yinyan Industrial Co., Ltd. (北京銀燕實業有限公司)	25%	
Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空機電有限公司)	15%	①
Tianjin Tianli Aviation Mechanical and Electrical Co., Ltd. (天津天利航空机电有限公司)	25%	
AviChina Industrial Investment Co., Ltd. (中航科工產業投資有限責任公司)	25%	
AviChina Hong Kong Limited. (中航科工香港有限公司)	16.50%	

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

V. TAXES (Continued)

2. Preferential tax policies

(1) *Preferential value-added tax policy*

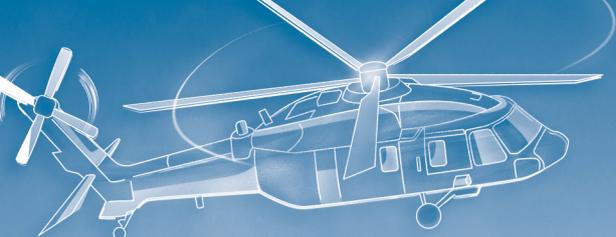
According to the requirements of the Notice on the Value-Added Tax Policy for Military Products of the Ministry of Finance and the State Taxation Administration (Cai Shui [2014] No. 28), the Notice on Issuing the 'Implementation Measures for Exemption from Value-Added Tax on Military Products' of the State Administration of Science, Technology and Industry for National Defense (Ke Gong Cai Shen [2014] No. 1532) and other documents, the Group may continue to implement the original VAT exemption policy for military products sales contracts entered into before 31 December 2021; for new contracts entered into in 2022, the original VAT exemption policy will no longer apply.

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

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

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

V. TAXES (Continued)

2. Preferential tax policies (Continued)

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

According to the Announcement of the Ministry of Finance and the State Administration of Taxation on Further Implementing the Preferential Income Tax Policies for Small and Micro Enterprises (Announcement of MOF and SAT [2022] No. 13), for the low-profit small enterprises' annual taxable income exceeding RMB1 million but not more than RMB3 million, the enterprise income tax shall be calculated at the rate of 20% based on the amount of taxable income being reduced to 25% thereof. According to Article 1 of Announcement on the Implementation of Preferential Income Tax Policies for Small and Micro Enterprises and Individual Businesses of the State Taxation Administration (Announcement of the SAT [2021] No. 12), on top of the preferential policies stipulated in Article 2 of the Notice on Applying Inclusive Tax Relief Policies to Small and Micro Enterprises of the Ministry of Finance and the State Taxation Administration (Cai Shui [2019] No.13), for the portion of annual taxable income of the low-profit small enterprises not exceeding RMB1 million, an exemption of half of the resulted tax payables shall be granted. According to the Notice on Applying Inclusive Tax Relief Policies to Small and Micro Enterprises of the Ministry of Finance and the State Taxation Administration (Cai Shui [2019] No.13), for the low-profit small enterprises' annual taxable income not exceeding RMB1 million, the enterprise income tax shall be calculated at the rate of 20% based on the amount of taxable income being reduced to 25% thereof; and for the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million, the enterprise income tax shall be calculated at the rate of 20% based on the amount of taxable income being reduced to 50% thereof. For details of the subsidiaries of the Group enjoying such preferential tax rates in the current year, please refer to the companies noted with ③ in the above table "Description of taxpayers at different corporate income tax rates".

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

For the statistic of the financial statements disclosed below, unless otherwise specified, "opening" or "at the beginning of the year" refers to 1 January 2022, "closing" or "at the end of the year" refers to 31 December 2022, and the "current year" or "the year" refers to 1 January to 31 December 2022, the "previous year" refers to the period from 1 January to 31 December 2021, and the currency unit is RMB.

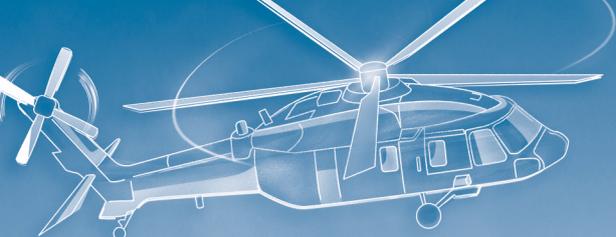
1. Monetary funds

Item	Closing balance	Opening balance
Cash on hand	435,052	653,718
Bank deposits	35,150,752,449	24,609,269,245
Other monetary funds	409,917,277	751,576,545
Total	35,561,104,778	25,361,499,508
Including: total amount deposited abroad	207,529,471	35,439,723
Including: total amount deposited with finance companies	24,431,773,142	15,856,420,419

Note: There is no limit on the remittance of the Group's overseas deposits. There is no restriction on the withdrawal of funds due to centralized management of funds by the Group.

Restricted use of monetary funds at the end of the year

Item	Closing balance	Opening balance
Term deposits over three months	264,812,982	1,240,597,972
Note deposit	344,511,835	484,628,972
Letter of credit deposit	5,314,759	9,501,344
Guarantee deposit	29,032,137	62,276,951
Employee housing related fund account	8,290,756	9,960,887
Other restricted funds	18,788,978	15,811,857
Total	670,751,447	1,822,777,983



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

2. Financial assets held for trading

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	527,818,029	1,244,823,022
Including: Debt instrument investments	–	–
Equity instrument investments	67,665,728	323,566,567
Bank wealth management and trust products	460,152,301	921,256,455
Total	527,818,029	1,244,823,022

Note: The Group's equity instrument investments included in financial assets held for trading are mainly ETF funds and equity investments in other companies.

3. 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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

3. Notes receivable (Continued)

(2) Notes receivable pledged (Continued)

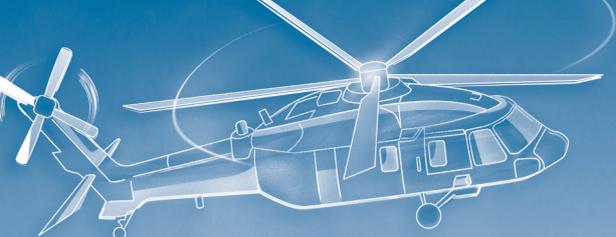
Item	Amount pledged at the beginning of the year
Banker's acceptance bill	273,457,320
Commercial acceptance bill	1,632,449,651
Total	1,905,906,971

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

Item	Amount derecognized at the end of the year	Amount not derecognized at the end of the year
Banker's acceptance bill	2,231,826,775	100,165,172
Commercial acceptance bill	-	316,476,551
Total	2,231,826,775	416,641,723

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

Item	Amount transferred to accounts receivable at the end of the year
Commercial acceptance bill	115,003,100
Total	115,003,100



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

3. Notes receivable (Continued)

(5) Classified presentation by bad debt accrual method

Category	Book balance		Closing balance		Book value
	Amount	Proportion (%)	Amount	Bad debt provision Provision proportion (%)	
Bad debt provision made individually	-	-	-	-	-
Bad debt provision made as per portfolio	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

Category	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Bad debt provision Provision proportion (%)	
Bad debt provision made individually	-	-	-	-	-
Bad debt provision made as per portfolio	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	-	67,792,398	-	9,929,754,416

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

3. Notes receivable (Continued)

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

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

Name	Closing balance		Provision proportion (%)
	Book balance	Bad debt provision	
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	–

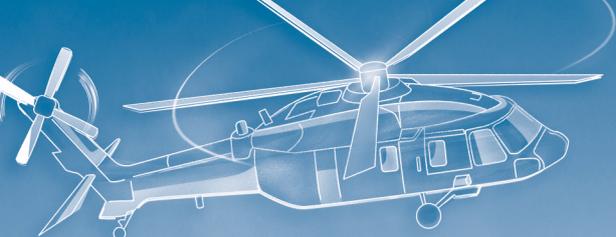
(6) Provisions for bad debt accrued, recovered and reversed for notes receivable in the year

Category	Opening balance	Changes in the current year				Closing balance
		Accrued	Recovered or reversed	Written back or written off	Other decrease	
Notes receivable subjected to provision for expected credit losses on portfolio basis	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

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

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

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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

4. Accounts receivable

Item	Closing balance	Opening balance
Accounts receivable	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	Original book value	Closing balance		Book value
		Proportion of bad debt provision (%)	Bad debt provision	
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: Portfolio 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

Notes to the Financial Statements

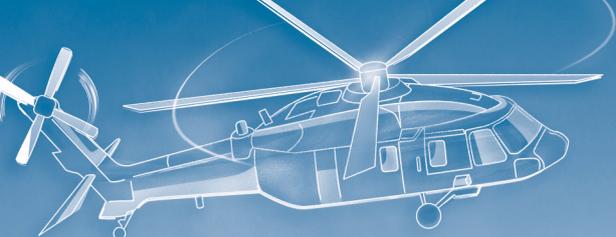
From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

4. Accounts receivable (Continued)

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

Category of portfolio	Original book value	Opening balance		Book value
		Proportion of bad debt provision (%)	Bad debt provision	
Bad debt provision made individually	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: Portfolio 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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

4. Accounts receivable (Continued)

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

1) Bad debt provision of accounts receivable made individually

Name	Book balance	Closing balance		Reasons for provision
		Bad debt provision	Provision proportion (%)	
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	--	

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

4. Accounts receivable (Continued)

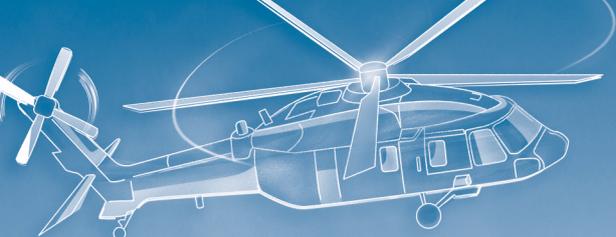
(1) Classified presentation of accounts receivable by bad debt accrual method (Continued)

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

Aging	Closing balance		Provision proportion (%)
	Book balance	Bad debt provision	
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		Proportion of bad debt provision (%)
	Accounts receivable	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	–



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

4. Accounts receivable (Continued)

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

Aging	Accounts receivable	Opening balance	
		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.

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

4. Accounts receivable (Continued)

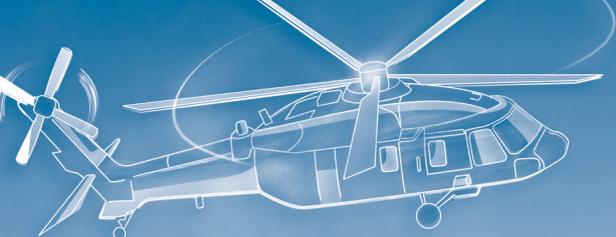
(3) Bad debt provision of accounts receivable in the current year

Category	Opening balance	Provision	Amount changed in the current year			Closing balance
			Accounts recovered or transferred back	Amounts written back or written off	Other decrease	
Bad debt provision made individually	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 main 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 Group, entered into a debt restructuring agreement with customers, pursuant to which, the opening bad debt balance was RMB505,650 of which RMB100,000 was repaid in the current period, leaving a balance of RMB405,650 for replacement of trust assets. ②Jiangxi Changjiang General Aviation Co., Ltd. (江西長江通用航空有限公司), a subsidiary of the Group, was 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. ③AVIC Renewable Energy Investment Co., Ltd. (中國航空工業新能源投資有限公司), a subsidiary of the Group, was no longer included in the consolidation scope of the Group at the end of the year, resulting in a reduction of RMB36,170,199 in bad debts for the current period.

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

Item	Write-off amount
Accounts receivable actually written-off	8,879,059



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

4. Accounts receivable (Continued)

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

The aggregate amount of the top five trade receivables with the closing balances classified by the borrowers was RMB7,389,280,428, accounting for 30.37% of the total closing balance of accounts receivable, and the corresponding provision for bad debts at the end of the year was RMB130,214,385.

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

Item	Transfer method of financial assets	Amount derecognized	Gains and losses related to derecognition (losses are presented as "-")
Customer 1	Factoring without recourse	549,067,500	-8,327,524
Customer 2	Factoring without recourse	426,246,351	-9,226,149
Customer 3	Factoring without recourse	29,800,000	-251,313
Customer 4	Factoring without recourse	31,500,000	-582,750
Customer 5	Factoring without recourse	80,980,133	-1,478,198
Customer 6	Factoring without recourse	18,075,017	-100,274
Customer 7	Factoring without recourse	16,893,632	-413,591
Total other customers	Factoring without recourse	75,445,023	-1,322,907
Total	-	1,228,007,656	-21,702,706

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

5. Receivables financing

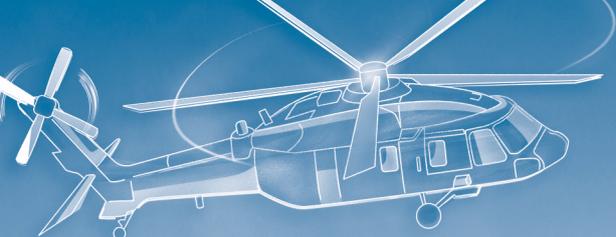
Item	Closing balance	Opening balance
Notes receivable	21,961,203	4,291,292
Total	21,961,203	4,291,292

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

6. Prepayments

(1) Aging of prepayments

Item	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	1,909,988,788	25.72	8,349,994,754	97.53
1-2 years	5,471,819,560	73.67	142,634,546	1.67
2-3 years	19,862,719	0.27	31,751,727	0.37
Over 3 years	25,679,213	0.35	38,077,397	0.43
Total	7,427,350,280	–	8,562,458,424	–



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

6. Prepayments (Continued)

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

Debtor company	Closing balance	Aging	Reason for being unsettled	Proportion of the closing balance of prepayments (%)
Company 1	1,525,852,123	Within 1 year, 1-2 years	Conditions for settlement not met	20.54
Company 2	882,070,493	1-2 years	Conditions for settlement not met	11.88
Company 3	864,265,920	1-2 years	Conditions for settlement not met	11.64
Company 4	465,606,894	1-2 years	Conditions for settlement not met	6.27
Company 5	426,173,400	1-2 years	Conditions for settlement not met	5.74
Company 6	297,157,300	1-2 years	Conditions for settlement not met	4.00
Company 7	197,241,315	1-2 years	Conditions for settlement not met	2.66
Company 8	95,070,850	1-2 years	Conditions for settlement not met	1.28
Company 9	95,065,425	1-2 years	Conditions for settlement not met	1.28
Company 10	85,038,450	1-2 years	Conditions for settlement not met	1.14
Total	4,933,542,170	--		--

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

The aggregate amount of the top five prepayments with the closing balances classified by the subject receiving prepayments was RMB4,163,968,830, accounting for 56.06% of the total closing balance of the prepayments.

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

7. Other receivables

Item	Closing balance	Opening balance
Dividends receivable	11,812,442	37,500,000
Other receivables	197,940,343	164,572,117
Total	209,752,785	202,072,117

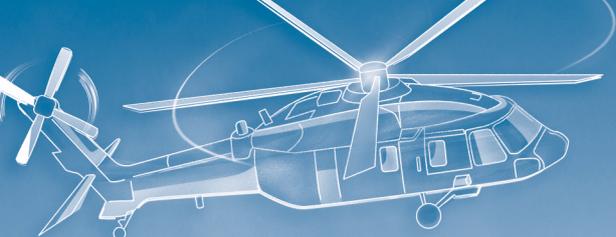
7.1 Dividends receivable

Investee	Closing balance	Opening balance
Harbin DongAn Automotive Engine Manufacturing Co., Ltd. (哈爾濱東安汽車發動機製造有限公司)	–	37,500,000
China Aviation Engineering Supervision (Hunan) Co., Ltd. (中航工程監理(湖南)有限公司)	11,812,442	–
Total	11,812,442	37,500,000

7.2 Other receivables

(1) Classification of other receivables by nature

Nature of amount	Closing book value	Opening book value
Intercourse funds	199,462,515	138,945,360
Deposit and security	75,467,715	119,035,172
Pretty cash and personal loan	21,633,928	30,635,251
Receivables and payables on behalf of other parties (Funds disbursed for others)	23,313,933	10,845,407
Equipment engineering cost	2,724,950	2,000,000
Tax refund and subsidy receivable	2,234,098	900,106
Borrowings	3,445,930	245,295
Others	7,296,419	6,878,063
Total	335,579,488	309,484,654



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

7. Other receivables (Continued)

7.2 Other receivables (Continued)

(2) *Bad debt provision of other receivables*

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	
Opening balance	17,158,192	12,452,611	115,301,734	144,912,537
Opening book balance of other receivables during the year	-	-	-	-
- Be transferred to Stage 2	-	-	-	-
- Be transferred to Stage 3	-	-	-	-
- Be transferred back to Stage 2	-	-	-	-
- Be transferred back to Stage 1	-	-	-	-
Provision made in the current year	6,603,715	-655,925	1,219,638	7,167,428
Amount transferred back in the current year	-	-	-	-
Amount written back in the current year	-	-	-	-
Amount written off in the current year	-489,604	-	-13,500,000	-13,989,604
Other changes	-2,766,085	2,314,869	-	-451,216
Closing balance	20,506,218	14,111,555	103,021,372	137,639,145

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other receivables (Continued)

7.2 Other receivables (Continued)

(3) Other receivables listed as per aging

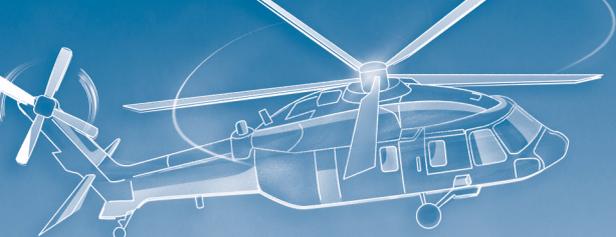
Aging	Closing book value	Opening book value
Within 1 year (including 1 year)	166,648,921	112,593,040
1-2 years	39,118,880	36,971,018
2-3 years	27,487,971	16,640,184
3-4 years	8,682,252	7,399,972
4-5 years	4,175,970	37,603,706
Over 5 years	89,465,494	98,276,734
Subtotal	335,579,488	309,484,654
Less: Bad debt provision	137,639,145	144,912,537
Total	197,940,343	164,572,117

Note: For details of other receivables with a single significant amount aged more than three years, please refer to Note VI. 7.2 (6) Details of top five other receivables with the closing balances classified by the borrowers.

(4) Bad debt provision of other receivables

Category	Opening balance	Provision	Amount changed in the current year			Closing balance
			Accounts recovered or transferred back	Amounts written back or written off	Other decrease	
Other receivables	144,912,537	7,167,428	-	13,989,604	451,216	137,639,145
Total	144,912,537	7,167,428	-	13,989,604	451,216	137,639,145

Note: The main reasons for other decrease are that ①Jiangxi Changjiang General Aviation Co., Ltd. (江西長江通用航空有限公司), a subsidiary of the Group, was no longer included in the consolidation scope of the Group at the end of the year, resulting in an increase of RMB2,314,865 in bad debt provision for other receivables that shall be offset previously in the current period. ②AVIC Renewable Energy Investment Co., Ltd. (中國航空工業新能源投資有限公司), a subsidiary of the Group, was no longer included in the consolidation scope of the Group at the end of the year, resulting in a decrease of RMB2,768,156 in bad debt provision for other receivables previously recognized in the current period.



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

7. Other receivables (Continued)

7.2 Other receivables (Continued)

(5) Other receivables actually written-off in the current year

Item	Write-off amount
Other receivables written-off	13,989,604

(6) Details of top five other receivables with the closing balances classified by the borrowers

Name	Nature of amount	Closing balance	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
Company 1	Intercourse funds	50,000,000	Over 5 years	25.39	50,000,000
Company 2	Security deposit	27,120,616	3-4 years	13.77	3,654,103
Company 3	Intercourse funds	17,563,358	Within 3 years	8.92	2,107,086
Company 4	Intercourse funds	12,649,309	Within 1 year	6.42	123,797
Company 5	Intercourse funds	12,274,745	Within 1 year	6.23	142,387
Total	-	119,608,028	-	-	56,027,373

Notes to the Financial Statements

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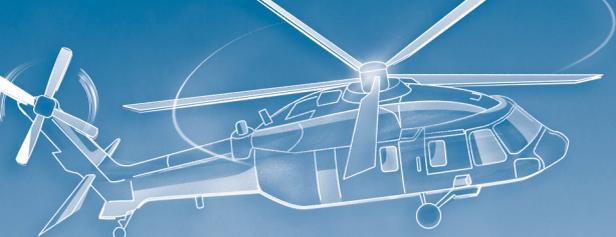
VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Inventories

(1) Inventory classification

Item	Book balance	Closing balance	Book value
		Inventory falling price reserves/impairment provision of contract performance costs	
Raw materials	11,116,966,567	323,084,239	10,793,882,328
Self-made semi-finished goods and products			
in progress	16,457,695,692	81,761,460	16,375,934,232
Finished goods	6,106,571,714	276,533,459	5,830,038,255
Turnover materials	403,670,926	553,052	403,117,874
Contract performance costs	53,117,416	–	53,117,416
Others	674,315,765	18,223,070	656,092,695
Total	34,812,338,080	700,155,280	34,112,182,800

Item	Book balance	Opening balance	Book value
		Inventory falling price reserves/impairment provision of contract performance costs	
Raw materials	9,654,982,728	248,039,808	9,406,942,920
Self-made semi-finished goods and products in			
progress	17,066,723,385	61,095,010	17,005,628,375
Finished goods	5,260,814,396	215,816,219	5,044,998,177
Turnover materials	457,403,861	553,052	456,850,809
Contract performance costs	100,864,573	–	100,864,573
Others	373,982,066	14,502,900	359,479,166
Total	32,914,771,009	540,006,989	32,374,764,020



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

8. Inventories (Continued)

(2) Inventory falling price reserves/impairment provision of contract performance costs

Item	Opening balance	Increase in the year		Decrease in the year			Closing balance
		Provision	Other	Accounts transferred back	Amount written back	Other	
Raw materials	248,039,808	106,242,594	–	873,306	18,178,170	12,146,687	323,084,239
Self-made semi-finished goods and products in progress	61,095,010	28,222,631	–	–	1,743,788	5,812,393	81,761,460
Finished goods	215,816,219	145,445,867	–	354,076	57,415,417	26,959,134	276,533,459
Turnover materials	553,052	–	–	–	–	–	553,052
Others	14,502,900	3,720,170	–	–	–	–	18,223,070
Total	540,006,989	283,631,262	–	1,227,382	77,337,375	44,918,214	700,155,280

Note: Other represents the impairment of the inventories of delivered goods.

(3) The Group's inventory balance at the end of the year does not include the capitalized amount of borrowing costs.

Notes to the Financial Statements

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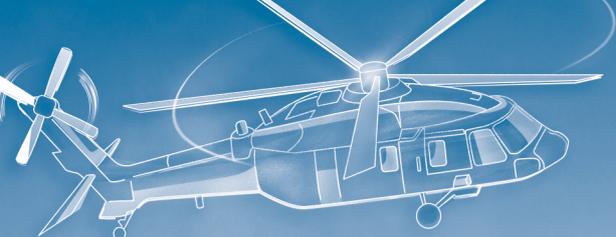
VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Contract assets

(1) Contract assets

Item	Book balance	Closing balance	Book value
		Impairment provision	
Aviation entire aircraft	1,182,667,180	10,437,793	1,172,229,387
Aviation engineering services	2,943,625,238	3,241,562	2,940,383,676
Aviation ancillary system and related business	63,718,725	379,619	63,339,106
Total	4,190,011,143	14,058,974	4,175,952,169

Item	Book balance	Opening balance	Book value
		Impairment provision	
Aviation entire aircraft	2,008,239,570	8,091,382	2,000,148,188
Aviation engineering services	3,125,561,506	5,449,431	3,120,112,075
Aviation ancillary system and related business	29,273,608	77,571	29,196,037
Total	5,163,074,684	13,618,384	5,149,456,300



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

9. Contract assets (Continued)

(2) Impairment provision of contract assets in the current year

Category	Opening balance	Amount changed in the current year				Closing balance
		Provision	Accounts recovered or transferred back	Amounts written back or written off	Other changes	
Aviation entire aircraft	8,091,382	2,346,412	-	-	-	10,437,794
Aviation engineering services	5,449,431	-2,152,379	-	-	-55,490	3,241,562
Aviation ancillary system and related business	77,571	302,047	-	-	-	379,618
Total	13,618,384	496,080	-	-	-55,490	14,058,974

(3) Significant changes in the carrying value of contract assets during the current period

Item	Amount changed	Reasons for change
Aviation entire aircraft	-827,918,801	The decrease in the business of aviation entire aircraft was due to the increase in the settlement amount of the current year, which is recognized in accordance with the progress of the performance of the contract
Aviation engineering services	-179,728,399	-
Aviation ancillary system and related business	34,143,069	-
Total	-973,504,131	-

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From 1 January 2022 to 31 December 2022
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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Held-for-sale assets

Item	Book balance	Closing balance		Fair value	Estimate disposal fee	Estimated disposal time
		Impairment provision	Book value			
Held-for-sale assets	11,184,603	–	11,184,603	43,225,985	–	2023
Total	11,184,603	–	11,184,603	43,225,985	–	–

Note: Held-for-sale assets at the end of the year are building assets, such as the relocated branch factory buildings of Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司), a subsidiary of the Group, that need to be transferred and are expected to receive compensation in 2023.

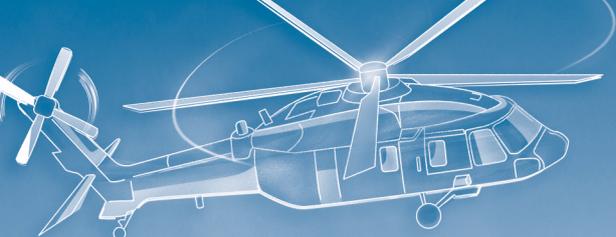
11. Non-current assets due within one year

Item	Closing balance	Opening balance
Other non-current financial assets due within one year	500,000,000	200,000,000
Long-term receivables due within one year	–	2,290,896
Total	500,000,000	202,290,896

Note: The closing balance was transferred from long-term trust wealth management products of other non-current financial asset at the end of the previous year.

12. Other current assets

Item	Closing balance	Opening balance
Input tax to be deducted, input tax to be certified and prepayment of value added tax	395,733,957	631,664,389
Prepayment of corporate income tax	219,163,984	61,133,697
Interest on term deposits	15,197,308	11,255,556
Others	5,883,118	7,119,932
Total	635,978,367	711,173,574



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

13. Long-term receivables

(1) Long-term receivables

Item	Closing balance			Opening balance			Discount rate range
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Financial lease payments	50,000	–	50,000	5,292,901	–	5,292,901	4.6%
Including: Unrealized financing income	–	–	–	807,579	–	807,579	–
Others	1,202,776	10,826	1,191,950	1,202,776	360,833	841,943	–
Total	1,252,776	10,826	1,241,950	6,495,677	360,833	6,134,844	–

Note: The finance lease payment is the sale and return guarantee for equipment leases.

(2) Bad debt provision of long-term receivables

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Expected credit loss (not credit impaired)	Expected credit loss (credit impaired)	
Opening balance	–	360,833	–	360,833
Opening book balance of long-term receivables during the year	–	–	–	–
– Be transferred to Stage 2	–	–	–	–
– Be transferred to Stage 3	–	–	–	–
– Be transferred back to Stage 2	–	–	–	–
– Be transferred back to Stage 1	–	–	–	–
Provision made in the current year	–	–	–	–
Amount transferred back in the current year	–	350,007	–	350,007
Amount written back in the current year	–	–	–	–
Amount written off in the current year	–	–	–	–
Other changes	–	–	–	–
Closing balance	–	10,826	–	10,826

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

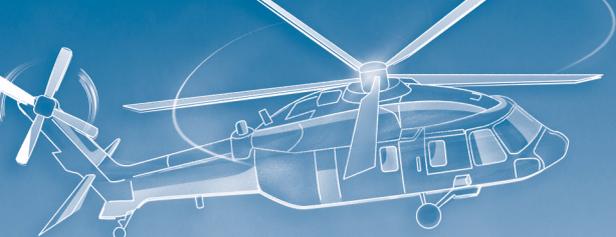
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

13. Long-term receivables (Continued)

(3) Bad debt provision of long-term receivables

Category	Opening balance	Provision	Amount changed in the current year			Closing balance
			Accounts recovered or transferred back	Amounts written back or written off	Other decrease	
Long-term receivables	360,833	-	350,007	-	-	10,826
Total	360,833	-	350,007	-	-	10,826



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

14. Long-term equity investments

Investees	Opening balance (Book value)	Added investment	Decreased investment	Investment profit or loss recognized under equity method	Movement for the year				Closing balance (Book value)	Closing balance of impairment provision	
					Adjustment to other comprehensive income	Other changes in equity	Distribution of cash dividend or profit declared	Impairment provision			
I. Joint ventures											
Qingdao Xinghang Photoelectric Technology Co., Ltd. (青島興航光電技術有限公司)	179,167,760	-	-	82,660,152	-	-	38,322,054	-	-	223,505,858	-
Others	26,642,537	-	-	2,817,577	-	-	-	-	-	29,460,114	-
Subtotal	205,810,297	-	-	85,477,729	-	-	38,322,054	-	-	252,965,972	-
II. Associates											
AVIC Renewable Energy Corporation (中國航空工業新能源投資有限公司)	-	-	-	4,185,806	-	2,913,524	-	-	360,580,657	367,679,987	-
Jiangxi Hongdu Commercial Aircraft Corporation Limited* (江西洪都商用飛機股份有限公司)	309,171,901	-	-	609,473	-	-	510,000	-	-108,779	309,162,595	-
AVIC Nanjing Servo Control System Co., Ltd.* (中航工業南京伺服控制系統有限公司)	190,800,243	-	-	24,179,359	-	527,825	-	-	-	215,507,427	-
Aviation Gyro (Beijing) PhotoElectricity Technology Co., Ltd.* (中航捷銳(北京)光電技術有限公司)	85,768,915	42,906,716	-	13,791,787	-	1,174,440	-	-	-	143,641,858	-
Schneider Shanghai Low Voltage Terminal Apparatus Co., Ltd.	163,954,301	-	-	99,255,712	-	-	122,433,055	-	-	140,776,958	-
Beijing Hangwei High Technology Connection Technology Co., Ltd.* (北京航為高科技連接技術有限公司)	99,603,564	-	-	5,675,327	-	24,090,600	948,504	-	-	128,420,987	-
AVIC Rongfu Fund Management Company Limited* (中航融富基金管理有限公司)	52,804,126	-	-	17,813,344	2,000,777	-	-	-	-	72,618,247	-
AVIC Air Traffic Management System Equipment Co., Ltd.* (中航空管系統裝備有限公司)	96,463,956	-	-	-24,645,197	-	1,728	-	-	-	71,820,487	-
Schneider Merlin Gerin Low Voltage (Tianjin) Co., Ltd.* (施耐德梅蘭日蘭低壓(天津)有限公司)	66,794,653	-	-	9,514,104	-	-	10,115,828	-	-	66,192,929	-
AVIC Jincheng Unmanned System Co., Ltd.* (中航金城無人系統有限公司)	50,311,432	-	-	-5,184,925	-	-171,853	89,472	-	-	44,865,182	-
Others	247,251,396	6,800,000	-	26,092,696	-	561,776	6,755,018	-	-58,480,748	215,470,102	-
Subtotal	1,362,924,487	49,706,716	-	171,287,486	2,000,777	29,098,040	140,851,877	-	301,991,130	1,776,156,759	-
III. Share floating right											
Subtotal	354,739,885	-	-	-	-	-	-	-	-	354,739,885	-
Total	1,923,474,669	49,706,716	-	256,765,215	2,000,777	29,098,040	179,173,931	-	301,991,130	2,383,862,616	-

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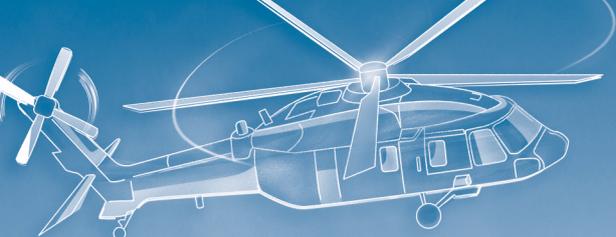
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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Other equity instrument investments

(1) Other equity instrument investments

Item	Closing balance	Opening balance
AVIC Heavy Machinery Co., Ltd.* (中航重機股份有限公司)	510,269,630	591,910,881
Harbin DongAn Automotive Engine Manufacturing Co., Ltd. (哈爾濱東安汽車發動機製造有限公司)	482,250,000	424,200,000
Beijing AviChina Phase I Aviation Industrial Investment Fund (Limited Partnership)* (北京中航一期航空工業產業投資基金(有限合夥))	404,846,228	196,231,358
AVIC Industry-Finance Holdings Co., Ltd.* (中航工業產融控股股份有限公司)	315,059,147	147,299,569
AVIC Huabei Aircraft Industry Co., Ltd.* (中航通飛華北飛機工業有限公司)	175,200,000	183,600,000
Harbin Hafei Airbus Composite Manufacturing Centre Co., Ltd. (哈爾濱哈飛空客複合材料製造中心有限公司)	108,006,813	118,418,583
Tianjin Zhongtian Aviation Industry Investment Co., Ltd.* (天津中天航空工業投資有限責任公司)	105,573,676	113,202,129
Nanjing Guobo Electronics Co., Ltd. (南京國博電子股份有限公司)	104,230,508	
Chengdu RMI Technology Co., Ltd.* (成都雷電微力科技股份有限公司)	95,845,140	168,228,900
Sichuan Chengfei Integration Technology Corporation Limited* (四川成飛集成科技股份有限公司)	87,446,724	113,361,838
Zhonghang Electronic Measuring Instruments Co., Ltd.* (中航電測儀器股份有限公司)	72,267,172	124,530,565
AVIC Guizhou Anji Aviation Investment Casting Co., Ltd.* (貴州安吉航空精密鑄造有限責任公司)	69,959,100	58,661,500
CALB Co., Ltd.* (中創新航科技股份有限公司)	22,298,012	57,525,379
AVIC Cabin System Co., Ltd. (中航客艙系統有限公司)	-	372,485,600
Others	25,482,573	26,897,338
Total	2,578,734,723	2,696,553,640



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From 1 January 2022 to 31 December 2022

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

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

15. Other equity instrument investments (Continued)

(2) Non-trading equity instrument investment in the year

Item	Dividend income recognized in the current year	Accumulated gains	Accumulated losses	Amount transferred from other comprehensive income to retained earnings	Reasons for designating at fair value through other comprehensive income	Reasons for transfer from other comprehensive income to retained earnings
AVIC Heavy Machinery Co., Ltd.* (中航重機股份有限公司)	1,992,966	310,269,638	-	-	Non-trading equity investments	-
Harbin DongAn Automotive Engine Manufacturing Co., Ltd. (哈爾濱東安汽車發動機製造有限公司)	687,631	407,250,000	-	-	Non-trading equity investments	-
Beijing AviChina Phase I Aviation Industrial Investment Fund (Limited Partnership)* (北京中航一期航空工業產業投資基金(有限合夥))	230,558	9,158,004	-	-	Non-trading equity investments	-
AVIC Industry-Finance Holdings Co., Ltd.* (中航工業產融控股股份有限公司)	14,754,094	-	82,771,584	-	Non-trading equity investments	-
AVIC Huabei Aircraft Industry Co., Ltd.* (中航通飛華北飛機工業有限公司)	-	-	4,800,000	-	Non-trading equity investments	-
Harbin Hafei Airbus Composite Manufacturing Centre Co., Ltd. (哈爾濱哈飛航空客復合材料製造中心有限公司)	-	-	20,011,744	-	Non-trading equity investments	-
Tianjin Zhongtian Aviation Industry Investment Co., Ltd.* (天津中天航空工業投資有限責任公司)	-	45,573,676	-	-	Non-trading equity investments	-
Nanjing Guobo Electronics Co., Ltd. (南京國博電子股份有限公司)	592,551	19,810,549	-	-	Non-trading equity investments	-
Chengdu RMI Technology Co., Ltd.* (成都雷電微力科技股份有限公司)	-	54,003,540	-	-	Non-trading equity investments	-
Sichuan Chengfei Integration Technology Corporation Limited* (四川成飛集成科技股份有限公司)	3,340	83,055,424	-	-	Non-trading equity investments	-
Zhonghang Electronic Measuring Instruments Co., Ltd.* (中航電測儀器股份有限公司)	352,179	13,689,668	-	-	Non-trading equity investments	-
AVIC Guizhou Anji Aviation Investment Casting Co., Ltd.* (貴州安吉航空精密鑄造有限責任公司)	-	19,959,100	-	-	Non-trading equity investments	-
CALB Co., Ltd.* (中創新航科技股份有限公司)	-	-	35,227,361	-	Non-trading equity investments	-
AVIC Cabin System Co., Ltd. (中航客艙系統有限公司)	-	-	574,276,409	-574,276,409	Non-trading equity investments	Disposal
Others	750,000	1,792,479	51,000,000	-	Non-trading equity investments	-
Total	19,363,319	964,562,078	768,087,098	-574,276,409	-	-

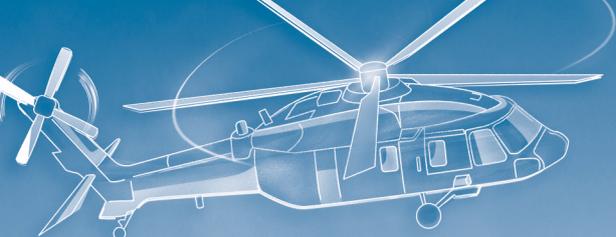
Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

16. Other non-current financial assets

Item	Closing balance	Opening balance
Long-term trust wealth management products	-	600,000,000
Total	-	600,000,000



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

17. Investment properties

(1) Investment properties measured at cost

Item	Plant & buildings	Land use right	Total
Original book value			
Opening balance	354,183,198	106,635,240	460,818,438
Increase in the current period	19,799,208	2,014,961	21,814,169
External purchase	–	–	–
Transferred from fixed assets	11,251,188	–	11,251,188
Transferred from intangible assets	–	2,014,961	2,014,961
Transferred from construction in progress	256,879	–	256,879
Translation differences of foreign currency statements	8,291,141	–	8,291,141
Decrease in the current period	30,348,871	2,845,563	33,194,434
Transferred to fixed assets	30,348,871	–	30,348,871
Transferred to intangible assets	–	2,845,563	2,845,563
Exchange rate adjustment	–	–	–
Closing balance	343,633,535	105,804,638	449,438,173
Accumulated depreciation (amortization)			
Opening balance	88,000,857	26,271,468	114,272,325
Increase in the current period	21,103,506	3,646,853	24,750,359
Provision or amortization	9,685,101	2,103,773	11,788,874
Transferred from intangible assets	–	1,543,080	1,543,080
Transferred from fixed assets	9,730,980	–	9,730,980
Translation differences of foreign currency statements	1,687,425	–	1,687,425
Decrease in the current period	31,014,852	1,565,490	32,580,342
Transferred to fixed assets	24,973,014	–	24,973,014
Transferred to intangible assets	–	1,565,490	1,565,490
Exchange rate adjustment	6,041,838	–	6,041,838
Closing balance	78,089,511	28,352,831	106,442,342
Impairment provision			
Opening balance	–	–	–
Increase in the current period	–	–	–
Decrease in the current period	–	–	–
Closing balance	–	–	–
Book value			
Closing book value	265,544,024	77,451,807	342,995,831
Opening book value	266,182,341	80,363,772	346,546,113

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

17. Investment properties (Continued)

(2) Investment properties for which the certificate of title has not been obtained at the end of the year

Item	Book value	Reason for not completing the title certificate
Shunyi Industrial Park properties	109,118,417	The process has not been completed
Total	109,118,417	–

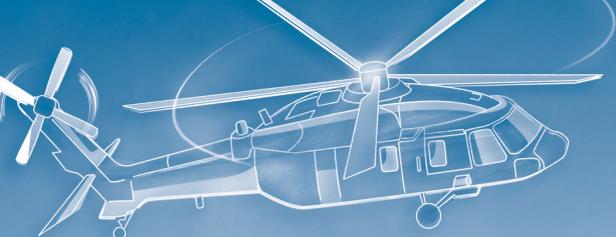
18. Fixed assets

Item	Closing book value	Opening book value
Fixed assets	14,291,072,497	15,122,190,937
Fixed assets in liquidation	1,314,222	3,522,233
Total	14,292,386,719	15,125,713,170

18.1 Fixed assets

(1) Details of fixed assets

Item	Plant & buildings	Machinery equipment	Transportation vehicles	Electronic equipment	Office equipment	Others	Total
Original book value							
Opening balance	11,570,213,140	11,182,778,957	176,141,268	2,962,151,069	351,987,174	1,396,835,824	27,640,107,432
Increase in the current period	1,558,757,928	1,164,904,836	9,833,710	350,379,913	45,403,942	85,937,759	3,215,218,088
Purchase	287,643,753	165,276,118	5,581,045	55,375,054	12,828,052	61,477,362	588,181,384
Transferred from construction in progress	1,111,266,874	685,382,726	3,910,187	294,872,489	32,575,890	24,460,397	2,152,468,563
Transferred from right-of-use assets	–	–	–	–	–	–	–
Transferred from investment properties	30,348,871	–	–	–	–	–	30,348,871
Other increase	129,498,430	314,245,992	342,478	132,370	–	–	444,219,270
Decrease in the current period	498,489,704	2,178,258,218	22,250,966	60,440,065	9,251,567	142,823,362	2,911,513,882
Disposal or scrapping	6,907,772	107,193,205	11,991,802	52,560,679	4,898,351	104,845,216	288,397,025



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From 1 January 2022 to 31 December 2022

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

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

18. Fixed assets (Continued)

18.1 Fixed assets (Continued)

(1) Details of fixed assets (Continued)

Item	Plant & buildings	Machinery equipment	Transportation vehicles	Electronic equipment	Office equipment	Others	Total
Transferred to construction in progress	11,237,184	16,032,580	—	—	120,501	358,027	27,748,292
Transferred to investment properties	11,251,188	—	—	—	—	—	11,251,188
Transferred out due to disposal of subsidiary	256,565,632	1,962,814,829	10,245,970	1,880,081	3,601,742	27,946,775	2,263,055,029
Other decrease	212,527,928	92,217,604	13,194	5,999,305	630,973	9,673,344	321,062,348
Closing balance	12,630,481,364	10,169,425,575	163,724,012	3,252,090,917	388,139,549	1,339,950,221	27,943,811,638
Accumulated depreciation							
Opening balance	3,157,027,848	5,959,101,794	137,744,944	2,198,374,813	294,351,571	733,451,494	12,480,052,464
Increase in the current period	1,128,156,527	656,327,321	9,624,483	298,167,274	42,693,456	91,785,602	2,226,754,663
Provision made in the current period	473,590,890	653,175,588	9,567,403	296,199,070	42,693,456	91,785,602	1,567,012,009
Transferred from right-of-use assets	—	—	—	—	—	—	—
Transferred from investment properties	31,794,589	—	—	—	—	—	31,794,589
Other increase	622,771,048	3,151,733	57,080	1,968,204	—	—	627,948,065
Decrease in the current period	75,987,170	856,034,955	19,212,293	49,323,585	6,871,755	74,815,614	1,082,245,372
Disposal or scrapping	2,787,048	98,204,045	10,915,444	47,863,296	4,309,446	60,246,762	224,326,041
Transferred to construction in progress	5,499,093	709,129	—	—	32,367	59,483	6,300,072
Transferred to investment properties	9,730,980	—	—	—	—	—	9,730,980
Transferred out due to disposal of subsidiary	57,970,049	757,121,781	8,296,849	1,460,289	2,315,812	9,546,482	836,711,262
Other decrease	—	—	—	—	214,130	4,962,887	5,177,017
Closing balance	4,209,197,205	5,759,394,160	128,157,134	2,447,218,502	330,173,272	750,421,482	13,624,561,755
Impairment provision							
Opening balance	3,341,634	33,096,515	—	115,836	—	1,310,046	37,864,031
Increase in the current period	—	—	—	—	—	—	—
Decrease in the current period	—	8,376,599	—	—	—	1,310,046	9,686,645
Disposal or scrapping	—	8,376,599	—	—	—	1,310,046	9,686,645
Closing balance	3,341,634	24,719,916	—	115,836	—	—	28,177,386
Book value							
Closing book value	8,417,942,525	4,385,311,499	35,566,878	804,756,579	57,966,277	589,528,739	14,291,072,497
Opening book value	8,409,843,658	5,190,580,648	38,396,324	763,660,420	57,635,603	662,074,284	15,122,190,937

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

18. Fixed assets (Continued)

18.1 Fixed assets (Continued)

(2) Temporarily idle fixed assets

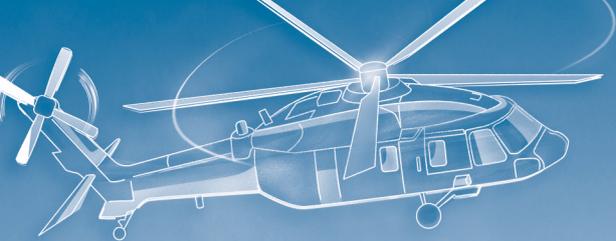
Item	Original book value	Accumulated depreciation	Impairment provision	Book value
Machinery equipment	7,226,569	6,998,656	–	227,913
Electronic equipment	12,600	12,222	–	378
Total	7,239,169	7,010,878	–	228,291

(3) Fixed assets leased out through operating leases

Item	Closing book value
Plant & buildings	230,720,957
Machinery equipment	656,159,025
Total	886,879,982

(4) Fixed assets for which the certificate of title has not been obtained

Item	Book value	Reason for not completing the title certificate
Plant & buildings	2,533,730,459	To complete the title certificate successively
Plant & buildings	431,626	Simple building
Plant & buildings	53,488,183	Not accepted for completion
Total	2,587,650,268	–



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

18. Fixed assets (Continued)

18.2 Fixed assets in liquidation

Item	Closing balance	Opening balance
Plant & buildings	–	132,588
Machinery equipment	956,520	3,121,465
Transportation vehicles	3,689	3,936
Electronic equipment	231,223	135,975
Office equipment	37,042	42,520
Other	85,748	85,749
Total	1,314,222	3,522,233

19. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	2,947,302,371	3,023,163,691
Construction materials	105,043	396,465
Total	2,947,407,414	3,023,560,156

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

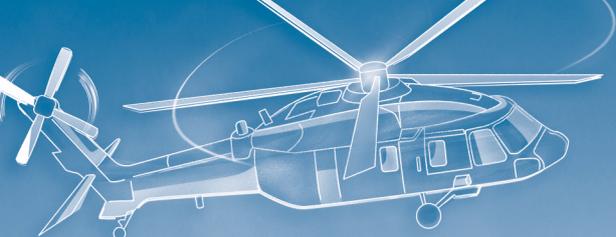
VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Construction in progress (Continued)

19.1 Construction in progress

(1) Details of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Huanan Industry Base Project	673,948,582	-	673,948,582	38,487,357	-	38,487,357
Infrastructure technical transformation projects	395,474,146	-	395,474,146	770,662,020	-	770,662,020
ZMPC project	280,650,636	-	280,650,636	168,562,254	-	168,562,254
SAPC project	209,661,057	-	209,661,057	175,561,096	-	175,561,096
Luoyang Basic Devices Industrial Park (Phase I)	200,167,268	-	200,167,268	7,956,588	-	7,956,588
Project of Shunyi New District	186,586,521	-	186,586,521	168,046,678	-	168,046,678
Research building and plant renovation	151,244,043	-	151,244,043	65,130,985	-	65,130,985
Project 8	102,497,164	-	102,497,164	707,986	-	707,986
Optoelectronic technology industrial base project (phase II)	63,420,790	-	63,420,790	107,592,685	-	107,592,685
Research construction project 3	47,671,616	-	47,671,616	51,042,201	-	51,042,201
Convertible bond fundraising project	34,229,930	-	34,229,930	162,185,914	-	162,185,914
YGXP project	31,055,917	-	31,055,917	42,019,554	-	42,019,554
SH project	29,159,508	-	29,159,508	23,341,107	-	23,341,107
Renovation project of building 2 of Shanghai Aviation Electric	9,030,557	-	9,030,557	-	-	-
Digital and intelligent transformation project for safety control of power equipment and facilities	8,591,423	-	8,591,423	-	-	-
Building curtain wall renovation of AVIC CAPDI	6,109,340	-	6,109,340	-	-	-
Tianjin Helicopter industrial base construction project	2,881,985	-	2,881,985	21,210,446	-	21,210,446
Renovation of electric car shed in the factory area of Changfei Aviation	1,500,031	-	1,500,031	-	-	-
022b plant renovation project	1,453,688	-	1,453,688	-	-	-



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

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

19. Construction in progress (Continued)

19.1 Construction in progress (Continued)

(1) Details of construction in progress (Continued)

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
86-power-2022-001 2022 process layout adjustment	1,333,300	-	1,333,300	-	-	-
86-power-2021-010 solid state power distribution SSPC module automatic recording platform	1,137,800	-	1,137,800	-	-	-
Huiyang technology park	515,895	-	515,895	119,383	-	119,383
Dingkunchi industrial base (phase II of AVIC Forstar Industrial Base project)	230,689	-	230,689	102,058,931	-	102,058,931
Baizhang wind farm project in Xiangzhou	-	-	-	372,623,890	-	372,623,890
Aircraft data management construction project	-	-	-	35,416,568	-	35,416,568
Leizhou Leigao Wind Farm Project	-	-	-	147,157,023	-	147,157,023
Lvmeng sewage treatment station	-	-	-	20,519,799	-	20,519,799
Dingkunchi industrial base (phase I of AVIC Forstar Industrial Base project)	-	-	-	139,397,376	-	139,397,376
Others	508,750,485	-	508,750,485	403,663,850	300,000	403,363,850
Total	2,947,302,371	-	2,947,302,371	3,023,463,691	300,000	3,023,163,691

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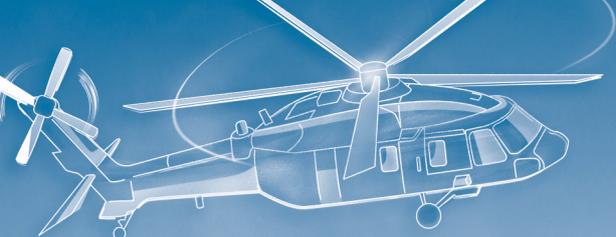
VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Construction in progress (Continued)

19.1 Construction in progress (Continued)

(2) Changes of major construction in progress in the current year

Project name	Opening balance	Increase in the current year	Decrease in the current year		Closing balance
			Transferred to fixed assets	Other decreases	
Huanan Industry Base Project	38,487,357	638,715,259	3,254,034	–	673,948,582
Infrastructure technical transformation projects	770,662,020	301,899,852	629,794,858	47,292,868	395,474,146
ZMPC project	168,562,254	158,639,066	45,991,806	558,878	280,650,636
SAPC project	175,561,096	83,295,678	49,101,041	94,676	209,661,057
Luoyang Basic Devices Industrial Park (Phase I)	7,956,588	208,804,489	16,593,808	–	200,167,268
Project of Shunyi New District	168,046,678	19,910,783	1,370,940	–	186,586,521
Research building and plant renovation	65,130,985	86,113,058	–	–	151,244,043
Project 8	707,986	101,789,178	–	–	102,497,164
Optoelectronic technology industrial base project (phase II)	107,592,685	158,347,796	202,519,690	–	63,420,790
Research construction project 3	51,042,201	7,082,136	8,572,721	1,880,000	47,671,616
Convertible bond fundraising project	162,185,914	12,490,651	138,048,885	2,397,750	34,229,930
YGXP project	42,019,554	1,375,296	12,338,933	–	31,055,917
SH project	23,341,107	7,082,136	1,263,448	287	29,159,508
Renovation project of building 2 of Shanghai Aviation Electric	–	9,030,557	–	–	9,030,557
Digital and intelligent transformation project for safety control of power equipment and facilities	–	8,591,423	–	–	8,591,423
Building curtain wall renovation of AVIC CAPDI	–	6,109,340	–	–	6,109,340
Tianjin Helicopter industrial base construction project	21,210,446	3,529,623	21,858,084	–	2,881,985
Renovation of electric car shed in the factory area of Changfei Aviation	–	1,500,031	–	–	1,500,031



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From 1 January 2022 to 31 December 2022

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

19. Construction in progress (Continued)

19.1 Construction in progress (Continued)

(2) Changes of major construction in progress in the current year (Continued)

Project name	Opening balance	Increase in the current year	Decrease in the current year Transferred to fixed assets	Other decreases	Closing balance
022b plant renovation project	–	1,453,688	–	–	1,453,688
86-power-2022-001 2022 process layout adjustment	–	1,451,347	–	118,047	1,333,300
86-power-2021-010 solid state power distribution SSPC module automatic recording platform	–	1,137,800	–	–	1,137,800
Huiyang technology park	119,383	1,146,863	–	750,352	515,895
Dingkunchi industrial base (phase II of AVIC Forstar Industrial Base project)	102,058,931	39,178,782	141,007,024	–	230,689
Baizhang wind farm project in Xiangzhou	372,623,890	–	–	372,623,890	–
Aircraft data management construction project	35,416,568	855,221	22,067,123	14,204,666	–
Leizhou Leigao Wind Farm Project	147,157,023	–	–	147,157,023	–
Lvmeng sewage treatment station	20,519,799	21,284,810	41,804,609	–	–
Dingkunchi industrial base (phase I of AVIC Forstar Industrial Base project)	139,397,376	–	102,632,427	36,764,949	–
Total	2,619,799,843	1,880,814,860	1,438,219,431	623,843,386	2,438,551,885

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

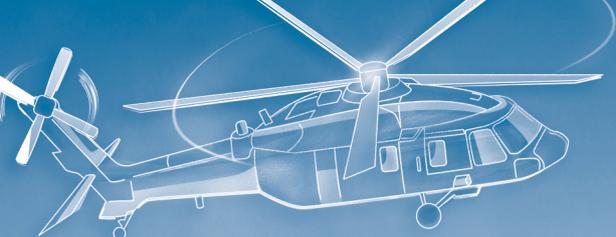
VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Construction in progress (Continued)

19.1 Construction in progress (Continued)

(2) Changes of major construction in progress in the current year (Continued)

Project name	Budget	Cumulative investment in the project as a percentage of the budget (%)	Project progress (%)	Accumulated amount of interest capitalized	Including: capitalized amount of interest for the year	Interest capitalization rate for the current year (%)	Sources of funds
Huanan Industry Base Project	2,255,448,700	46.17	59.00	-	-	-	Raised funds, self-financing funds
Infrastructure technical transformation projects	N/A	N/A	N/A	16,652,784	3,305,063	3.62	State funding, self-financing funds, loan
ZMPC project	241,600,000	98.00	98.00	-	-	-	State funding, self-financing funds
SAPC project	722,600,000	41.00	41.00	-	-	-	State funding, self-financing funds
Luoyang Basic Devices Industrial Park (Phase I)	1,672,500,000	21.59	56.80	-	-	-	Raised funds, self-financing funds
Project of Shunyi New District	280,259,000	67.00	67.00	5,834,785	1,197,972	3.56	Self-financing funds, loan
Research building and plant renovation	217,000,000	62.00	75.00	-	-	-	Self-financing funds
Project 8	87,000,000	1.00	90.83	-	-	-	Self-financing funds
Optoelectronic technology industrial base project (phase II)	1,006,640,000	93.70	100.00	-	-	-	Raised funds, self-financing funds
Research construction project 3	279,100,000	36.70	36.70	-	-	-	State funding, self-financing funds
Convertible bond fundraising project	1,816,000,000	93.62	93.62	16,220,693	-	-	Convertible bonds
YGXP project	198,620,000	99.00	98.00	-	-	-	State funding, self-financing funds
SH project	92,800,000	43.00	43.00	-	-	-	State funding, self-financing funds
Renovation project of building 2 of Shanghai Aviation Electric	13,000,000	69.47	95.00	95,497	95,497	3.25	Self-financing funds, loan
Digital and intelligent transformation project for safety control of power equipment and facilities	16,000,000	50.00	50.00	-	-	-	Self-financing funds
Building curtain wall renovation project of AVIC CAPDI	6,109,340	75.42	75.42	-	-	-	Self-financing funds
Tianjin Helicopter industrial base construction project	760,524,000	99.00	99.00	-	-	-	Self-financing funds
Renovation of electric car shed in the factory area of Changfei Aviation	3,240,000	46.30	90.00	-	-	-	Self-financing funds
022b plant renovation project	3,600,000	40.38	70.00	-	-	-	Self-financing funds
86-power-2022-001 2022 process layout adjustment	1,200,000	95.00	95.00	-	-	-	Self-financing funds
86-power-2021-010 solid state power distribution SSPC module automatic recording platform	12,028,000	11.00	11.00	-	-	-	Self-financing funds
Huiyang technology park	671,840,000	84.40	99.00	-	-	-	Self-financing funds



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From 1 January 2022 to 31 December 2022

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

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

19. Construction in progress (Continued)

19.1 Construction in progress (Continued)

(2) Changes of major construction in progress in the current year (Continued)

Project name	Budget	Cumulative investment in the project as a percentage of the budget (%)	Project progress (%)	Accumulated amount of interest capitalized	Including: capitalized amount of interest for the year	Interest capitalization rate for the current year (%)	Sources of funds
Dingkunchi industrial base (phase II of AVIC Forstar Industrial Base project)	306,690,000	57.07	95.00	-	-	-	Self-financing funds, raised funds
Baizhang wind farm project in Xiangzhou	933,940,000	42.00	99.00	34,419,249	1,198,667	4.90	Self-financing funds, loan
Aircraft data management construction project	118,200,000	100.00	100.00	-	-	-	State funding
Leizhou Leigao Wind Farm Project	486,000,000	31.00	70.00	23,837,191	-	-	Self-financing funds, loan
Lvmeng sewage treatment station	42,000,000	99.53	100.00	-	-	-	Self-financing funds
Dingkunchi industrial base (phase I of AVIC Forstar Industrial Base project)	190,000,000	73.37	100.00	-	-	-	Self-financing funds
Total	10,618,120,640	-	-	97,060,199	5,797,198	-	-

(3) The Group did not make provision for impairment of construction in progress in the current year.

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From 1 January 2022 to 31 December 2022
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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

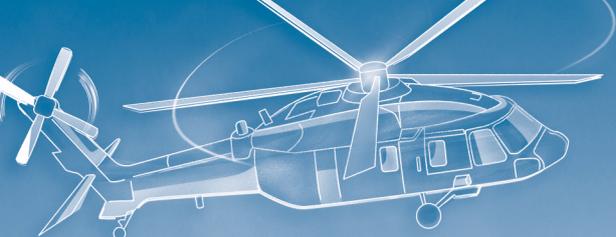
19. Construction in progress (Continued)

19.2 Construction materials

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Book value		Impairment provision	Book value
Special-purpose equipment	105,043	-	105,043	396,465	-	396,465
Total	105,043	-	105,043	396,465	-	396,465

20. Right-of-use assets

Item	Plant & buildings	Machinery equipment	Total
I. Original book value			
1. Opening balance	368,861,658	404,050,587	772,912,245
2. Increase in the current year	105,000,101	-	105,000,101
3. Decrease in the current year	40,337,547	397,707,074	438,044,621
4. Closing balance	433,524,212	6,343,513	439,867,725
II. Accumulated depreciation			
1. Opening balance	93,919,732	79,500,594	173,420,326
2. Increase in the current year	51,734,307	1,427,763	53,162,070
3. Decrease in the current year	29,156,708	78,735,008	107,891,716
4. Closing balance	116,497,331	2,193,349	118,690,680
III. Impairment provision			
1. Opening balance	-	-	-
2. Increase in the current year	-	-	-
3. Decrease in the current year	-	-	-
4. Closing balance	-	-	-
IV. Book value			
1. Closing book value	317,026,881	4,150,164	321,177,045
2. Opening book value	274,941,926	324,549,993	599,491,919



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

21. Intangible assets

(1) Details of intangible assets

Item	Software	Land use right	Patent right	Non-patented technology	Trademark right	Concession	Customer resources and sales channel	Total
I. Original book value								
1. Opening balance	1,397,133,418	2,887,195,609	96,171,037	79,273,400	8,241,300	693,508,759	19,302,200	5,180,825,723
2. Increase in the current year	172,651,361	92,165,451	-	-	-	-	-	264,816,812
(1) Purchase	88,305,954	80,863,091	-	-	-	-	-	169,169,045
(2) Transferred from construction in progress	84,345,407	-	-	-	-	-	-	84,345,407
(3) Transferred from investment properties	-	2,845,562	-	-	-	-	-	2,845,562
(4) Exchanged from non-monetary type transaction	-	8,456,798	-	-	-	-	-	8,456,798
3. Decrease in the current year	102,572,770	216,663,713	-	-	-	693,108,759	-	1,012,345,242
(1) Disposal	102,572,770	214,648,752	-	-	-	693,108,759	-	1,010,330,281
(2) Transferred from investment properties	-	2,014,961	-	-	-	-	-	2,014,961
4. Closing balance	1,467,212,009	2,762,697,347	96,171,037	79,273,400	8,241,300	400,000	19,302,200	4,433,297,293
II. Accumulated amortization								
1. Opening balance	927,304,145	642,751,351	92,745,250	66,750,981	8,235,599	146,405,283	19,302,200	1,903,494,809
2. Increase in the current year	173,919,638	62,055,399	1,066,080	4,337,380	5,701	-	-	241,384,198
(1) Provision	173,919,638	60,489,909	1,066,080	4,337,380	5,701	-	-	239,818,708
(2) Transferred from investment properties	-	1,565,490	-	-	-	-	-	1,565,490
3. Decrease in the current year	99,216,777	158,812,538	-	-	-	146,005,283	-	404,034,598
(1) Disposal	99,216,777	157,269,458	-	-	-	146,005,283	-	402,491,518
(2) Transferred from investment properties	-	1,543,080	-	-	-	-	-	1,543,080
4. Closing balance	1,002,007,006	545,994,212	93,811,330	71,088,361	8,241,300	400,000	19,302,200	1,740,844,409
III. Impairment provision								
1. Opening balance	519,208	-	-	275,000	-	41,028,500	-	41,822,708
2. Increase in the current year	-	-	-	-	-	-	-	-
3. Decrease in the current year	-	-	-	-	-	41,028,500	-	41,028,500
4. Closing balance	519,208	-	-	275,000	-	-	-	794,208
IV. Book value								
1. Closing book value	464,685,795	2,216,703,135	2,359,707	7,910,039	-	-	-	2,691,658,676
2. Opening book value	469,310,065	2,244,444,258	3,425,787	12,247,419	5,701	506,074,976	-	3,235,508,206

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

21. Intangible assets (Continued)

(2) Land use right for which the title certificate has not been obtained

Item	Book value	Reason for not completing the title certificate
Land use right of Hongdu	6,462,248	To complete the title certificate successively
210 mu of land in Lvmeng	28,229,241	In progress
Total	34,691,489	

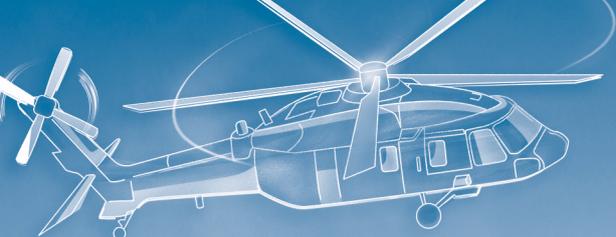
22. Goodwill

(1) Original value of goodwill

Names of investees or matters forming goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Formed through merger of AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司) not under common control	15,871,971	–	–	15,871,971
Formed through merger of Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司) not under common control	53,249,924	–	–	53,249,924
Total	69,121,895	–	–	69,121,895

(2) Impairment provision of goodwill

As of 31 December 2022, the Group has not made any provision for impairment of goodwill.



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

22. Goodwill (Continued)

(3) Information about the asset group or asset group portfolio where the goodwill belongs

The main components of the goodwill asset group	Book value of goodwill (RMB0'000)	Book value of asset group including goodwill (RMB0'000)	Recognition method of goodwill asset group portfolio	Is there any change in this year
The group of assets related to the formation of goodwill by AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司)	1,587	77,027	There is an active market for the products produced by the asset group in which the goodwill belongs, which can bring independent cash flow and can be identified as a separate asset group.	No
The group of assets related to the formation of goodwill by Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司)	5,325	51,815	There is an active market for the products produced by the asset group in which the goodwill belongs, which can bring independent cash flow and can be identified as a separate asset group.	No

The asset group portfolio related to the formation of goodwill by AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司) include asset group of AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司), asset group of Xi'an Forstar Cable Co., Ltd. (西安富士達線纜有限公司), asset group of Xi'an TST Testing Technique co.,Ltd (西安泰斯特檢測技術有限公司). and asset group of Forstar Technology (Hong Kong) Co., Ltd. (富士達科技(香港)有限公司). The asset group business related to the formation of goodwill by AVIC Forstar S&T Company Limited has the same connotation and consistency as the initial recognition of goodwill and the asset group business during the impairment test in subsequent years.

The asset group business related to the formation of goodwill by Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司) has the same connotation and consistency as the initial recognition of goodwill and the asset group business during the impairment test in subsequent years.

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

22. Goodwill (Continued)

(3) Information about the asset group or asset group portfolio where the goodwill belongs (Continued)

Description of the goodwill impairment test process, key parameters and the recognition method of goodwill impairment loss:

(1) Key assumptions for using the discounted future cash flow method

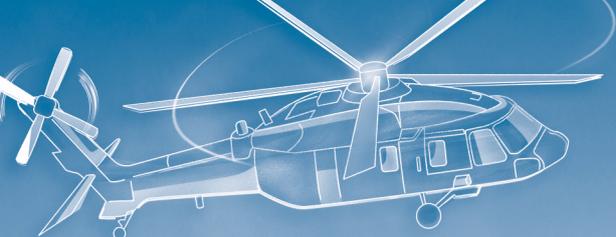
The weighted average growth rate used by the investee's management is generally consistent with the development plans, operating budgets and sales plans of the asset groups. The management of the investee determined the budgeted gross margin based on historical experience and forecasts of market development, and used a pre-tax rate that reflects the specific risks of the relevant asset groups and asset group combinations as the discount rate. The discounted free cash flow method was used in this evaluation to analyze the recoverable amounts of each asset group and asset group combination within this business segment.

(2) Goodwill impairment test results

Beijing Zhonglin Asset Appraisal Co., Ltd. (北京中林資產評估有限公司) assessed the recoverable amount of the asset portfolio including goodwill formed due to consolidation of AVIC Forstar S&T Company Limited* (中航富士達科技股份有限公司) using the present value of the expected future cash flows of the assets of the asset group as its recoverable amount, and issued Zhonglin Ping Zi No. [2023] 50 Asset Appraisal Report on the Proposed Impairment Testing of the Goodwill Related Assets Group in the Consolidation of Equity Interests in AVIC Forstar S&T Company Limited by AVIC JONHON Optronic Technology Co., Ltd.* (中航光電科技股份有限公司) on 10 March 2023, which was based on the condition at 31 December 2022, pursuant to which, the present value of the estimated future cash flows of the asset group portfolio including goodwill was RMB1,058,560,000, the carrying value of the asset group was RMB737,330,000, the consolidated goodwill of the Group was RMB15,870,000, the goodwill of minority shareholders was RMB17,070,000, and the carrying value of the asset group including goodwill was RMB770,270,000, and the recoverable amount of the asset group was greater than the carrying value of the asset group including goodwill; therefore, the goodwill formed upon consolidation of AVIC Forstar was not impaired at the end of 2022.

The major assessment assumptions are as follows:

Major basic assumptions	2023	2024	2025	2026	2027	Perpetuity
Revenue growth rate	7.07%	6.71%	4.90%	2.94%	0%	0%
Gross profit margin	33.96%	31.62%	29.26%	26.90%	26.90%	26.90%
Discount rate	11.17%	11.17%	11.17%	11.17%	11.17%	11.17%



Notes to the Financial Statements

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

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

22. Goodwill (Continued)

(3) Information about the asset group or asset group portfolio where the goodwill belongs (Continued)

(2) Goodwill impairment test results (Continued)

Beijing Zhonglin Asset Appraisal Co., Ltd. (北京中林資產評估有限公司) assessed the recoverable amount of the asset portfolio including goodwill formed due to consolidation of Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司) using the present value of the expected future cash flows of the assets of the asset group as its recoverable amount, and issued Zhonglin Ping Zi No. [2023] 63 Asset Appraisal Report of AVIC JONHON Optronics Technology Co., Ltd. (中航光電科技股份有限公司) on 10 March 2023 Involved in Goodwill Impairment Test for Financial Reporting, which is related to Items Containing Recoverable Amount of Goodwill Asset formed by merger of Shenzhen Xiangtong Photoelectric Technology Co., Ltd., which was based on the condition at 31 December 2022, pursuant to which, the present value of the estimated future cash flows of the asset group portfolio including goodwill of Shenzhen Xiangtong Photoelectric Technology Co., Ltd. was RMB596,150,000, the carrying value of the asset group was RMB413,740,000, the consolidated goodwill of the Group was RMB53,250,000, the goodwill of minority shareholders was RMB51,160,000, and the carrying value of the asset group including goodwill was RMB518,150,000, and the recoverable amount of the asset group was greater than the carrying value of the asset group including goodwill; therefore, the goodwill formed upon consolidation of Shenzhen Xiangtong was not impaired at the end of 2022.

The major assessment assumptions are as follows:

Major basic assumptions	2023	2024	2025	2026	2027	Perpetuity
Revenue growth rate	13%	10%	7%	4%	1%	0%
Gross profit margin	26.20%	26.50%	26.80%	26.80%	27%	27%
Discount rate	13.95%	13.95%	13.95%	13.95%	13.95%	13.95%

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From 1 January 2022 to 31 December 2022
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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Long-term deferred expenses

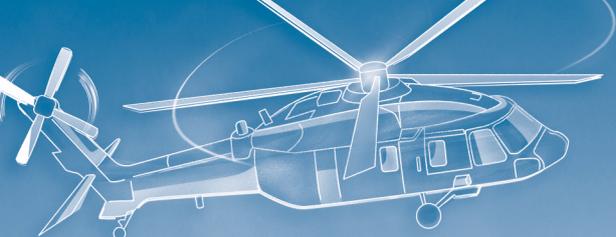
Item	Opening balance	Increase in the current year	Amortization in the current year	Other decrease in the current year	Closing balance
Renovation costs	54,050,542	7,623,621	23,844,975	225,611	37,603,577
Technical transformation project	13,614,535	–	56,330	13,445,545	112,660
Lvmeng Airport land compensation fee	1,147,527	–	1,147,527	–	–
Planning Phase I land compensation	348,134	–	–	348,134	–
Others	2,469,112	88,579	883,327	–	1,674,364
Total	71,629,850	7,712,200	25,932,159	14,019,290	39,390,601

Note: The other decreases were mainly due to the loss of control of a subsidiary Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司) over Jiangxi Changjiang General Aviation Co., Ltd. (江西長江通用航空有限公司), which was no longer included in the scope of consolidation at the end of the year, resulting in a decrease in renovation costs of RMB225,611. AVIC Renewable Energy Investment Co., Ltd. (中國航空工業新能源投資有限公司), a subsidiary of the Group, was no longer included in the scope of consolidation at the end of the year, resulting in a decrease of RMB12,445,545 in technical transformation project.

24. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	2,049,416,611	308,530,106	1,558,303,914	235,106,505
Estimated liabilities	432,019,871	64,802,981	429,626,219	64,443,933
Employee payable	52,656,654	7,898,498	224,315,269	34,650,124
Share-based payment	297,786,836	44,668,025	329,939,147	49,490,872
Changes in fair value of other equity instrument investments	12,344,773	1,851,716	554,614	83,192
Deductible losses	234,140,433	35,121,065	18,032,361	2,602,641
Others	139,993,643	21,400,776	195,959,826	29,635,859
Total	3,218,358,821	484,273,167	2,756,731,350	416,013,126



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From 1 January 2022 to 31 December 2022

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

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

24. Deferred income tax assets and deferred income tax liabilities (Continued)

(2) Deferred income tax liabilities before offsetting

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Depreciation of fixed assets	923,164,295	138,327,245	785,493,604	117,418,114
Changes in fair value of other equity instrument investments	908,327,105	179,989,947	1,072,331,286	222,343,092
Changes in fair value of financial instruments held for trading	7,989,765	1,997,441	18,293,262	4,573,315
Assets appraisal appreciation	26,499,123	6,045,510	32,807,760	7,579,333
Total	1,865,980,288	326,360,143	1,908,925,912	351,913,854

(3) Details of unrecognized deferred income tax assets

Item	Closing balance	Opening balance
Deductible temporary differences	412,458,602	506,420,297
Deductible loss	1,435,691,330	1,335,676,692
Total	1,848,149,932	1,842,096,989

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

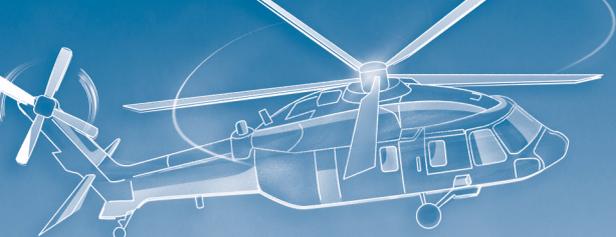
24. Deferred income tax assets and deferred income tax liabilities (Continued)

(4) *The deductible losses of unrecognized deferred income tax assets will expire in the following years*

Year	Closing balance	Opening balance	Note
2022	–	93,449,613	
2023	56,961,266	177,074,680	
2024	467,817,136	530,820,730	
2025	75,255,666	71,589,783	
2026	53,932,382	153,549,880	
2027	180,578,282	–	
2028	8,516,109	99,122,491	
2030	327,400,330	210,069,515	
2031	31,370,552	–	
2032	233,859,607	–	
Total	1,435,691,330	1,335,676,692	–

25. Other non-current assets

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Contract assets	268,579,383	–	268,579,383	104,548,470	–	104,548,470
Prepaid equipment fees	283,894,495	–	283,894,495	262,012,984	–	262,012,984
Term deposit and interest for more than one year	179,526,539	–	179,526,539	173,661,192	–	173,661,192
Prepaid construction fees	101,278,728	–	101,278,728	66,962,637	–	66,962,637
Advance payment for collaborative R&D projects	10,000,000	–	10,000,000	10,000,000	–	10,000,000
Land use rights pending disposal	4,236,082	–	4,236,082	4,236,082	–	4,236,082
Project upfront expenditure	392,163	–	392,163	8,221,279	–	8,221,279
Prepaid investment fees	–	–	–	33,473,293	–	33,473,293
Total	847,907,390	–	847,907,390	663,115,937	–	663,115,937



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

26. Short-term borrowings

Category	Closing balance	Opening balance
Credit borrowings	5,841,328,694	3,047,388,505
Secured borrowings	90,212,726	10,373,745
Guaranteed borrowings	4,000,000	–
Total	5,935,541,420	3,057,762,250

Note: There were no overdue short-term borrowings at the end of the year.

27. Financial liabilities held for trading

Item	Closing balance	Opening balance
Financial liabilities at fair value through profit or loss	48,392,809	18,196,239
Including: Gold leasing	43,587,499	18,196,239
Forward settlement of foreign exchange	4,805,310	–
Total	48,392,809	18,196,239

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

28. 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

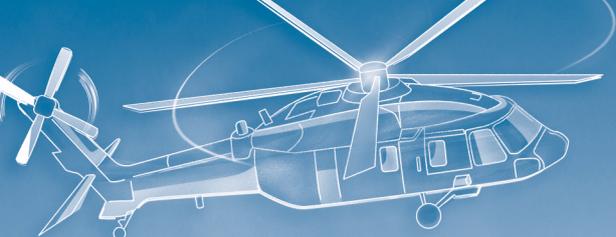
(2) Aging of notes payable

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

29. 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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

29. Accounts payable (Continued)

(2) The ageing of accounts payable based on their transaction dates is analyzed as below

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	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

(3) Important accounts payable aged over 1 year

Name of the company	Closing balance	Reasons for outstanding or carry-over
Company 1	1,950,872,254	Not due for settlement
Company 2	600,840,300	Not due for settlement
Company 3	149,250,510	Not due for settlement
Company 4	146,118,298	Payment conditions not met
Company 5	144,983,355	Payment conditions not met
Company 6	142,858,058	Not due for settlement
Company 7	121,315,866	Not due for settlement
Company 8	116,700,405	Retention
Company 9	113,506,108	Payment conditions not met
Company 10	102,195,877	Payment conditions not met
Total	3,588,641,031	—

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From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

30. Advances

Item	Closing balance	Opening balance
Advance rent	21,962,611	10,260,976
Others	310,037	—
Total	22,272,648	10,260,976

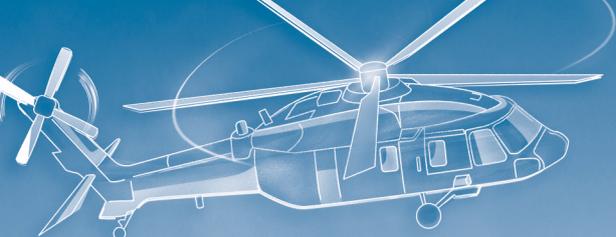
31. Contract liabilities

(1) Details of contract liabilities

Item	Closing balance	Opening balance
Aviation entire aircraft	17,523,063,850	16,091,589,297
Aviation engineering services	1,710,044,886	1,834,968,574
Aviation ancillary system and related business	2,200,946,666	3,380,400,580
Total	21,434,055,402	21,306,958,451

(2) Significant change in book value of contract liabilities in the current year

Item	Amount changed	Reasons for change
Aviation entire aircraft	1,431,474,553	Increase in orders on hand and customer prepayments for the projects of aviation entire aircraft; decrease in aviation ancillary system and related business in the current period is due to the improvement in the progress of contract performance.
Aviation ancillary system and related business	-1,179,453,914	
Aviation engineering services	-124,923,688	
Total	127,096,951	—



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

32. Employee compensation payable

(1) Classification of employee compensation payable

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Short-term compensation	1,954,096,515	11,864,309,244	11,698,586,388	2,119,819,371
Post-employment welfare				
-defined contribution plan	48,556,030	1,294,533,357	1,279,053,875	64,035,512
Dismission	231,332	3,024,061	3,132,558	122,835
Total	2,002,883,877	13,161,866,662	12,980,772,821	2,183,977,718

(2) Short-term compensation

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Salary, bonus, allowance and subsidy	1,513,711,409	8,965,574,361	8853,309,438	1,625,976,332
Employee benefit	2,395,202	602,122,955	602,108,687	2,409,470
Social insurance premium	37,277,162	540,815,772	544,900,066	33,192,868
Including: medical insurance premium	29,238,257	465,442,010	469,330,238	25,350,029
Work-related injury insurance premium	511,800	64,665,982	64,687,199	490,583
Maternity insurance premium	7,527,105	10,707,780	10,882,629	7,352,256
Housing provident fund	27,006,706	703,757,843	702,451,249	28,313,300
Union funds and staff education funding	370,035,237	274,825,151	219,681,193	425,179,195
Other short-term compensation	3,670,799	777,213,162	776,135,755	4,748,206
Total	1,954,096,515	11,864,309,244	11,698,586,388	2,119,819,371

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From 1 January 2022 to 31 December 2022
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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Employee compensation payable (Continued)

(3) Defined contribution plan

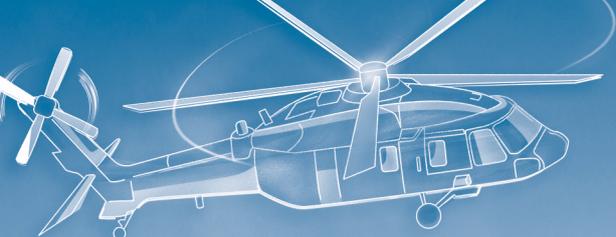
The Group participates in social insurance plans established by government agencies as required. According to the plans, the Group pays fees based on a specific percentage of the employee's salary to these plans in accordance with the relevant regulations of the local government. Except for the above contributions, the Group will not undertake any further payment obligations. Corresponding expenses are included in the current profit and loss or related asset costs when incurred.

The Group's contributions to the pension, annuity and unemployment insurance plans for the year, respectively, are as follows:

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Basic pension insurance	9,705,777	915,754,343	913,859,503	11,600,617
Unemployment insurance	11,303,833	32,564,391	32,828,253	11,039,971
Annuity payments	27,546,420	346,214,623	332,366,119	41,394,924
Total	48,556,030	1,294,533,357	1,279,053,875	64,035,512

The Group has a contribution fee of RMB1,294,533,357 (2021: RMB1,159,340,646) payable to the participating defined contribution plans for the current year. As at 31 December 2022, the Group had RMB64,035,512 (31 December 2021: RMB48,556,030) of deposit fees payable which were due and unpaid during the current reporting period and such deposit fees payable were paid after the reporting period.

For each of the two financial years ended 31 December 2021 and 2022, there are no forfeited contributions under the Group's defined contribution plans (which are made by employers on behalf of employees who leave the plans prior to the full vesting of such contributions) available to the Group to reduce the existing level of contributions.



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

33. Tax payable

Item	Closing balance	Opening balance
Value-added tax	1,524,590,714	102,972,664
City maintenance and construction tax	99,573,347	6,382,376
Education surcharge	71,267,314	4,650,484
Corporate income tax	182,867,185	256,572,508
Individual Income Tax	146,489,262	57,192,263
Property tax	11,908,533	8,512,309
Land use tax	2,470,988	1,325,070
Land value-added tax	11,728,227	11,520,757
Other taxes and fees	6,768,310	4,985,608
Total	2,057,663,880	454,114,039

34. Other payables

Item	Closing balance	Opening balance
Dividends payable	107,129,526	6,194,055
Other payables	3,158,476,493	1,880,144,355
Total	3,265,606,019	1,886,338,410

34.1 Dividends payable

Item	Closing balance	Opening balance
Dividends on ordinary shares	107,129,526	6,194,055
Total	107,129,526	6,194,055

Note: There was no significant dividends payable outstanding for more than one year at the end of the year.

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

34. Other payables (Continued)

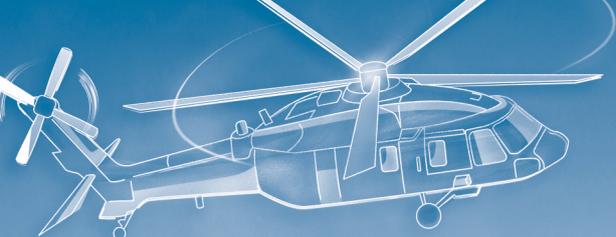
34.2 Other payables

(1) Classification of other accounts payable by nature

Nature of amount	Closing balance	Opening balance
Restricted stock repurchase obligations and stock dividend	1,802,857,214	709,718,032
Intercourse funds	434,265,005	207,822,723
Receivables and payables on behalf of other parties	229,230,838	161,949,325
Payables on behalf of employee	242,253,547	266,456,341
Outstanding fees	51,899,051	51,195,812
Security and deposit	56,020,816	82,734,245
Party organization funds	50,075,187	73,199,764
Pension provision	41,204,032	96,619,388
Housing maintenance fund	17,242,841	4,278,704
Others	233,427,962	226,170,021
Total	3,158,476,493	1,880,144,355

(2) Significant other accounts payable aged over 1 year

Name of the unit	Closing balance	Reasons for outstanding or not being carried forward
Company 1	92,977,460	Project not settled
Salary surcharges	83,713,876	Special funds not used
Company 2	54,887,192	Project not settled
Special expenses	35,225,671	Project not settled
Property maintenance fund	15,685,077	Payment conditions not met
Company 3	14,599,809	Unsettled
Company 4	13,326,827	Unsettled
Company 5	10,000,000	Project not executed to completion
Total	320,415,912	—



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

35. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	2,426,200,724	837,980,893
Long-term payables due within one year	4,928,868	27,741,574
Lease liabilities due within one year	58,591,857	73,550,048
Non-financial institution borrowings due within one year	460,436,597	286,027,342
Total	2,950,158,046	1,225,299,857

36. Other current liabilities

(1) Classification of other current liabilities

Item	Closing balance	Opening balance
Borrowings from other non-financial institutions	75,903,203	256,850,711
Tax pending for written back	247,814,005	199,745,186
Notes endorsed for transfer without derecognition at the end of the year	499,402,463	126,162,427
Accruals on complete set of aircraft accessories and initial assembly processing fees	–	39,496,204
Accruals	37,546	52,275
Total	823,157,217	622,306,803

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

37. Long-term borrowings

(1) Classification of long-term borrowings

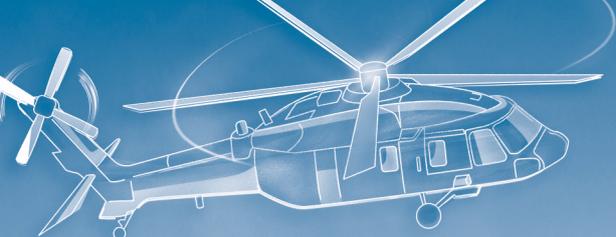
Category	Closing balance	Opening balance
Credit borrowings	1,601,929,735	3,503,992,498
Secured borrowings	–	411,302,483
Guaranteed borrowings	73,000,000	369,467,000
Total	1,674,929,735	4,284,761,981

The principal of the above borrowings shall be repaid within the following periods:

Item	Closing balance	Opening balance
Within one year	2,426,200,724	837,980,893
More than one year after the balance sheet date, but not more than two years	729,138,325	1,462,744,148
More than two years after the balance sheet date, but not more than five years	872,791,410	2,022,326,784
More than five years after the balance sheet date	73,000,000	799,691,049
Less: amounts due within one year under current liabilities	2,426,200,724	837,980,893
Amount under non-current liabilities	1,674,929,735	4,284,761,981

Note 1: The interest rate range of the Group's long-term borrowings at the end of the year was 1.08% to 4.37% (1.08% to 5.90% at the beginning of the year).

Note 2: For details of the Group's secured borrowings at the end of the year, see Note VI.68.



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

38. Lease liabilities

Item	Closing balance	Opening balance
Lease payment	477,824,220	846,194,707
Less: Unrecognized financing costs	141,702,621	213,431,829
Reclassification to leasing liabilities due within one year	58,591,857	73,550,048
Total	277,529,742	559,212,830

Note: The Group's cash flow payments for other leases except for short-term and low-value leases in the current year totaled RMB141,601,777.

The carrying amounts of the above lease liabilities shall be repaid within the following periods:

Item	Closing balance
Within one year	58,591,856
More than one year after the balance sheet date, but not more than two years	70,506,645
More than two years after the balance sheet date, but not more than five years	112,103,613
More than five years after the balance sheet date	94,919,485
Total	336,121,599
Less: lease liabilities due within one year under current liabilities	58,591,857
Lease liabilities under non-current liabilities	277,529,742

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

39. Long-term payables

Item	Closing balance	Opening balance
Long-term payables	15,955,858	227,621,245
Special payables	-285,184,189	-776,562,699
Total	-269,228,331	-548,941,454

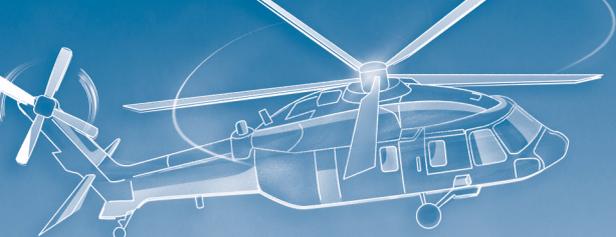
39.1 Long-term payables

(1) Classification of long-term payables by nature

Nature of the amount	Closing balance	Opening balance
Financial leasing	20,884,726	261,591,522
Less: Unrecognized financing costs	–	8,142,203
Others	–	1,913,500
Less: long-term payables due within one year	4,928,868	27,741,574
Total	15,955,858	227,621,245

(2) The carrying amounts of the long-term payables shall be repaid within the following periods

Category	Closing balance	Opening balance
Within one year	4,928,868	27,741,574
More than one year after the balance sheet date, but not more than two years	5,226,034	29,216,060
More than two years after the balance sheet date, but not more than five years	5,390,302	89,526,831
More than five years after the balance sheet date	5,339,522	108,878,354
Less: long-term payables due within one year under current liabilities	4,928,868	27,741,574
Amounts under non-current liabilities	15,955,858	227,621,245



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

39. Long-term payables (Continued)

39.2 Special payables

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Research fees	-2,655,399,327	3,183,019,905	2,433,707,525	-1,906,086,948
Technical renovation infrastructure project	1,878,836,628	265,977,166	523,911,034	1,620,902,759
Total	-776,562,699	3,448,997,070	2,957,618,560	-285,184,189

40. Long-term employee compensation payable

(1) Classification of Long-term employee compensation payable

Item	Closing balance	Opening balance
Post-employment welfare – net debt of the defined benefit plan	1,377,709,327	1,495,365,544
Dismissal welfare	22,456,207	28,418,352
Total	1,400,165,534	1,523,783,896

(2) Changes in the defined benefit plan-the present value of the obligations of the defined benefit plan

Item	Amount in the current year	Amount in the previous year
Opening balance	1,495,365,544	1,576,153,031
Defined benefit cost included in current profit and loss	40,500,692	49,642,000
1. Current service cost	380,000	126,000
2. Past service cost	60,000	860,000
3. Settlement gains (losses are indicated by "-")	1,070,000	–
4. Net interest	38,990,692	48,656,000
Defined benefit cost included in other comprehensive income	-7,302,551	21,381,380
1. Actuarial gains (losses are indicated by "-")	-7,302,551	21,381,380
Other changes	-150,854,358	-151,810,867
1. Consideration paid at settlement	–	–
2. Benefits paid	-150,854,358	-151,810,867
3. Provision for reserve fee	–	–
4. Disposal of subsidiaries	–	–
Closing balance	1,377,709,327	1,495,365,544

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

40. Long-term employee compensation payable (Continued)

(3) Changes in the defined benefit plan-the net debt of the defined benefit plan (net assets)

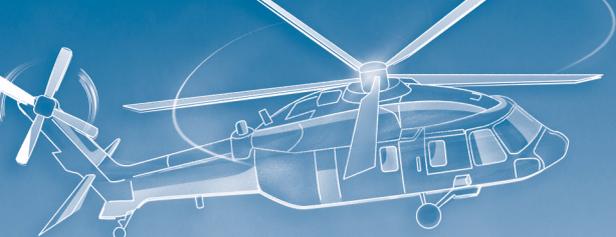
Item	Amount in the current year	Amount in the previous year
Opening balance	1,495,365,544	1,576,153,031
Defined benefit cost included in current profit and loss	40,500,692	49,642,000
Defined benefit cost included in other comprehensive income	-7,302,551	21,381,380
Other changes	-150,854,358	-151,810,867
Closing balance	1,377,709,327	1,495,365,544

Note: The Group recognizes the defined benefit obligation as a liability. The Group's liabilities are determined by relying on actuarial estimates with various assumptions and conditions. The assumptions used in the actuarial valuation report include discount rates, mortality rates, benefit growth rates, and other factors.

The present value of the Group's defined benefit plan obligations for the year was calculated by Towers Watson Consulting (Shenzhen) Co., Ltd., an independent actuarial institute. The principal actuarial assumptions used in actuarial report for the current year are as follows:

- (1) the discount rate to determine the defined benefit obligation: 2.75%-3.00%;
- (2) mortality rate: China Life Insurance Mortality Table (2010-2013);
- (3) supplemental/extra-integrated medical benefits annual growth rate: 6.00%-8.00%;
- (4) annual growth rate of basic salary, allowance, basic social insurance and housing fund contributions for formerly retired staff who left their jobs: 3.50%-6.00%

The deviations between actual results and actuarial results will affect the accuracy of the related accounting estimates. Even if the management considers the above assumptions to be reasonable, any changes in the assumptions will still affect the amount of the liability. All assumptions are reviewed at the reporting date.



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

41. Estimated liabilities

Item	Closing balance	Opening balance
Product quality assurance	432,019,871	429,626,219
Principal amount of Orient Asset Bonds converted to shares	215,180,000	215,180,000
Others	700,000	700,000
Total	647,899,871	645,506,219

42. Deferred income

(1) Classification of deferred income

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance	Reasons for formation
Government grants	846,324,736	96,037,064	107,470,209	834,891,591	Government grants
Total	846,324,736	96,037,064	107,470,209	834,891,591	—

Notes to the Financial Statements

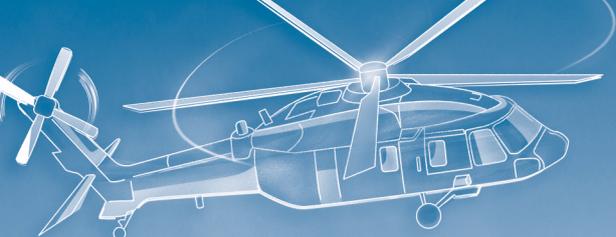
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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Deferred income (Continued)

(2) Government grants projects

Government grants projects	Opening balance	Amount of new subsidy this year	Amount included in other income this year	Amount included in non-operating income this year	Amount of offsetting costs and expenses this year	Other changes	Closing balance	Asset-related/ Income-related
Land relocation compensation	411,386,486	-	14,627,782	-	-	-	396,758,704	Asset-related
Special funds for central enterprises to enter Hebei and special funds for industrial development	64,157,500	-	2,140,000	-	-	-	62,017,500	Asset-related
High Speed Connector Project (Research and development and industrialization project of a connector)	59,952,974	-	7,887,744	-	-	-	52,065,230	Asset-related
Relocation compensation subsidy	43,371,316	-	2,409,517	-	-	-	40,961,799	Asset-related
Project of Nanchang aviation industry city construction and development of large aircraft	41,882,706	-	1,036,052	-	-	-	40,846,654	Asset-related
Government grants for land in the new Lvmeig district	37,088,430	-	842,919	-	-	-	36,245,511	Asset-related
Underwater plugging and unplugging of optoelectronic mixers	30,000,000	-	-	-	-	-	30,000,000	Asset-related
MIT projects	26,884,376	-	4,555,617	-	-	-	22,328,759	Asset-related
High-performance cable industrialization project	19,818,608	-	3,878,214	-	-	-	15,940,394	Asset-related
Flight instrument production capacity enhancement project	14,000,000	-	2,983,410	-	-	-	11,016,590	Asset-related
Land grant subsidies	12,195,217	-	338,756	-	-	-	11,856,461	Asset-related
Kaitong relocation compensation	10,979,709	-	443,183	-	-	-	10,536,526	Asset-related
Special fund subsidy for gymnasium	10,908,333	-	700,000	-	-	-	10,208,333	Asset-related
Special funds for the development of southern Shaanxi cycle project subsidies	7,045,438	-	909,096	-	-	-	6,136,342	Asset-related
Intelligent electric servo control system industrialization construction project subsidies	6,428,000	-	-	-	-	-	-	Asset-related
Lanzhou City coal to gas boiler subsidies	5,416,199	-	1,075,000	-	-	-	4,341,199	Asset-related
Electric actuation and transmission system industry construction project subsidies	5,000,000	-	-	-	-	-	-	Asset-related
112G high-speed connector industrialization project	-	22,950,000	559,567	-	-	-	22,390,433	Asset-related
National science and technology major project	2,030,841	31,940,210	28,969,400	-	-	-	5,001,651	Asset-related
Rail transit equipment production projects	-	5,910,000	35,392	-	-	-	5,874,608	Asset-related
Enterprise Technology Center award	-	5,000,000	-	-	-	-	5,000,000	Asset-related
Other grants	37,778,603	30,236,854	22,650,560	-	-	-	45,364,897	As set-related/ Income-related
Total	846,324,736	96,037,064	107,470,209	-	-	-	834,891,591	-



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From 1 January 2022 to 31 December 2022

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

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

43. Other non-current liabilities

Item	Closing balance	Opening balance
Borrowings and interest of AVIC Airborne Systems Co., Ltd. (中航機載系統有限公司)	588,775,346	1,787,971,263
Borrowings and interest of China Huarong Asset Management Co., Ltd.	67,467,738	67,467,738
Contract liabilities	259,794,075	21,475,652
Total	916,037,159	1,876,914,653

44. Share capital

Item	Opening balance	Increase and decrease in change for the year (+, -)					Subtotal	Closing balance
		Issuance of new shares	Bonus issue	Conversion from reserves	Other			
Total shares	7,711,332,242	-	-	-	-	-	7,711,332,242	

45. Capital reserves

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Share capital premium	1,005,768,527	-	-	1,005,768,527
Other capital reserves	11,969,194,887	139,668,116	18,550,462	12,090,312,541
Total	12,974,963,414	139,668,116	18,550,462	13,096,081,068

Notes to the Financial Statements

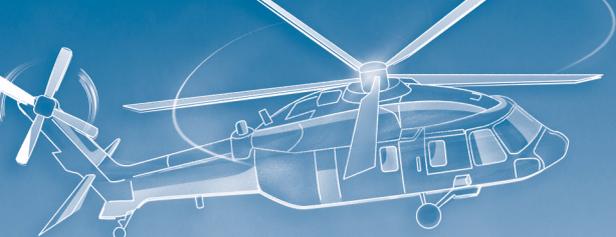
From 1 January 2022 to 31 December 2022

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

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

45. Capital reserves (Continued)

- Note 1: The A shares under the Restricted Share Intensive Scheme (Phase II) of AVIC JONHON Optronics Technology Co., Ltd. (中航光電科技股份有限公司), a subsidiary of the Group, was unlocked during the year, resulting in an increase in other capital reserves of RMB64,001,089.
- Note 2: The amortization of share-based payment of AVIC JONHON Optronics Technology Co., Ltd. (中航光電科技股份有限公司), a subsidiary of the Group, during the year resulted in an increase in other capital reserves of RMB46,087,584.
- Note 3: The capital increase by minority shareholders of Taixing Aviation Optoelectronic Technology Co., Ltd. (泰興航空光電技術有限公司), a subsidiary of the Group, and the payment of the Group for the acquisition of equity interest by its subsidiary AVIC Optoelectronic Precision Electronics (Guangdong) Co., Ltd. (中航光電精密電子(廣東)有限公司) resulted in an increase in other capital reserves of RMB1,078,346.
- Note 4: The Company increased its shareholding in China Avionics Systems Co., Ltd. (中航航空電子系統股份有限公司) by 1.36 million shares this year, resulting in a decrease in other capital reserves of RMB18,550,462.
- Note 5: China Aviation Planning and Design Institute Co., Ltd.* (中國航空規劃設計研究總院有限公司), a subsidiary of the Group, lost control over its former subsidiary AVIC Renewable Energy Investment Co., Ltd.* (中國航空工業新能源投資有限公司) due to the passive dilution of shareholdings as a result of the capital and share increase by the former subsidiary, resulting in an increase in other capital reserves of RMB1,807,729.
- Note 6: The Group accounted for its investees under the equity method of long-term equity investments, resulting in an increase in capital reserves of RMB26,693,368.



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From 1 January 2022 to 31 December 2022

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

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

46. Other comprehensive income

Item	Opening balance	Amount before income tax for the current year	Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current year	Amount for the current year		Less: income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	Closing balance
				Less: included in other comprehensive income in the previous period and transferred to retained earnings in the current period	Less: included in other comprehensive income in the previous period and transferred to retained earnings in the current period				
(I) Other comprehensive income that cannot be reclassified into profit or loss	121,327,137	-611,364,119	-	-554,042,607	-63,121,467	20,194,797	-14,394,843	141,521,934	
Including: Changes arising from re-measurement of the defined benefit plan	-523,323,305	7,302,551	-	-	-	5,704,137	1,598,414	-517,619,168	
Other comprehensive income that cannot be reclassified into profit or loss under the equity method	320,660	2,000,777	-	-	-	2,000,777	-	2,321,437	
Changes in fair value of other equity instrument investments	624,095,979	-620,667,447	-	-574,276,410	-63,121,467	32,723,686	-15,993,257	656,819,665	
Others	20,233,803	-	-	20,233,803	-	-20,233,803	-	-	
(II) Other comprehensive income reclassified into the profit or loss	-8,819,138	35,968,439	-	-	-	35,872,277	96,162	27,053,139	
Including: Translation difference of foreign currency financial statements	-8,819,138	35,968,439	-	-	-	35,872,277	96,162	27,053,139	
Total other comprehensive income	112,507,999	-575,395,680	-	-554,042,607	-63,121,467	56,067,074	-14,298,681	168,575,073	

47. Special reserves

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Safety production expenses	503,687,704	266,820,099	273,494,890	497,012,913
Total	503,687,704	266,820,099	273,494,890	497,012,913

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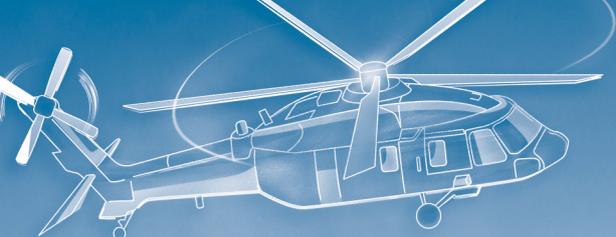
VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48. Surplus reserves

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Statutory surplus reserve	308,138,730	65,762,103	–	373,900,833
Total	308,138,730	65,762,103	–	373,900,833

49. Undistributed profits

Item	Amount in the current year	Amount in the previous year
Balance at the end of last year	5,296,679,064	3,398,501,345
Add: Adjustment of retained earnings at the beginning of the year	–	–
Including: Change in the scope of combination under common control	–	–
Balance at the beginning of the current year	5,296,679,064	3,398,501,345
Add: Net profit for the year attributable to owners of the parent company	2,216,401,745	2,369,276,265
Retained earnings carried over from other comprehensive income	-554,042,607	-18,800,608
Other increase	307,207	–
Less: Withdrawal of statutory surplus reserve	65,762,103	59,401,517
Dividends payable on ordinary shares	616,906,579	386,867,888
Other decrease	–	6,028,533
Balance at the end of the current year	6,276,676,727	5,296,679,064



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From 1 January 2022 to 31 December 2022

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

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

49. Undistributed profits (Continued)

Note 1: Details of dividends declared and paid and proposed in prior periods are as follows: ① For the year ended 31 December 2021, pursuant to the resolutions of meeting of the Board held on 30 March 2021 and the resolutions of the annual general meeting held on 28 May 2021 for the year ended 31 December 2020, the Group declared the final dividend for 2020 on the basis of RMB0.05 per share (including tax) to each shareholder, amounting to RMB385,566,612.10 in aggregate. The Group has paid the above dividends to each shareholder in July 2021. ② For the year ended 31 December 2022, pursuant to the resolution of meeting of the Board held on 30 March 2022 and the resolution of the annual general meeting held on 27 May 2022 for the year ended 31 December 2021, the Group declared a final dividend for 2021 on the basis of RMB0.08 (including tax) per share to each shareholder, amounting to RMB616,906,579.36 in aggregate. The Group has paid the above dividends to each shareholder in June 2022.

Note 2: The other increase in undistributed profit for the year was due to the increase in undistributed profit from the liquidation of the transfer of "Water/Electricity/Gas Supply and Property Management" by China Avionics Systems Co., Ltd. (中航航空電子系統股份有限公司), a subsidiary of the Group.

50. Operating revenue and operating costs

(1) Details of operating revenue and operating costs

Item	Amount for the current year		Amount for the previous year	
	Revenue	Cost	Revenue	Cost
Main businesses	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	47,597,965,155

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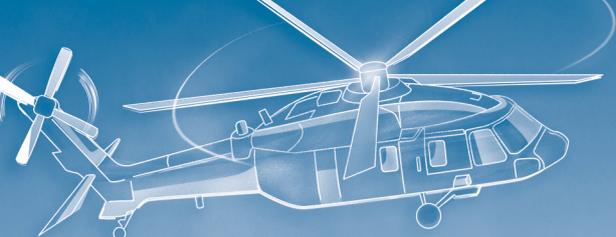
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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50. Operating revenue and operating costs (Continued)

(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



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

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

50. Operating revenue and operating costs (Continued)

(3) Information related to performance obligations

The types of transactions involving performance obligations of the Group are sales of goods and rendering of services. The Group recognizes revenue when it has fulfilled its performance obligations under the contract, i.e., when the customer obtains control of the related goods or services.

The Group determines that the contracts of aviation entire aircraft, the helicopter maintenance contracts in the aviation ancillary system and related business, and the engineering contracting contracts and consulting and design contracts in the aviation engineering services are performance obligations to be performed within a certain period of time. The time of the performance obligations is basically consistent with the completion progress. The Group determines the time and proportion of progress payment according to the nodes in the contract with the customer and performs the corresponding obligations in strict accordance with the terms of the contract. If any party in the process breaches the contract or fails to perform its contractual obligations in a timely manner, in case of being the responsibility of the enterprise, it is required to refund the amount paid in advance by the customer or deduct the contract price payable, and compensate for the reasonable loss that has also been incurred.

Generally, the warranty period for contracts of aviation entire aircraft and helicopter maintenance contracts is 2 years or the contracted number of flight hours, and the Group provides repair services free of charge for defects caused by unintentional, navigational risks, natural damage, etc.; engineering contracts stipulate warranty responsibility for the works within the contracted quality warranty period, which is usually between 2 to 5 years; consulting and design contracts provide quality assurance as agreed in the contract.

(4) Information related to performance obligations at the beginning of the year

The revenue recognised by the Group from January to December 2022 included an amount of RMB18,381,870,128 that had been included in contract liabilities at the beginning of the year.

(5) Information related to the transaction price apportioned to the remaining performance obligations

At the end of the year, the amount of revenue corresponding to performance obligations contracted but not yet performed or completed was RMB22,598,472,322, of which RMB18,459,982,791 is expected to be recognized as revenue in 2023.

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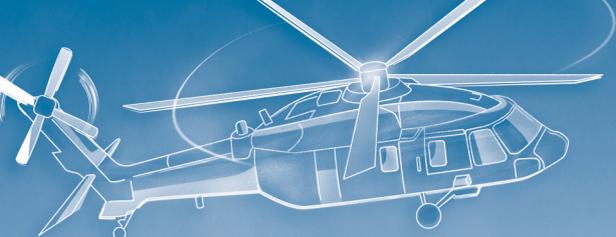
VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Taxes and surcharges

Item	Amount for the current year	Amount for the previous year
City maintenance and construction tax	139,052,230	29,660,675
Education surcharge	71,180,817	13,206,417
Property tax	66,824,411	60,365,286
Stamp duties	31,722,783	14,047,415
Local education surcharge	28,848,237	8,445,592
Land use tax	10,903,493	9,013,526
Vehicle usage tax	379,478	357,155
Resource tax	297,756	354,592
Land value-added tax	–	39,298
Others	2,343,490	2,145,478
Total	351,552,695	137,635,434

52. 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



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From 1 January 2022 to 31 December 2022

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

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

53. 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: The Company 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

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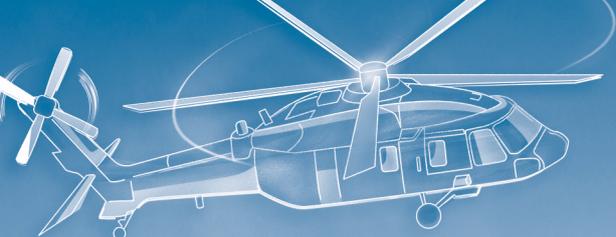
VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

54. 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
External negotiation 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

55. 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 gains or losses	-180,869,253	63,834,931
Add: Other expenditures	12,356,949	10,687,199
Total	-25,569,527	165,153,607



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From 1 January 2022 to 31 December 2022

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

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

56. 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
Intelligent electric servo control system industrialization construction project fund	6,428,000	500,000
Refund of individual tax handling fee	5,643,081	3,517,123
The piezoelectric actuators and transmission system industry construction project subsidy	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 enhancement project	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

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

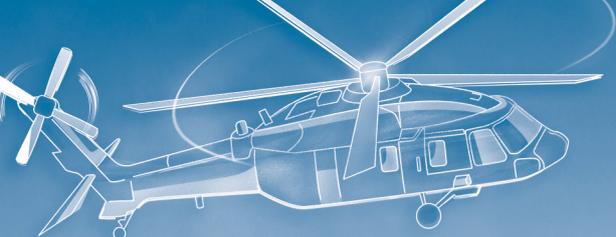
57. Investment income

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: Gain on debt restructuring represents the cash discount gain received by the Company when it settles the payment for the supply payment.

58. 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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

59. 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

60. 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

Notes to the Financial Statements

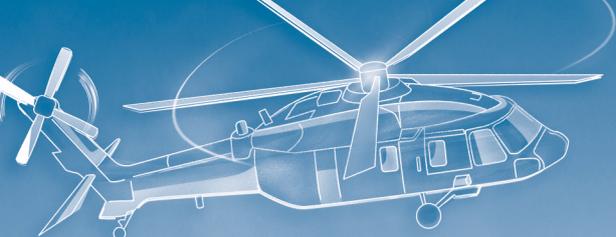
From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

61. Income from assets disposal (loss to be listed with "-")

Item	Amount for the current year	Amount for the previous year	Amount included in non-recurring profit or loss for the current year
Income from disposal of non-current assets	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

Note 1: Nanchang Municipal Government conducted an overall land resumption for partial land on the factory area of Jiangxi Hongdu Aviation Industry Group Co., Ltd. and the housing buildings of Hongdu Aviation located within the scope of the project were classified as removal and expropriation. In this year, Hongdu Aviation and Nanchang Qingyunpu State-owned Land Expropriation and Compensation Office signed the Nanchang City State-owned Land Expropriation and Compensation Agreement. Pursuant to which, a total of 13 buildings, including Building 102, Plant No. 85 and Special Test Building No. 16 in the production area, and their ancillary equipment and supporting facilities were included in the scope of removal and expropriation. The demolition of the above-mentioned assets was completed this year, and a relocation compensation of RMB175,225,700 was received, resulting in income from disposal of assets of RMB137,754,000 after deducting the book value of the relevant housing buildings.



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

62. Non-operating income

(1) Details of non-operating income

Item	Amount for the current year	Amount for the previous year	Amount included in non-recurring profit or loss for the current year
Gains on damaged and retired non-current assets	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

(2) Details of government grants

Item	Amount for the current year	Amount for the previous year	Source and basis	Asset-related/ Income-related
Financial allocations	–	907,551	Development Zone Finance Bureau Support Fund	Income-related
Government grants	5,000	1,002,000	Notice of Local Financial Supervision Administration of Guangxi Zhuang Autonomous Region on Issuing the First Batch of Cross-border Credit Financing Subsidy Funds in 2021	Income-related
Government grants	190,585	–	Finance Bureau of Xiangzhou County rewards up-scale enterprises	Income-related
Total	195,585	1,909,551	–	–

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

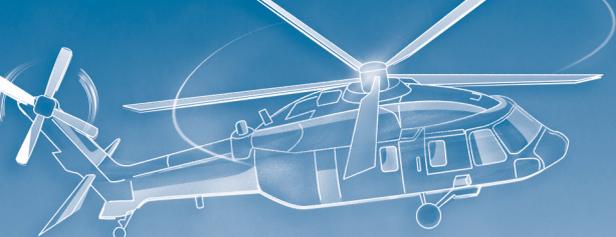
63. Non-operating expenses

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

64. 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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

64. Income tax expenses (Continued)

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

Item	Amount for the current year
Total consolidated profit before tax for the year	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

65. Other comprehensive income

For details, please refer to the relevant content of "VI. 46 Other comprehensive income" in this note.

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

66. Items of cash flow statement

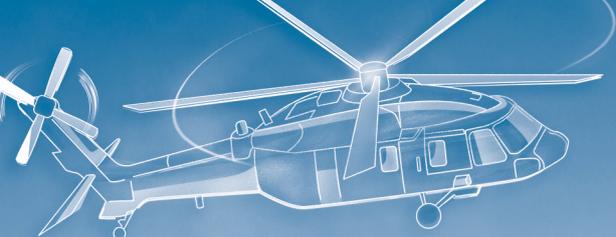
(1) Other cash received/paid related to operating/investing/financing activities

1) Other cash received related to operating activities

Item	Amount for the current year	Amount for the previous year
Intercourse funds	1,115,437,627	1,138,680,977
Research project grants	1,627,632,266	1,125,659,403
Government grants income	393,195,170	320,087,722
Financial interest income	290,030,921	268,760,199
Security deposit	128,291,915	118,120,924
Income from compensation, liquidated damages and fines	4,918,180	38,477,377
Income tax settlement refund	13,119	22,584,323
Other operating income	24,085,585	8,551,018
Others	154,692,704	79,521,198
Total	3,738,297,487	3,120,443,141

2) Other cash paid related to operating activities

Item	Amount for the current year	Amount for the previous year
Intercourse funds	2,461,103,360	2,015,599,158
Expenses for each item	1,382,861,528	1,788,836,194
Overall cost of employees who officially retired	96,965,217	176,646,103
Guarantee deposit and security deposit	5,220,660	54,220,267
Donations	860,774	3,845,278
Fines and compensation expenses	3,200,369	3,592,442
Others	193,199,707	126,956,121
Total	4,143,411,615	4,169,695,563



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

66. Items of cash flow statement (Continued)

(1) Other cash received/paid related to operating/investing/financing activities (Continued)

3) Other cash received related to investing activities

Item	Amount for the current year	Amount for the previous year
Term deposits	94,000,000	1,000,000,000
Others	1,000,138	–
Total	95,000,138	1,000,000,000

4) Other cash paid related to investment activities

Item	Amount for the current year	Amount for the previous year
Term deposits	184,812,982	344,000,000
Cash paid for disposal of subsidiaries	377,998,960	–
Others	5,419,604	–
Total	568,231,546	344,000,000

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

66. Items of cash flow statement (Continued)

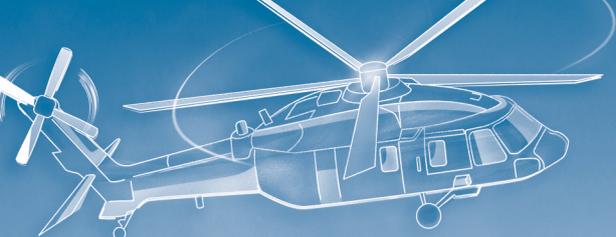
(1) Other cash received/paid related to operating/investing/financing activities (Continued)

5) Other cash received related to financing activities

Item	Amount for the current year	Amount for the previous year
Notes and letter of credit deposit	337,322,663	519,091,559
Borrowings from non-financial institutions	300,998,152	275,890,699
Special allocation	122,073,158	123,926,810
Collection and payment of factoring receivables	31,500,000	93,676,409
Received interest refunds on bank loan replacements	–	25,793,370
Leaseback financing	15,599,827	10,000,000
Finance lease borrowings	–	5,000,000
Others	–	2,108,194
Total	807,493,800	1,055,487,041

6) Other cash paid related to financing activities

Item	Amount for the current year	Amount for the previous year
Notes and letter of credit deposit	743,854,019	517,477,527
Repayment of borrowings from non-financial institutions	132,420,409	505,245,234
Collection and payment of factoring receivables	–	175,025,619
Financial lease payments	123,774,208	107,823,904
Lease payments for right-to-use assets	17,827,570	38,986,214
Stock repurchase	1,772,468	23,582,301
Others	1,984,335	345,377
Total	1,021,633,009	1,368,486,176



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

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

66. Items of cash flow statement (Continued)

(2) Supplementary information to consolidated cash flow statement

Item	Amount for the current year	Amount for the previous year
1. Adjust net profit to cash flow from operating activities:	–	–
Net profit	4,990,741,613	4,834,895,049
Add: Provision for asset impairment	283,833,345	187,793,184
Credit impairment losses	350,907,638	41,426,128
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of bearer biological assets	1,576,697,110	1,450,452,160
Depreciation of right-of-use assets	53,162,070	71,104,712
Amortization of intangible assets	241,922,481	222,248,749
Amortization of long-term deferred expenses	25,932,159	21,335,649
Losses on disposal of fixed assets, intangible assets and other long-term assets (incomes are listed with “-”)	-140,680,657	-76,297,341
Loss on scrapping of fixed assets (incomes are listed with “-”)	12,215,826	23,616,910
Losses from changes in fair value (incomes are listed with “-”)	6,705,884	-5,024,934
Financial costs (gains are listed with “-”)	266,378,494	413,741,965
Investment losses (incomes are listed with “-”)	-415,680,041	-461,448,722
Decrease in deferred income tax assets (increase are listed with “-”)	-60,589,251	-46,122,789
Increase in deferred tax liabilities (decreases are listed with “-”)	16,799,434	21,843,778
Decrease in inventory (increase are listed with “-”)	-1,897,567,071	-1,716,165,907
Decrease in operating receivable items (increase are listed with “-”)	-16,496,952,386	-9,403,071,041
Increase in operating payable items (decreases are listed with “-”)	21,076,572,915	6,598,094,513
Others	467,373,711	66,166,317
Net cash flow from operating activities	10,357,773,274	2,244,588,380
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt to capital	–	–
Convertible corporate bonds due within one year	–	–
Financing leased fixed assets	–	–
3. Net change in cash and cash equivalents:		
Closing cash balance	34,890,353,331	23,538,721,525
Less: opening cash balance	23,538,721,525	22,836,476,891
Add: closing balance of cash equivalents	–	–
Less: opening balance of cash equivalents	–	–
Net increase in cash and cash equivalents	11,351,631,806	702,244,634

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

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

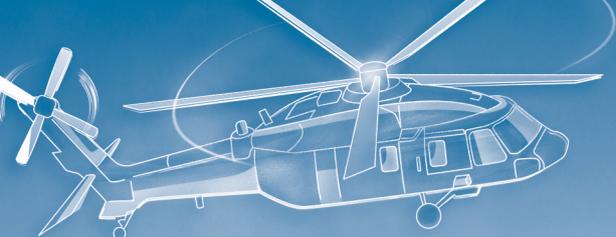
66. Items of cash flow statement (Continued)

(3) Net cash received as a result of some subsidiaries no longer being included in the consolidation scope this year

Item	Amount for the current year
Cash or cash equivalents received during the current period as a result of some subsidiaries no longer being included in the consolidation scope of the Group	167,635,563
Including: Jiangxi Changjiang General Aviation Co., Ltd.	5,370,000
AVIC Renewable Energy Investment Co., Ltd. (中國航空工業新能源投資有限公司)	157,247,463
China Aviation Engineering Supervision (Hunan) Co., Ltd. (中航工程監理(湖南)有限公司)	5,018,100
Less: cash and cash equivalents held by the company on the date of loss of control	545,634,523
Including: Jiangxi Changjiang General Aviation Co., Ltd.	5,376,221
China Aviation Engineering Supervision (Hunan) Co., Ltd. (中航工程監理(湖南)有限公司)	477,885
AVIC Renewable Energy Investment Co., Ltd. (中國航空工業新能源投資有限公司)	539,780,417
Add: cash or cash equivalents received in the current period as a result of some subsidiaries no longer being included in the consolidation scope of the Group in previous periods	-
Net cash received as a result of some subsidiaries no longer being included in the consolidation scope of the Group	-377,998,960

(4) Cash and cash equivalents

Item	Closing balance	Opening balance
Cash	34,890,353,331	23,538,721,525
Including: Cash on hand	435,052	653,718
Bank deposits readily available for payment	34,886,849,108	23,374,671,274
Other monetary funds readily available for disbursement	3,069,170	163,396,533
Cash equivalents	-	-
Cash and cash equivalents balance at the end of the year	34,890,353,331	23,538,721,525



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From 1 January 2022 to 31 December 2022

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

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

67. Items of statement of changes in Shareholders' equity

- (1) *The Group has no "Other" items for the current year to adjust the amount at the end of the previous year.*
- (2) *There are no significant "Other" items in the statement of changes in shareholders' equity of the Group for the current year.*

68. Assets with restricted ownership or right to use

Item	Closing book value	Reasons for restriction
Monetary funds	670,751,447	For details, see Note VI. 1. Monetary funds
Notes receivable	2,044,931,962	Pledge of notes
Fixed assets	33,007,857	Leaseback and secured borrowings
Accounts receivable	39,427,326	Borrowings obtained by pledge
Total	2,788,118,592	–

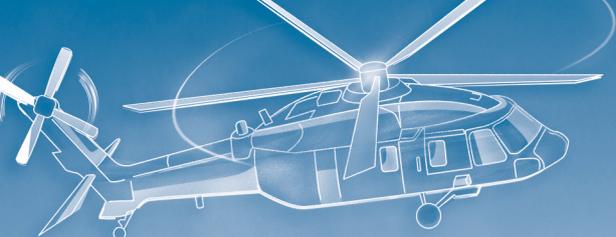
Notes to the Financial Statements

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

69. Monetary items in foreign currency

Item	Closing balance of foreign currency	Conversion rate	Converted RMB balance at the end of the year
Monetary funds			
Including: USD	118,215,082	6.9646	823,320,760
EUR	9,963,206	7.4229	73,955,882
HKD	210,485,093	0.8933	188,026,334
VND	578,199,835	0.0003	167,678
MOP	399,790	0.8681	347,058
Accounts receivable			
Including: USD	42,968,231	6.9646	299,256,542
EUR	6,307,807	7.4229	46,822,220
Other receivables			
Including: EUR	27	7.4229	200
HKD	280,846,245	0.8933	250,879,950
MOP	7,210	0.8681	6,259
VND	9,253,966	0.0003	2,684
Accounts payable			
Including: USD	1,365,702	6.9646	9,511,568
EUR	5,500	7.4229	40,826
VND	2,103,241,891	0.0003	609,940
Other payables			
Including: EUR	63,148	7.4229	468,741
HKD	281,262,701	0.8933	251,251,971
MOP	82,400	0.8681	71,531
VND	12,197,718	0.0003	3,537



Notes to the Financial Statements

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

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

70. Government grants

Category	Amount received in the current year	Presentation items	Amount included in current profit or loss
Government grants included in deferred income	96,037,064	Deferred income	107,470,210
Government grants included in other income	239,728,371	Other income	239,728,371
Government grants included in non-operating income	195,585	Non-operating income	195,585
Total	335,961,020	–	347,394,166

VII. CHANGES IN CONSOLIDATION SCOPE

1. Business combination not involving entities under common control

The Group had no business combination not involving entities under common control during the year.

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From 1 January 2022 to 31 December 2022

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

VII. CHANGES IN CONSOLIDATION SCOPE (Continued)

2. Business combinations involving entities under common control

The Group had no business combination involving entities under common control during the year.

3. Changes in consolidation scope for other reasons

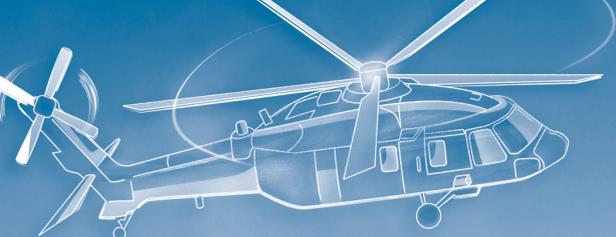
AVIC JONHON Optronic Technology Co., Ltd., a subsidiary of the Group, newly established Recon Technology Vietnam Co., Ltd. (越南睿連科技有限責任公司) and AVIC JONHON Optronic Interconnection Technology (Nanchang) Co., Ltd. (中航光電互連科技(南昌)有限公司).

The Company lost control over Jiangxi Changjiang General Aviation Co., Ltd. (江西長江通用航空有限公司), a former subsidiary of Jiangxi Hongdu Aviation Industry Co., Ltd.* (江西洪都航空工業股份有限公司), a subsidiary of the Group, due to passive dilution of shareholding as a result of capital and share increase by the former subsidiary. In December 2022, Nanchang Pulaien Aviation Technology Co., Ltd. (南昌普萊恩航空科技有限公司) increased the capital of Jiangxi Changjiang General Aviation Co., Ltd. by RMB10.93 million. After the capital increase, it held 51.00% equity of the company and became the controlling shareholder, therefore the Group lost control over the company.

China Avionics Systems Co., Ltd.* (中航航空電子系統股份有限公司), a subsidiary of the Group, deregistered Chengdu CAIC Feihao Data Communication Technology Co., Ltd. (成都凱天飛昊數據通信技術有限責任公司) on 20 December 2022.

The Company lost control over AVIC Renewable Energy Investment Co., Ltd. (中國航空工業新能源投資有限公司), a former subsidiary of China Aviation Planning and Design Institute Co., Ltd. (中國航空規劃設計研究總院有限公司), a subsidiary of the Group, due to passive dilution of shareholding as a result of capital and share increase by the former subsidiary. In December 2022, external investors increased the capital of AVIC Renewable Energy Investment Co., Ltd. by RMB387,448,500, therefore the Group lost control over the company.

In March 2022, China Aviation Engineering Supervision (Beijing) Co., Ltd. (中航工程監理(北京)有限公司), the former subsidiary of China Aviation Planning and Design Institute Co., Ltd. (中國航空規劃設計研究總院有限公司), transferred 100% of the equity of its subsidiary, China Aviation Engineering Supervision (Hunan) Co., Ltd. (中航工程監理(湖南)有限公司), and received a transfer consideration of RMB5.02 million.



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VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) The composition of the enterprise group

Name of the subsidiary	Principal place of business		Business nature	Registered capital	Type of legal entity	Shareholding ratio (%)		Acquisition method	Remark
	Place of registration	Place of business				Direct	Indirect		
Harbin Aviation Industry (Group) Co., Ltd.* (哈爾濱航空工業集團)有限公司 ("Harbin Aviation Group")	Harbin	Harbin	Manufacturing	16,000,000	Limited Liability Company	100	-	Business combinations under common control	
AviChina Hong Kong Limited. (中航科工香港有限公司) ("AviChina Hong Kong")	Hong Kong	Hong Kong	Investment	HKD10,000	Limited Liability Company	100	-	Investment set-up	
Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空機電有限公司) ("Tianjin Mechanical and Electrical")	Tianjin	Tianjin	Manufacturing	293,160,000	Limited Liability Company	100	-	Business combinations under common control	
AVIC Helicopter Co., Ltd. (中航直升機有限責任公司) ("AVIC Helicopter")	Harbin	Tianjin	Manufacturing	2,700,000,000	Limited Liability Company	100	-	Business combinations under common control	
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")	Beijing	Beijing	Construction Industry	1,050,000,000	Limited Liability Company	100	-	Business combinations under common control	
AviChina Industrial Investment Co., Ltd. (中航科工產業投資有限責任公司) ("Industrial Investment")	Shanghai	Shanghai	Investment	200,000,000	Limited Liability Company	100	-	Investment set-up	
Jiangxi Hongdu Aviation Industry Co., Ltd.* (江西洪都航空工業股份有限公司) ("Hongdu Aviation")	Nanchang	Nanchang	Manufacturing	717,114,512	Joint Stock Company Limited	43.77	-	Business combinations under common control	1

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From 1 January 2022 to 31 December 2022

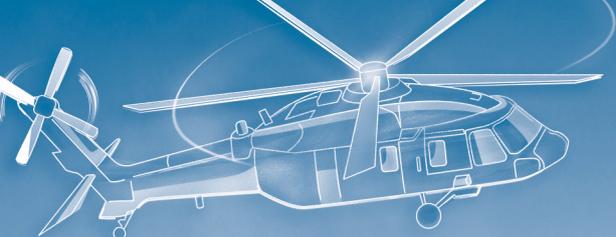
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the enterprise group (Continued)

Name of the subsidiary	Principal place of business	Place of registration	Business nature	Registered capital	Type of legal entity	Shareholding ratio (%)		Acquisition method	Remark
						Direct	Indirect		
China Avionics Systems Co., Ltd.* (中航航空電子系統股份有限公司) ("AVIC Avionics")	Shanghai, Chengdu, etc.	Beijing	Manufacturing	1,928,214,265	Joint Stock Company Limited	39.50	–	Business combinations under common control	2
AVIC JONHON Optronic Technology Co., Ltd. (中航光電科技股份有限公司) ("JONHON Optronic")	Luoyang	Luoyang	Manufacturing	1,631,008,160	Joint Stock Company Limited	36.72	–	Business combinations under common control	1
AVICOPTER PLC (中航直升機股份有限公司) ("AVICOPTER")	Harbin	Harbin	Manufacturing	589,476,716	Joint Stock Company Limited	46.05	3.25	Business combinations under common control and others	1
Changhe Aircraft Industry (Group) Corporation Ltd. (昌河飛機工業(集團)有限責任公司)	Jingdezhen	Jingdezhen	Manufacturing	442,591,999	Limited Liability Company	100	–	Business combinations under common control	
Harbin Aircraft Industry Group Co., Ltd. (哈爾濱飛機工業集團有限責任公司)	Harbin	Harbin	Manufacturing	1,184,958,700	Limited Liability Company	100	–	Business combinations under common control	
Tianjin Tianli Aviation Mechanical and Electrical Co., Ltd. (天津天利航空機電有限公司)	Tianjin	Tianjin	Manufacturing	181,864,200	Limited Liability Company	–	75.00	Business combinations under common control	



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VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the enterprise group (Continued)

Name of the subsidiary	Principal place of business	Place of registration	Business nature	Registered capital	Type of legal entity	Shareholding ratio (%)		Acquisition method	Remark
						Direct	Indirect		
AVIC Shenyang Xinghua Aero-Electric Appliance Co., Ltd. (瀋陽興華航空電器有限責任公司)	Shenyang	Shenyang	Manufacturing	110,925,200	Limited Liability Company	—	23.09	Business combinations under common control	1
AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司)*	Xi'an	Xi'an	Manufacturing	187,728,000	Joint Stock Company Limited	—	17.13	Business combinations not under common control	1
AVIC Optoelectronic (Luoyang) Co., Ltd. (中航光電(洛陽)有限責任公司)	Luoyang	Luoyang	Manufacturing	10,000,000	Limited Liability Company	—	36.72	Investment set-up	1
Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司)	Shenzhen	Shenzhen	Manufacturing	2,360,000	Limited Liability Company	—	18.73	Business combinations not under common control	1
AVIC Optoelectronic Precision Electronics (Guangdong) Co., Ltd. (中航光電精密電子(廣東)有限公司)	Shenzhen	Shenzhen	Manufacturing	50,000,000	Limited Liability Company	—	36.72	Investment set-up	1
Taixing Aviation Optoelectronic Technology Co., Ltd. (泰興航空光電技術有限公司)	Taixing	Taixing	Manufacturing	100,000,000	Limited Liability Company	—	24.24	Investment set-up	1
AVIC Optoelectronics Huayi (Shenyang) Electronic Technology Co., Ltd. (中航光電華德(瀋陽)電子科技有限公司)	Shenyang	Shenyang	Manufacturing	100,000,000	Limited Liability Company	—	18.46	Business combinations under common control	1
AVIC Optoelectronics (Guangdong) Co., Ltd. (中航光電(廣東)有限公司)	Dongguan	Dongguan	Manufacturing	100,000,000	Limited Liability Company	—	36.72	Investment set-up	1

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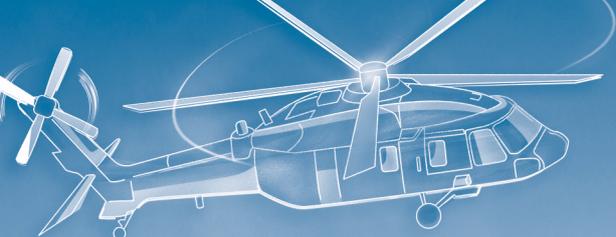
(The notes to the financial statements are presented in RMB, except as otherwise noted)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the enterprise group (Continued)

Name of the subsidiary	Principal place of business	Place of registration	Business nature	Registered capital	Type of legal entity	Shareholding ratio (%)		Acquisition method	Remark
						Direct	Indirect		
AVIC Optoelectronics (Germany) Co., Ltd. (中航光電(德國)有限責任公司)	Germany	Germany	Manufacturing	EUR 1,200,000	Limited Liability Company	—	36.72	Investment set-up	1
AVIC Optoelectronic (Shanghai) Co., Ltd. (中航光電(上海)有限公司)	Shanghai	Shanghai	Manufacturing	100,000,000	Limited Liability Company	—	36.72	Investment set-up	1
AVIC JONHON Optronics Interconnection Technology (Nanchang) Co., Ltd. (中航光電互連科技(南昌)有限公司)	Nanchang	Nanchang	Manufacturing	100,000,000	Limited Liability Company	—	39.19	Investment set-up	1
Reconn Technology Vietnam Co., Ltd. (越南睿連科技有限責任公司)	Vietnam	Vietnam	Manufacturing	—	Limited Liability Company	—	36.72	Investment set-up	1
Shanghai Aviation Electric Co., Ltd. (上海航空電器有限公司)	Shanghai	Shanghai	Manufacturing	680,000,000	Limited Liability Company	—	39.50	Business combinations under common control	2
AVIC Taiyuan Aviation Instrument Co., Ltd. (太原航空儀錶有限公司)	Taiyuan	Taiyuan	Manufacturing	330,000,000	Limited Liability Company	—	39.50	Business combinations under common control	2
Suzhou Changfeng Avionics Co., Ltd. (蘇州長風航空電子有限公司)	Suzhou	Suzhou	Manufacturing	279,630,000	Limited Liability Company	—	39.50	Business combinations under common control	2



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From 1 January 2022 to 31 December 2022

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

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the enterprise group (Continued)

Name of the subsidiary	Principal place of business	Place of registration	Business nature	Registered capital	Type of legal entity	Shareholding ratio (%)		Acquisition method	Remark
						Direct	Indirect		
Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司)	Beijing	Beijing	Manufacturing	343,432,216	Limited Liability Company	—	39.50	Business combinations under common control	2
Lanzhou Wanli Aviation Electric Co., Ltd. (蘭州萬里航空機電有限公司)	Lanzhou	Lanzhou	Manufacturing	610,000,000	Limited Liability Company	—	39.50	Business combinations under common control	2
Lanzhou Flight Control Co., Ltd. (蘭州飛行控制有限公司)	Lanzhou	Lanzhou	Manufacturing	460,000,000	Limited Liability Company	—	39.50	Business combinations under common control	2
AVIC Shaanxi Huayan Aero-Instrument Co., Ltd. (陝西華燕航空儀錶有限公司)	Hanzhong	Hanzhong	Manufacturing	500,000,000	Limited Liability Company	—	31.60	Business combinations under common control	2
AVIC Shaanxi Qianshan Avionics Co., Ltd. (陝西千山航空電子有限公司)	Xi'an	Xi'an	Manufacturing	552,000,000	Limited Liability Company	—	39.50	Business combinations under common control	2

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From 1 January 2022 to 31 December 2022

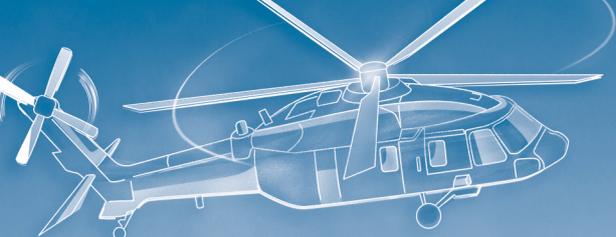
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VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the enterprise group (Continued)

Name of the subsidiary	Principal place of business	Place of registration	Business nature	Registered capital	Type of legal entity	Shareholding ratio (%)		Acquisition method	Remark
						Direct	Indirect		
Chengdu CAIC Electronics Co., Ltd. (成都凱天電子股份有限公司)	Chengdu	Chengdu	Manufacturing	376,897,007	Joint Stock Company Limited	—	34.88	Business combinations under common control	2
Shaanxi Oriental Aeronautic Instrument Manufacture Co., Ltd. (陝西東方航空儀錶有限責任公司)	Hanzhong	Hanzhong	Manufacturing	250,000,000	Limited Liability Company	—	39.50	Business combinations under common control	2
Harbin Hafei Aviation Industry Co., Ltd. (哈爾濱哈飛航空工業有限責任公司)	Harbin	Harbin	Manufacturing	1,571,325,200	Limited Liability Company	—	49.30	Investment set-up	1
Jiangxi Changhe Aviation Industry Co., Ltd. (江西昌河航空工業有限公司)	Jingdezhen	Jingdezhen	Manufacturing	1,170,422,696	Limited Liability Company	—	49.30	Business combinations under common control	1
Huiyang Aviation Propeller Limited (惠陽航空螺旋槳有限責任公司)	Baoding	Baoding	Manufacturing	86,838,030	Limited Liability Company	—	49.30	Business combinations under common control	1
China Aviation Integration Equipment Co., Ltd. (中航工程集成設備有限公司)	Beijing	Beijing	Manufacturing	61,000,000	Limited Liability Company	—	100	Business combinations under common control	



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From 1 January 2022 to 31 December 2022

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

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The composition of the enterprise group (Continued)

Name of the subsidiary	Principal place of business	Place of registration	Business nature	Registered capital	Type of legal entity	Shareholding ratio (%)		Acquisition method	Remark
						Direct	Indirect		
China Aviation Engineering Supervision (Beijing) Co., Ltd. (中航工程監理(北京)有限公司)	Beijing	Beijing	Technology Services	6,000,000	Limited Liability Company	—	100	Business combinations under common control	
AVIC CAPDI Engineering Consulting (Beijing) Co., Ltd. (中航工程諮詢(北京)有限公司)	Beijing	Beijing	Technology Services	6,000,000	Limited Liability Company	—	100	Business combinations under common control	
China Aviation International Construction and Investment Co., Ltd. (中國航空國際建設投資有限公司)	Beijing	Beijing	Business Services	130,000,000	Limited Liability Company	—	100	Business combinations under common control	
AVIC CAPDI (Macau) Company Limited (中航院設計諮詢(澳門)有限公司)	Macau	Macau	Technology Services	MOP600,000	Limited Liability Company	—	100	Investment set-up	
Beijing Yinyan Industrial Co., Ltd. (北京銀燕實業有限公司)	Beijing	Beijing	Manufacturing	15,000,000	Limited Liability Company	—	100	Business combinations under common control	

Note: 1 Although the Group's shareholding and voting rights in the above companies are less than 50%, they are still considered to be controlled by the Group because the remaining other shareholdings are more dispersed and the other shareholders are not consolidated their equity in such a way as to enable them to exercise more voting rights than the Group.

2 Although the Group's shareholding in the above companies is less than 50%, directly or indirectly, the Group's statements consolidate the above-mentioned companies because the Group is able to obtain more than half of the voting rights through agreements with other investors.

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
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VIII. INTERESTS IN OTHER ENTITIES (Continued)

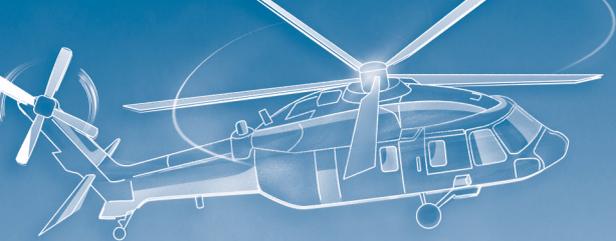
1. Interests in subsidiaries (Continued)

(2) Important non-wholly owned subsidiaries

Name of subsidiary	Minority shareholding ratio	Profit or loss attributable to minority shareholders in the current year	Dividends distributed to minority shareholders in the current year	Balance of minority shareholders' equity at the end of the year
Hongdu Aviation	56.23	79,700,920	27,016,644	2,980,005,713
AVIC Avionics	60.50	557,480,916	154,684,566	11,627,782,937
JONHON Optronic	63.28	1,903,171,094	447,457,949	8,149,251,562
AVICOPTER	50.70	190,961,821	135,134,590	5,248,127,047

(3) Main financial information of important non-wholly-owned subsidiaries

Item	Hongdu Aviation	AVIC Avionics	JONHON Optronic	AVICOPTER
2022:				
Current assets	15,325,490,313	21,746,832,459	26,210,145,227	24,234,027,964
Non-current assets	1,908,692,301	6,655,635,600	5,600,587,933	3,460,218,118
Total assets	17,234,182,614	28,402,468,059	31,810,733,160	27,694,246,082
Current liabilities	11,893,424,726	14,330,571,570	12,640,362,199	16,670,399,882
Non-current liabilities	41,085,626	1,447,648,767	668,758,243	967,931,665
Total liabilities	11,934,510,352	15,778,220,337	13,309,120,442	17,638,331,547
Operating income	7,250,643,217	11,186,259,693	15,838,116,672	19,472,858,456
Net profit	141,360,968	901,904,000	2,901,010,381	387,206,808
Total comprehensive income	108,094,272	846,218,428	2,900,461,781	384,189,726
Net cash flows from operating activities	-231,158,485	-793,665,253	2,118,032,401	-1,686,449,285
2021:				
Current assets	15,929,045,682	19,412,423,772	22,643,573,934	23,603,537,354
Non-current assets	1,971,627,975	6,850,224,933	4,343,758,279	3,423,719,508
Total assets	17,900,673,658	26,262,648,705	26,987,332,213	27,027,256,862
Current liabilities	12,603,796,996	12,055,134,711	10,004,753,821	16,107,575,341
Non-current liabilities	56,006,265	2,555,483,145	1,086,034,524	992,002,350
Total liabilities	12,659,803,261	14,610,617,855	11,090,788,345	17,099,577,692
Operating income	7,214,281,277	9,839,298,854	12,866,862,661	21,789,854,719
Net profit	151,612,953	817,722,463	2,125,755,449	913,501,718
Total comprehensive income	165,918,741	804,488,909	2,126,104,580	913,413,155
Net cash flows from operating activities	220,649,909	1,549,833,364	2,061,859,204	1,449,729,092



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

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(4) *The Group has no major restrictions on using the assets of the enterprise group and paying off the debts of the enterprise group.*

(5) *The Group does not provide financial support or other support to structured entities included in the scope of the consolidated financial statements.*

2. The share of owner's equity in the subsidiary has changed and the subsidiary is still under control

In 2022, JONHON Optronic, a subsidiary of the Group, repurchased and cancelled 74,669 shares of restricted shares under the Restricted Share Incentive Plan (Phase II), resulting in a decrease in capital reserve of RMB639,730 in the consolidated statements.

In 2022, JONHON Optronic, a subsidiary of the Group, issued 41,383,200 shares under the Restricted Share Incentive Plan (Phase III), resulting in a decrease of the Company's shareholding in JONHON Optronic to 36.72% of direct shareholding.

Notes to the Financial Statements

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

3. Interests in joint ventures or associates

(1) *The Group has no significant joint ventures or associates.*

(2) *Aggregated financial information of unimportant joint ventures and associates*

Item	31 December 2022/2022	31 December 2021/2021
Joint ventures	–	–
Total book value of investments	252,965,972	205,810,297
Total of the following in proportion to shareholdings	–	–
– Net profit	85,477,729	85,412,098
– Other comprehensive income	–	–
– Total comprehensive income	85,477,729	85,412,098
Associates	–	–
Total book value of investments	1,776,156,759	1,362,924,487
Total of the following in proportion to shareholdings	–	–
– Net profit	171,287,486	180,271,339
– Other comprehensive income	2,000,777	320,660
– Total comprehensive income	173,288,263	180,591,999

(3) *There are no significant restrictions on the ability of the Group's joint ventures or associates to transfer funds to the Company.*

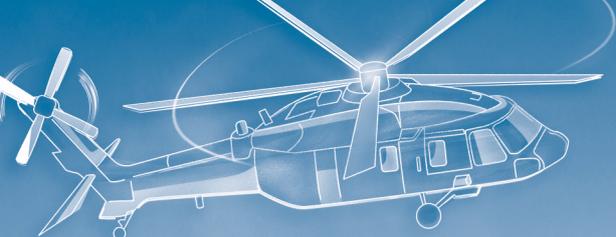
(4) *No excess losses incurred by the Group's joint ventures or associates.*

(5) *The Group has no unrecognized commitments related to investments in joint ventures.*

(6) *The Group has no contingent liabilities related to investments in joint ventures or associates.*

4. The Group has no significant joint operations

5. The Group has no structured entities that are not included in the scope of the consolidated financial statements



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The main financial instruments of the Group include monetary funds, borrowings, accounts receivable, accounts payable, bonds payable and financial assets held for trading. Please refer to Note VI for the detailed description of each financial instrument. The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate these risks are described below. The management of the Group manages and monitors these risk exposures to ensure that the above risks are controlled within a limited range.

(I) Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1. Market risk

(1) Exchange rate risk

The Group's exposure to exchange rate risk is mainly related to the USD, EUR, HKD, MOP and VND. Except for the purchase and sales made by several subsidiaries of the Group were dominated in US dollars, other major business activities of the Group are denominated and settled in RMB. As at 31 December 2021 and 31 December 2022, except for the foreign currency balances of assets and liabilities as described in the table below, the Group's assets and liabilities are all RMB balances. The exchange rate risk arising from the assets and liabilities of such foreign currency balances may have an impact on the Group's operating results.

Item	31 December 2022	31 December 2021
Monetary funds – USD	118,215,082	245,129,352
Monetary funds – EUR	9,963,206	8,821,635
Monetary funds – HKD	210,485,093	29,138,294
Monetary funds – MOP	399,790	369,790
Monetary funds – TND	–	13,545,825
Monetary funds – VND	578,199,835	–
Accounts receivable – USD	42,968,231	44,695,393
Accounts receivable – EUR	5,307,807	3,199,358
Other receivables – EUR	27	–
Other receivables – HKD	280,846,245	–
Other receivables – MOP	7,210	15,706
Other receivables –VND	9,253,966	–
Accounts payable – USD	1,365,702	2,724,746
Accounts payable – EUR	5,500	7,100
Accounts payable – VND	2,103,241,891	–
Other payables –EUR	63,148	2,518
Other payables – HKD	281,262,701	1,407,485
Other payables – MOP	82,400	82,400
Other payables –VND	12,197,718	–
Long-term borrowings – HKD	–	110,000,000

The Group closely monitors the impact of exchange rate changes on the Group. The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposures when necessary.

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

(I) Risk management objectives and policies (Continued)

1. Market risk (Continued)

(2) Interest rate risk

The Group's interest rate risk arises from interest-bearing debt such as bank borrowings. Financial liabilities with floating interest rates expose the Group to cash flow interest rate risk and financial liabilities with fixed interest rates expose the Group to fair value interest rate risk. The Group determines the relative proportion of fixed-rate and floating-rate contracts based on the prevailing market conditions. As at 31 December 2022, the Group's interest-bearing debts are mainly RMB-denominated floating rate borrowing contracts with an aggregate amount of RMB1,780,117,167 (31 December 2021: RMB2,527,228,625) and RMB-denominated fixed rate contracts with an amount of RMB9,449,137,596 (31 December 2021: RMB8,051,593,554).

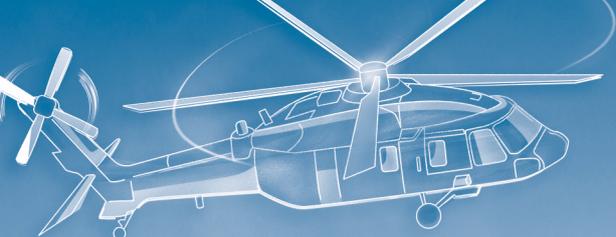
The Group's exposure to changes in the fair value of financial instruments due to changes in interest rates relates primarily to fixed-rate bank borrowings. For fixed rate borrowings, the Group's objective is to maintain its floating interest rate.

The Group's exposure to changes in cash flows from financial instruments due to changes in interest rates relates primarily to floating rate bank borrowings. The Group's policy is to maintain floating interest rates on these borrowings to eliminate the fair value risk of changes in interest rates.

(3) Price risk

The Group's primary exposure to security price risk arises from investments held by the Group (classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income). Some of these financial assets are publicly tradable on recognized stock exchanges. At 31 December 2022, if the fair value of financial assets held by the Group at fair value through profit or loss and the fair value of financial assets at fair value through other comprehensive income had been 10% (2021: 10%) higher or lower, assuming other variables had remained unchanged, the Group's net profit would have increased or decreased by approximately RMB39.59 million (2021: RMB93.36 million) and the Group's net other comprehensive income after tax would increase or decrease by approximately RMB193.41 million (2021: RMB202.24 million).

The Group sells products such as connectors at market prices and is therefore subject to fluctuations in these prices.



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

(I) Risk management objectives and policies (Continued)

2. Credit risk

As at 31 December 2022, the largest exposure to credit risk that could give rise to financial losses for the Group arises mainly from losses incurred on the Group's financial assets as a result of the failure of the other party to the contract to perform its obligations and from the financial guarantees assumed by the Group, specifically:

The carrying amount of recognized financial assets in the consolidated balance sheet; the Group's listed financial assets at fair value through profit or loss and listed financial assets at fair value through other comprehensive income can be publicly traded on a recognized stock exchange, and the carrying amount of the Group reflects the exposure, but not the maximum exposure, which will change with future changes in fair value.

In order to reduce credit risk, the Group only deals with approved and reputable third parties. In accordance with the Group's policy, credit audits are required for all customers who request the use of credit. In addition, the Group monitors notes receivable and accounts receivable balances on an ongoing basis to ensure that the Group is not exposed to significant risk of bad debts. For foreign transactions, the Group does not provide credit terms for transactions unless specifically approved by the Group's credit control department. The Group identifies any credit risk in a timely manner in order to reduce the risk of credit-related losses. Therefore, the Group's management believes that the credit risk assumed has been significantly reduced.

The Group's liquidity is placed with the finance company of the Group and banks with high credit ratings, so the credit risk of liquidity is low.

As part of the Group's credit risk asset management, the Group uses expected credit losses to assess impairment losses on accounts receivable and other receivables. The Group's accounts receivable and other receivables involve a large number of customers, and expected credit losses reflect the solvency and bad debt risk of these customers with respect to accounts receivable and other receivables. The Group calculates the historical actual bad debt ratio for different aging periods based on historical data and adjusts the expected loss ratio by considering the current and the forecast of future economic conditions, such as the national GDP growth rate, total infrastructure investment, national monetary policy and other forward-looking information.

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

(I) Risk management objectives and policies (Continued)

2. Credit risk (Continued)

As of 31 December 2022, the book balances of the related assets and expected credit impairment losses are as follows:

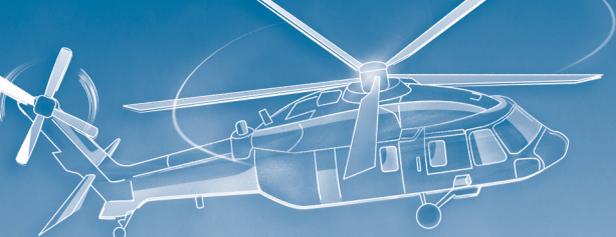
Aging	Book balances	Impairment provision
Notes receivable	10,765,723,654	75,743,138
Accounts receivable	24,334,320,840	1,201,857,154
Other receivables	335,579,488	137,639,145
Total	35,435,623,983	1,415,239,437

The Group has adopted the necessary policies to ensure that all sales customers have good credit histories and the Group has significant related party balances with low credit risk and no significant credit concentration risk.

3. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by ensuring that it has sufficient financial liquidity to meet its obligations as they fall due without incurring unacceptable losses or causing damage to its corporate reputation. The Group regularly analyzes the structure and maturity of its liabilities to ensure that sufficient funds are available. The Group's management monitors the use of bank borrowings and ensures compliance with borrowing agreements. It also negotiates financing with financial institutions in order to maintain a certain credit limit and reduce liquidity risk.

The Group uses bank borrowings as its main source of funding. As at 31 December 2022, the Group's unused bank borrowings amounted to RMB23,138 million, (31 December 2021: RMB20,944 million) of which the Group's unused short-term bank borrowings amounted to RMB14,482 million (31 December 2021: RMB14,075 million).



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

(I) Risk management objectives and policies (Continued)

3. Liquidity risk (Continued)

An analysis of the Group's financial assets and financial liabilities held as of 31 December 2022, based on the maturity of the undiscounted remaining contractual obligations, is as follows:

Item	Within one year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Monetary funds	35,561,104,778	–	–	–	35,561,104,778
Financial assets held					
for trading	527,818,029	–	–	–	527,818,029
Notes receivable	10,765,723,654	–	–	–	10,765,723,654
Accounts receivable	24,432,840	–	–	–	24,334,320,840
Other receivables	335,579,488	–	–	–	335,579,488
Long-term receivables	–	–	1,252,775	–	1,252,775
Financial liabilities					
Short-term borrowings	5,935,541,420	–	–	–	5,935,541,420
Financial liabilities held					
for trading	48,392,809	–	–	–	48,392,809
Notes payable	10,417,278,468	–	–	–	10,417,278,468
Accounts payable	30,906,639,906	–	–	–	30,906,639,906
Other payables	3,158,476,493	–	–	–	3,158,476,493
Dividends payable	107,129,526	–	–	–	107,129,526
Interest payable	–	–	–	–	–
Employee compensation payable	2,183,977,718	–	–	–	2,183,977,718
Non-current liabilities					
due within one year	2,950,158,046	–	–	–	2,950,158,046
Long-term borrowings	–	729,138,324	872,791,410	73,000,000	1,674,929,735
Bonds payable	–	–	–	–	–
Lease liabilities	–	45,445,313	85,162,437	146,921,992	277,529,742
Long-term payables	–	5,226,034	5,390,302	5,339,522	15,955,858

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

(II) Sensitivity analysis

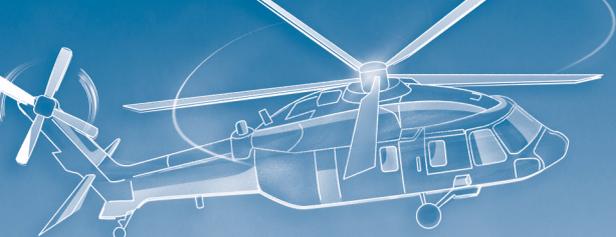
The Group uses sensitivity analysis techniques to analyze the possible impact of reasonable and probable changes in risk variables on current profit or loss or shareholders' equity. Since changes in any risk variable rarely occur in isolation and the correlation that exists between variables will have a significant effect on the amount of the ultimate impact of a change in a risk variable, the following is performed under the assumption that changes in each variable are independent.

1. Foreign exchange risk sensitivity analysis

Foreign exchange risk sensitivity analysis assumes that all hedges of net investment in foreign operations and cash flow hedges are highly effective.

On the basis of the above assumptions, the after-tax effect on current profit or loss and equity of a reasonable possible change in exchange rates, with all other variables held constant, is as follows:

Item	Exchange rate changes	2022		2021	
		Impact on net profit	Impact on shareholders' equity	Impact on net profit	Impact on shareholders' equity
USD	10% appreciation against RMB	83,293,794	83,293,794	137,284,760	137,284,760
USD	10% depreciation against RMB	-83,293,794	-83,293,794	-137,284,760	-137,284,760
EUR	10% appreciation against RMB	6,183,643	6,183,643	6,503,889	6,503,889
EUR	10% depreciation against RMB	-6,183,643	-6,183,643	-6,503,889	-6,503,889
HKD	10% appreciation against RMB	14,074,073	14,074,073	-5,044,747	-5,044,747
HKD	10% depreciation against RMB	-14,074,073	-14,074,073	5,044,747	5,044,747
MOP	10% appreciation against RMB	21,134	21,134	18,040	18,040
MOP	10% depreciation against RMB	-21,134	-21,134	-18,040	-18,040
VND	10% appreciation against RMB	-34,380	-34,380	-	-
VND	10% depreciation against RMB	34,380	34,380	-	-
TND	10% appreciation against RMB	-	-	46,530	46,530
TND	10% depreciation against RMB	-	-	-46,530	-46,530



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

(II) Sensitivity analysis (Continued)

2. Interest rate risk sensitivity analysis

The interest rate risk sensitivity analysis is based on the following assumptions:

Changes in market interest rates affecting interest income or expense on variable rate financial instruments;

For fixed-rate financial instruments measured at fair value, changes in market interest rates affect only their interest income or expense;

Changes in the fair value of derivative financial instruments and other financial assets and liabilities are calculated using the discounted cash flow method based on market interest rates at the balance sheet date.

Based on the above assumptions, the after-tax impact on current profit or loss and equity of a reasonable possible change in interest rates, with all other variables held constant, is as follows:

Item	Interest rate changes	2022		2021	
		Impact on net profit	Impact on shareholders' equity	Impact on net profit	Impact on shareholders' equity
Floating-rate borrowings	Increase by 0.5%	-6,675,439	-6,675,439	-9,477,107	-9,477,107
Floating-rate borrowings	Decrease by 0.5%	6,675,439	6,675,439	9,477,107	9,477,107

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

X. DISCLOSURE OF FAIR VALUE

1. Financial instruments measured at fair value

The Group presents the carrying value of financial asset instruments measured at fair value at 31 December 2022 by the three levels of fair value. The overall classification of fair value into the three levels is based on the lowest of the three levels to which each significant input used in measuring fair value belongs. The three levels are defined as follows:

Level 1: is the unadjusted quoted price in an active market for identical assets or liabilities that is available at the measurement date;

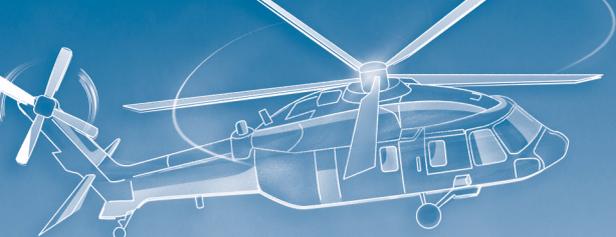
Level 2: is an input other than a Level 1 input that is directly or indirectly observable for the relevant asset or liability;

Level 2 inputs include: 1) quoted prices for identical assets or liabilities in active markets; 2) quoted prices for the same or identical assets or liabilities in inactive markets; 3) observable inputs other than quoted prices, including interest rates and yield curves, implied volatilities and credit spreads that are observable during normal quotation intervals; and 4) inputs for market validation, etc.

Level 3: is the unobservable input value of the related asset or liability.

2. The fair value of assets and liabilities measured at fair value at the end of the year

Item	Fair value at the end of the year			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
(I) Continuous fair value measurement				
(I) Financial assets held for trading	224,669,165	303,148,864	–	527,818,029
1. Financial assets at fair value through profit or loss	224,669,165	303,148,864	–	527,818,029
(1) Equity instrument investments	64,516,864	3,148,864	–	67,665,728
(2) Others	160,152,301	300,000,000	–	460,152,301
(II) Receivables financing	–	–	21,961,203	21,961,203
(III) Other equity instrument investments	1,103,911,005	1,421,150,886	53,672,832	2,578,734,723
Total assets continuously measured at fair value	1,328,580,170	1,724,299,750	75,634,036	3,128,513,956
(IV) Financial liabilities held for trading				
1. Financial liabilities at fair value through profit or loss	48,392,809	–	–	48,392,809
Including: gold leasing	43,587,499	–	–	43,587,499
Forward foreign exchange settlement	4,805,310	–	–	4,805,310
Total liabilities continuously measured at fair value	48,392,809	–	–	48,392,809
(II) Non-continuous fair value				
(I) Held-for-sale assets	–	11,184,603	–	11,184,603
Total assets not continuously measured at fair value	–	11,184,603	–	11,184,603



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

X. DISCLOSURE OF FAIR VALUE (Continued)

3. Basis for determining the market price of items continuously and not continuously measured with fair value at level 1

For financial instruments that are traded in an active market, the Group determines their fair value using their quoted prices in the active market.

4. For items continuously and not continuously measured with fair value at level 2, qualitative and quantitative information on valuation technique and important parameters used

For financial instruments that are traded in similar active markets, the Group uses valuation techniques to determine their fair value. The valuation techniques used are the market approach and the cost approach. The inputs to the valuation techniques mainly include transaction dates, trading conditions, regional factors, individual factors, etc.

5. For items continuously and not continuously measured with fair value at level 3, qualitative and quantitative information on valuation technique and important parameters used

Valuation techniques are used to determine their fair value. The valuation technique adopted is the cost method. The inputs to the valuation technique include mainly transaction dates, trading conditions, regional factors, individual factors, etc.

The equity investment of AVIC Shenyang Xinghua Aero-Electric Appliance Co., Ltd. (瀋陽興華航空電器有限責任公司), a subsidiary of JONHON Optronics, in Jinan Qingqi Motorcycle Co., Ltd. is classified as financial assets at fair value through other comprehensive income, and represented as investment in other equity instruments. As impairment provision has been fully made for the equity investment in Jinan Qingqi Motorcycle Co., Ltd., the fair value of the equity investment is identified as 0.

The receivables financing held by the Group are banker's acceptance bill with high credit ratings. Since all of these bills have maturities of one year or less, the acceptors have high credit and have never been exposed to the risk of default and refusal to pay, and the expected future cash flow recovery is equal to their carrying values, the fair values are judged to be consistent with the carrying values.

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

X. DISCLOSURE OF FAIR VALUE (Continued)

6. Ongoing fair value measurement items for which translation between levels occurred during the year

The equity investment of AVIC Avionics Lanzhou Flight Control Co., Ltd. (蘭州飛行控制有限公司), a subsidiary of AVIC Avionics, in Beijing Airborne Zhongxing Information Technology Co., Ltd. (北京機載中興信息技術有限公司) is classified as a financial asset measured at fair value through other comprehensive income and reported in other equity instrument investments. As there is no quoted market price for Beijing Airborne Zhongxing Information Technology Co., Ltd., cost is used as the best estimate of fair value measurement.

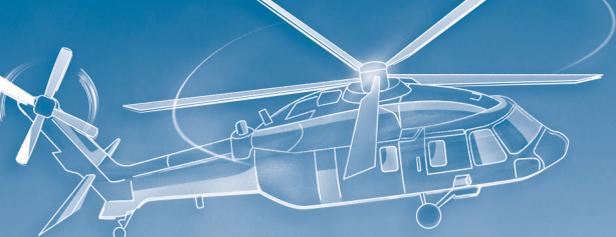
The equity investment of AVIC Avionics Lanzhou Flight Control Co., Ltd. (蘭州飛行控制有限公司), a subsidiary of AVIC Avionics, in Lanzhou Lanfei Medical Equipment Co., Ltd. (蘭州蘭飛醫療器械有限公司) is classified as a financial asset measured at fair value through other comprehensive income and reported in other equity instrument investments. As there is no quoted market price for Lanzhou Lanfei Medical Equipment Co., Ltd., cost is used as the best estimate of fair value measurement.

The fair value of financial assets and financial liabilities is determined as the amount that would result from a voluntary exchange of assets or settlement of liabilities between knowledgeable parties in an arm's length transaction, rather than the amount that would result from a forced sale into a liquidation situation.

7. Changes in valuation techniques during the year and the reasons for the changes

During the year, the Group did not have any changes in valuation techniques.

8. The Group has no assets and liabilities that are not measured at fair value but disclosed at fair value.



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Relationship of related parties

1. Controlling shareholder and ultimate controlling party

(1) Controlling shareholder and ultimate controlling party

Name of controlling shareholder and ultimate controlling party	Registration place	Nature of business	Registered capital	Shareholding proportion to the Company (%)	Proportion of voting right to the Company (%)
AVIC	Beijing	Development, production and sales of aircraft and related engines, airborne equipment and other aviation products	64,000,000,000	62.30	62.30

Note: The ultimate controller of the Company is AVIC.

(2) Registered capital of controlling shareholder and the changes

Controlling shareholder	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
AVIC	64,000,000,000	64,000,000,000	–	64,000,000,000

(3) Shareholding or equity of controlling shareholder and the changes

Controlling shareholder	Amount of shareholding		Shareholding proportion (%)	
	Closing balance	Opening balance	Ending proportion	Beginning proportion
AVIC (directly holding)	4,548,680,808	4,548,680,808	58.99	58.99
AVIC (indirectly holding)	255,288,667	201,750,667	3.31	2.61
Total	4,803,969,475	4,750,431,475	62.30	61.60

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Relationship of related parties (Continued)

2. Subsidiaries

For details of the subsidiaries, see “VIII.1.(1) Composition of the enterprise group” in this note.

3. Joint ventures and associates

Please refer to note VI.14. Long-term equity investments for details of joint ventures and associates.

4. Other related parties

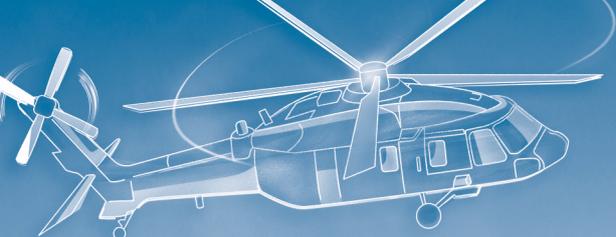
Other related parties of the Group are mainly other subsidiaries and associates and joint ventures within the scope of consolidation of AVIC.

(II) Related party transactions

1. Related party transactions of purchasing or selling goods, rendering and receiving services

(1) Purchasing goods/receiving services

Related party	Content of related transactions	Amount for the current year	Amount for the previous year
Subsidiaries of AVIC	Purchasing goods	11,447,632,250	10,567,258,037
Associates of the Group	Purchasing goods	46,855,046	58,947,082
Joint ventures of the Group	Purchasing goods	463,721,723	414,608,125
Associates of AVIC	Purchasing goods	64,455,245	4,763,580
AVIC	Receiving services	–	960,000
Subsidiaries of AVIC	Receiving services	339,879,554	371,227,961
Associates of the Group	Receiving services	27,627,834	22,895,910
Total	–	12,390,171,652	11,440,660,695



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

1. Related party transactions of purchasing or selling goods, rendering and receiving services (Continued)

(2) Selling goods/rendering services

Related party	Content of related transactions	Amount for the current year	Amount for the previous year
AVIC	Sales of goods	471,698	–
Subsidiaries of AVIC	Sales of goods	18,146,777,795	15,674,166,240
Associates of the Group	Sales of goods	92,748,726	71,805,732
Joint ventures of the Group	Sales of goods	5,302,587	5,488,480
Associates of AVIC	Sales of goods	16,108,734	13,286,246
AVIC	Rendering services	40,055,139	928,648
Subsidiaries of AVIC	Rendering services	2,513,826,899	2,602,116,584
Associates of the Group	Rendering services	4,082,134	551,502
Total	–	20,819,373,712	18,368,343,432

2. Related party trustee management

Name of the trustor	Name of the trustee	Type of assets entrusted	Trustee start date	Trustee termination date	Trustee income pricing basis	Custody income recognized in the current year
AVIC Airborne Systems Co., Ltd.* (中航機載系統有限公司)	AVIC Avionics	Other asset custody	2022-1-1	2022-12-31	Note 1	74,267,959
Beijing Qingyun Aviation Equipment Co., Ltd.* (北京青雲航空設備有限公司)	Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司)	Other asset custody	2022-1-1	2022-12-31	Note 2	9,660,377

Note 1: According to the Equity Trusteeship Agreement signed between AVIC Avionics and AVIC Airborne Systems Co., Ltd., it is agreed that AVIC Airborne Systems Co., Ltd. will entrust the management of 14 enterprises and institutions under its control to AVIC Avionics. For the enterprises in the trustee unit that made profits in the current year, the trustee fee for the current year is 2% of the audited operating income of the target enterprise for the current year calculated in accordance with the equity ratio entrusted to AVIC Avionics (i.e.: the amount of operating income of a target company for the current year × the equity ratio entrusted to the management × 2%); for the units in the target enterprise that recorded losses in the current year, the trustee fee for the current year is RMB200,000.

Note 2: Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司), a subsidiary of AVIC Avionics, is entrusted by Beijing Qingyun Aviation Equipment Co., Ltd. (北京青雲航空設備有限公司) to manage the relevant business of Beijing Qingyun Aviation Equipment Co., Ltd. (北京青雲航空設備有限公司) and reached an entrusted management service agreement on entrusted management matters. The management fees to be paid by Beijing Qingyun Aviation Equipment Co., Ltd. (北京青雲航空設備有限公司) include but are not limited to labor wages, welfare fees and other service fees.

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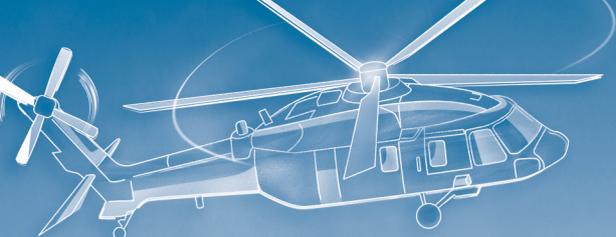
XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

3. Related lease

(1) The Group as a lessor

Name of lessor	Name of the lessee	Types of leased assets	Rental income recognized in the current year	Rental income recognized in the previous year
AviChina Hong Kong Limited. (中航科工香港有限公司)	AVIC Cabin System Co., Ltd. (中航客艙系統有限公司)	Plant & buildings	670,757	1,094,676
AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司)	AVIC Xi'an Forstar Microwave Technology Co., Ltd.	Plant & buildings	852,216	612,414
AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司)	Xi'an Tianze Xunda Technology Co., Ltd. (西安天澤訊達科技有限公司)	Real estate buildings	202,990	-
Beijing Qingyun Avionics Technology Co., Ltd. (北京青雲航電科技有限公司)	Beijing Qingyun Aviation Equipment Co., Ltd. (北京青雲航空設備有限公司)	Plant & buildings	4,530,686	4,530,686
Beijing Qingyun Avionics Technology Co., Ltd. (北京青雲航電科技有限公司)	AVIC Composite Co., Ltd.* (中航複合材料有限責任公司)	Plant & buildings	6,583,299	3,879,429
Beijing Qingyun Avionics Technology Co., Ltd. (北京青雲航電科技有限公司)	AVIC Manufacturing Technology Institute* (中國航空製造技術研究院)	Plant & buildings	7,428,618	5,003,107
Shaanxi Oriental Aeronautic Instrument Manufacture Co., Ltd. (陝西東方航空儀錶有限責任公司)	AVIC Xi'an Flight Automatic Control Research Institute* (中國航空工業集團公司西安飛行自動控制研究所)	Machinery equipment	887,788	665,841
Lanzhou Wanli Aviation Electric Co., Ltd. (蘭州萬里航空機電有限責任公司)	Lanzhou Lanfei Medical Equipment Co., Ltd. (蘭州蘭飛醫療器械有限公司)	Plant & buildings	-	121,600
AVIC Shaanxi Qianshan Avionics Co., Ltd. (陝西千山航空電子有限責任公司)	AVIC Xi'an Aeronautics Computing Technique Research Institut (中國航空工業集團公司西安航空計算技術研究所)	Plant & buildings	5,071,220	740,740
Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司)	Jiangxi Hongdu Aviaiton Industry Group Co., Ltd. (江西洪都航空工業集團有限責任公司)	Machinery equipment	1,375,320	457,142
Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司)	Jiangxi Aerospace Haihong Measurement and Control Technology Co., Ltd. (江西航天海虹測控技術有限責任公司)	Plant & buildings	315,254	262,712
Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司)	Jiangxi Hongdu International Mechanical & Electrical Co., Ltd.* (江西洪都國際機電有限責任公司)	Plant & buildings	818,675	234,608
Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司)	Jiangxi Hongdu CNC Machinery Co., Ltd. (江西洪都數控機械有限責任公司)	Plant & buildings	-	851,835
Jiangxi Changhe Aviation Industry Co., Ltd. (江西昌河航空工業有限公司)	Jingdezhen Changfei Industrial Co., Ltd.* (景德鎮昌飛實業有限公司)	Plant & buildings	214,120	183,531
Jiangxi Changhe Aviation Industry Co., Ltd. (江西昌河航空工業有限公司)	Shanghai Heli General Aviation Co., Ltd.* (上海和利通用航空有限公司)	Machinery equipment	-	891,027



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

3. Related lease (Continued)

(1) The Group as a lessor (Continued)

Name of lessor	Name of the lessee	Types of leased assets	Rental income recognized in the current year	Rental income recognized in the previous year
Jiangxi Changhe Aviation Industry Co., Ltd. (江西昌河航空工業有限公司)	Huaxia Jiuzhou General Aviation Co., Ltd. (華夏九州通用航空有限公司)	Machinery equipment	-	608,850
Changhe Aircraft Industries (Group) Co., Ltd. (昌河飛機工業集團有限公司)	Jiangxi Changhe Agusta Helicopter Co., Ltd.	Land	102,514	102,514
Total	-	-	29,053,457	20,240,712

(2) The Group as a lessee

Name of lessor	Types of leased assets	Rental fees recognized in the current year	Rental fees recognized in the previous year
Aviation Industry Information Centre* (航空工業信息中心)	Plant & buildings	4,361,921	4,582,001
AVIC Xi'an Flight Automatic Control Research Institute* (中國航空工業集團公司西安飛行自動控制研究所)	Machinery equipment	403,669	563,340
AVIC Xi'an Flight Automatic Control Research Institute* (中國航空工業集團公司西安飛行自動控制研究所)	Machinery equipment	1,713,618	-
Beijing Qingyun Aviation Equipment Co., Ltd. (北京青雲航空設備有限公司)	Plant & buildings	1,996,468	1,800,901
AVIC International Leasing Co., Ltd.	Machinery equipment	2,769,912	1,557,522
AVIC International Leasing Co., Ltd.	Machinery equipment	1,095,926	75,261
AVIC Finance Co., Ltd.* (中航工業集團財務有限責任公司)	Machinery equipment	1,869,185	2,233,666
Jiangxi Hongdu Aviation Industry Group Co., Ltd. (江西洪都航空工業集團有限責任公司)	Fixed assets and land	534,886	569,135
Jiangxi Hongdu Aviation Industry Group Co., Ltd. (江西洪都航空工業集團有限責任公司)	Plant & buildings	-	230,673
AVIC International Leasing Co., Ltd.	Machinery equipment	-	724,903
Jiangxi Changfei Aviation Service Co., Ltd. (江西昌飛航空服務有限公司)	Plant & buildings	4,022,643	-
Jingdezhen Changfei Industrial Co., Ltd. (景德鎮昌飛實業有限公司)	Plant & buildings	1,549,826	1,273,600
Jiangxi Changfei Aviation Service Co., Ltd. (江西昌飛航空服務有限公司)	Plant & buildings	7,054,680	6,002,477
Harbin Hafei Enterprise Management Co., Ltd. (哈爾濱哈飛企業管理有限責任公司)	Plant & buildings	9,497,472	-
AVIC Finance Co., Ltd. (中航工業集團財務有限責任公司)	Machinery equipment	1,762,410	1,910,726
AVIC International Leasing Co., Ltd.	Machinery equipment	32,862,375	24,881,092
Total	-	71,494,991	46,405,297

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

4. Related party guarantees

There is no related party guarantee in the current period.

5. Fund borrowing from related parties

Name of related party	Amount borrowed	Starting date	Expiration date
Borrowed funds			
AVIC Finance Co., Ltd.* (中航工業集團財務有限責任公司)	4,199,209,074	2022-05-28	2025-11-30
AVIC Airborne Systems Co., Ltd.* (中航機載系統有限公司)	2,428,628,481	2020-03-05	2025-08-31
Beijing Qingyun Aviation Equipment Co., Ltd.* (北京青雲航空設備有限公司)	50,000,000	2020-06-23	2023-06-23

6. Key management personnel remuneration

Name of the item	Amount for the current year	Amount for the previous year
Total remuneration	4,390,977	5,289,572

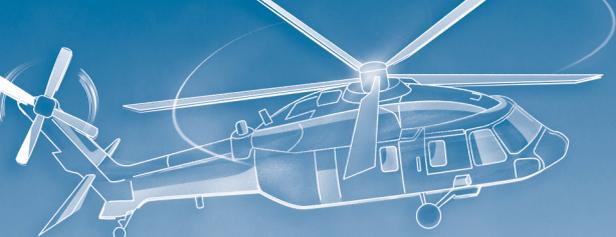
7. Other financial services

(1) Interest income

Type of related party	Amount for the current year	Amount for the previous year
Subsidiaries of AVIC	128,139,127	156,635,051
Total	128,139,127	156,635,051

(2) Interest expense

Type of related party	Amount for the current year	Amount for the previous year
AVIC	—	8,027,708
Subsidiaries of AVIC	200,195,263	204,534,464
Total	200,195,263	212,562,172



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

7. Other financial services (Continued)

(3) Discount of notes receivable

Related party	Amount for the current year		Amount for the previous year	
	Discounted amount	Discounted interest	Discounted amount	Discounted interest
AVIC Finance Co., Ltd.* (中航工業集團財務有限責任公司)	39,006,920	356,510	10,314,596	111,475
Total	39,006,920	356,510	10,314,596	111,475

(4) Acceptance of notes receivable

Related party	Amount for the current year	Amount for the previous year
AVIC Finance Co., Ltd.* (中航工業集團財務有限責任公司)	8,000,000	11,262,329
Total	8,000,000	11,262,329

(5) Factored accounts receivable

Type of related party	Amount for the current year	Amount for the previous year
Subsidiaries of AVIC	1,074,486,941	385,209,802
Total	1,074,486,941	385,209,802

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

7. Other financial services (Continued)

(6) Acquisition of wealth management products

Appointer	Trustee	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Tianjin Tianli Aviation Electromechanical Co., Ltd. (天津天利航空機電有限公司)	AVIC Securities Co., Ltd.* (中航證券有限公司)	-	350,000,000	350,000,000	-
AviChina Hong Kong Limited (中航科工香港有限公司)	AVIC Credit Investment SPC* (中航資信投資SPC)	228,928,000	-	228,928,000	-
AviChina Industrial Investment Co., Ltd. (中航科工產業投資有限責任公司)	AVIC Trust Co., Ltd (中航信託股份有限公司)	70,000,000	-	70,000,000	-
AviChina Industry & Technology Company Limited	AVIC Trust Co., Ltd (中航信託股份有限公司)	960,000,000	-	460,000,000	500,000,000
Total	-	1,258,928,000	350,000,000	1,108,928,000	500,000,000

(7) Commission expenses

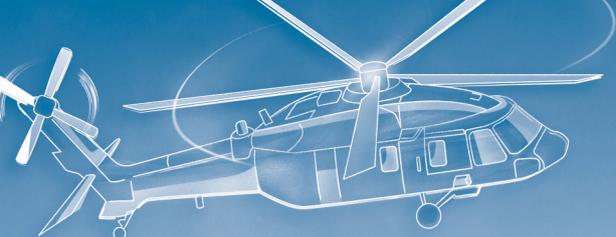
Related party	Amount for the current year	Amount for the previous year
AVIC Securities Co., Ltd.* (中航證券有限公司)	968,093	3,921,506
Total	968,093	3,921,506

8. Sale of assets and equity to related parties

Company name	Transaction content	Related party relationship	Book value	Assessed value	Transfer price
AVIC	Equity transfer	AVIC	698,400	341,199	341,199
China Aviation Industry (Hong Kong) Company Limited	Equity transfer	A subsidiary of AVIC	6,149,800	2,987,412	2,987,412

9. Connected transactions complied with Hong Kong Listing Rules

All or partial of the related party transactions disclosed on pages 317 to 323 of this financial report also constitute connected transactions as defined in Chapter 14A of the Listing Rules. And the Group had complied with requirements under chapter 14A of the Listing Rules when dealt with those transactions.



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Balance of intercourse funds among related parties

1. Receivables

Item name	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	AVIC	119,000	-	47,652	-
Accounts receivable	Subsidiaries of AVIC	12,341,009,174	385,272,354	10,373,802,996	187,838,186
Accounts receivable	Associates of the Group	239,722,052	17,238,785	90,680,496	182,487
Accounts receivable	Joint ventures of the Group	291,618	-	447,421	22,371
Accounts receivable	Associates of AVIC	17,832,068	1,763,529	39,366,220	2,919,710
Accounts receivable	Joint ventures of AVIC	-	-	5,176,383	349,838
Notes receivable	Subsidiaries of AVIC	5,396,817,380	10,804,020	4,414,973,150	7,992,432
Notes receivable	Associates of the Group	-	-	72,000,000	-
Notes receivable	Joint ventures of the Group	153,160	-	1,297,296	-
Notes receivable	Associates of AVIC	11,232,281	18,344	7,574,037	-
Other receivables	AVIC	2,402,486	1,204,215	100,000	-
Other receivables	Subsidiaries of AVIC	8,987,217	322,646	27,335,433	13,784,746
Other receivables	Associates of the Group	17,733	266	737,580	737,580
Other receivables	Joint ventures of the Group	-	-	103,117	82,493
Other receivables	Associates of AVIC	50,000,000	50,000,000	52,000,000	2,000,000
Other receivables	Joint ventures of AVIC	-	-	-	-
Prepayments	AVIC	-	-	283,500	-
Prepayments	Subsidiaries of AVIC	1,526,571,389	-	1,989,141,907	-
Prepayments	Associates of the Group	35	-	181,565	-
Prepayments	Associates of AVIC	3,612,432	-	324,050	-
Prepayments	Joint ventures of AVIC	-	-	8,746	-
Contract assets	AVIC	6,021,539	9,755	409,296	-
Contract assets	Subsidiaries of AVIC	998,424,335	882,529	1,253,487,233	-
Contract assets	Associates of the Group	12,581,298	7,468	7,462,410	-
Contract assets	Associates of AVIC	-	-	808,305	-
Contract assets	Joint ventures of AVIC	-	-	10,772,639	-
Total	-	20,615,795,197	467,523,911	18,346,829,793	215,804,979

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

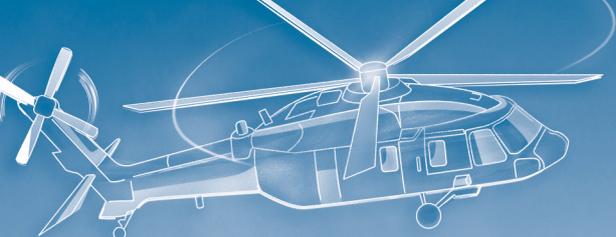
(III) Balance of intercourse funds among related parties (Continued)

2. Payables

Item name	Related party	Closing book value	Opening book value
Accounts payable	AVIC	–	23,038
Accounts payable	Subsidiaries of AVIC	8,342,140,649	6,433,207,684
Accounts payable	Associates of the Group	75,259,055	126,918,610
Accounts payable	Joint ventures of the Group	27,226,454	115,486,002
Accounts payable	Associates of AVIC	89,538,958	239,112,651
Notes payable	Subsidiaries of AVIC	3,357,440,061	2,223,233,431
Notes payable	Associates of the Group	13,113,109	7,964,430
Notes payable	Joint ventures of the Group	129,069,359	142,674,095
Notes payable	Associates of AVIC	23,904,655	4,268,100
Other payables	AVIC	376,384	451,334
Other payables	Subsidiaries of AVIC	355,607,978	152,306,236
Other payables	Associates of AVIC	4,336,466	1,807,441
Contract liabilities	AVIC	36,114	8,129,333
Contract liabilities	Subsidiaries of AVIC	7,076,689,130	8,827,540,302
Contract liabilities	Associates of the Group	982,740	416,577
Contract liabilities	Associates of AVIC	248,798	14,132,174
Total	–	19,495,969,910	18,297,671,438

(IV) Commitment of related parties

None.



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Director, supervisor and employee compensation

1. Details of director and supervisor compensation

Item	Fees	Salaries, allowances and other expenses	Contribution to pension schemes	Bonus	Share-based payment	Total	Note
Amount for the current year							
Executive directors	-	630,258	227,412	32,600	-	890,270	
Yan Lingxi	-	630,258	227,412	32,600	-	890,270	
Zhang Minsheng	-	-	-	-	-	-	
Supervisors	-	497,800	194,355	242,262	-	934,417	
Zheng Qiang	-	-	-	-	-	-	
Guo Guangxin	-	-	-	-	-	-	
Zhao Zhuo	-	497,800	194,355	242,262	-	934,417	
Non-executive directors	840,000	-	-	-	-	840,000	
Lian Dawei	-	-	-	-	-	-	
Li Xichuan	-	-	-	-	-	-	- Resigned as a non-executive director at the extraordinary general meeting on 2022-10-26
Xu Gang	-	-	-	-	-	-	
Liu Bingjun	-	-	-	-	-	-	- Appointed as a non-executive director at the extraordinary general meeting on 2022-10-26
Wang Jun	210,000	-	-	-	-	210,000	
Liu Weiwu	210,000	-	-	-	-	210,000	
Mao Fugen	210,000	-	-	-	-	210,000	
Lin Guiping	210,000	-	-	-	-	210,000	
Total	840,000	1,128,058	421,767	274,862	-	2,664,687	

Notes to the Financial Statements

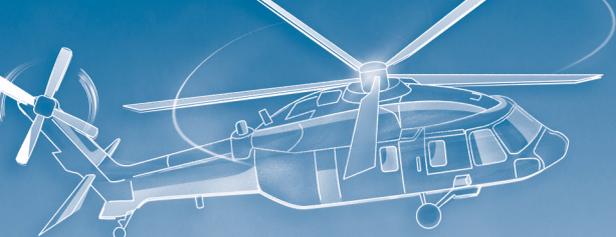
From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Director, supervisor and employee compensation (Continued)

1. Details of director and supervisor compensation (Continued)

Item	Fees	Salaries, allowances and other expenses	Contribution to pension schemes	Bonus	Share-based payment	Total	Note
Amount for the previous year							
Executive directors	-	1,326,597	254,150	364,719	-	1,945,466	
Wang Xuejun	-	675,979	110,510	300,000	-	1,086,489	Resigned as an executive director and Chairman of the Board on 2021-12-3
Zhang Minsheng	-	-	-	-	-	-	Nominated as an executive director at the Board meeting on 2021-12-3
Zhao Hongwei	-	592,550	131,001	64,719	-	788,270	Resigned as executive director and general manager on 2021-11-5
Yan Lingxi	-	58,068	12,639	-	-	70,707	Resigned as a non-executive director on 2021-5-28 and nominated as executive director and appointed as general manager at the Board meeting on 2021-12-3
Supervisors	-	602,809	106,808	144,000	-	853,617	
Zheng Qiang	-	-	-	-	-	-	
Guo Guangxin	-	-	-	-	-	-	
Zhao Zhuo	-	602,809	106,808	144,000	-	853,617	
Non-executive directors	752,500	-	-	-	-	752,500	
Lian Dawei	-	-	-	-	-	-	
Li Xichuan	-	-	-	-	-	-	Appointed on 2021-5-28
Xu Gang	-	-	-	-	-	-	
Liu Renhuai	87,500	-	-	-	-	87,500	Resigned on 2021-5-28
Wang Jianxin	87,500	-	-	-	-	87,500	Resigned on 2021-5-28
Wang Jun	122,500	-	-	-	-	122,500	Appointed on 2021-5-28
Liu Weiwu	210,000	-	-	-	-	210,000	
Mao Fugen	122,500	-	-	-	-	122,500	Appointed on 2021-5-28
Lin Guiping	122,500	-	-	-	-	122,500	Appointed on 2021-5-28
Total	752,500	1,929,406	360,958	508,719	-	3,551,583	



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Director, supervisor and employee compensation (Continued)

2. Five highest paid employees

There were no directors among the top five highest paid employees in the current year (previous year: none)

Item	Amount for the current year	Amount for the previous year
Salaries, allowances and other expenses	7,237,550	6,266,375
Contribution to pension schemes	374,935	140,032
Share-based payment	1,855,106	2,845,870
Total	9,467,591	9,252,547

Remuneration range:

Item	Number of people in the current year	Number of people in the previous year
RMB1,500,001 to RMB2,000,000	3	4
RMB2,000,001 to RMB2,500,000	2	1

During the track record period, none of the directors has waived or agreed to waive any remuneration. During the track record period, the Group did not pay any remuneration to any director, supervisor or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Director, supervisor and employee compensation (Continued)

3. Compensation for key managers

Compensation for key managers (including the amount which has been paid and shall be paid to directors, supervisors and senior management) is shown as follows:

Item	Amount for the current year	Amount for the previous year
Fees	840,000	752,500
Salaries, allowances and other expenses	2,206,738	3,053,166
Contribution to pension schemes	808,142	558,981
Bonus	536,097	924,925
Total	4,390,977	5,289,572

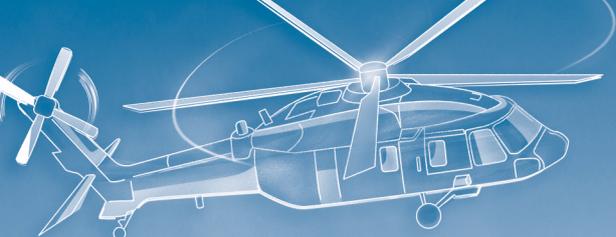
(VI) Loan of related party

Related Party	31 December 2022	31 December 2021
Subsidiaries of AVIC	6,677,837,555	6,195,598,706
Total	6,677,837,555	6,195,598,706

(VII) Others

Monetary funds deposited with related parties

Related Party	Closing balance	Opening balance
AVIC Finance Co., Ltd.	24,431,773,142	15,856,420,419
Total	24,431,773,142	15,856,420,419



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XII. SHARE-BASED PAYMENT

1. According to the resolution of the first extraordinary general meeting of shareholders in 2017, JONHON Optronic, a subsidiary of the Group, passed the Proposal for Granting Restricted Shares to the Incentive Recipients of the Company's A Share Restricted Share Incentive Plan (Phase I) (Plan I) at the meeting of the board of directors on 18 January 2017. The board of directors agreed to grant 6,001,000 restricted A shares to 266 employees under Plan I. The grant date was 18 January 2017 and the share price was RMB28.19.

Plan I is valid from the first day of grant to the date when all restricted shares are unlocked or repurchased and cancelled. Plan I is valid for five years (60 months), including a two-year lock-up period and a three-year lock-out period.

The incentive targets of Plan I are the management and core technical and business personnel of JONHON Optronic and the management and key personnel of its subsidiaries, totaling 266 persons.

2. According to the resolution of the third extraordinary general meeting of shareholders in 2019, JONHON Optronic, a subsidiary of the Group, passed the Proposal for Granting Restricted Shares to the Incentive Recipients of the Company's A Share Restricted Share Incentive Plan (Phase II) (Plan II) at the Board Meeting on 26 December 2019. The Board agreed to grant 31,493,400 restricted A shares to 1,182 employees under Plan II. The grant date was 26 December 2019 and the share price was RMB23.43.

The Plan II is valid from the first day of grant to the date when all restricted shares are unlocked or repurchased and cancelled. The Plan II is valid for five years (60 months), including a two-year lock-up period and a three-year lock-out period.

The incentive targets of Plan II are directors, management and core technical and business personnel of JONHON Optronic and the management and key employees of its subsidiaries, totaling 1,164 persons.

3. JONHON Optronic, a subsidiary of the Group, considered and approved the Proposal for Granting Restricted Shares to the Incentive Recipients of the Company's A Share Restricted Share Incentive Plan (Phase III) (Plan III) in accordance with the 29th meeting of the 6th session of the board of directors and the 22nd meeting of the 6th session of the board of supervisors in 2022. The board of directors unanimously granted 41,769,000 restricted shares to 1,472 incentive recipients under Plan III, with the grant date on 1 December 2022 and the grant price of RMB32.37 per share.

The Plan III is valid from the first day of grant to the date when all restricted shares are unlocked or repurchased and cancelled. The Plan III is valid for five years (60 months), including a two-year lock-up period and a three-year lock-out period.

The incentive targets of Plan III are directors, management and core technical (business) personnel of JONHON Optronic and the management and core employees of its subsidiaries, totaling 1,472 people.

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XIII. CONTINGENCIES

As of 31 December 2022, the Group has no material contingencies.

XIV. COMMITMENTS

Capital commitments

Item	Closing balance	Opening balance
Capital commitments		
Fixed assets	30,137,900	34,626,209
Total	30,137,900	34,626,209

XV. EVENTS AFTER THE BALANCE SHEET DATE

(I) Profit distribution after the balance sheet date

Unit: RMB

Profit or dividend to be distributed	616,906,579
Profit or dividends declared after consideration and approval	–

Note: The Group intends to distribute a cash dividend of RMB0.08 (tax inclusive) per share to all shareholders on the basis of the total share capital of the Company as at the equity registration date when the Company's equity distribution is implemented.

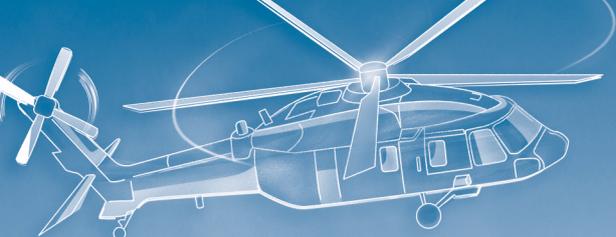
(II) Significant non-adjusting events

1. *The satisfaction of the unlocking conditions of the second unlocking period of the Company's A Share Restricted Share Incentive Plan (Phase II) by JONHON Optronic*

At the 30th meeting of the 6th session of the board of directors and the 23rd meeting of the 6th session of board of supervisors held on 26 December 2022, JONHON Optronic, a subsidiary of the Group, considered and approved the Proposal on the Satisfaction of the Unlocking Conditions of the Second Unlocking Period of the Company's A Share Restricted Share Incentive Plan (Phase II), the date of listing and circulation of the shares released from restricted sale was 17 January 2023, the number of shareholders who applied for the release of restricted sale was 1,102, and the shares released from restricted sale were 13,812,643.

2. *Repurchase and cancellation of some restricted shares of the Restricted Share Incentive Plan*

Pursuant to the Proposal on the Repurchase and Cancellation of Some Restricted Shares of the Company's Restricted Share Incentive Plan considered and approved by the 30th meeting of the 6th session of the board of directors, the 23rd meeting of the 6th session of the board of supervisors and the 1st Extraordinary General Meeting of 2023 held on 26 December 2022 and 13 January 2023 of JONHON Optronic, a subsidiary of the Group, 11 incentive recipients applied to repurchase and cancel a total of 203,272 restricted shares due to job transfer, retirement, death, separation and personal performance evaluation not reaching 100% unlocking requirements.



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XV. EVENTS AFTER THE BALANCE SHEET DATE (Continued)

(III) Cancellation of treasury shares

The 9th meeting of the 7th session of the board of directors of AVIC Avionics for the year 2022 and the third extraordinary general meeting of 2022 of AVIC Avionics, a subsidiary of the Group, approved the cancellation of the repurchased shares of 10,415,430 shares on 4 January 2023, representing 0.54% of the total share capital of 1,928,214,265 shares before the repurchase. Upon the completion of this cancellation, the total share capital of AVIC Avionics was reduced from 1,928,214,265 shares to 1,917,798,835 shares.

(IV) Reorganization

1. In order to restructure and form an important listed airborne system platform of AVIC Group and accelerate the development of airborne system business, AVIC Avionics, a subsidiary of the Group, intends to conduct share swap and absorption merger of AVIC Electromechanical Systems Co., Ltd. (中航工業機電系統股份有限公司) ("AVIC Electromechanical") by way of issuing A shares to exchange shareholders of AVIC Electromechanical and issue A shares to raise supporting funds ("AVIC Avionics Restructuring"). The AVIC Avionics Restructuring is subject to the approval of the competent regulatory authorities before it can be formally implemented, and there is uncertainty as to whether it can be implemented. The relevant information is subject to the announcement released by the designated information disclosure media of AVIC Avionics. As of the date of approval of the financial report, The AVIC Avionics Restructuring has not yet been completed.
2. In order to further integrate the helicopter business and promote the high-quality development of the listed company, the Group is planning a major asset reorganization involving AVICOPTER. AVICOPTER plans to issue shares to purchase 100% equity of Changhe Aircraft Industries (Group) Co., Ltd. (昌河飛機工業(集團)有限責任公司) (hereinafter referred to as "Changhe Aircraft") and Harbin Aircraft Industry Group Co., Ltd. (哈爾濱飛機工業集團有限責任公司) (hereinafter referred to as "Harbin Aircraft") and raise supporting funds (hereinafter referred to as the "AVICOPTER Reorganization"). The AVICOPTER Reorganization is expected to constitute a major asset reorganization under the Measures for the Administration of Major Assets Reorganization of Listed Companies (2020 Revision) and a connected transaction of the Company, which will not result in a change of the actual controller of AVICOPTER. After the completion of the transaction, AVICOPTER will hold 100% equity interest in Changhe Aircraft and 100% equity interest in Harbin Aircraft, and Changhe Aircraft and Harbin Aircraft will become wholly-owned subsidiaries of AVICOPTER.

In accordance with the relevant regulations of the Shanghai Stock Exchange, the shares of AVICOPTER have been suspended from 26 December 2022 due to the planning of major restructuring matters and upon application to the Shanghai Stock Exchange.

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XV. EVENTS AFTER THE BALANCE SHEET DATE (Continued)

(IV) Reorganization (Continued)

On 9 January 2023, AVICOPTER held the 21st meeting of the 8th session of the board of directors to consider and approve the Proposal on the Company's Proposal to Issue Shares to Purchase Assets and Raise Supporting Funds and Related Transactions and other proposals related to AVICOPTER Reorganization, and made relevant announcements on the website of Shanghai Stock Exchange and designated information disclosure media, and disclosed the proposal of AVICOPTER Reorganization. Upon application to the Shanghai Stock Exchange, trading of the shares of AVICOPTER was resumed from the opening of the market on Tuesday, 10 January 2023. The transaction plan includes two transactions: (1) issuing shares to purchase assets; (2) issuing shares to raise supporting funds. The main items are as follows:

(1) Issuing shares to purchase assets

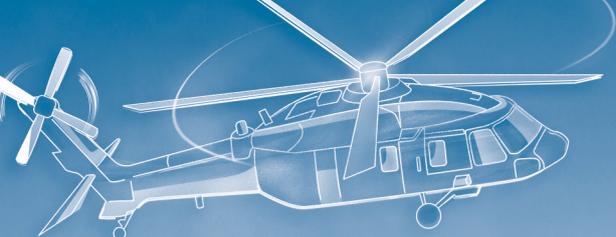
AVICOPTER intends to issue shares to the Company to purchase its 92.43% equity interest in Changhe Aircraft and 80.79% equity interest in Harbin Aircraft, and intends to issue shares to AVIC Group to purchase its 7.57% equity interest in Changfei Group and 19.21% equity interest in Changhe Aircraft.

After friendly negotiation among all parties, the offering price for this share issuance to purchase assets is RMB39.53 per share, which is not less than 90% of the average trading price of the shares of the listed company for the 60 trading days prior to the pricing base date. The final offering price is subject to the approval of the shareholders' general meeting and the approval of the CSRC. During the period from the pricing base date to the issuance date of this share issuance to purchase assets, if the shares of the listed company are subject to ex-rights and ex-dividend events such as dividend distribution, share distribution, share allotment, transfer from capital reserves to share capital, etc., the offering price will be adjusted accordingly.

As the related work have not yet been completed, the specific performance commitment and compensation plan of the transaction shall be determined through separate negotiations between the listed company and the restructuring counterparty with reference to the relevant regulations of CSRC and relevant practices, and the performance commitment and compensation agreement (if any) signed shall ultimately prevail.

(2) Issuing shares to raise supporting funds

In this transaction, AVICOPTER intends to raise supporting funds by private offering of A shares to not more than 35 qualified specific investors including the Company and the Airborne Company (機載公司). The total amount of supporting funds to be raised will not exceed 100% of the transaction price of the assets to be purchased by way of share issuance, and the number of shares to be issued will not exceed 30% of the total share capital of the listed company after the completion of this share issuance to purchase assets. The final number of shares to be issued and the price shall be determined in accordance with the relevant regulations of the securities regulatory authorities. Among them, the amount of supporting funds to be subscribed by the Company is RMB200 million and the amount of supporting funds to be subscribed by Airborne Company is RMB100 million.



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XV. EVENTS AFTER THE BALANCE SHEET DATE (Continued)

(IV) Reorganization (Continued)

(2) *Issuing shares to raise matching funds* (Continued)

During the period from the pricing base date to the offering date of this supporting fund raising, if there are any ex-dividend or ex-dividend events such as dividend payment, share distribution, share allotment or transfer from capital reserves to share capital, the number of shares to be issued for this supporting fund raising will be adjusted accordingly. If the latest regulatory opinion of the securities regulator is adjusted, the listed company may adjust the matters related to the fund raising in accordance with the latest regulatory opinion of the relevant securities regulator.

On 15 March 2023, AVICOPTER held the 23rd meeting of the 8th session of the board of directors to consider and approve the Proposal on the Amendments to the Company's Proposal to Issue Shares to Purchase Assets and Raise Funds and Related Transactions and other proposals related to AVICOPTER Reorganization, and made relevant announcements on the website of Shanghai Stock Exchange and designated information disclosure media. The main matter concerned is to adjust the offering price for this share issuance to purchase assets from the original RMB39.53 per share to RMB35.92 per share, which is not less than 80% of the average trading price of the shares of the listed company for 120 trading days prior to the pricing base date. The final offering price is subject to the approval of the shareholders' general meeting of the company and the approval of the CSRC.

In strict accordance with the relevant provisions of laws, regulations and regulatory documents, such as the Measures for the Administration of Major Assets Reorganization of Listed Companies and the Operational Guidelines for Information Disclosure, Suspension and Resumption of Trading for Major Assets Reorganization of Listed Companies of the SSE and Guidelines for Stock Suspension and Resumption of Trading of Listed Companies Planning for Material Events of the SSE, AVICOPTER strictly fulfills the relevant decision-making procedures and discloses relevant information in a timely manner.

(V) Other significant non-adjustments after the balance sheet date

Other than the above disclosed events after the balance sheet date, the Group has no other significant events after the balance sheet date.

XVI. OTHER SIGNIFICANT MATTERS

1. Segment information

(1) *Determination basis and accounting policies of reportable segments*

The Group determines operating segments based on internal organizational structure, management requirements and internal reporting system, and determines reportable segments and discloses segment information based on operating segments.

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XVI. OTHER SIGNIFICANT MATTERS (Continued)

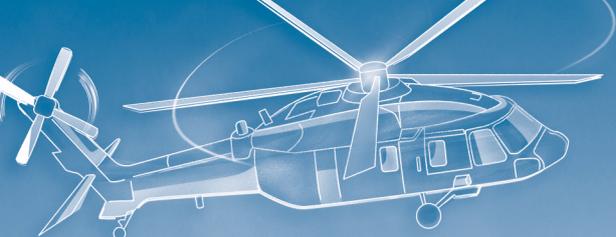
1. Segment information (Continued)

(1) Determination basis and accounting policies of reportable segments (Continued)

An operating segment is a component of the Group that meets the following conditions simultaneously: (1) the component is able to generate revenue and incur expenses in its daily activities; (2) the Group's management is able to evaluate the operating results of the component on a regular basis to decide to allocate resources to it and evaluate its performance; and (3) the Group is able to obtain accounting information related to the financial position, operating results and cash flows of the component. Two or more operating segments may be combined into one operating segment if they have similar economic characteristics and certain conditions are met.

(2) Financial information of the report segment in the year

The current year	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Offset	Total
Revenue from external transactions	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



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XVI. OTHER SIGNIFICANT MATTERS (Continued)

1. Segment information (Continued)

(2) Financial information of the report segment in the year (Continued)

The previous year	Aviation entire aircraft	Aviation ancillary system and related business	Aviation engineering services	Offset	Total
Revenue from external transactions	20,388,178,726	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

2. The Group has no other significant transactions and events that have an impact on investors' decisions

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

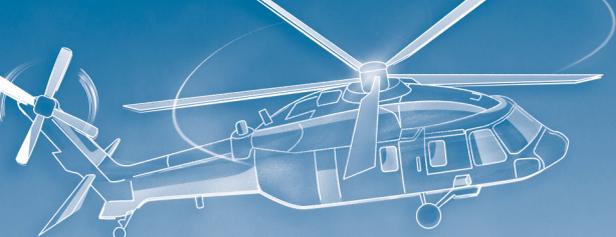
XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

Item	Closing balance	Opening balance
Accounts receivable	1,603,740	1,603,740
Less: Impairment provision	1,262,954	779,606
Net accounts receivable	340,786	824,134

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

Category of portfolio	Original value	Closing balance		Book value
		Proportion of bad debt provision (%)	Bad debt provision	
Bad debt provision made individually				
Bad debt provision made as per portfolio	1,603,740	78.75	1,262,954	340,786
Including: Portfolio of credit risk characteristics	1,603,740	78.75	1,262,954	340,786
Total	1,603,740	-	1,262,954	340,786



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

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

Category of portfolio	Original value	Opening balance		Book value
		Proportion of bad debt provision (%)	Bad debt provision	
Bad debt provision made individually				
Bad debt provision made as per portfolio	1,603,740	48.61	779,606	824,134
Including: Portfolio of credit risk characteristics	1,603,740	48.61	779,606	824,134
Total	1,603,740	–	779,606	824,134

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

Aging	Closing balance		
	Book balance	Bad debt provision	Provision proportion (%)
3-4 years	66,792	33,396	50
4-5 years	1,536,947	1,229,558	80
Total	1,603,740	1,262,954	–

Aging	Opening balance		
	Book balance	Bad debt provision	Provision proportion (%)
2-3 years	66,792	11,132	16.67
3-4 years	1,536,948	768,474	50.00
Total	1,603,740	779,606	–

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

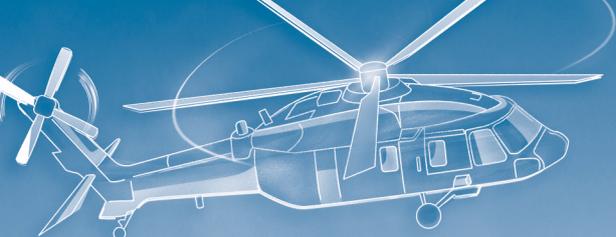
(2) Based on the date of transaction, ageing of accounts receivable is as follows

Ageing	Accounts receivable	Closing balance	
		Bad debt provision	Proportion of bad debt provision (%)
3-4 years	66,792	33,396	50
4-5 years	1,536,947	1,229,558	80
Total	1,603,740	1,262,954	-

Ageing	Accounts receivable	Opening balance	
		Bad debt provision	Proportion of bad debt provision (%)
2-3 years	66,792	11,132	16.67
3-4 years	1,536,948	768,474	50.00
Total	1,603,740	779,606	-

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

Category	Opening balance	Provision	Amount changed in the current year			Closing balance
			Accounts recovered or transferred back	Amounts written back or written off	Other	
Accounts receivable	779,606	483,348	-	-	-	1,262,954
Total	779,606	483,348	-	-	-	1,262,954



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(4) Details of top five accounts receivable with the closing balances classified by the borrowers

The total amount of the top five accounts receivable with the closing balances classified by the borrowers during the current year was RMB1,603,740, accounting for 100% of the total accounts receivable balance, and the corresponding bad debt provision totaled RMB1,262,954.

The total amount of the top five accounts receivable with the closing balances classified by the borrowers during the previous year was RMB1,603,740, accounting for 100% of the total accounts receivable balance, and the corresponding bad debt provision totaled RMB779,606.

2. Other receivables

Item	Closing balance	Opening balance
Other receivables	249,082,153	227,505,857
Total	249,082,153	227,505,857

2.1 Other receivables

(1) Classification of other receivables by nature

Nature of amount	Closing book value	Opening book value
Borrowings	254,698,538	233,689,185
Others	341,199	45,009
Total	255,039,737	233,734,194

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
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XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

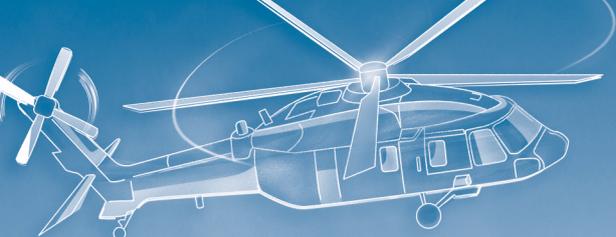
2.1 Other receivables (Continued)

(2) Bad debt provision of other receivables

	Stage 1 Expected credit loss in the future 12 months	Stage 2 Lifetime expected credit loss (no credit impaired)	Stage 3 Lifetime expected credit loss (credit impaired)	Total
Bad debt provision				
Opening balance	6,228,337	–	–	6,228,337
Opening book balance of other receivables during the year	–	–	–	–
– Be transferred to Stage 2	–	–	–	–
– Be transferred to Stage 3	–	–	–	–
– Be transferred back to Stage 2	–	–	–	–
– Be transferred back to Stage 1	–	–	–	–
Provision made in the current year	11,379	–	–	11,379
Amount transferred back in the current year	282,133	–	–	282,133
Amount written back in the current year	–	–	–	–
Amount written off in the current year	–	–	–	–
Other changes	–	–	–	–
Closing balance	5,957,584	–	–	5,957,584

(3) Other receivables listed as per aging

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	251,328,380	230,032,837
1-2 years	–	–
2-3 years	10,000	–
3-4 years	–	8,000
4-5 years	8,000	6,500
Over 5 years	3,693,357	3,686,857
Subtotal	255,039,737	233,734,194
Less: Bad debt provision	5,957,584	6,228,337
Total	249,082,153	227,505,857



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

2.1 Other receivables (Continued)

(4) Other receivables with bad debt provision made on the group of expected credit risk characteristics

Classification of the group	Original book value	Closing balance		Book value
		Proportion of bad debt provision (%)	Bad debt provision	
Other receivables with bad debt provision made individually	-	-	-	-
Other receivables with bad debt provision made on the group of credit risk characteristics	255,039,737	2.34	5,957,584	249,082,153
Total	255,039,737	-	5,957,584	249,082,153

Classification of the group	Original book value	Opening balance		Book value
		Proportion of bad debt provision (%)	Bad debt provision	
Other receivables with bad debt provision made individually	-	-	-	-
Other receivables with bad debt provision made on the group of credit risk characteristics	233,734,194	2.66	6,228,337	227,505,857
Total	233,734,194	-	6,228,337	227,505,857

Notes to the Financial Statements

From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

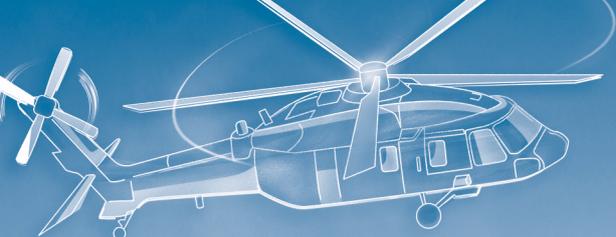
2.1 Other receivables (Continued)

(5) Bad debt provision of other receivables

Category	Opening balance	Provision	Amount changed in the current year			Closing balance
			Accounts recovered or transferred back	Amounts written back or written off	Other	
Other receivables	6,228,337	11,379	282,133	–	–	5,957,584
Total	6,228,337	11,379	282,133	–	–	5,957,584

(6) Details of other receivables classified by the borrowers

Name	Nature of amount	Closing balance	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
Company 1	Borrowings	250,877,309	Within 1 year (including 1 year)	98.37	2,257,896
Total	–	250,877,309	Within 1 year (including 1 year)	98.37	2,257,896



Notes to the Financial Statements

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XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term equity investments

(1) Classification of long-term equity investments

Item	Book balance	Closing balance		Opening balance		
		Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	14,597,090,057	-	14,597,090,057	11,283,225,884	-	11,283,225,884
Investment in associates and joint ventures	625,324,609	-	625,324,609	569,728,875	-	569,728,875
Total	15,222,414,665	-	15,222,414,665	11,852,954,759	-	11,852,954,759

(2) Investment in subsidiaries

Investee	Opening balance	Increase in the current year	Decrease in the current year	Closing balance	Impairment Provision for the year	Closing balance of impairment provision
Jiangxi Hongdu Aviation Industry Co., Ltd.* (江西洪都航空工業股份有限公司)	988,016,529	-	-	988,016,529	-	-
AVIC JONHON Optronics Technology Co., Ltd. (中航光電科技股份有限公司)	1,055,216,254	-	-	1,055,216,254	-	-
China Avionics Systems Co., Ltd. (中航航空電子系統股份有限公司)	1,771,378,694	26,228,371	-	1,797,607,065	-	-
Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空機電有限公司)	1,031,349,927	-	-	1,031,349,926	-	-
AviChina Hong Kong Limited. (中航科工香港有限公司)	486,562,400	-	-	486,562,400	-	-
Harbin Aviation Industry (Group) Co., Ltd. (哈爾濱航空工業(集團)有限公司)	619,207,652	-	618,772,203	435,449	-	-
China Aviation Planning and Design Institute Co., Ltd. (中國航空規劃設計研究總院有限公司)	1,463,693,497	-	-	1,463,693,497	-	-
AviChina Industrial Investment Co., Ltd. (中航科工產業投資有限責任公司)	200,000,000	-	-	200,000,000	-	-
Changhe Aircraft Industry (Group) Corporation Ltd. (昌河飛機工業(集團)有限責任公司)	413,293,722	322,547,866	-	735,841,588	-	-
Harbin Aircraft Industry Group Co., Ltd. (哈爾濱飛機工業集團有限責任公司)	31,562,442	829,159,394	-	860,721,836	-	-
AVICOPTER PLC (中航直升機股份有限公司)	492,024,887	4,171,351,900	-	4,663,376,787	-	-
Total	11,283,225,884	5,349,287,530	2,035,423,357	14,597,090,057	-	-

Notes to the Financial Statements

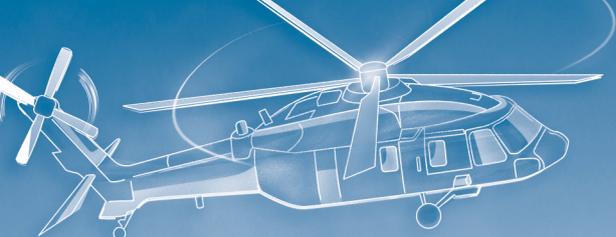
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XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term equity investments (Continued)

(3) Investments in associates and joint ventures

Investee	Opening balance (Book value)	Added investment	Decreased investment	Investment profit or loss recognized under equity method	Movement for the year				Closing balance (Book value)	
					Adjustment to other comprehensive income	Other changes in equity	Distribution of cash dividend or profit declared	Impairment provision Others		
I. Associates										
AVIC Nanjing Servo Control System Co., Ltd. (中航工業南京伺服控制系 統有限公司)	190,800,243	-	-	24,179,359	-	527,826	-	-	-	215,507,428
Aviation Gyro (Beijing) PhotoElectricity Technology Co., Ltd.* (中航捷銳(北京)光電技術 有限公司)	85,768,915	-	-	10,639,457	-	1,110,730	-	-	-	97,519,101
Beijing Hangwei High-Technology Connection Technology Co., Ltd.* (北京航為高科連接技術有限公司)	99,603,564	-	-	5,675,327	-	23,875,622	948,504	-	-	128,420,987
AVIC Air Traffic Management System Equipment Co., Ltd.* (中航空管系 統裝備有限公司)	96,463,956	-	-	-24,645,197	-	1,728	-	-	-	71,820,486
AVIC Jincheng Unmanned System Co., Ltd.* (中航金城無人系統 有限公司)	44,286,981	-	-	-4,598,579	-	43,124	79,279	-	-	39,437,270
AVIC Rongfu Fund Management Company Limited* (中航融富基金 管理有限公司)	52,805,216	-	-	17,813,344	2,000,777	-	-	-	-	72,619,336
Subtotal	569,728,875	-	-	29,063,710	2,000,777	25,559,029	1,027,783	-	-	625,324,609
Total	569,728,875	-	-	29,063,710	2,000,777	25,559,029	1,027,783	-	-	625,324,609



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XVII. NOTES TO THE MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Operating income and operating cost

Item	Amount for the current year		Amount for the previous year	
	Income	Cost	Income	Cost
Other businesses	1,778,432	1,304,395	2,218,648	1,389,598
Total	1,778,432	1,304,395	2,218,648	1,389,598

5. Investment income

Item	Amount for the current year	Amount for the previous year
Long-term equity investment income calculated at cost method	572,816,515	503,378,655
Long-term equity investment income calculated at equity method	29,063,710	32,390,286
Investment income from disposal of long-term equity investment	–	–
Investment income from holding financial assets held for trading	133,860	–
Investment income from holding other equity instrument investments	12,128,875	354,998
Investment income from holding other non-current financial assets	26,500,000	32,465,753
Investment income from disposal of financial assets held for trading	63,486,873	94,222,385
Total	704,129,833	662,812,077

Notes to the Financial Statements

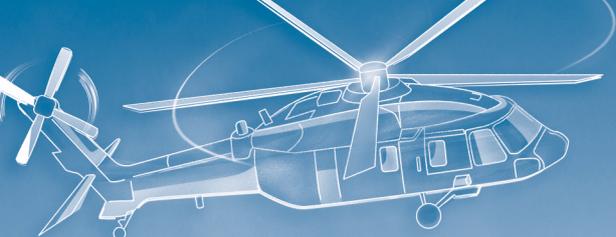
From 1 January 2022 to 31 December 2022
(The notes to the financial statements are presented in RMB, except as otherwise noted)

XVIII.SUPPLEMENTARY INFORMATION ON FINANCIAL STATEMENTS

1. Breakdown of non-recurring profit or loss for the current year

In accordance with the China Securities Regulatory Commission's Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public – Non-recurring Profits and Losses (2008), the Group's non-recurring profit and loss during the reporting period is as follows:

Item	Amount for the year
Gain or loss on disposal of non-current assets	264,824,780
Government grants recognized in current profit or loss (except those closely related to the business of the enterprise and enjoyed in a fixed or quantitative amount according to the national uniform standard)	286,004,618
Gain or loss from entrusting others to invest or manage assets	10,939,330
Gain or loss on debt restructuring	57,930,471
Gain or loss from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment income from the disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments, except for effective hedging operations related to the Company's normal business operations	97,622,898
Reversal of provision for impairment of receivables and contract assets individually tested for impairment	7,066,912
Gain or loss on external entrusted loans	465,269
Custodian fee income earned from entrusted operations	83,928,336
Non-operating income and expenses other than those mentioned above	57,931,022
Other profit and loss items that meet the definition of non-recurring profit or loss	444,751
Subtotal	867,158,388
Less: Income tax effect amount	127,156,682
Amount of minority interest impact (after tax)	191,283,424
Total	548,718,281



Notes to the Financial Statements

From 1 January 2022 to 31 December 2022

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

XVIII. SUPPLEMENTARY INFORMATION ON FINANCIAL STATEMENTS (Continued)

2. Return on net assets and earnings per share

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

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the parent Company	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

XIX. APPROVAL OF FINANCIAL STATEMENT

This financial report was approved by the Board of the Company on 15 March 2022.

AviChina Industry & Technology Company Limited
15 March 2023

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings indicated.

“Articles of Association”	Articles of Association of the Company (as amended from time to time)
“AVIC”	Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司), a controlling shareholder of the Company holding directly and indirectly 62.30% equity interest of the Company
“AVIC Airborne Systems”	AVIC Airborne Systems Company Limited (中航機載系統有限公司), a limited liability company incorporated in the PRC and a subsidiary of AVIC
“AVIC Avionics”	China Avionics Systems Co., Ltd. (中航航空電子系統股份有限公司), a joint stock limited liability company whose shares are listed on the Shanghai Stock Exchange, a subsidiary of the Company
“AVIC CAPDI”	China Aviation Planning and Design Institute Co., Ltd. (中國航空規劃設計研究總院有限公司), a wholly-owned subsidiary of the Company
“AVIC Electromechanical”	AVIC Electromechanical Systems Co., Ltd. (中航工業機電系統股份有限公司), a subsidiary of AVIC
“AVIC Finance”	AVIC Finance Co., Ltd. (中航工業集團財務有限責任公司), a subsidiary of AVIC
“AVIC Forstar”	AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司), a subsidiary of JONHON Optronics
“AVIC Group”	AVIC and its subsidiaries
“AVIC Helicopter”	AVIC Helicopter Co., Ltd. (中航直升機有限責任公司), a wholly-owned subsidiary of the Company
“AVIC I”	China Aviation Industry Corporation I (中國航空工業第一集團公司), the predecessor of AVIC
“AVIC II”	China Aviation Industry Corporation II (中國航空工業第二集團公司), a former controlling shareholder of the Company and the predecessor of AVIC
“AVIC Industry-Finance”	AVIC Industry-Finance Holdings Co., Ltd. (中航工業產融控股股份有限公司), a joint stock limited liability company whose shares are listed on the Shanghai Stock Exchange and a subsidiary of AVIC



Definitions

“AVIC Kaitian”	Chengdu CAIC Electronics Co., Ltd. (成都凱天電子股份有限公司), a subsidiary of AVIC Avionics
“AVIC Lanfei”	Lanzhou Flight Control Co., Ltd. (蘭州飛行控制有限責任公司), a wholly-owned subsidiary of AVIC Avionics
“AVIC Optoelectronics Precision”	AVIC Optoelectronics Precision Electroics (Shenzhen) Co. Ltd. (中航光電精密電子(深圳)有限公司), a subsidiary of JONHON Optronic
“AVIC Renewable Energy”	AVIC Renewable Energy Investment Co., Ltd. (中國航空工業新能源投資有限公司), a subsidiary of AVIC
“AVIC Trust”	AVIC Trust Co., Ltd. (中航信託股份有限公司), a joint stock limited liability company incorporated in the PRC and a subsidiary of AVIC
“AviChina”, “the Company”	AviChina Industry & Technology Company Limited (中國航空科技工業股份有限公司), a joint stock limited company established in the PRC with limited liability on 30 April 2003
“AviChina Capital”	AviChina Industrial Investment Co., Ltd. (中航科工產業投資有限責任公司), a wholly-owned subsidiary of the Company
“AviChina Hong Kong”	AviChina Hong Kong Limited (中航科工香港有限公司), a wholly-owned subsidiary of the Company
“AVICOPTER”	AVICOPTER PLC (中航直升機股份有限公司), a joint stock limited company whose shares are listed on the Shanghai Stock Exchange, a subsidiary of the Company
“Board” or “Board of Directors”	the board of directors of the Company
“Changfeng Avionics”	Suzhou Changfeng Avionics Co., Ltd. (蘇州長風航空電子有限公司), a wholly-owned subsidiary of AVIC Avionics
“Changhe Aircraft”	Changhe Aircraft Industries (Group) Co., Ltd. (昌河飛機工業(集團)有限責任公司), a subsidiary of the Company
“Changhe Aviation”	Jiangxi Changhe Aviation Industry Co., Ltd. (江西昌河航空工業有限公司), a wholly-owned subsidiary of AVICOPTER

Definitions

“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Domestic Shares”	ordinary shares of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in Renminbi by PRC nationals and/or PRC corporate entities
“Former AVIC”	Aviation Industry Corporation of China (中國航空工業總公司), the predecessor of AVIC I and AVIC II
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign invested shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“Hafei Aviation”	Harbin Hafei Aviation Industry Co., Ltd. (哈爾濱哈飛航空工業有限責任公司), a wholly-owned subsidiary of AVICOPTER
“Harbin Aircraft”	Harbin Aircraft Industry Group Co., Ltd. (哈爾濱飛機工業集團有限責任公司), a subsidiary of the Company
“Harbin Aviation Group”	Harbin Aviation Industry (Group) Co., Ltd. (哈爾濱航空工業(集團)有限公司), a wholly-owned subsidiary of the Company
“Helicopter Tianjin”	Tianjin Helicopter Company Limited (天津直升機有限責任公司), a wholly-owned subsidiary of AVICOPTER
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hongdu Aviation”	Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司), a joint stock limited company whose shares are listed on the Shanghai Stock Exchange, a subsidiary of the Company
“Hongdu Group”	Jiangxi Hongdu Aviation Industry Group Co., Ltd. (江西洪都航空工業集團有限責任公司), a wholly-owned subsidiary of AVIC



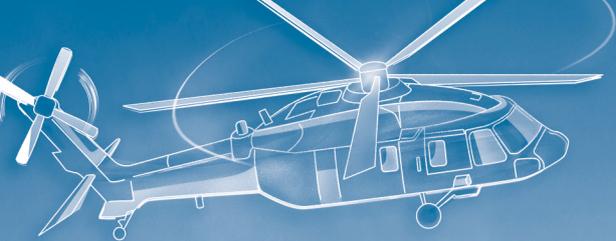
Definitions

“Huiyang Company”	Huiyang Aviation Propeller Limited (惠陽航空螺旋槳有限責任公司), a wholly-owned subsidiary of AVICOPTER
“Jingdezhen Helicopter R&D Branch”	AVIChina Industry and Technology Company Limited Jingdezhen Helicopter Research and Development Branch (中國航空科技工業股份有限公司景德鎮直升機研發分公司)
“JONHON Optronic”	AVIC JONHON Optronic Technology Co., Ltd. (中航光電科技股份有限公司), a joint stock limited liability company whose shares are listed on the Shenzhen Stock Exchange, a subsidiary of the Company
“Keeven Instrument”	Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司), a wholly-owned subsidiary of AVIC Avionics
“Lanzhou Aviation Electric”	Lanzhou Wanli Aviation Electric Co., Ltd. (蘭州萬里航空機電有限責任公司), a wholly-owned subsidiary of AVIC Avionics
“Oriental Instrument”	Shaanxi Oriental Aeronautic Instrument Manufacture Co., Ltd. (陝西東方航空儀錶有限責任公司), a wholly-owned subsidiary of AVIC Avionics
“PRC”	the People’s Republic of China
“Qianshan Avionics”	AVIC Shaanxi Qianshan Avionics Co., Ltd. (陝西千山航空電子有限責任公司), a wholly-owned subsidiary of AVIC Avionics
“Shaanxi Huayan”	AVIC Shaanxi Huayan Aero-Instrument Co., Ltd. (陝西華燕航空儀錶有限公司), a subsidiary of AVIC Avionics
“Shanghai Aviation Electric”	Shanghai Aviation Electric Co., Ltd. (上海航空電器有限公司), a wholly-owned subsidiary of AVIC Avionics
“Shares”	the ordinary shares of the Company
“Shenyang Xinghua”	AVIC Shenyang Xinghua Aero-Electric Appliance Co., Ltd. (瀋陽興華航空電器有限責任公司), a subsidiary of JONHON Optronic
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company

“Taixing Aviation Optoelectronic”	Taixing Aviation Optoelectronic Technology Co., Ltd. (泰興航空光電技術有限公司), a subsidiary of JONHON Optronics
“Taiyuan Instrument”	AVIC Taiyuan Aviation Instrument Co., Ltd. (太原航空儀錶有限公司), a wholly-owned subsidiary of AVIC Avionics
“Tianjin Aviation”	Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空機電有限公司), a wholly-owned subsidiary of the Company
“Tianjin Free Trade Zone Investment”	Tianjin Free Trade Zone Investment Company Limited* (天津保稅區投資有限公司), a Company incorporated in the PRC
“Trainer”	aeroplanes designed and used for pilot training purposes
“Xiangtong Photoelectric”	Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司), a subsidiary of JONHON Optronics

The English names of the entities of mainland China referred to in the definitions above are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.





Corporate Information

BOARD OF DIRECTORS

Chairman, Executive Director	Yan Lingxi
Non-Executive Director	Lian Dawei
Non-Executive Director	Liu Bingjun
Non-Executive Director	Xu Gang
Non-Executive Director	Wang Jun
Independent Non-Executive Director	Liu Weiwu
Independent Non-Executive Director	Mao Fugen
Independent Non-Executive Director	Lin Guiping

SUPERVISORY COMMITTEE

Chairman of the Supervisory Committee	Zheng Qiang
Supervisor	Guo Guangxin
Supervisor	Zhao Zhuo

SENIOR MANAGEMENT

General Manager	Sun Jizhong
Chief Accountant	Wang Jingmin
Board Secretary	Xu Bin

COMPANY SECRETARY

Xu Bin

THE LEGAL NAME OF THE COMPANY

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2202A, 22th Floor, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong

AUTHORISED REPRESENTATIVES

Yan Lingxi

Xu Bin

PRINCIPAL BANKERS

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

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

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

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

PLACE OF LISTING, STOCK NAME AND STOCK CODE

Main Board of The Stock Exchange of Hong Kong Limited
(H Shares)

Stock Name: AVICHINA

Stock Code: 2357

REGISTERED ADDRESS

2nd floor, Building 27, No. 26 Xihuan South Street,
Beijing Economic Technological Development Area,
Beijing, the PRC
Postal Code: 100176

WEBSITE

<http://www.avichina.com>

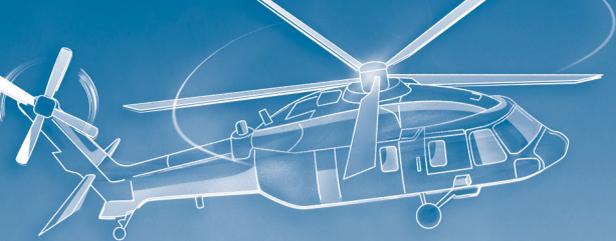
CORRESPONDENCE ADDRESS

6/F, Tower A, No. 14 Xiaoguangdongli,
Chaoyang District, Beijing, the PRC
Postal Code: 100029

Telephone: 86-10-58354348

Facsimile: 86-10-58354300/10

E-mail Box: avichina@avichina.com



Corporate Information

SHARE REGISTRAR

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year of 2022 will be held at 9:00 a.m. on Thursday, 18 May 2023 at AVIC Hotel, No. 10 Yi, Central East Third Ring Road, Chaoyang District, Beijing, the PRC.

AUDITORS

Da Hua Certified Public Accountants
(Special General Partnership)
Room 1101, Building 7, Yard 16,
Middle West Fourth Ring Road,
Haidian District, Beijing

LEGAL ADVISERS

As to Hong Kong law

Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F., Edinburgh Tower, The Landmark,
15 Queen's Road Central, Hong Kong

As to PRC law

Commerce & Finance Law Offices
12-14th Floor, China World Office 2,
No. 1 Jianguomenwai Avenue,
Beijing, the PRC