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中國航空科技工業股份有限公司
AviChina Industry & Technology Company Limited*

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

(Stock Code: 2357)

2010 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of AviChina Industry & Technology Company Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2010 prepared according to International Financial Reporting Standards as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited) (Restated)
Continuing operations			
Revenue	*3*	**2,505,464**	2,250,140
Cost of sales		**(1,951,042)**	(1,761,638)
Gross profit		**554,422**	488,502
Other income	*4*	**50,439**	37,409
Other gains, net	*5*	**43,076**	26,947
Selling and distribution expenses		**(22,716)**	(22,827)
General and administrative expenses		**(358,941)**	(331,635)
Operating profit		**266,280**	198,396

		For the six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
			(Restated)
Finance income	*7*	**20,436**	31,454
Finance costs	*7*	**(51,474)**	(56,006)
Finance costs, net		**(31,038)**	(24,552)
Share of results of associates		**13,049**	8,682
Profit before income tax		**248,291**	182,526
Income tax expense	*8*	**(41,193)**	(33,479)
Profit for the period from continuing operations		**207,098**	149,047
Discontinued operations			
Profit for the period from discontinued operations	*9*	**787,263**	104,560
Profit for the period		**994,361**	253,607
Attributable to:			
Equity holders of the Company		**397,363**	7,763
Non-controlling interests		**596,998**	245,844
		994,361	253,607
Basic and diluted earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company during the period from:			
– continuing operations	*11*	**0.023**	0.018
– discontinued operations	*11*	**0.059**	(0.016)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Profit for the period	**994,361**	253,607
Other comprehensive (expenses)/income, net of tax		
Change in fair value of available-for-sale financial assets	**(50,405)**	121,444
Transfer from available-for-sale financial assets reserve to income statement upon disposal of available-for-sale financial assets	**(42,100)**	(4,673)
	(92,505)	116,771
Total comprehensive income for the period	**901,856**	370,378
Attributable to:		
Equity holders of the Company	**342,852**	79,069
Non-controlling interests	**559,004**	291,309
	901,856	370,378

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2010 RMB'000 (Unaudited)**	31 December 2009 RMB'000 (Unaudited) (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**2,104,700**	2,165,566
Investment properties		**53,200**	53,806
Land use rights		**271,993**	275,526
Intangible assets		**226,481**	224,636
Interests in associates		**512,970**	417,127
Available-for-sale financial assets		**329,373**	457,853
Deferred income tax assets		**46,836**	49,122
Total non-current assets		**3,545,553**	3,643,636
Current assets			
Accounts receivable	*12*	**2,383,658**	2,444,576
Advances to suppliers		**392,664**	320,176
Other receivables and prepayments		**750,805**	596,065
Inventories		**4,050,533**	3,414,363
Financial assets held for trading		**22,675**	101
Pledged deposits		**63,325**	85,114
Term deposits with initial term of over three months		**2,143,878**	1,441,516
Cash and cash equivalents		**4,012,762**	2,195,816
		13,820,300	10,497,727
Assets classified as held for sale	*9*	**7,821,186**	7,929,748
Total current assets		**21,641,486**	18,427,475
Total assets		**25,187,039**	22,071,111

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**30 June 2010 *RMB'000* (Unaudited)**	31 December 2009 *RMB'000* (Unaudited) (Restated)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**4,949,025**	4,643,609
Reserves		**1,450,055**	719,635
		6,399,080	5,363,244
Non-controlling interests		**6,289,922**	4,244,319
Total equity		**12,689,002**	9,607,563
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**869,990**	1,151,518
Retirement benefit obligations		**102,920**	105,177
Deferred income from government grants		**182,019**	191,167
Deferred income tax liabilities		**28,672**	39,672
Total non-current liabilities		**1,183,601**	1,487,534
Current liabilities			
Accounts payable	*13*	**3,632,729**	3,222,236
Advances from customers		**795,098**	907,866
Other payables and accruals		**668,898**	760,669
Amounts payable to ultimate holding company		**1,279,185**	370,524
Current portion of retirement benefit obligations		**6,013**	6,910
Current portion of long-term borrowings		**584,500**	496,000
Short-term borrowings		**937,300**	961,800
Current income tax liabilities		**63,374**	84,253
		7,967,097	6,810,258
Liabilities directly associated with assets classified as held for sale	*9*	**3,347,339**	4,165,756
Total current liabilities		**11,314,436**	10,976,014
Total liabilities		**12,498,037**	12,463,548
Total equity and liabilities		**25,187,039**	22,071,111
Net current assets		**10,327,050**	7,451,461
Total assets less current liabilities		**13,872,603**	11,095,097

NOTES:

1 Organisation and principal activities

AviChina Industry & Technology Company Limited was established in the People's Republic of China (the "**PRC**") on 30 April 2003 as a joint stock company with limited liability under the PRC laws as a result of a group reorganisation of China Aviation Industry Corporation II ("**AVIC II**"). AVIC II merged with China Aviation Industry Corporation I ("**AVIC I**") to form Aviation Industry Corporation of China ("**AVIC**") on 6 November 2008. The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 30 October 2003.

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

The Company's directors regard AVIC, a company established in the PRC, as being the ultimate holding company of the Company. AVIC, AVIC I and AVIC II are all state-owned enterprises under control of the State Council of the PRC government.

This condensed consolidated interim financial information ("**Condensed Financial Information**") is presented in thousands of Renminbi ("**RMB'000**"), unless otherwise stated, and is approved for issue on 17 August 2010.

This Condensed Financial Information has not been audited.

Reorganisation of the Group

(a) In connection with the Group's overall strategy on distribution of automobile businesses, in the second half of 2009, the Group decided to distribute its entire 100% equity interests in Harbin Hafei Automobile Industry Group Co., Ltd ("**Harbin Automobile Group**") and 54.51% equity interests in Harbin Dongan Auto Engine Co., Ltd. ("**Dongan Motor**").

The distribution of Harbin Automobile Group was completed on 31 August 2009 and that of Dongan Motor has not yet been completed on 30 June 2010.

(b) On 19 May 2010, the Company acquired from AVIC its entire 100% and 86.74% equity interests in Lanzhou Flight Control Co., Ltd. ("**AVIC Lanfei**") and Chengdu CAIC Electronics Co., Ltd. ("**AVIC Kaitian**") respectively, for an aggregate cash consideration of approximately RMB 0.9 billion.

AVIC Lanfei is engaged in the research, manufacture and sale of aviation auto control equipments and instruments. AVIC Kaitian is engaged in the research, manufacture and sale of air data systems and various types of aviation instruments.

(c) On 1 June 2010, China AVIC Avionics Equipment Co., Ltd. ("**AVIC Avionics**", a subsidiary of the Company), and the Company entered into a subscription agreement, pursuant to which Avionics will issue and the Company will subscribe approximately 124 million new shares of Avionics (equivalent to approximately RMB0.9 billion). The share issuance will be satisfied by the Company transferring its then entire 100% and 86.74% equity interests in AVIC Lanfei and AVIC Kaitian respectively, being valued at an aggregate of approximately RMB0.9 billion, to Avionics.

(d) On 1 June 2010, Avionics, AVIC and certain of AVIC's other subsidiaries entered into a subscription agreement, pursuant to which Avionics will issue and AVIC and certain of its other subsidiaries will subscribe an aggregate of approximately 213 million new shares of Avionics (equivalent to approximately RMB1.6 billion). The share issuance will be satisfied by AVIC and certain of its other subsidiaries transferring their entire 100%, 100%, 80% and 100% equity interests in Shaanxi Baocheng Aviation Instrument Co., Ltd. ("**Shaanxi Baocheng**"), AVIC Taiyuan Aviation Instrument Co., Ltd. ("**Taiyuan Instrument**"), AVIC Shaanxi Huayan Aero-Instrument Co., Ltd. ("**Shaanxi Huayan**") and AVIC Shaanxi Qianshan Avionics Co., Ltd. ("**Qianshan Avionics**") respectively, being valued at an aggregate of approximately RMB 1.6 billion, to Avionics.

Upon this share issuance, the equity interests held by the Company in Avionics will be diluted from 49.93% to 44.54%. On the same day, the Company, AVIC and certain of its other subsidiaries entered into an agreement that upon the above mentioned share issuance, AVIC and certain of its other subsidiaries undertake to exercise their then entire 35% voting rights in Avionics in accordance with the instructions of the Company. Although the Company will hold less than 50% equity interests in Avionics, Avionics will remain as a subsidiary of the Company due to such arrangement.

The proposed transactions in (c) and (d) were approved by the independent shareholders at the Extraordinary General Meeting of the Company on 17 August 2010 and have not yet been completed on the date of this financial information.

(e) On 30 June 2010, Jiangxi Hongdu Aviation Industry Co., Ltd. ("**Hongdu Aviation**", a subsidiary of the Company) issued approximate 95 million new shares to the Company, Jiangxi Hongdu Aviation Industry Group Co., Ltd. ("**Hongdu Group**", another of AVIC's subsidiary), and other independent investors for an aggregate cash consideration of approximately RMB2.5 billion, in which approximately RMB0.25 billion were subscribed by the Company.

Upon this share issuance, the equity interests held by the Company in Hongdu Aviation were diluted from 55.29% to 45.62%. Pursuant to the agreement entered into between the Company and Hongdu Group, Hongdu Group undertakes to exercise its then entire 4.4% voting rights in Hongdu Aviation in accordance with the instructions of the Company. Although the Company holds less than 50% equity interests in Hongdu Aviation, Hongdu Aviation remains as a subsidiary of the Company due to such arrangement.

Given that Hongdu Aviation remains as a subsidiary of the Company, the gain on dilution of approximately RMB 0.7 billion has been accounted for as an addition to the Group's equity for the six months ended 30th June 2010.

2 Basis of preparation and accounting policies

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

This Condensed Financial Information should be read in conjunction with the 2009 annual financial statements.

(a) Restatement of prior year's financial statements due to business combinations under common control

Further to Note 1(a), the results and cashflows of Harbin Automobile Group and Dongan Motor have been included in the discontinued operations of the Group upon classification as held for sale in the second half of 2009. Accordingly, comparative figures for the six months ended 30 June 2009 are restated.

Further to Note 1(b), given that the Company, AVIC Lanfei and AVIC Kaitian are all under common control of AVIC immediately before and after the business combination, the Company applied the principles of merger accounting in preparing this Consolidated Financial Information of the Group.

By applying the principles of merger accounting, this Consolidated Financial Information of the Group also includes the financial positions, results and cash flows of AVIC Lanfei and AVIC Kaitian as if they had been combined with the Group throughout the six months ended 30 June 2010. Comparative figures as at 31 December 2009 and for the six months ended 30 June 2009 have been restated as a result of such. The cash consideration of approximately RMB0.9 billion paid by the Company to AVIC is accounted for as a deemed distribution to holding company.

The following are reconciliations of the effects arising from the distributions of Harbin Automobile Group and Dongan Motor (Note 1(a)) and the common control combinations of AVIC Lanfei and AVIC Kaitian (Note 1(b)) on the condensed consolidated balance sheet as at 31 December 2009 and condensed consolidated income statement for the six months ended 30 June 2009.

(i) The condensed consolidated balance sheet as at 31 December 2009:

	Balances as previously reported	**Merger of AVIC Lanfei and AVIC Kaitian**	**Elimination of inter-company balances**	**Balances as restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)			(Unaudited)
Total non-current assts	2,962,194	681,442	–	3,643,636
Total current assets	17,382,144	1,084,184	(38,853)	18,427,475
Total non-current liabilities	1,180,216	307,318	–	1,487,534
Total current liabilities	10,337,149	677,718	(38,853)	10,976,014
Total equity	8,826,973	780,590	–	9,607,563

(ii) The condensed consolidated income statement for the six months ended 30 June 2009:

	Balances as previously reported *RMB'000* (Unaudited)	Reclassification as a result of distribution of Harbin Automobile Group and Dongan Motor *RMB'000*	Merger of AVIC Lanfei and AVIC Kaitian *RMB'000*	Elimination of inter-company balances *RMB'000*	Balances as restated *RMB'000* (Unaudited)
Continuing operations					
Revenues	7,883,883	(5,853,808)	286,731	(66,666)	2,250,140
Profit for the period from continuing operations	270,871	(150,791)	28,967	–	149,047
Discontinued operations					
(Loss)/profit for the period from discontinued operations	(46,231)	150,791	–	–	104,560
Profit for the period	224,640	–	28,967	–	253,607

(b) Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

The following new/revised standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010:

IFRS 1 (Revised)	First-time Adoption of IFRSs
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction
IFRS 3 (Revised)	Business Combinations
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)	Eligible Hedge Items
IFRIC 17	Distributions of Non-cash Assets to Owners

The adoption of the above new/revised standards, amendments to standards and interpretation does not have any significant impact to the results and financial position of the Group for the six months ended 30 June 2010.

In addition, the IASB also published a number of amendments to existing standards effective 1 January 2010 under its annual improvement projects. Except for certain presentational changes as described below, these amendments also do not have any significant impact to the results and financial position of the Group.

– IFRS 8 (Amendment), "Operating segments". This amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. The Group has not disclosed the measure of segment assets because this is not regularly reported to the Board of Directors. IFRS 8 (Amendment) is applied retrospectively.

Since 2009, the Group has early adopted IAS 24 (Revised), "Related Party Disclosures" which is effective for annual periods beginning on or after 1 January 2011. The amendment introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship, the nature and amount of any individually-significant transactions, and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party.

There are certain other new/revised standards, amendments to standards and interpretations that are not yet effective for the year beginning 1 January 2010 and have not been early adopted. Management is in the process of assessing their related impacts to the Group.

3 Segment information

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

The Board of Directors considers the business from a product perspective:

- Aviation – manufacturing, assembly, sales and servicing of helicopters, trainers and other aircrafts ("**entire aircrafts**")

- Aviation – manufacturing and sales of aviation parts and components ("**aviation parts & components**")

- Automobiles – manufacturing, assembly, sales and servicing of automobiles and automobile engines

Turnover consists of sales from entire aircrafts, aviation parts & components and automobile segments, which are RMB1,448,140,000, RMB1,057,324,000 and RMB4,412,431,000 for the six months ended 30 June 2010 and RMB1,229,974,000, RMB1,020,166,000 and RMB6,965,459,000 for the six months ended 30 June 2009 (as restated) respectively.

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

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

	(Continuing operations)		(Discontinued operations)
	Aviation – entire aircrafts	Aviation – parts & components	Automobiles
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended 30 June 2010			
Total segment revenue	1,448,140	1,169,007	4,412,431
Inter-segment revenue	–	(111,683)	–
Revenue (from external customers)	1,448,140	1,057,324	4,412,431
Segment results	96,558	147,844	892,009
Depreciation and amortisation	63,407	36,665	–
(Reversal of provision)/provision for impairments	(207)	9,458	5,132
Finance costs	45,686	5,788	25,186
Share of results of associates	13,142	(93)	4,748
Income tax expense	20,168	21,025	126,126
For the six months ended 30 June 2009 (restated)			
Total segment revenue	1,229,974	1,120,093	6,965,459
Inter-segment revenue	–	(99,927)	–
Revenue (from external customers)	1,229,974	1,020,166	6,965,459
Segment results	46,892	139,729	151,066
Depreciation and amortisation	55,765	38,023	427,188
Provision/(reversal of provision) for impairments	5,049	8,117	(18,724)
Finance costs	51,072	4,934	91,779
Share of results of associates	8,762	(80)	894
Income tax expense	13,370	20,109	62,356

Reconciliation of segment results to profit for the period:

	For the six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Segment result for entire aircrafts and aviation components & parts	**244,402**	186,621
Finance income	**20,436**	31,454
Corporate overheads	**(16,547)**	(35,549)
Profit before income tax for continuing operations	**248,291**	182,526
Income tax expense	**(41,193)**	(33,479)
Profit for the period from continuing operations	**207,098**	149,047
Segment result for automobiles	**892,009**	151,066
Finance income	**21,380**	15,850
Profit before income tax for discontinued operations	**913,389**	166,916
Income tax expense	**(126,126)**	(62,356)
Profit for the period from discontinued operations	**787,263**	104,560

4 Other income

	For the six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Rental income	**5,925**	4,870
Income from government grants	**40,577**	26,526
Profit from sale of scrap materials	**889**	990
Income from rendering of maintenance and other services	**1,048**	4,308
Dividend income from available-for-sale financial assets	**2,000**	715
	50,439	37,409

5 Other gains, net

	For the six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Fair value loss on financial assets held for trading	**(6,018)**	(141)
(Loss)/gain on disposal of:		
– Property, plant and equipment	**(284)**	2,648
– Available-for-sale financial assets	**49,529**	12,753
– Financial assets held for trading	**(151)**	11,687
	43,076	26,947

6 Expenses by nature

	For the six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Advertising costs	**834**	546
Amortisation:		
– Land use rights	**3,533**	3,533
– Intangible assets	**38**	38
Auditors' remuneration	**4,265**	3,835
Changes in inventories of finished goods and work-in-progress	**(517,136)**	(216,116)
Contract costs incurred	**1,159,108**	934,169
Depreciation:		
– Investment properties	**872**	846
– Property, plant and equipment	**95,629**	89,371
Fuel	**95,235**	74,168
Insurance	**3,167**	3,100
Operating lease rentals	**8,573**	6,746
Provision/(reversal of provision) for impairment:		
– Available-for-sale financial assets	**1,235**	75
– Inventories	**855**	(859)
– Receivables	**7,161**	13,950
Raw materials and consumables used	**575,518**	453,014
Repairs and maintenance expense	**25,714**	26,168
Research expenditures and development costs	**61,900**	43,273
Staff costs	**464,252**	392,241
Sub-contracting charges	**129,494**	75,001
Sundries	**176,783**	178,446
Transportation expenses	**7,822**	7,643
Travelling	**20,720**	17,739
Warranty expenses	**7,127**	9,173
Total cost of sales, selling and distribution expenses, and general and administrative expenses	**2,332,699**	2,116,100

7 Finance costs, net

	For the six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Finance income:		
Interest income on bank balances and deposits	**20,436**	31,454
Finance costs:		
Interest expense on bank borrowings		
– Wholly repayable within 5 years	**48,180**	53,244
– Not wholly repayable within 5 years	**2,822**	9,293
Interest expense on other borrowings		
– Wholly repayable within 5 years	**1,086**	531
	52,088	63,068
Less: Amount capitalised in property, plant and equipment	**(2,559)**	(8,806)
	49,529	54,262
Exchange losses	**340**	562
Other finance costs	**1,605**	1,182
	51,474	56,006
	31,038	24,552

8 Income tax expense

	For the six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Current income tax	**33,584**	35,552
Deferred income tax	**7,609**	(2,073)
	41,193	33,479

Except for certain subsidiaries which are taxed at a preferential rate of 15% (2009: 15%), in accordance with the relevant PRC enterprise income tax rules and regulations, provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 25% (2009: 25%) on the assessable income of the companies within the Group.

9 Assets held for sale and discontinued operations

The aggregate results of the discontinued operations related to the Group's automobile businesses were as follows.

	For the six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Revenue	**4,412,431**	6,965,459
Expenses	**(3,499,042)**	(6,798,543)
Profit before income tax	**913,389**	166,916
Income tax expense	**(126,126)**	(62,356)
Profit from discontinued operations	**787,263**	104,560

The assets/liabilities held for sale related to the Group's automobile businesses were as follows:

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Assets classified as held for sale		
Property, plant and equipment	**1,812,682**	1,591,322
Land use rights	**62,276**	62,276
Interests in associates	**28,452**	23,704
Deferred income tax assets	**101,905**	119,961
Accounts receivable	**1,757,144**	1,764,880
Advances to suppliers	**46,714**	79,359
Other receivables and prepayments	**14,852**	64,687
Inventories	**715,564**	1,314,691
Pledged deposits	**–**	205,754
Term deposits with initial term of over three months	**2,418,253**	1,281,248
Cash and cash equivalents	**863,344**	1,421,866
	7,821,186	7,929,748
Liabilities directly associated with assets classified as held for sale		
Long-term borrowings	**200,000**	200,000
Accounts payable	**1,677,760**	2,014,966
Advances from customers	**8,209**	61,333
Other payables and accruals	**1,019,736**	1,053,207
Short-term borrowings	**325,156**	694,318
Current income tax liabilities	**116,478**	141,932
	3,347,339	4,165,756

10 Dividends

The Board of Directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

11 Earnings/(loss) per share

Earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30th June	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Profit/(loss) attributable to equity holders of the Company from		
– continuing operations	**111,323**	81,814
– discontinued operations	**286,040**	(74,051)
	397,363	7,763
Weighted average number of ordinary shares in issue (thousands)	**4,830,252**	4,643,609

There was no dilution effect on the basic earnings/(loss) per share for the six months ended 30 June 2009 and 2010 as there were no potential dilutive shares outstanding during the six months ended 30 June 2009 and 2010.

12 Accounts receivable

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
		(Restated)
Trade receivables, gross (note (a))		
– Fellow subsidiaries (note (b))	**1,645,045**	1,617,241
– Others	**564,810**	433,825
	2,209,855	2,051,066
Less: Provision for impairment of receivables	**(93,174)**	(85,981)
	2,116,681	1,965,085
Notes receivable (note (c))		
– Fellow subsidiaries	**236,245**	380,221
– Others	**30,732**	99,270
	266,977	479,491
	2,383,658	2,444,576

Notes:

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

	30 June 2010	31 December 2009
	RMB'000	*RMB'000* (Restated)
Current to 1 year	**2,061,860**	1,908,278
1 year to 2 years	**69,248**	62,964
2 years to 3 years	**21,011**	16,504
Over 3 years	**57,736**	63,320
	2,209,855	2,051,066

(b) Trade receivables from fellow subsidiaries are unsecured, non-interest bearing and are repayable in accordance with the relevant trading terms.

(c) Substantially all of the notes receivable are bank acceptance notes with average maturity period of within six months.

(d) Substantially all of the accounts receivable are denominated in RMB and the carrying amounts of accounts receivable approximate their fair values.

(e) Certain trade receivables were pledged as security for bank loans.

13 Accounts payable

	30 June 2010 RMB'000	31 December 2009 RMB'000 (Restated)
Trade payables (note (a))		
– Fellow subsidiaries (note (b))	**861,958**	662,954
– Others	**2,250,352**	1,749,803
	3,112,310	2,412,757
Notes payable (note (c))		
– Fellow subsidiaries	**321,141**	526,064
– Others	**199,278**	283,415
	520,419	809,479
	3,632,729	3,222,236

Notes:

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

	30 June 2010 RMB'000	31 December 2009 RMB'000 (Restated)
Current to 1 year	**2,474,056**	1,722,081
1 year to 2 years	**231,494**	504,068
2 years to 3 years	**237,242**	123,535
Over 3 years	**169,518**	63,073
	3,112,310	2,412,757

(b) Trade payables to fellow subsidiaries are unsecured, non-interest bearing and will be settled in accordance with the relevant trading terms.

(c) Substantially all of the notes payable are bank acceptance notes with average maturity period of within six months. As at 30 June 2010, notes payable of RMB289,029,000 (31 December 2009: RMB465,839,000 as restated) were secured by pledged deposits to the extent of RMB63,325,000 (31 December 2009: RMB85,114,000 as restated).

(d) The carrying amounts of accounts payable approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The major business segments of the Group comprised the entire aircraft business, aviation parts and components business and the automobile engine business (pending completion of disposal) during the period under review. During the first half of 2010, the Group continued to conduct business reorganization and capital operation in order to achieve its strategic objective of becoming a flagship manufacturer of civil aviation products in China aviation industry with a completed value chain and a platform for overseas financing, mergers and acquisitions. The disposal of entire vehicle business had been completed and the disposal of the automobile engine business is underway. In the first half of 2010, the Group further improved its aviation business industry chain and the profitability of its aviation business through capital operation. At the same time, the existing aviation products business recorded an improved results, which resulted in a stable growth in the profitability of the Group.

Impacted by the change of consolidation scope resulted from the disposal of the entire vehicle business of the Group for the six months ended 30 June 2010, the comprehensive operating business (comprising continuing operations and discontinued operations) of the Group recorded a revenue of RMB6,917 million, representing a decrease of 24.94% when compared to that of the corresponding period in 2009. However, the net profit of the comprehensive operating business attributable to equity holders of the Company for the first half of 2010 was RMB397 million, representing a significant increase of RMB389 million as compared with RMB8 million in the corresponding period of last year.

For the six months ended 30 June 2010, the continuing operating business of the Group recorded a revenue of RMB2,505 million, representing an increase of 11.33% over that of the corresponding period in 2009. The net profit from the continuing operating business attributable to equity holders of the Company for the first half of 2010 was RMB111 million, representing an increase of 35.37% as compared with RMB82 million in the corresponding period of last year.

Entire Aircraft and Aviation Parts and Components Business:

For the first half of 2010, the PRC national economy generally presented a positive trend with a stable development. Being led by the new strategy, the PRC aviation industry continued to adapt to the economic globalization, accelerate its pace to move towards the world and merge with the international market, as well as actively seek to develop faster and better. AVIC, the controlling shareholder of the Company, was listed in the top 500 enterprises list again with a remarkable lift in terms of the ranking. With these favorable backgrounds, the Group further expanded the scale of the research and development, manufacture and sales in aviation manufacture business to realize a steady development of its aviation products business.

For the first half of 2010, the Group recorded a sales revenue of RMB2,505 million from its aviation products, representing an increase of 11.33% as compared with the corresponding period in 2009.

During the first half of 2010, the Group continued to expand its market. The Shanghai World Expo was grandly opened and the China Aviation Pavilion, which presented the development of the aviation industry in China, received many positive responses. The products of the Group were also exhibited in several international aviation exhibitions attracting the attention of aviation industry in the world.

On 26 May 2010, the delivery ceremony of the 120th K8E trainer jointly manufactured by China and Egypt was held. On 10 June 2010, the Group completed the delivery of the assembly parts of the 6th L15 advanced trainer, of which the Group has participated in its investment and development.

During the first half year of 2010, purchasing orders for five Y-12 aircraft were received. The production of the first Y-12F aircraft self-developed by the Group also made great progress by completing the Wing-Fuselage Connection Joint. On 20 July 2010, the 3rd N-5B new model agricultural-forestry aircraft self-developed by Hongdu Aviation completed its first flight in Nanchang which marked a breakthrough in the research and development of the new generation of N-5B aircraft.

During the reporting period, the subcontract manufacturing of the Group also made significant achievements. In April 2010, the carbon fiber composite material developed by Hongdu Aviation completed the first assembly trial and will be equipped in the 6th L15 advanced trainer, which will significantly save the manufacturing cost for L15. In July 2010, Hongdu Aviation completed the delivery of the first batch of parts and components of engine nacelle for Boeing 787 subcontract manufacturing project.

In March 2010, Harbin Hafei Airbus Composite Manufacturing Centre Company Limited ("**Hafei Airbus Composite Materials Manufacturing Centre**"), a joint venture directly invested by the Group, Airbus China Limited and other joint venture partners signed a wide-bodied Airbus A350XWB elevators work-package contract with Aernnova Aerospace SAU ("**ANN**"), a Spanish Company, pursuant to which Hafei Airbus Composite Materials Manufacturing Centre will be ANN's sole supplier for the elevators of wide-bodied Airbus A350XWB. On 2 July 2010, Hafei Airbus Composite Materials Manufacturing Centre delivered the first A320 elevators work-package to a factory of Airbus in Spain. On 21 July 2010, Hafei Airbus Composite Materials Manufacturing Centre entered into a ventral fairing work-package contract for A350XWB with Alestis Aerospace SL, a Spanish Company, at the Farnborough Airshow.

On 26 May 2010, Airbus (Tianjin) Final Assembly Co., Ltd., a joint venture of which the Group participated in the investment and establishment, completed the final assembly of the 10th Airbus A320 series aircraft.

In respect of the aviation electronics business of the Group, the Group actively completed the research and development of new products and certain aviation electronics products attained the international advanced standards.

Automobile Engine Business:

During the first half of 2010, the Group continued to conduct the reorganization of its business. The disposal of the entire vehicle business had been completed and the disposal of the automobile engine business is pending completion of the change of shareholders registration process. For the six months ended 30 June 2010, the total sales revenue of the automobile engines products of the Group amounted to RMB4,412 million.

FUTURE OUTLOOK

Entire Aircraft and Aviation Parts and Components Business:

With the stable and rapid development of the national economy, the PRC aviation transportation industry will maintain its rapid growth momentum and will account for a bigger proportion in the PRC transportation system. China will also become the country with the fastest growth rate in the aviation transportation industry. The PRC government will gradually open the low altitude airspace and general aviation will become an important industry for expanding the domestic demand and promoting the economic development of the national economy. General aviation will be an increasingly important part in production and general living. There should be no delay in the establishment of an aviation emergency rescue system with helicopter as the principal rescue aid. The enormous market demand for general aviation and the positive policy support from the government will bring opportunities to the Group for continuous development.

As an important sub-system of aviation manufacturing, the manufacturing of aviation electronics will benefit from the development of the entire aviation manufacturing industry in the PRC.

In the second half of 2010, the Group will further enhance its research and development efforts, put more emphasis on talent training, improve the technology innovation and self development capabilies, perfect the management and control model and enhance the management and control to strengthen the profitability of its existing aviation business and also actively engage in international collaboration with an open attitude in order to merge into the world's aviation industry chain. The Group will continue to acquire aviation business assets domestically and from overseas and inject aviation business assets after negotiation with AVIC so as to perfect the aviation industry chain of the Group, expand the scale of aviation business and develop the aviation business of the Group. These will further consolidate the market share of the Group in helicopter, trainers, general purpose, and regional jet aircraft industry.

FINANCIAL REVIEW

Revenue

Comprehensive operating business (Continuing operations and Discontinued operations)

For the six months ended 30 June 2010, the comprehensive operating business (continuing operations and discontinued operations) of the Group recorded a revenue of RMB6,917 million, representing a decrease of RMB2,298 million, or 24.94%, as compared to RMB9,215 million for the corresponding period in 2009 which is mainly attributable to a change in the scope of the consolidation of the financial results of the Group following disposal of its entire vehicle business.

Continuing operations

For the six months ended 30 June 2010, the continuing operations of the Group recorded a revenue of RMB2,505 million, representing an increase of RMB255 million, or 11.33%, as compared to RMB2,250 million for the corresponding period in 2009. Such increase is mainly attributable to the increase in the sales volume of the entire aircraft and aviation electronics products.

Segment Information

Comprehensive operating business

For the six months ended 30 June 2010, the revenue of the entire aircraft segment of the Group amounted to RMB1,448 million, representing an increase of 17.72% as compared to the corresponding period in 2009 and accounting for 20.93% of the revenue of the comprehensive operating business. Such increase in revenue is mainly attributable to the increase in the sales volume of the helicopters and trainers. The revenue of the aviation parts and components segment amounted to RMB1,057 million, representing an increase of 3.63% as compared to the corresponding period in 2009 and accounting for 15.28% of the revenue of the comprehensive operating business. The revenue of the automobile business segment (discontinued operations) amounted to RMB4,412 million, representing a decrease of 36.65% as compared to the corresponding period in 2009 and accounting for 63.79% of the revenue of the comprehensive operating business.

Gross profit

Comprehensive operating business

For the six months ended 30 June 2010, the comprehensive operating business of the Group recorded a gross profit of RMB1,668 million, representing an increase of RMB177 million, or 11.87%, as compared to RMB1,491 million for the corresponding period in 2009.

Continuing operations

For the six months ended 30 June 2010, the continuing operations of the Group recorded a gross profit of RMB554 million, representing an increase of RMB65 million, or 13.29%, as compared to RMB489 million for the corresponding period in 2009, mainly attributable to the increase in the sales revenue and the improvement of the gross profit rate.

Selling and distribution expenses (Continuing operations)

For the six months ended 30 June 2010, the selling and distribution expenses of the Group's continuing operations amounted to RMB23 million, which was at the same level as that of the corresponding period of last year.

General and administrative expenses (Continuing operations)

For the six months ended 30 June 2010, the general and administrative expenses of the Group's continuing operations amounted to RMB359 million, representing an increase of RMB27 million, or 8.13%, as compared to RMB332 million of the corresponding period in 2009. Such increase was mainly attributable to the increase in the expenses for research and development.

Finance costs, net (Continuing operations)

For the six months ended 30 June 2010, the net finance costs of the continuing operations of the Group amounted to RMB31 million, representing an increase of RMB6 million, or 24%, as compared with the corresponding period in 2009. Such increase was mainly attributable to the reduction of the interest income received from the bank.

Net profit attributable to equity holders of the Company

Comprehensive operating business

For the six months ended 30 June 2010, the net profit of the comprehensive operating business of the Group attributable to the equity holders of the Company amounted to RMB397 million, representing a significant increase of RMB 389 million from RMB8 million of the corresponding period in 2009.

Continuing operations

For the six months ended 30 June 2010, the net profit of continuing operations attributable to the equity holders of the Company amounted to RMB111 million, representing an increase of 35.37% from RMB82 million for the corresponding period in 2009. Such increase was mainly due to the stable growth in the sales revenue and the improved profitability of the aviation products as well as the injection of more profitable aviation business assets following the reorganization of the Group.

Liquidity and Financial Resources

As at 30 June 2010, the net cash and cash equivalents of the Group amounted to RMB4,013 million. Cash and cash equivalents were mainly derived from cash and bank deposits at the beginning of 2010, funds generated from operations during this period and the proceeds from placing of shares.

As at 30 June 2010, the Group's total borrowings amounted to RMB2,392 million, out of which short-term borrowings amounted to RMB937 million, current portion of long-term borrowings amounted to RMB585 million and non-current portion of long-term borrowings amounted to RMB870 million.

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

	RMB million
Within one year	585
In the second year	456
In the third to fifth year	414
After the fifth year	–
Total	1,455

As at 30 June 2010, the Group's bank borrowings amounted to RMB2,227 million (the average interest rate of which was 4.24% per annum), representing a decrease of RMB229 million as compared to that at the beginning of 2010; and other borrowings amounted to RMB165 million (the average interest rate of which was 3.27% per annum), representing an increase of RMB11 million as compared to that at the beginning of 2010.

Seasonal influence on the Group's borrowings was relatively insignificant.

CAPITAL STRUCTURE

As at 30 June 2010, the Group's borrowings were mainly denominated in Renminbi whilst cash and cash equivalents were mainly denominated in Renminbi, Hong Kong dollars and United States dollars.

PLEDGE ON ASSETS

As at 30 June 2010, the Group's secured borrowings amounted to RMB20 million. These borrowings were secured by receivables with a net book value of RMB21 million.

GEARING RATIO

As at 30 June 2010, the Group's gearing ratio was 9.50% (31 December 2009: 11.82% as restated), which was derived from dividing the total borrowings by total assets.

EXCHANGE RATE RISKS

The Company has kept some proceeds from fund raising activities in Hong Kong dollar denominated deposits. The exposure risk to the fluctuations in exchange rates during the period under review was insignificant.

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2010, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS

1. On 23 March 2010, the Company and AVIC entered into: (1) Equity Acquisition Agreement I, pursuant to which the Company has agreed to purchase and AVIC has agreed to sell the 86.74% equity interest held by AVIC in AVIC Kaitian ("**AVIC Kaitian Acquisition**"); and (2) Equity Acquisition Agreement II, pursuant to which the Company has agreed to purchase and AVIC has agreed to sell the 100% equity interest held by AVIC in AVIC Lanfei ("**AVIC Lanfei Acquisition**", together with AVIC Kaitian Acquisition, collectively referred to as the "**Acquisitions**"). The final consideration amounts for AVIC Kaitian Acquisition and AVIC Lanfei Acquisition, as filed with and confirmed by the state-owned assets supervision and management authorities or its authorized representatives, were RMB581,333,000 and RMB327,327,800, respectively. The Acquisitions constituted discloseable and connected transactions for the Company pursuant to Chapter 14 and Chapter 14A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The transactions were approved by the independent shareholders of the Company at the extraordinary general meeting held on 19 May 2010. Details of the transactions can be referred to in the announcements of the Company dated 23 March 2010 and 11 May 2010 and the circular of the Company dated 13 April 2010.

2. On 1 June 2010, (i) the Company; (ii) AVIC; (iii) AVIC Avionics Systems Co., Ltd. ("**AVIC Avionics Systems**"), a wholly-owned subsidiary of AVIC; and (iv) Hanzhong Aviation Industry (Group) Co., Ltd. ("**Hanzhong Aviation**"), an indirect 70% owned subsidiary of AVIC, entered into the subscription agreement, as subsequently amended and supplemented by the supplemental agreement dated 5 July 2010, with AVIC Avionics (the "**Subscription Agreement**"). Pursuant to the Subscription Agreement, AVIC Avionics has agreed to issue and each of the Company, AVIC, AVIC Avionics Systems and Hanzhong Aviation has agreed to subscribe for a total of approximately 336 million new shares in AVIC Avionics ("**New AVIC Avionics Shares**"), subject to adjustment, at a subscription price of not less than RMB7.59 per new AVIC Avionics Share (the "**Subscription Price**"). The consideration for subscription of the New AVIC Avionics Shares by the parties under the Subscription Agreement will be satisfied as follows: (i) the Company will transfer its 86.74% and 100% equity interests in Chengdu CAIC Electronics Co., Ltd. ("**AVIC Kaitian**") and Lanzhou Flight Control Co., Ltd. ("**AVIC Lanfei**"), respectively to AVIC Avionics for subscription of approximately 123,602,782 new AVIC Avionics Shares at the Subscription Price, which constituted a discloseable and connected transaction for the Company pursuant to Chapter 14 and Chapter 14A of the Listing Rules; (ii) AVIC will transfer its 3.56% equity interest in AVIC Shaanxi Qianshan

Avionics Co., Ltd. ("**Qianshan Avionics**") to AVIC Avionics for subscription of approximately 1,347,093 new AVIC Avionics Shares at the Subscription Price ("**AVIC Subscription**"); (iii) AVIC Avionics Systems will transfer its 100% equity interests in each of Shaanxi Baocheng Aviation Instrument Co., Ltd. ("**Shaanxi Baocheng**") and AVIC Taiyuan Aviation Instrument Co., Ltd. ("**Taiyuan Instrument**") as well as 12.9% equity interest in AVIC Shaanxi Huayan Aero-Instrument Co., Ltd. ("**Shaanxi Huayan**") to AVIC Avionics for subscription of approximately 152,749,808 new AVIC Avionics Shares at the Subscription Price ("**AVIC Avionics Systems Subscription**"); and (iv) Hanzhong Aviation will transfer its 67.10% equity interest in Shaanxi Huayan and 96.44% equity interest in Qianshan Avionics to AVIC Avionics for subscription of 58,584,284 new AVIC Avionics Shares at the Subscription Price ("**Hanzhong Aviation Subscription**"). The AVIC Subscription, AVIC Avionics Systems Subscription and Hanzhong Aviation Subscription constituted discloseable and connected transactions for the Company pursuant to Chapter 14 and Chapter 14A of the Listing Rules. Upon completion of the transactions contemplated under the Subscription Agreement, the equity interest held by the Company in AVIC Avionics will be diluted from 49.93% to 44.54%. Such dilution constituted a deemed disposal by the Company of its approximately 5.39% equity interest in AVIC Avionics, which also constituted a discloseable transaction for the Company under the Listing Rules. As disclosed previously, the accounts of AVIC Avionics will however continue to be consolidated in the accounts of the Company. Details of the transactions can be referred to in the announcements of the Company dated 2 June 2010 and 6 July 2010 and the circular of the Company dated 12 July 2010.

SUBSEQUENT EVENTS

On 30 July 2010, (i) Hongdu Aviation, a non wholly-owned subsidiary of the Company; (ii) Jiangxi Provincial Investment Group Corp. ("**Jiangxi Investment**"); (iii) Xi'an Aircraft Industry (Group) Company Limited ("**Xi'an Aircraft**"); (iv) AVIC Aircraft Corporation Ltd. ("**AVIC Aircraft**"); (v) Jiangxi Copper Corporation ("**Jiangxi Copper**"); (vi) Jiangxi International Trust Co., Ltd. ("**Jiangxi International Trust**"); (vii) Jiangxi Rare Earth and Rare Metals Tungsten Group Corporation ("**Jiangxi Tungsten Group**"); and (viii) Jiangxi Tungsten Industry Group Co., Ltd. ("**Jiangxi Tungsten Company**") entered into the Promoters' Agreement for the establishment of a joint venture company namely, Jiangxi Hongdu Commercial Aircraft Corporation Limited (the "**Joint Venture Company**") with a registered capital of RMB1,200,000,000. The parties have agreed to make capital contributions to the Joint Venture Company in proportion to their respective equity interests in the Joint Venture Company in two phases. Upon completion of the transactions contemplated under the Promoters' Agreement, the Joint Venture Company will be held as to 25.5%, 25%, 17.17%, 8.33%, 8.33%, 7.33%, 4.17% and 4.17% by Hongdu Aviation, Jiangxi Investment, Xi'an Aircraft, AVIC Aircraft, Jiangxi Copper, Jiangxi International Trust, Jiangxi Tungsten Group and Jiangxi Tungsten Company, respectively. As AVIC holds 100% equity interest in AVIC Aircraft and 85.91% equity interest in Xi'an Aircraft indirectly through AVIC Aircraft, the entering into of the Promoters' Agreement by Hongdu Aviation with, among other parties, Xi'an Aircraft and AVIC Aircraft constituted a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. Details of the transaction can be referred to in the announcement of the Company dated 1 August 2010.

USE OF PROCEEDS

As the Company resolved to dispose of the Group's automobile business, the investment in the automobile projects was reduced. As at 30 June 2010, a total of RMB802 million had been invested in the manufacture and research and development of new advanced trainer models, helicopters, composite materials and wind power products. The rest of the proceeds has been placed in short term deposits in banks in the PRC. The Company will utilize the rest of the proceeds in accordance with the specific plan on use of proceeds.

EMPLOYEES

As at 30 June 2010, the Group had 21,119 employees. The Group's staff costs of the continuing operations amounted to RMB464 million for the six months ended 30 June 2010, representing an increase of RMB72 million compared with RMB392 million of the corresponding period of last year.

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

At the Board meeting convened on 9 April 2010, Mr. Wang Jun was appointed as a vice president and the chief financial officer of the Company and Mr. Zhang Kunhui was appointed as a vice president of the Company. Due to the reallocation of work, Mr. Li Yao resigned as a vice president and chief financial officer of the Company and Mr. Liu Chunhui and Mr. Tian Xueying resigned as vice presidents of the Company with effect from 9 April 2010.

There was no change of the directors and supervisors of the Company during the reporting period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code for securities transacted by its directors and supervisors. The Board has also confirmed that, having made specific enquiry of all directors and supervisors, all the directors and supervisors of the Company had complied with the required standards set out in the Model Code for the six months ended 30 June 2010.

AUDIT COMMITTEE

The Board has established an audit committee and set out the Terms of Reference of the Audit Committee in accordance with "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. The audit committee had reviewed the Company's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010.

CORPORATE GOVERNANCE

The Company has strictly complied with and has operated according to applicable laws, and regulations as well as its Articles of Association. The Company has also established an Internal Audit Department to enhance the monitoring of the Group's continuing connected transactions. After reviewing the Company's arrangements on corporate governance, the Board is of the view that the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2010.

SIGNIFICANT EVENTS

On 2 March 2010, the Company entered into a placing agreement with BOCI Asia Limited for the placing of, on a fully underwritten basis, an aggregate of 334,633,402 H Shares to not less than 6 independent professional, institutional and/or other investors at the subscription price of HK$3.40 per H Share (the "**H Share Placing**"). The H Share Placing was completed on 10 March 2010, raising net proceeds of approximately HK$1,016 million. Details of the H Share Placing can be referred to in the announcements of the Company dated 3 March 2010 and 10 March 2010.

PURCHASE, SALE AND REDEMPTION OF SECURITIES

For the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INFORMATION DISCOSURE ON THE WEBSITE OF THE STOCK EXCHANGE

The electronic version of this announcement will be published on both the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.avichina.com). The interim report of the Company for the six months ended 30 June 2010, which contains all information as required by Appendix 16 to the Listing Rules, will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange in due course.

By order of the Board
Lin Zuoming
Chairman

Beijing, 17 August 2010

As at the date of this announcement, the Board comprises executive directors Mr. Lin Zuoming, Mr. Tan Ruisong and Mr. Wu Xiandong and non-executive directors Mr. Gu Huizhong, Mr. Xu Zhanbin, Mr. Geng Ruguang, Mr. Zhang Xinguo, Mr. Gao Jianshe, Mr. Li Fangyong, Mr. Chen Yuanxian, Mr. Wang Yong, Mr. Maurice Savart as well as independent non-executive directors Mr. Guo Chongqing, Mr. Li Xianzong and Mr. Lau Chung Man, Louis.

* *For identification purpose only*