Report Description

This report is the first social responsibility report issued by the Aviation Industry Corporation of China. For the convenience of indication and reading, the ‘Aviation Industry Corporation of China’ in this report is also expressed by the ‘AVIC’, ‘Group Corporation’, ‘Group’ or ‘We’.

(1) Report scope
The organization scope of the report: This report scope covers the Headquarter and various subordinate units of AVIC.
The period scope of the report: From January 1 to December 31, 2009. The partial contents surpass the above scope.
The issue cycles of the report: This report is an annual report.

(2) The rules underlining the report
The report is compiled of the detailed practices of AVIC with reference to the ‘Guiding Opinions on Fulfilling Social Responsibilities of the Central SOEs’ by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) and the ‘Sustainability Reporting Guidelines 2006’ by the Global Reporting Initiative (GRI)

(3) The explanation for the report data
This report truly reflects that AVIC actively fulfills the economic, environmental and social responsibilities and achieves comprehensive, coordinated and sustainable development of the enterprise. The information data comes from the official documents and the statistical reports of the Group Corporation as well as the respective conclusions and statistics of the social responsibility practice situations of the subordinated enterprises. Among them, the financial data comes from corporate finance report of 2009. The other data is primarily based on the situations of 2009, and suitably traces back the previous annual data. In this report, the currency amount is accounted by the RMB to take unless with special explanation.

(4) The text language and issue form
This report is published in both Chinese and English. If there is any difference in the two kinds of edition, please refer to the Chinese version for more explanation. If there are any questions to this report's content, please call us or write to us for further consultation. Our contact is as follows:

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This report is issued to the readers by both means of the environmental protection paper and the PDF electronic document. The PDF electronic document may be downloaded in AVIC website (www. avic.com.cn).
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Aviation industry is one of national strategic pillar industries. A strong aviation industry is the important foundation for a country to establish independent, initiative and stable national defense. It is an important cornerstone to maintain international society status of a nation. It is also an important rod to weigh the comprehensive national strength and the technical strength of a country. As the main force of aviation industry development in China, AVIC always pursues the objective of ‘Contribute to the nation with aviation industry, strengthen the military and enrich the people’. It embodies the idea of ‘Commitment and integrity, innovation and preeminence. It makes selfless offer, strives for success tenaciously, develops in a scientific way, and has made important contributions to impelling aviation industry of our country to become great and strong, to improving capacity-building of formidable national defense, to boosting steady quick development of national economy, and to promoting the establishment of socialist harmonious society.

2009 was a year when the nation as a whole came together to celebrate our great motherland’s 60th birthday, a year of transition for various countries hand in hand to respond to the global financial crisis, and the year of new beginning for AVIC after restructuring and final establishment. Facing the opportunities and challenges coexisting in 2009, AVIC insisted on taking the Scientific Outlook on Development as the instruction, adopted the development strategy of ‘Two integrations, three innovations, five-izations and one trillion’ as the direction, and kept the development idea of ‘Connect the defense and commercial development and achieve synergy between the military and civil business’. AVIC reformed the concepts, developed innovative ideas, dealt with various difficulties, calmly tackled the crisis, stressed the development opportunity tightly, and comprehensively promoted the ability serving national defense developments in a strong sense of responsibility. Moreover, AVIC expanded the benefit coverage of aviation scientific and technical outcomes, stabilized safety in production situations, positively promoted the environmental protection achievements, and repaired the society warm-heartedly, composing a new chapter for the Group Corporation to achieving continuous and coordinated development with the economy, society and environment.

We persist in taking ‘strengthening the military forces’ as the core cornerstone of achieving ‘Contribution to the nation with aviation industry’. With attachment of a great importance to building a national formidable air force as an objective point, we unceasingly promoted the independent innovation ability, and positively researched and developed the advanced weaponry. We form the scientific research system and production system of aviation industry as well as the service security system of aviation equipment, which have relatively complete technological bases, with planes as the fist products, well supported by aero-engine, airborne system and missile weaponry system. As a result, we can meet the needs of national defense development in maximum. At the same time, we have splendidly completed the safeguarding tasks of the 60th Anniversary Parade. Moreover, each kind of equipment we produced has played a vital role in the earthquake resistance and disaster relief, Olympic Games safety, the resistance against snow disaster, escorts in the Gulf of Aden, and so on.

We persist in taking the achievement of a great and strong aviation industry of our country as the important mission. We give full play to the strategic function of the aviation industry in the economic and social developments, speed up the transformation of development, comprehensively strengthen the business management, vigorously advance the market-oriented reform, increase the market development dynamics, continually optimizes the industrial layout, and operate the capital in a scientific approach. The operation performance is greatly improved, which plays a positive role in promoting our economy to maintain steady and quick development. In 2009, despite the influence of the global financial crisis, the Group Corporation still realized the business revenue of 170. 872 billion yuan with an increase of 11% compared with last year, which made AVIC rank 330th of the Fortune Global in the world, and 11th in the global aerospace and the defense area.

We persist in taking environmental protection as an important constituent of the overall group strategy, We bring into full play the technology and the industry, put at core position the resource conservation and resource efficiency, and attached great importance to conservation of energy, water and material, the comprehensive use of resource as well as the development of recycling economy. We promote system innovation, mechanism innovation, technological innovation and management innovation, comprehensively advance the idea of green manufacturing, speed up constructing resource-conservation and environmental-friendly development pattern of the aviation industry.

We persist in considering promotion of social harmony establishment as the bounden responsibility. We insist on the basic ‘People-oriented’ concept, take ‘Safety first, prevention as the core and comprehensive governance’ as the
Key performances

170.872 billion yuan
Business income in 2009

99.01 %
Labour contract signing rate in 2009

9.266 billion yuan
Total profit in 2009

7.15 billion yuan
Tax contribution in 2009

18.973 billion yuan
Investment in science and technology in 2009

636,735 people
Number of trained staff in 2009

1.04475 million tons
Carbon emission reduction in 2009 compared to 2005

21.12 %
Reduction rate of integrated energy consumption per ten thousand yuan of output value (compared with 2005)

Performance indicators

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross assets</td>
<td>393.18</td>
<td>billion yuan</td>
</tr>
<tr>
<td>Training investment</td>
<td>267.07</td>
<td>million yuan</td>
</tr>
<tr>
<td>SO2 emission reduction rate (Compared with 2005)</td>
<td>12.38</td>
<td>%</td>
</tr>
<tr>
<td>COD emission reduction rate (Compared with 2005)</td>
<td>11.53</td>
<td></td>
</tr>
<tr>
<td>Total staff</td>
<td>409,622</td>
<td>people</td>
</tr>
<tr>
<td>Total female staff</td>
<td>132,998</td>
<td>people</td>
</tr>
<tr>
<td>Safety accidents</td>
<td>232</td>
<td>times</td>
</tr>
<tr>
<td>Total donations</td>
<td>19.3275</td>
<td>million yuan</td>
</tr>
</tbody>
</table>

This report is the first social responsibility report issued by AVIC. We will take this as the beginning of an advanced enterprise management on social responsibility via integrating the concept and requirements of corporate social responsibility comprehensively into the company’s mission, strategy, culture and daily operations to develop positive communication and exchange with the stakeholders, to unceasingly strengthen the ability of creating value with cooperation of the stakeholders, and to strive to realize the continuous and coordinated development of the Group with economy, society and environment.

Vision determines the height and responsibility creates value. Facing the domestic and foreign situations of rapid economic and social development as well as fast change of the aviation industry transformation, we will continue to take the Scientific Outlook on Development as the guide, and persist in the objective of ‘Contribute to the nation with aviation industry, strengthen the military forces and enrich the people’. We will firm our confidence, bear the responsibilities bravely, keep on opening up and cooperation, and endeavor to make new contributions to the modernization of our national defense, to the comprehensive advancement of well-off society and to the realization of China’s great revival.
History of responsibilities

AVIC was born in the fervor years resisting the United States in the Korean War, grew up with the development and prosperity of the new China, and started to rise in the great time of reform and opening up. It has made prominent contributions to maintaining the country’s unification, to constructing formidable national defense and to promoting economic development, which achieved monumental meritorious results over the past half century.

1950’s

On April 17, 1951, the new aviation industry of China was born shouldering the great mission of constructing formidable national defense and developing China’s aviation industry.

Under the unremitting endeavors of first-generation aviation devotors, China’s aviation industry obtained series of historical breakthroughs. Many ‘China’s firsts’ were born. China strode in the rank of few countries with the capacity of mass production of jet planes at that time in the world, which expanded China’s international influence.

From 1960’s to the reform and opening up

At that time, China’s aviation industry went forward in a winding road. It developed in difficulties, depending completely on its own strength, and independently carrying out the construction. Many aeronautical research institutes were set up. The production base of fighters, bombers, transport aircraft, helicopters and the engines, and airborne equipment was established, which ended the history that China could not make tactical missiles.
From the reform and opening up
To the end of the 20th century

During the reform and opening up, and under the profound understanding of ‘The science and technology is the first productive force’, AVIC connected the defense and commercial development. It fully played the strategic function of aviation high-tech industry in the national economy. AVIC led other industrial development positively while it realized its own fast growth. It made important contribution to promoting the development of national defense and economy.

Since the 21st century

In 2008, the Group Corporation was established, which marked the beginning of the journey to establish the new aviation, the big aviation and the strong aviation. With the objective of ‘Contribute to the nation with aviation industry, strengthen the military forces and enrich the people’ and the strategy of ‘Two integrations, Three innovations, Five-izations and One trillion ’, AVIC entered the new strategic stage of establishing world first-class group.
Focus 2009

2009 is the beginning year for AVIC after the restructuring and final establishment. This year, we persisted in releasing our thoughts, discarded the old and established the new, strived for success, and kept a fortified position in difficulties. We splendidly performed the safeguard duty in the 60th Anniversary Parade smoothly implemented the first overseas merger and acquisition, historically realized the maiden voyage of the Joy Air, establishing the aviation spirit milestone and obtaining prominent results through unremitting effort.

(1) Safeguarding the 60th Anniversary Parade

The parade was of significant importance in celebrating the 60th Anniversary of the P. R. China. AVIC provided advanced aircraft equipment manufactured domestically and omni-directional service, which made important contributions to guaranteeing the complete success of the parade.

J-8 echelon

J-10 echelon

J-11 echelon

AWACS aircraft echelon
During the 60th Anniversary Parade, 12 air echelons composed of 151 Type 15 Eagle fighters developed by AVIC flew over Tiananmen Square with perfect precision. It was the air parade with the most models and largest echelons since the founding of the new China, which showed to the world our great achievements in developing the aviation industry and aviation equipment-building, reflected the great progress of aviation technology of China, greatly enhanced patriotic fervor, and received positive comment from the international community at large.

In order to complete the task of air echelons in the parade on the National Day with high standards, AVIC established a perfect security organizaiton system, set up a leading work group led by the President, Mr. Lin Zuoming, which included a leading group office and 3 integrated security units. AVIC also organized 8 departments and 79 member units to form 13 security wings. Furthermore, AVIC established an integrated stereo service system, which was based on the research institutions and plants, and focused on the onsite service security with an overall consideration of the region. AVIC implemented a three-tier security model which involved simultaneous market service, fixed-point support and remote assistance in order to fully support the parade. A full range of services effectively ensured the success of the parade on the National Day, demonstrating the spirit and strong sense of social responsibility of 400,000 aviation staff members who dedicated themselves to the country.
On 3 December 2009, Austria Future Advanced Composites Corporation (FACC) and AVIC Xi’an Aircraft Industry (Group) Co., Ltd. signed a protocol on stock delivery.

The Joy Air was invested and established jointly by AVIC and China Eastern Airlines Co., Ltd. in 2008, and conducted the official maiden voyage on August 15, 2009. By the end of 2009, safety flights have amounted to 1,300 with transportation of 41,588 passengers, and all operational indicators have reached the requirements of regional airlines, which meant that the MA60 had become the new force of domestic air transportation.

‘The civil aircraft that are manufactured domestically with independent intellectual property rights should come through design and production, yet more, through utilization!’
—Premier Wen Jiabao

‘The plane is safe, comfortable and cheap. I feel good!’
—Vice Premier Zhang Dejiang

On August 21, 2009, Vice Premier Zhang Dejiang took the Joy Air to experience the domestic aircraft MA60. Picture above is the Vice Premier Zhang Dejiang together with the Joy Air staff.
Promoting the development of domestic regional aviation market

“We hope that the Joy Air can make contributions to changing the situation of lacking regional aviation; we hope that the Joy Air can help China establish aviation consciousness; we hope that the Joy Air can help the people develop new traffic concept. We use turboprop regional aircrafts for transportation between small and medium-sized cities as well as between the transport hubs and main lines, thereby solving the problem that passenger transportation was unable to form a network.”

— Lin Zuoming, President of the AVIC

The Joy Air is based in Xi’an for operations. It followed the development requirement of ‘home-made, western, regional and low-cost’, ensures that more and more people enjoy the comfort and convenience of the home-made aircraft, and solves the imbalance between eastern and western transport capacity and the imbalance between main and regional lines. It not only promotes the development of regional aviation market, but also contributes to the western development.

Improving the marketization of civil aviation manufacturing industry

Through the operations of the Joy Air, AVIC enhanced the civil aircraft design philosophy, established a full service concept, which meant the users would be involved at an early stage, namely participating in development and design, quality control and airworthiness verification, in order to perfect the design of the aircraft, improve user satisfaction and product competitiveness. Joy Air operations also contributed to the design, manufacturing and industrial development of civil aviation airborne equipment.

Case

MA journey of happiness — Yan’an

In 2009, in order to discover problems from the customer perspective, and improve aircraft manufacturing and production processes, AVIC Xi’an Aircraft Industry (Group) Co., Ltd and the Joy Air jointly launched the activity of ‘MA journey to happiness — Yan’an’.

The employees of AVIC Xi’an Aircraft Industry (Group) Co., Ltd boarded the plane MA60 which was made by them.

The Joy Air flights:
Xi’an - Taiyuan, Yan’an, Zhengzhou, Mianyang

The Joy Air is based in Xi’an for operations. It followed the development requirement of ‘home-made, western, regional and low-cost’, ensures that more and more people enjoy the comfort and convenience of the home-made aircraft, and solves the imbalance between eastern and western transport capacity and the imbalance between main and regional lines. It not only promotes the development of regional aviation market, but also contributes to the western development.
(4) Casting the aviation spirit monument

The splendid achievements of China’s aviation industry are resulted from the hard work of aviation staff generation after generation who are passionate and dedicated to their work. For decades, China’s aviation industry trained and cultivated numerous aviation heroes with profound love and salvation promise. Wu Daguan was one of the outstanding representatives.

Wu Daguan (1916-2009) from Zhenjiang, Jiangsu Province worked for China’s aviation for 68 years. Daguan’s life demonstrates the spirit of dedication as in the story of Jing Wei Tian Hai. He tackled many tough issues, and witnessed the glorious history of national aviation industry developing from zero to the level now with full types, professional support and innovative capacity.

‘As an elder aviation worker of China, my greatest wish is to fit the aircraft made in China with an advanced ‘heart’ – aero-engine also made in China! I am old enough but with a strong heart. I would like to dedicate my life to our aviation industry in order to achieve this aspiration and to contribute to the nation with aviation industry!’ —Written by Wu Daguan when he was 90 years old.

Wu Daguan laid a solid foundation for aero-engine business in China, planned a big future, planted the devotion faith, and cast the spirit for strengthening the country—He is the ‘Father of the Chinese aviation engine’.

- Establishing China’s first team of developing and designing aviation power.
- Creating the first aviation engine production base and the first experimental base in Chinese aviation history.
- Chairing to develop engines and successfully sending China’s first teaching fighter produced domestically on the sky.
- Chairing to develop China’s first type of turbojet engine and first type of turbofan engine and succeeded.
- Chairing to develop Turbofan 6 and succeeded, which achieved historic breakthrough that enabled China’s aviation engine to progress from imitation to independent design.
- Establishing the first set of regulations and technical standards on developing aviation engines.
Being the founder of China’s aviation industry, Wu Daguan, the outstanding representative and eternal model of the aviation personnel, set up a flag for the industry. On June 2, 2009, President, Hu Jintao made important instructions, which highly appraised Wu Daguan as a model of love, dedication and contribution.

In 2009, Wu Daguan was selected as one of the 100 Top Figures of New China, and the first model of the aviation industry both in the CCP and the country. The country started a new upsurge of studying meritorious deeds of Comrade Wu Daguan.

Because of the hard work of Wu Daguan and the other aviation representatives, we can bring China’s aviation industry to today’s situation, establish a team of 400,000 industrial workers who devote themselves to the aviation industry and this country, develop the national aviation industry from zero to the level with full types, professional support and innovative capacity, embody the idea of contributing to the nation with aviation industry, lead national industrial development, and promote national defense industrial innovation to become stronger. The time-saving and dedication spirit of the aviation staff have formed a new, strong patriotic fervor.

‘My father’s story was the miniature of the aviation people of several generations striving for contributing to the nation with aviation industry. He showed the nation aviation spirit and concept’.

— Wu Xiaoyun, Wu Daguan’s daughter
About us

(1) Introduction to AVIC

AVIC is one of the largest SOEs managed by the Central Government. As one of institutions with the State’s authorized investment, it was restructured and established by the previous AVICI and AVICII. By the end of 2009, AVIC have owned nearly 200 subsidiaries (branches) and over 20 listed companies. It had about 400 thousand staff members with a total assets of 393.18 billion yuan, and a operating revenue of 170.872 billion yuan in 2009. In the same year, the Group applied for the first time for the Fortune Global 500 and succeeded. It became the first aviation manufacturing enterprise and first military enterprise of China to enter the Fortune Global 500. The Group ranked 330th of the Fortune Global 500 in 2010 and ranked 426th the year before.

AVIC has established a high-level scientific research system, which is composed of the China Aviation Institute and 33 other institutes. AVIC has a large number of academicians and national experts, a number of national key laboratories as well as major scientific research and test facilities of Asian first-class or world advanced level. It has set up a network of departments and member units, which has the capability of remote collaborative design and manufacturing as well as the capacity of modern information transfer.
AVIC Corporate Social Responsibility Report 2009

Integration into the local economy, cooperation on establishment of industrial zones

Mutual development with the communities

The organization chart of AVIC
(2) Business overview

AVIC is a large enterprise that incorporates the whole industry chain. The Group establishes industrial areas such as defense, transport aircraft, engine, helicopter, airborne equipment and system, general aircraft, aviation research, flight test, trade logistics, asset management, project planning and construction, automobile and so on.

The Group further develops the transport aircraft industry as the main force of the significant and special projects of large aircraft. It conducts extensive cooperation and exchange in the world aviation industry. When carrying out the international cooperation projects on FC-1 aircraft, K8 aircraft and so on, it actively participates in major international projects on aviation, and develops aviation subcontract production business. Furthermore, it integrates aviation high technology into areas such as automobile and motorcycle, and advances the development of mechanical products such as gas turbine engines, refrigeration equipment, electronic products, environmental protection equipment and new energy equipment. Moreover, it provides aircraft leasing, general aviation, transportation, medical service, project exploration and design, project contract construction and other services.

(3) Corporate governance

AVIC complied with the Interim Regulation on the Supervision and Administration of the State-owned Assets of Enterprises and the Interim Regulation on the Board of Supervisors for the State-owned Enterprises. It accepts the supervision of the Board of Supervisors authorized by the SASAC, on behalf of the State Council, and supports the Board of Supervisors to conduct supervision and inspection in accordance with the law. The Group is in the charge of the President, the legal representative of the Group. The Group consists of several vice presidents and a number of other senior managers who perform the appropriate tasks and are responsible for the President.

(4) Corporation strategy

AVIC adheres to the aim of ‘Contribute to the nation with aviation industry, strengthen the military forces and enrich the people’, practices the concept of ‘Commitment and integrity, innovation and preeminence’, and proposes the development strategy of ‘Two integrations, Three innovations, Five-izations and One trillion’. We try our best to build up ‘five large providers’, i.e. the provider of comprehensive national strength, the provider of combating capability of the military forces, the provider of national transportation capacity, the provider of national scientific and technological strength and the provider of high-tech consumption goods.

**The development strategy of AVIC**

- **Two integrations** changes the conservative thinking in the past, establishes the concept of open co-operation, integrates into aviation industry chain of the world, and integrates into the economic circle of regional development.

- **Three innovations** means that the Group’s core competencies are gradually transferred and upgraded from the old ‘trinity’ – funds, managements and technologies to the new ‘trinity’ – branding, business model, and integrated network.

- **Five-izations** refers to market-oriented reform, center-of-excellence-based integration, capital operation, globalization-based development, and industrial-scale-based growth.

- **One trillion** identifies the goal of meeting the challenge of revenue target of one trillion yuan by 2020.
Group's purpose: **Contribute to the nation with aviation industry, strengthen military forces and enrich the people**

Development strategy: **Two integrations, Three innovations, Five-izations and One trillion**

- **Value and target**
  - Ensure the completion of production of aviation weapons and equipment
  - Challenge the target of one trillion yuan
  - Enhance the Group's capability on value creation
  - Leaping development of civil aircraft industry
  - Openly develop non-aviation civil products
  - Vigorously develop the modern service industry
  - Strengthen cost control
  - Optimize capital structure

- **Customer and evaluation**
  - Perform well as ‘five providers’
  - Integration into the regional economy circle and promote local economic development
  - Integration into the aviation industry chain in the world, Improve cooperation level, and achieve a win-win situation
  - Offer products and services which can meet the demand of the market and the clients
  - Strengthen the Group's social responsibility, effectively manage the public opinions and enhance the Group's image

- **Processes and standards**
  - Innovate business models, realize industrialized development
  - Resource allocation, integration and coordination
  - Strengthen independent innovation
  - enhance international expansion
  - Reform and management
  - supervision and control

- **Learning and growth**
  - Improve organization competence
  - informationized development
  - develop strategic human resources management

**AVIC Corporate Social Responsibility Report 2009**
(5) Social honors

<table>
<thead>
<tr>
<th>Awards</th>
<th>Awarding units</th>
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<tbody>
<tr>
<td>Special Prize on National Defense Technology Progress</td>
<td>Committee of Science, Technology and Industry for National Defense</td>
</tr>
<tr>
<td>10 First Prizes on National Defense Technology Progress</td>
<td>Committee of Science, Technology and Industry for National Defense</td>
</tr>
<tr>
<td>Special Prize on Scientific and Technological Innovation Assessment of the Central SOEs during 2007-2009</td>
<td>Committee of State-owned Assets Supervision and Administration of the State Council</td>
</tr>
<tr>
<td>Special Prize on Performance Excellence Assessment of the Central SOEs during 2007-2009</td>
<td>Committee of State-owned Assets Supervision and Administration of the State Council</td>
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<tr>
<td>Class A for the Annual Assessment of the Central SOEs in 2009</td>
<td>Committee of State-owned Assets Supervision and Administration of the State Council</td>
</tr>
<tr>
<td>‘Most Trustworthy Enterprise of China’ in 2009</td>
<td>Selection Committee of Most Trustworthy Enterprise of China</td>
</tr>
<tr>
<td>National Advanced Unit of Legal Advocacy and education during 2001-2005</td>
<td>Propaganda Department of the CPC Central Committee Ministry of Justice</td>
</tr>
<tr>
<td>National Prize for Excellent Unit of Enterprise Culture Development</td>
<td>China Corporate Culture Institute</td>
</tr>
<tr>
<td>Organization Prize on Outstanding Brand for 30 Years of Reform and Opening up</td>
<td>China Corporate Culture Institute</td>
</tr>
</tbody>
</table>

(6) Participation of the stakeholders

Stakeholders list

AVIC always keeps the responsible attitude to the stakeholders in the development process, adheres to winning and maintaining stakeholders’ trust, and build harmonious relations with the stakeholders as the beginning line and starting point of performance of social responsibilities. It keeps on pursuing the sustainable and coordinated development of the business with the economy, society and environment.

Stakeholders

- Government
  - Expectation for the Group: Sustainable and stable development, taxation, providing employment opportunities, promoting economic prosperity
  - Communication approaches: Laws and regulations, policy files, conferences at national or ministerial level, special reports, reporting tables and visits
- SASAC
  - Expectation for the Group: Increasing the company’s profitability and competitiveness; ensuring the preservation and increment of the state-owned assets
  - Communication approaches: Issue files and implementation, participating in meetings and executing the spirit of the conferences, regular reporting, daily communication, reporting tables and visits
- Strategic partners
  - Expectation for the Group: Continuously improving innovation capacity in the field of strategic cooperation, ensuring the common interests of the strategic partners
  - Communication approaches: Contract execution, regular conferences, high-level meetings, documents and correspondence, daily contacts
### The main associations and organizations

<table>
<thead>
<tr>
<th>Association name</th>
<th>Position in the association</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Association of Chief Financial Officers</td>
<td>Vice President</td>
</tr>
<tr>
<td>Accounting Society of China</td>
<td>Standing Director</td>
</tr>
<tr>
<td>China Chamber of Commerce for Import and Export of Machinery and Electronic Products</td>
<td>Vice President</td>
</tr>
<tr>
<td>China Labor Association</td>
<td>Director</td>
</tr>
<tr>
<td>Collaborative Committee of Employee Education</td>
<td>Committee Member</td>
</tr>
<tr>
<td>China Enterprise Confederation</td>
<td>Vice President</td>
</tr>
<tr>
<td>China Enterprise Directors Association</td>
<td></td>
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<tr>
<td>China Federation of Industrial Economics</td>
<td>Presidium Member</td>
</tr>
<tr>
<td>Society of Management Science of China</td>
<td>Director</td>
</tr>
<tr>
<td>China Association of Military Enterprise Management</td>
<td>Vice President</td>
</tr>
<tr>
<td>Association of Peaceful Utilization of Military Technology</td>
<td>Deputy Director</td>
</tr>
</tbody>
</table>

**Client:**
- Provide products and services of high quality and reasonable price, and continually improve the actions customer conferences

**Employee:**
- Continuously increase the company's profitability and sustainability, provide their employees with more benefits and growth opportunities

**Supplier:**
- Be able to serve AVIC in a long term in order to obtain a reasonable profit

**Community:**
- Civilized production, promote community prosperity and harmony, provide safe, healthy living environment

**Non-governmental organization:**
- Play a positive role in promotion and an exemplary role in all areas of sustainable development, industrial development as well as local development

**Customer conferences, advice collection, request for comments, and daily contact with the sales representatives**

**Sensible advice, CEO letterbox, tea party, consultation, exchange**

**Contract and agreement negotiations, regular visits, bidding meetings, request for advice**

**Agreements on civilization and joint development, joint project development, regular meetings for communication and festival celebration.**

**Participating in societies and performing certain duties, contributions and project investment, participating in activities beneficial for the industry and the society**
National security – ensuring peaceful development

Serving national defense is the primary responsibility of AVIC as a military enterprise. For a long time, AVIC insists in considering ‘Strengthen the military force’ as the core of ‘Contribute to the nation with aviation industry’, focuses on establishing a powerful air force for our country, continuously researches and develops advanced weaponry, meets the needs of building national defense, and makes an indelible contribution to protecting peaceful development of our country.

Providing excellent military equipment ........................................ 19
Ensuring livelihood and security .................................................. 20
1.1 Providing excellent military equipment

Providing weponary and military service to meet the demand of armies is an obligatory duty of AVIC. The Group adheres to development, production and service of aviation weapons and equipment as the foundation, constantly improves the ability of independent innovation, and forms the scientific research and production system of aviation industry as well as the service security system of aviation equipment, which have relatively complete technological bases, with planes as the fist products, well supported by aero-engine, airborne system and missile weaponry system. As a result, we made positive contribution to strengthen the military forces.

In recent years, AVIC developed a large number of aviation equipment at international advanced level. In particular, a large number of high-level, high-performance combat aircraft, with the representative of J-10 fighter, have been successively equipped in the military forces, which forms a formidable fighting force. As a result, our armies have aviation weaponry and equipment at similar level with the leading fighters in service of developed countries. We accelerated the transition of our national defense forces from the defensive type of to both offensive and defensive operations, which lay a solid foundation for protecting national security and territorial integrity. We achieved the change from ‘unable to compare with another’s accomplishments’ to ‘approach somebody’s greatness’, and significantly shortened the distance with foreign advanced level. At present, China becomes the fourth country in the world after the United States, Russia, Europe and other countries or regions, which can independently research and produce fighters, special aircraft, advanced air-to-air missiles and other aviation equipment.

J10 fighter, independently researched as our fighter of third-generation, has reached the tactical and technical requirements of world advanced level. It made a series of key aviation technological breakthroughs which are represented by the advanced aerodynamic layouts, digital fly-by-wire flight control system, highly integrated avionics system and computer-aided design. Thus it indicates that China has stepped into the rank of developing most advanced and sophisticated weapons in the world.

The FBC1 aircraft was a new fighter bomber, which was independently designed by the Xi’an Aircraft Design and Research Institute and developed by AVIC Xi’an Aircraft Industry (Group) Co., Ltd. Its successful production changed the history of China having no its own fighter bomber model.

The TY90 that was independently developed by AVIC is the world’s first air-to-air missile specially dedicated to armed helicopters.

The SD10A that was independently developed by AVIC is low-and medium-range air-to-air interception and missile.

Aerial tanker
1.2 Ensuring livelihood and security

Various equipment that was produced by AVIC played an important role in earthquake relief, fighting against ice disaster, Olympic security, escorts in Gulf of Aden and other non-traditional security areas.

After the ‘5.12’ earthquake catastrophe in Wenchuan, the helicopters that were produced by AVIC flew to collect information over the affected areas, and shuttled to the mountains delivering relief goods and transferring injured victims when tens of thousands of lives around the epicenter could not obtain outside rescue due to the broken highways and bridges. During the process of earthquake relief, AVIC helicopters played an irreplaceable role which other rescue devices cannot match. ‘Eagle of life’ is the honorary name that was given by the people in the disaster areas.

Case
‘Lucky bird’ in the disaster-striken area—Z8
During Wenchuan earthquake rescue, 10 Z8 helicopters that were made by AVIC Helicopter delivered a large amount of material to the disaster-stricken areas and rescued many affected people, which saved lots of lives and property. As a result, the Z8 was affectionately known as the ‘lucky bird’ in the disaster-stricken areas.

Case
Air patrol of Beijing Olympics
During the 2008 Beijing Olympic Games, AVIC Z-9 helicopters cruised over Beijing and performed the tasks of air patrol and accident rescue. The CA-109 helicopters that were made by joint venture were not only used for aerial photographing of the Olympic Games by CCTV, but also performed as police helicopters for aerial monitoring of security patrol, traffic flow monitoring, air command, ground support and counter-terrorism by the Beijing Municipal Public Security Bureau.

During the escorts in the Gulf of Aden in 2008 and 2009, the Z-9 shipborne helicopters that were made by AVIC completed excellent tasks such as the patrol guard, deterrence-off, service delivery, vertical replenishment as well as search and rescue missions. They broke many records, including the longest duration of shipboard tasks, most frequently dispatch, and most difficult landing. Therefore, they have become important forces for maintaining national maritime interests.
The aviation industry is a strategic industry in China, which not only plays an irreplaceable role in promoting the modernization of national defense, but also performs as the important impetus of national economic development and progress of science and technology. As the main force of China’s aviation industry, AVIC adheres to its responsibility of promoting China’s aviation industry to be larger and stronger, and plays a positively strategic role in the economic and social development. Furthermore, in the efforts to enhance its core competitiveness, AVIC comprehensively improves the strength of China’s aviation industry, and continues to make a positive contribution to the sustainable and healthy development of the national economy.

Economic development
—achieving leaping growth
2.1 Good business performances

In 2009, faced with the serious challenges of the global financial crisis, AVIC persisted in the starting point of being bigger and stronger, actively implemented the macro-economic policies of ‘Ensuring growth, expanding domestic demand, and adjusting structure’, and successfully achieved stable and fast development of the group with confidence. By the end of 2009, the Group’s total assets had reached 393.18 billion yuan with an increase of 25%; the revenue reached 170.872 billion yuan with an increase of 15%; the total profit was up to 9.266 billion yuan with an increase of 37%. Its ranking in the Fortune’s Global 500 list was raised by 96, and ranked 11th in the field of aerospace and defense sector. And it ranked 32nd in China’s Top 500 and 8th of the top manufacturing enterprises.

Key financial data of the Group during 2008-2009
Units: [billion yuan]

<table>
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<tr>
<th>Year</th>
<th>Total Assets</th>
<th>Revenue</th>
<th>Gross profits</th>
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<td>2009</td>
<td>393.18</td>
<td>170.872</td>
<td>9.266</td>
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</table>

2.2 Promotion of market-oriented reforms

Market-oriented reform is an inevitable development tendency of AVIC in the economic market. It is a panacea for AVIC to deepen reform and stimulate the energy. It is also a necessary road to rejuvenation for China’s aviation industry. In today’s global market, we change our mindset through emancipation, adhere to the orientation of market demand, reform the institution and mechanism, improve the management system, actively participate in market competition, try our efforts to achieve full and rational allocation of resources, constantly improve our operation efficiency, and enhance the ability of creating values for the stakeholders.

Establishing modern enterprise system

Modern enterprise system is the only way of reconstructing the soul of China’s aviation industry and an important standard to measure the success of reform. Through perfecting the enterprise’s legal person system, we introduced scientific governance mechanisms, promoted institutional mechanism innovation, improved the internal control system, strengthened the development of information disclosure, established modern enterprise system with clear property rights, well defined power and responsibility, separation of the government and enterprise and scientific management. Thereby we established a strong system of aviation industry.

In 2009, AVIC introduced the Interim Measure on Administration of the Directors and Supervisors Sent by AVIC, the Interim Measure on Administration of Shareholder Affairs and other documents, which initially established the corporate governance system and laid a solid foundation for the company’s development.

Case

Xi’an Aircraft International Aviation Manufacturing co., Ltd.
Improving corporate governance

As the first listed company in national aviation industry, the Xi’an Aircraft International constantly regulated and improved its governance, and was awarded twice the ‘Top 100 Listed Company with Advanced Management’ (2003 and 2006).
Establishment of parent-subsidiary company management system

Parent-subsidiary company management system is the core framework of AVIC reform. In 2009, according to the requirements of the Companies Act and the parent-subsidiary company (business department) management system, AVIC developed the grouping management operating mode with hierarchical management, own accountability and orderly convergence. Among them, Board of Shareholders (companies with plural investments), Board of Directors, Board of Supervisors and Management Level were established in its holding companies. The branches, Business Department, institutes (except the Flight Test Establishment) also set up the Board of Directors, Board of Supervisors and Management Level, and dispatched a full-time Chairman of the Board of supervisors, full-time directors and full-time supervisors with reference to the Companies Act.

We initially develop the parent-subsidiary company management system with the Headquarter of the Group as a strategic management and control center, the immediate units as the profit center and operation center, members units as specialized centers, and initially set up modern enterprise system framework.

2.3 Optimization of industrial layout

Industrial development demonstrates the basic rules of survival for the aviation manufacturing enterprises in the world. It is the important formula for AVIC to break the monopoly of aviation industry around the world. It also offers fundamental guarantee for a rich country and strong military forces. In recent years, AVIC made full use of the turning point of world’s economic structural adjustment, adhered to the approach of industrial development, accelerated technology progress and industrial upgrading, changed the past situation of development with simple reliance on military products, developed a way of development by civil-military integration, and eventually achieved coordinated development supported by the tripod of aviation industry, industry of non-aviation civil products and modern service industry.

Tripod industrial structure

Civil-military integration
Prioritizing the extended industry of aviation technology, focusing on the development of nine major industries including special-purpose vehicles, automotive parts, new energy, electronic information, new materials and mining chemicals, Li-ion batteries, traditional advantageous industry, complete sets of large equipment and emerging industry.

Establishment of market-oriented operation mechanism

It is the starting point of meeting market and clients requirements for AVIC to establish market-oriented operation mechanism and play the basic role of the market economy in the allocation of resources. It is also the only way for the Group to transit from planned economy to market economy.

In 2009, AVIC strengthened market mechanism reform, established the dominant position of independent economy interests, and completed the restructuring of market position. AVIC internally promoted the establishment of group-wide market management system, developed the market by the combination of independent operation and civil-military integration, strengthened the capacity-building of market operation. Furthermore, AVIC externally is faced with the market needs directly, actively participate in the market competition, and cultivate growth point in the emerging markets.
Commitment to the development of the whole aviation industrial chain

Development in the whole aviation industrial chain is the basic trend of international aviation enterprises. It is an inevitable choice for AVIC to follow the objective rules of industrial development, and respond to the competition for development and growth. In recent years, based on national situations, we actively created our own development mode in the whole aviation industrial chain, and strived to form competitive advantages throughout the industrial chain. Currently, we have covered spare parts, airborne equipment, engines, aircraft integration and other processes of the aviation industry chain, which form the primary framework of the whole industrial chain. We have established the industrial system covering the whole industrial chain including aircraft, engines, airborne system, helicopters and general aircraft.

Promoting aviation industry to upgrade

AVIC actively promotes independent innovation and industrial upgrading, constantly improves the capacity of development, manufacture and supply, enhances service guarantee capacity of the life-cycle use in military forces, ensures to change ourselves from the main manufacturer to a system integrator, and achieves the transfer of providing systemic combat abilities and combat system solutions. Thus we form the business development mode of a whole system, which meet the transport needs of military and civil aviation. Therefore, we change from a supplier of aviation weapons and equipment to a product and service provider of aviation armament with the full value chain and whole life cycle.

Researching and developing platform of civil aircraft

Modern platform of developing civil aircraft conducts open research and manufacturing. Through early involvement of users and airworthiness departments as well as globalized cooperation, we promote the development of the core competencies of civil aircraft manufacturing.

Financial platform of serving civil aviation industry

We combine international and domestic capital markets, construct a financial platform with aircraft leasing as the main business so that the domestic civil aircraft can enter the market as soon as possible.

Demonstration operation platform of domestic civil aircraft

While consolidating and improving the Joy Air demonstration platform, we fully reflect the performance level and economic dimension of domestic aircraft, raise awareness and reputation of them, establish a market image, and promote their sales.

Platform of after-sale service assurance

Strengthening the capability of error-free delivery as the core, technology service capability of quick and accurate response as the core, spare part support capability of improving aircraft’s daily use rate as the core, we improve the operational efficiency and after-sales service guarantee level of domestic civil aircraft.

Commitment to the development of the whole aviation industrial chain

Vigorously developing general aviation

China’s general aviation industry is an important industry of expanding domestic demand and employment, and promoting national economic development. AVIC bears in mind the mission of strong military forces and a prosperous country, develops general aviation aircraft for business and private use, aviation sports, agriculture and forestry operations, travels and emergency assistances. We have developed Y-5B, Y12, N-5, LES00 and other general aircraft, which meet different customer need and promote the development of our country’s general aviation.

With the strategic thought of ‘Leaping development of civil aircraft industry’, AVIC follows the mode of ‘Main manufacturer-supplier’, establishes development system of civil aircraft, improves platform construction of civil aviation industry, prioritizes strengthening capabilities on aircraft design and integration, assembly and manufacturing, marketing, customer service and airworthiness verification, and develops turboprop regional planes, civil helicopters, general aircraft, special aircraft, commercial engines and airborne equipment.

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Connecting the defense and commercial development is a necessary initiative of AVIC to make use of aviation technology and achieve ‘two-legs walking’. As ‘Military-oriented, civil-product prospered’, the development of non-aviation civil products plays an important supporting role in the group’s goal of ‘One trillion’. When AVIC fulfills the goal of ‘One trillion’ by 2020, non-aviation civil products will be responsible for the annual sales of 400 billion yuan.

In 2009, the non-aviation civil product industry of AVIC achieved breakthrough development with annual sales revenue of 39.365 billion yuan (excluding the sales income of Changhe Automobile, Hafei Automobile, Dong’an Engine, Changhe Suzuki, and Dong’an Mitsubishi that were allocated to China South Equipment Group Corporation in November 2009). AVIC progressively realized the transformation and upgrading to the new energy, complete sets of large equipment, emerging industries and other areas. Moreover, AVIC wind power blades continue to maintain its first market share in China while special-purpose vehicle industry expands rapidly.

### Industrial layout of non-aviation civil products

| Nine industries of non-aviation civil products | Special-purpose vehicle (including engineering machinery, etc.) industry, automotive part industry, new energy industry, electronics industry, new material and mining chemical industry, lithium-ion batteries, traditional advantageous industry, complete sets of large equipment, and emerging industry. |
| Three industries respectively with production value of over a hundred billion yuan | Special-purpose vehicle industry, automotive part industry, and new energy industry. |
| Five industries respectively with production value of over ten billion yuan | Electronics information industry, new material and mining chemical industry, lithium-ion batteries, traditional advantageous industry, and complete sets of large equipment. |

### Positive integration into the regional economy

It is an important way of achieving leaping development for AVIC to rapidly integrate into the regional economy and continuously improve development capacity. AVIC has signed strategic cooperation agreements with 15 provinces and municipalities including Shaanxi, Tianjin and Beijing, which established comprehensive strategic partnerships of wider area, higher level and stronger power, and initially formed strategic locations in the Pearl River Delta, Yangtze River Delta, Bohai Economic Zone and other key areas of national economic development. Moreover, through close cooperation with local governments, AVIC gives full play to its advantages in aviation technology and industry, introduces talent, drives the development of local advanced manufacturing, stimulates the market potential, promotes construction of local modern industrial system, promotes local economic and social harmony development, meets regional and partners’ expectation, and finally forms a good pattern of complementary advantages, cooperation for a win-win situation and mutual development with the local economy.

### Realization of cluster development

Enhancing industrial concentration and cluster development is the necessary condition to optimize resource allocation and achieve leaping development of non-aviation civil product industry. In 2009, AVIC Party committee of the Group committee required the Group to achieve collaborative development with a link of ownership as well as construction of the whole industry chain. The overall competitive advantage of the whole value chain forms group effects in the broader economic development—achieving leaping growth.

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**Case**

**Building AVIC Special-purpose Vehicle Industrial Zone**

On September 25, 2009, AVIC and the government of Tieling City, Liaoning signed the Strategic Cooperation Framework Agreement in Dalian. The parties agreed that AVIC Special-purpose Vehicle Industry Zone would be jointly built in Liaoning Special-purpose Vehicle Production Base, which would form an industrial zone of research and development, manufacturing, sales and services of special-purpose vehicles.
market space. Currently, through cooperation and integration, we still focus on fostering products of high integration, long industry chain and strong driving effect, and thus increase discourse power in the non-aviation civil product market.

Focus on the development of nine Industries
AVIC considers innovation as the starting point, makes full use of the brand advantages, adopts extension strategy in the whole value chain, emphasizes the development of nine Industries of non-aviation civil products, and achieves transformation and upgrading to the areas, including new energy industry, lithium-ion batteries, and complete sets of large equipment as well as emerging industry. Currently, AVIC is on the world’s leading edge of median and high-end color screens of phones as well as in-car display screens in the electronic information industry.

AVIC industrial zone layout

Positive development of modern service industry

Modern service industry is not only AVIC’s strategic industry, yet the important support for future achievement of ‘One trillion’ goal of AVIC. We firmly grasp the development patterns and trends of modern service industry, innovate business models, extend the industrial chain, actively promote the development of modern service industry such as financial service, air transport and commercial trade, and finally develop modern service enterprises and brands, which are domestic first-class and internationally renowned.
Six major financial sectors of the Group

Through the funding approaches of government securities repurchase, inter-bank borrowing, and credit assets transfer, the development of the Group enterprises is supported.

set up an industrial fund dedicated to aviation manufacturing, and broaden channels of direct financing for China’s aviation industry.

As a new comer of China’s trust industry, AVIC Jiangnan Trust established AVIC Material Investment Trust Fund, etc., brought into full play the advantage of the resources in AVIC and overseas strategic investors.

Building a financial holding company

The capital-intensive feature of AVIC determines inevitable alliances of the aviation industry and financial industry. We follow the development idea of ‘Top industrial financial holding company’, accelerate the IPO and reorganization pace of financial enterprises, improve business layout, and introduce strategic investors. When the requirements of such big investment are addressed, the capital-intensive aviation industry also provides abundant financial resources and high returns for the financial industry. Currently, AVIC owns six companies covering finance, securities, trust, leases, futures and industrial fund, which primarily form the framework of a financial holding company.

Development of the air transport industry

The development and growth of the air transport industry is of great significance for promoting regional economic prosperity and overall harmonious development of the air transport industry. AVIC actively promotes the air transport industry, prioritizes the development of air transport services related to manufacturing, and set up the Joy Air. In the regional aircraft market, we actively support the development of C919 Project. Moreover, when accelerating the pace in the regional aircraft market, we vigorously develop the market of helicopters and general aircraft, speeding up the leapfrogging development of the air transport industry in China. (Note: Please refer to the “Conducting the maiden voyage of the Joy Air” in ‘Focus 2009’ for detailed information)

Developing the hotel and retail industry

AVIC hotel business began from providing matching services for the main aviation industry. It achieved a certain economic size after years of accumulation and development, and played an important role in supporting and bracing the Group’s business development while achieving a considerable scale and brand influence. In 2009, the operating revenue reached 1.25 billion yuan. The total number of rooms was about 9,000. There were 30 hotels of large scale, of which 23 hotels were three-star or above through accreditation. Meanwhile, AVIC also selectively developed the retail industry. The subordinate Rainbow Plaza co., Ltd. had 37 stores with a total sales revenue of 11.7 billion yuan in 2009. It had been one of the Hundred Chain Enterprises of China for nine consistent years, and also among top ten of the department store chains.
2.4 Further development of the market

AVIC adheres to the user-oriented principle, follows the market laws, considers international and domestic markets as a whole, takes advantages of both domestic and international resources, develops marketable products, promotes marketing, advocates the aviation brand, expands the development space and strives for the goal of ‘One trillion’ of AVIC and its sustainable development.

Developing civil aviation market

In recent years, we promoted the development and production of civil aircraft, engines as well as subcontract production of aircraft parts and aircraft maintenance business, strengthened capacity-building of airworthiness certification, sped up the establishment of the civil aircraft marketing and global response service guarantee system, and significantly expanded the domestic and foreign civil aviation market.

Increase exports of domestic civil aircraft

We actively seek national policy support for civil aircraft exports, and achieved a major breakthrough on exports of domestic civil aircraft. 20 MA-60 planes are operated in 7 foreign countries. Y-12 planes are also operated in foreign civil airlines.

AVIC participates actively in international airplane exhibitions

In recent years, AVIC participated in airplane exhibitions in Zhuhai, Paris and Moscow, extensively exchanged aviation technology, developed business cooperation, sped up the integration in the world aviation industry chain.

The 7th 2008 Zhuhai Air Exhibition— In November 2008, AVIC showed J10 fighter of third-generation to the world for the first time, and conducted challenging flight performances with a high degrees of difficulty. Its elegant design and agile flight ability attracted purchases intents of many exhibition countries.

The 48th 2009 Paris Air Exhibition— In June 2009, it was the first time for AVIC to demonstrate itself to the world after its reorganization and integration. It showed the new features and overall strength of China’ aviation industry. A number of key product models for foreign trade, including L15 Advanced Trainer Aircraft and MA Series Turboprop Regional Civil Aircraft, H425 Civil Helicopter, drew the attentions of foreign clients.
Environmental protection

Work Safety

Caring for employees

Achieving a win-win situation and mutual benefits

AVIC Corporate Social Responsibility Report 2009

Economic development—achieving leaping growth

Develop domestic market of civil aircraft
The exports of civil aircraft not only actively promote the development of the domestic market with good sales results, but also strengthen the development of new regional aircraft. MA-600 aircraft will be launched to the market immediately. The development process of MA-700 and Y-12F aircraft is also accelerated. Moreover, Z8-F100 passed the TC certification. ‘Sea Gull’ 300 and small helicopters passed their maiden flight. ‘Little Eagle’ 500 and L162 and other aircraft were produced and delivered.

Improving sales service system of civil aircraft
We changed the sales and service practices of military aircraft that usually adopted in the civil aircraft exports in the past, and initially established the civil aircraft sales and customer service system in line with the international market requirements of civil aviation.

Actively participating in international air exhibitions
By participating in Zhuhai, Paris, Moscow and other international famous air exhibitions, we achieved the competitiveness with international counterparts as well as direct communication with customers. while‘ going out’, we established broader market presence.

Feature

Moscow Air Show’2009—In August of 2009, AVIC demonstrated the aeronautical products including ‘MA’ series regional aircraft Y-12F aircraft, ‘Little Eagle’ 500 and ‘Sea Gull’ 300 aircraft in the 9th Moscow Air Show. In this exhibition, AVIC stand position was adjacent to the EADS, Thales, Boeing and other famous aviation enterprises in Europe and America. We had enough confidence and strength to compete with world-class aviation manufacturing enterprises.

Development situation of civil aviation market

Regional aircraft:
After years of development, there have been a variety of products in domestic and foreign markets. As of the end of 2009, 181 MA60 planes were ordered or intentionally ordered at home and abroad in total.

Civil helicopter:
The aircraft models including Z-9, Z-11, AC313 and HC120 have formed serial development patterns.

Subcontract production of civil aircraft, engines and system parts:
We provide subcontract production of parts for internationally renowned aviation product manufacturers such as Boeing, Airbus, General Electric, Rolls-Royce, Pratt and Whitney, SNECMA, Honeywell and Collins.

Aircraft maintenance:
More than ten subsidiary companies of the Group entered the field of civil aviation maintenance.

Xinzhou 700 aircraft model

The number of MA60 planes ordered or intentionally ordered at home and abroad in total by the end of 2009.

181 planes

181 planes
Expanding international cooperation and subcontract market

International cooperation and subcontract production is an important tool of strengthening the market position, technology upgrading and innovation management system of China’s aviation industry. It is also an important initiative for AVIC to reinforce external collaboration, integrate into the world aviation industry chain, and become a world-class supplier. Currently, subcontract production business of AVIC has been integrated into the global supply chain network. In cooperation with dozens of aviation enterprises of the United States, Britain, Germany, France and other countries, we initially forms a subcontract production system with international competitiveness, which is changing from subcontract production to risk sharing. In 2009, the international original manufacturers of host aircraft reduced subcontracting orders; however, our annual subcontract production of aviation parts still reached 587 million U.S. dollars of export delivery.

Case

The Z-15 Helicopter was a joint development project by AVIC Harbin Aircraft Industrial Group co., Ltd. and the Eurocopter. It filled the domestic gap of the helicopter pedigree between 6-7 tons.

Xi’an Aero-Engine (Group) Corporation raised international cooperation level

After 30 years of development, the delivery amount of subcontract production of foreign trade in the Xi’an Aircraft Engine (Group) Corporation increased from 0.127 million U.S. dollars in 1981 to 197 million U.S. dollars in 2008. It has become a key supplier under the strategic cooperative partnership with the GE, Rolls-Royce, SNECMA and other companies.
Developing non-aviation civil market

According to the work idea of ‘Three large, two transformations, two integrations and one gold’, AVIC implemented large projects and integrated resources actively expanded the market for non-aviation civil products at home and abroad, and achieved positive results. In 2009, AVIC conducted a number of mergers and acquisitions in the areas of non-aviation civil products, which increased its market share in all fields and consolidated its market position. For example, through acquisitions of the SAV, AVIC International Shenzhen owned the technology of TFT LCD display of 5th generation. As a result, AVIC’s production capacity of medium and small-size TFT was raised to the first in the world. Moreover, following successful mergers of Anhui Kaile Special-purpose Vehicle Corporation and Guangxi Liuzhou Chenglong Special-purpose Vehicle Corporation, AVIC Electromechanical Systems Corporation merged Liaoning Luping Machinery co., Ltd.. Therefore, its share in the special-purpose vehicle market has been improved greatly.

Strengthening brand image building

Brand is an important carrier of enterprise value and the symbol of enterprise quality. It can reflect enterprise’s core competitiveness. AVIC attaches great importance to brand building, actively improves product and service quality as well as unified brand image, tries its best to build the excellent brand and wonderful reputation facing the market, and continuously strengthens the international influence of AVIC brand.

In 2009, we accelerated the establishment of a perfect and specified brand management system. We sped up AVIC brand research and analysis. In a strategic direction, we developed strategic planning for the brand, comprehensively promoted brand-building, and tried to establish global competitive advantages. Furthermore, we enhanced brand management and control system, timely conducted assessment of brand value, adjusted the pace and tactics of brand promotion. Finally, we strengthened advocacy of brand image, and built the aviation brand based on our strength.

Case

AVIC brand influence increases

In 2009, news about AVIC was reported more frequently on the CCTV and local TV stations. There were also plenty of reports in print and online articles. Documentaries including the ‘Dragon F in the East’, ‘Change’ and ‘Air archives’, TV serial show ‘Falcon Team’ as well as the Book ‘It is for China’ and other works generated an ‘aviation boom’ in the community with good social repercussions, which improved AVIC’s influence and brand value.
Capitalization of the aviation industry is a necessary means to develop the aviation industry, a powerful lever to promote its reform and development, a booster for the establishment of modern enterprise system. AVIC adheres to constantly improving the enterprise value, promotes the capitalized operation, uses capital platform, actively undertakes stock exchange and placement, directional add-issuance, door listing as well as merger and acquisition for further development of AVIC.

In 2009, we conducted the corporate shareholding reform, merger and acquisition, door listing, directional add-issuance and other capital operation, and we currently own 21 publicly listed companies (10 in SSE, 8 in SZSE and 3 in SEHK). We conducted capital operation over 14 publicly listed companies. Xi’an Aircraft International Aviation Manufacturing co., Ltd. was the first subsidiary company which realized holistic listing. The capitalization rate of the Group assets increased from 15% in 2008 to 27.3% in 2009. The market value of AVIC increased from 57 billion yuan in 2008 to 147.3 billion yuan in 2009 with a growth of 158%. AVIC index reached 270 point with an increase of 152% which was nearly double the SSE stock index over the same period.

Professional integration is the development direction of diversified enterprises in the market economy. It is the strategic development trend of global aviation industry. According to the industrial chain and its layout, we follow the principle of ‘Extract common factors, and merge similar items’, consolidate resources and businesses of the same chain links. Thereby we can increase operational efficiency, and create economies of scale to improve overall competitiveness of the whole value chain and the whole industry chain.

In 2009, we advanced the integration of internal organizational structure, aviation industrial chain as well as value chain, conducted domestic and international mergers and acquisitions, set up specialized subsidiaries, and enhanced professional development capacity of each business segment. Moreover, we built a complete, balanced aviation industry chain and value chain throughout the whole group to form strong overall competitiveness.
Mergers and acquisitions are effective means to enhance the capital operation. We attach great importance to the strategic significance of merging, strengthen the related work on mergers and acquisitions, enhance the relevant abilities, and recruit professionals together. Furthermore, we develop merger policies, follow the principle of related diversification of the industrial chain, undertake mergers and acquisitions in the related areas of aviation technology and manufacturing, and actively promote mergers and acquisitions in the areas of modern services such as marketing, trade, lease and aviation operations. In 2009, we actively promoted the professional integration and capital operation in every specified sector, implemented a total of 17 restructuring and listing projects, which involved 21 billion yuan of total assets, 9 billion yuan of net assets as well as 21 units. Moreover, we totally completed 11 domestic and foreign mergers and acquisitions with an increase of 7 billion yuan of sales revenue.

AVIC owns a number of listed companies, therefore attach great importance to the standardized management of listed companies. In 2009, AVIC developed and issued 4 regulations including the 'Notice on Strengthening the Management of Related Directors, Supervisors and Senior Management Personnel of Listed Companies', which provided institutional guarantee for the standard operation of the Group. We carried out shareholding system reform of diversified equity, improved corporate governance as well as supervision and incentive mechanism, strengthened the functions of the board of directors, boards of supervisors and the assemblies of shareholders of the listing company; improved the system of independent directors and independent supervisors; effectively protected the investors’ benefits and rights.
Strengthening innovation  
— enhancing core competence

Innovation is the soul of a nation’s progress and the inexhaustible power for a country’s prosperity. Aviation industry shows high integration of modern new high-tech. It is an important symbol of the scientific and technological capacity as well as the overall strength of a country. AVIC further strengthens independent innovation and original innovation, focuses on both scientific technological innovation and management innovation, actively improves the innovation system and mechanism, strengthens building innovation management system, enhances the core competitiveness of the enterprise, and contributes to developing our country with powerful aviation industry.
3.1 Strengthening scientific and technological innovation

The aviation industry is a strategic high-tech industry, which is one of the sources of the national confidence. Scientific and technological innovation is an important fulcrum of the confidence. AVIC actively plays the leading role in the high-tech industry, and promotes the development of related industries while vigorously strengthening independent scientific and technological innovation.

In 2009, AVIC achieved remarkable results in industrial technological innovation. The advanced research project including the aerodynamic design of civil aircraft made a significant breakthrough. An outcome was awarded the National Special Prize on Scientific and Technological Progress. 130 prizes on defense scientific and technological progress were awarded in total, which made AVIC rank first in the top ten military industrial groups. A large number of key technological breakthroughs were made in term of the integrated avionics, engines with high thrust-weight ratio, composite materials, and large structures and so on, which included 2,170 patents making AVIC rank second in the central SOEs. By the end of 2009, AVIC had applied for 8,501 patents, which included 3,239 authorized patent and 512 invention patent.

<table>
<thead>
<tr>
<th>Units</th>
<th>2008</th>
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J10 aircraft won the National Special Prize on Scientific and Technological Progress.

**Strengthening independent technological innovation**

Improving the capacity of independent innovation is the key process for AVIC to cultivate core competitiveness and achieve leaping development. AVIC actively establishes and improves scientific and technological innovation system, increases investment in innovation and promotes the achievements into reality.

**The remarkable achievements of scientific and technological innovation**

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The next-generation advanced training aircraft L15 with independent intellectual property rights, independently researched and developed by Jiangxi Hongdu Aviation Industry Group Co., Ltd.
Perfecting the technology innovation system
In order to achieve the scientific and technological development goal of 'building a innovation system, creating three platforms, providing three major supports, realizing three kinds of upgrading,' AVIC vigorously strengthens the establishment of the scientific and technological innovation system so as to significantly enhance the aviation technology innovation system and guarantee the research conditions. AVIC forms a technological innovation system which is composed of the research institutions of the group, subordinate departments and member units as the main body, involves the related colleges and universities, enterprises, institutions and international organizations, and covers all areas of aviation and the fundamental technological areas.

On this basis, AVIC strengthens research and development institution building, and basically forms the laboratory and research application centre system covering overall aircraft, aerodynamics, structure, and other professional areas. At the same time, AVIC actively promotes the 3C scientific and technological research and production management system, and improves the technology research and development capabilities.

AVIC Automatic Control Institute won the First Prize on Modernization Innovation Outcomes of Enterprise Management at national level.

In March 2009, 'The establishment of 3C scientific and technological research and production system oriented by independent innovation' by AVIC Automatic Control Institute was awarded the 15th First Prize on Modernization Innovation Outcomes on Enterprise Management at national level. The 3C scientific and technological research and production system is made up of the center of research(COR), the center of competence(COC) and the center of excellence(COE). It conducts the task decomposition according to the development characteristics on different technological maturity levels, which is undertaken separately by the three centers to form a mode of project relay/collaboration. It also develops differentiated evaluation goal and incentive mechanism according to the different characteristics as well as objectives and tasks of three types of centers.

Through the system establishment, the independent innovation capacity of the institute is upgraded significantly. New project development period is shortened to 1-3 years. The GNC technology and product range marked by 'producing a generation, improving a generation, developing a generation, exploring a generation' are already established. During the last three years, it obtained 112 patents and 77 outcomes at or above provincial and ministerial level.

Establishing long-term investment mechanism
In order to guarantee further development of independent scientific and technological innovation, AVIC requires that the scientific and technological innovation investment should reach 4% of sales revenue, among which self-input should reach 3%. The total research and development investment should reach 8% of the sales revenue. Furthermore, AVIC established an Independent Innovation Fund to support innovative conceptual researches which met the relevant requirements. The yearly grants account to 400 million yuan. In 2009, the Innovation Fund totally supported 22 research projects of civil products.

Developing scientific and technological talent team
Talent is the key to achieving scientific and technological innovation. AVIC insists that the talents should be improved by high-level and highly intensive scientific and technological research and production. It adopts such measures as chief-expert system, scientific and technological allowance, mechanism on awarding outstanding contributions. Moreover, AVIC further strengthens team-building of scientific and technological innovation, which achieves remarkable results and cultivates a large number of middle-aged and young technology backbone as well as multiple technology innovation teams.

By the end of 2009, AVIC had more than 80,000 scientific and technological staff members, among whom there were 486 national-level scientific and technological talents, 16 academicians from the Chinese Academy of Sciences and the Chinese Academy of Social Sciences, 399 experts receiving special allowances of State Council, 79 young and middle-aged experts with outstanding contributions at national level, 38 persons selected for the ‘the New Century National Hundred Thousand Ten Thousand Talent Project’, 1,680 ‘511 talent project’ candidates, 1...
Disciplines. Meanwhile, AVIC also actively strengthened strategic cooperation, study and research with various institutions including the Chinese Academy of Sciences. AVIC innovation project with cooperation of industry, study and research’, which established innovation strategic alliance of industrial technology and strengthened the establishment of the platform for the transformation of scientific and technological achievements, actively promoted and encouraged innovation transformation, and set up a bridge of communication and transformation for technical supports and service agencies for the purpose of commercialization of the aviation technology achievements. Aircraft, engine, instrument, electrical appliance, accessory and applied mathematics, and other professional and technical communication stations organized various technical exchange activities, greatly released mass technology exchange and promotion of energy, fully opened the channels of technology exchange and achievement promotion. According to the statistics, during the past 10 years, the promotion rate (which means a scientific and technological achievement applied to three or more models, products or enterprises or institutions) of major aviation technologies and technology achievements was 21.7%.

Protecting intellectual property
AVIC attaches great importance to intellectual property protection in operation process, strictly complies with laws and regulations related to intellectual property. AVIC takes ‘creation as a core, protection of organic mechanism, application with breakthroughs and management with process’ as the overall objective, develops the ‘Patent Project’, and conducts a thorough overview and protective strategies on the intellectual property protection of some aircraft types of the Group. Furthermore, AVIC enacts the 12th Five-year Plan on Intellectual Property and Development Strategy for 2030, which indentified the medium and long-term development goals of the intellectual property. AVIC also formulates training textbooks on intellectual property work, holds regular intellectual property training, establishes a special fund for intellectual property protection in order to assist the member units to apply for patents and conduct researches on intellectual property.

Developing cooperation for innovation
Cooperation for innovation is the important approach for the enterprises’ technology innovation. AVIC emphasized the cooperation with various institutions at home and abroad, actively carried out the ‘AVIC innovation project with cooperation of industry, study and research’, which established innovation strategic alliance of industrial technology underlining the social research capacity as an important component of the Group’s research system.

After the strategic cooperation framework agreement with Xiamen University in 2008, AVIC respectively signed strategic cooperation framework agreements with the BUAA, NWPU and NUAA in 2009, and launched the ‘AVIC innovation project with cooperation of industry, study and research’. Meanwhile, AVIC also actively strengthened strategic cooperation with various institutions including the Chinese Academy of Science.

Case
R0110 Heavy Combustion Engine
The R0110 Heavy Combustion Engine was one of the major projects in terms of energy in 863 plan of the 10th Five-year Plan by the Ministry of Science and Technology. The development of this engine was led by AVIC Shenyang Liming Aero Engine Group Corporation with Shenyang Aeroengine Research Institute as the final designer and 12 scientific research institutes and more than 30 manufacturing enterprises as the union of production, learning and research. The Engine is of mature design, superior performance, and compact and advanced structure, and of world advanced level, compared with the combustion engines with the same power rate.

International technical cooperation
In recent years, AVIC actively conducted international technical cooperation, which included the sixth and seventh framework of aviation technical cooperation with the EU, and the technical cooperation with Russia, etc. In October, 2009, in the testimony of Premier Wen Jiabao and Russia’s Prime Minister Vladimir Putin, AVIC and Russia Helicopter Stock Company signed the Understanding Memorandum on Jointly Developing Heavy Civil Helicopters, which meant that the cooperation between the two countries in the field of helicopter industry entered a new phase.

Case
AVIC and the EU conducted aviation technical cooperation
From 21 to 23 September, 2009, the EU’s Project Conference on the Seventh Framework Programme was held in Brussels, the capital of Belgium. Multidisciplinary aviation experts and professors from China and Europe held positive and pragmatic exchanges and discussions, and laid the foundation for further deepening the cooperation and implementing the new cooperation project.
3.2 Promoting management innovation

Strengthening management innovation is the fundamental measure for AVIC in pursuit of enterprise development, accelerating the development of state-owned enterprise reform, reengineering enterprise soul and challenging ‘One trillion’ development strategy. The Group Corporation combines management innovation technological innovation, and system innovation, promotes intensive management, and effectively improves enterprise competitiveness.

In the past three years, AVIC cumulatively gained 5 First Prizes and 14 Second Prizes of National Enterprise Management Innovation Achievement, and 8 First Prizes, 19 Second Prizes and 26 Third Prizes of Military Industrial Enterprise Management Innovation Achievement.

In 2009, the Group Corporation took value creation as the core of management innovation, strategic management innovation as the leading idea, and achieved tremendous progresses including integrated balanced scorecard for strategy management, 6S for on-site management, Lean Six Sigma for process management, EVA as the core of value management and process recycling, etc.

Model diagram of strategy management innovation

Strategic management innovation

AVIC strengthened strategic management and control capacity, improved strategic management and control system, and ensured implementation of the strategy through the implementation of the integrated balanced scorecard (IBSC) management. Furthermore, it established the management system of strategic formulation, implementation, review and update from Group Headquarters to Member units based on IBSC, which enabled the strategic management system to become the operating system of management implementation.

Case

AVIC First Aircraft Design and Research Institute 'IBSC management system' in comprehensive trial operation

In 2009, AVIC First Aircraft Design and Research Institute established the balanced scorecard system as a whole framework of ‘One supports platform, three positioning coordinates, four dimensions and seven cycling processes’, compiled the IBSC appraisal indicator system, integrated it into the ‘IBSC management system’ in OA office system, and initially developed accurate and effective strategic performance assessment system for AVIC departments and research institutes (Center).
Centering on management innovation system construction, AVIC established a mode of ‘standard actions + optional actions’. ‘Standard actions’ means the Group selectively organizes and promotes some distinctive management methods and tools such as IBSC, EVA, Lean Six Sigma, etc., and progressively realizes the systematic and standardized management. ‘Optional actions’ means the Group advocates and encourages all units, combining with practical situations, and actively implement management methods and tools including applied project management, market and customer management.

In 2009, the Group established a 6S Management Leadership Team and its General Office, and a total of 12 subordinate units and 124 member units established 6S management bodies. 30 units completed 6S Acceptance Examination during the year. Among them, a total of 19 units passed acceptance, 4 units passed acceptance in revaluation, and 7 units passed bronze acceptance in revaluation. The advancement of 6S management greatly standardizes productive operation site, improves the quality of all employees, plays an important role in cultivating first-class environment and innovative atmosphere in the enterprise management.

Innovation on fundamental management

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Promoting the application of information technology

After ten years of development, the informationization of AVIC is on the new level. Key model of digital technology application has made significant progress. The fields such as digital design, simulation, processing and manufacturing, assembly have also been improved greatly. The product development cycle, development cost is significantly reduced.

The Group comprehensively promotes universal application of computer aided design (CAD), computer aided manufacturing (CAM), and other digital technologies, constantly introduces advanced forging, casting, digital control processing, welding, and other professional industrial simulation software, and provides effective means for optimization of industrial design and manufacturing process in order to achieve the results of improving product quality, lowering rejection rate and reducing manufacturing cycle.

EVA (Economic Value Added, EVA) is a financial evaluation method of business performance based on the operational net profits after tax and total cost of capital investments necessary for producing these profits.

Term Definition

EVA (Economic Value Added, EVA) is a financial evaluation method of business performance based on the operational net profits after tax and total cost of capital investments necessary for producing these profits.
Excellent quality
— casting enterprise value

The problems on aviation product quality affect the aircraft’s flight safety, and concern national security and interests. AVIC adheres to the policy of ‘Brand value of quality first, modern organization with standard systems, precise and professional quality, customer satisfaction improvement mechanism’, which puts quality management in the central position, and tries to cast the value of enterprise.

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4.1 Quality target

We adhere to the quality policy of ‘value, organization, quality and mechanism’, center on strategic development objectives of the aviation industry, keep the value of orientation of quality first, consider the needs of aviation product development as traction, take improving the quality and credit of the Group as motive, establish quality management model and management system adapting to the Group’s strategic development. Through objective management, decomposition of responsibilities, process supervision, quantity evaluation, reward and punishment incentive and other means, we raise the quality management standards from quality secured level to quality preventive level until the quality perfect level.

**Term definition**

**Quality secured level**: Quality is assured through testing. The quality requirements are limited to the rework rate and reject rate. Senior management do not take part in quality activities, and usually intervene in important customer feedback processing. Quality management function is almost independent from other functions. The quality assurance department is responsible for product quality independently.

**Quality preventive level**: The management recognize that ‘design’ is essential to quality, focus on the development phase and invest substantial resources to improve design quality, and adopt the ‘quality design’ and ‘preventive measure’ to ensure quality problems fundamentally resolved in the ‘source’. The production, procurement and development departments develop a high-standard quality objectives, deliver quality responsibility to all the functional areas, and introduce the ‘concurrent engineering’ and ‘cross-functional working group’ approach.

**Quality perfect level**: Senior management set up extremely stringent quality objectives. Each of the functions and levels develops its own specific quality objectives. 70%-80% of staff (including top management) participate in the activities of the ‘quality improvement’, and form a crossfunctional teamwork for zero-defect production and quality design.

4.2 Quality system development

According to domestic and international standards on aviation quality as well as the development needs of the Group, AVIC has developed a series of quality control requirements and process capability evaluation criteria, formed AVIC enterprise standards to guide its quality management system to develop in the direction of enhancing the enterprise competitiveness.

In 2008, AVIC Quality Management Regulation and AVIC Quality responsibility Regulation were published, which identified the quality-related duties and rights of every institution, and regulated the Group’s quality management framework.

**Quality management system**

AVIC attaches great importance to quality management. Headed by the President Lin Zuoming as the Committee Director, the Quality Management Committee was established for the purpose of building first-class quality management system. The ‘AVIC Quality Information Management System’ was developed to accelerate internal transfer speed of quality information in the Group, and provide instant information support for quality decision-making. At the same time, the Group established a quality notification mechanism in the field, which achieved good results.

AVIC takes Lean Six Sigma project management as the starting point, and increasingly improves the capacity of production operation. Through the integration of balanced scorecard KPI indicators into Lean Six Sigma projects, AVIC achieves effective combination of the operations and strategies. In 2009, AVIC actively developed Lean Six Sigma training, held...
In 2009, AVIC developed an overall plan based on the consolidation of GB, GJB, KGB, AS9100 and airworthiness standards, and formulated evaluation criteria for the aviation industry quality system. The assessment criteria carried out the prevention-based thought, and identified quality control processes according to the different stages of product life-cycle. Furthermore, in accordance with the processes of soft/hardware product development, production and service, supplier management and procurement, large test procedure and approved laboratory quality management, it also separately developed quality management evaluation criteria, which was for the quantitative evaluation of the effectiveness of the quality system, process capability, staff quality and work quality. The system of quality management was changed from qualitative description to quantitative assessment.

23 green-belt and 2 black-belt training courses, which totally trained 5,637 Six Sigma Green-Belts, 365 black-belts and 62 navigators (big black-belt). AVIC Measure on Lean Six Sigma Management Implementation and its Evaluation Standards (trial) were formulated. Acceptance examinations were conducted for the Lean Six Sigma management level of all units. Documents such as the Guide on Team Onsite Lean Improvement Activity and the Guide on TPM Autonomous Maintenance Implementation were issued to gradually form a continuously improving mechanism taking team building as the carrier, which consolidated the base level of management of various units.

In 2009, a total of 25 AVIC projects were awarded as the ‘2009 National Excellent Six Sigma Projects’ by the Six Sigma Management Promotion Committee of the China Association for Quality.

AVIC regulates various types of quality technical support organizations, which forms a professional technical support team. A total of 17 quality technical support organizations were built by the end of 2009.

In 2009, four component-inspection stations of AVIC totally received 22,476 batches of submission components covering all key models. The submission qualified rate was 99.09 per cent with an increase of 0.09% over the previous year. Moreover, the four software-evaluation Centers undertook 174 key model items in the whole year. The important defect rate was 0.005%, which meant that software quality and reliability was improved, and software management was also gradually standardized.

AVIC Harbin Dong’an engine (Group) Co., Ltd. developed innovation of the assessment model.

AVIC Harbin Dong’an engine (Group) Co., Ltd. implemented quality performance assessment of all the staff, which adopted the approach of quantitative assessment of quality performance in terms of observance of discipline, productivity, product quality, quality improvement and so on. It provided the staff Quantitative Assessment Table for Staff Quality Performance, which was divided into green managed zone, yellow pre-warning zone and Red alarm zone, and incorporated assessment results into the staff’s overall performance assessment system.

AVIC-QMS assessment criteria

In 2009, AVIC developed AVIC-QMS assessment criteria, and found weak points and sought improvements through quantitative evaluation, which addressed the problem of ‘two layers of face’ of the quality management system, also considered the evaluation results as the components of quality management special prizes.

The Administrative Measure on Rewards and Punishments for Quality was formulated by AVIC in order to establish Special Prize of Quality Management to reward the units and people with outstanding contributions. At the same time, AVIC carried out the investigation into quality accountability and responsibility.
4.3 Comprehensive quality management

AVIC persists in the general thought in the quality management of ‘Sticking to one center, holding seven basic points, recreating aviation quality, creating wealth value’, improves quality management awareness, and integrates quality management into the processes of product design, manufacture and service.

Enhancing quality management level

In 2009, AVIC launched ‘three regulations’ which focused on product quality and service guarantee. Meanwhile, AVIC developed a joint working mechanism together with the relevant departments so as to promote the further development of ‘three regulations’.

Term definition

‘Three regulations’: regulation of ideological style and concept; regulation of technology foundation and professional competence; regulation of management processes and model mechanism.

‘Listing and accounting’ management problems are among the top priorities of ‘three regulations’ activities of AVIC. ‘Double five standards and zero problem’ is the requirement and principle of processing quality issues. In 2009, AVIC promulgated the management approach of ‘Listing and accounting’ problems as well as the management requirement of ‘Double five standards and zero problem’, which identified 42 items of ‘Listing and accounting’ management problems at group level.

In 2009, AVIC fully implemented Reliability Verification Engineering (RVE), and effectively addressed the quality reliability issues of in-service engines.

Main contents of Reliability Verification Engineering (RVE)

- Rectify quality reliability problems of in-service engines;
- Launch technology researches on engine reliability test, and develop codes on engine reliability test;
- Study and formulate administrative requirements for engine reliability project;
- Launch researches on key technology of engine reliability design analysis, and develop technical specifications on engine reliability design analysis;
- Construct engineering database on aviation engine reliability;
- Develop the fundamental ability of engine reliability design and test

Term definition

QC team: i.e. quality management team, which means the organization composed of all kinds of staff in production line or other workplace positions, centering on the enterprise goals and principles as well as onsite problems, organized for the purpose of improving quality, reducing consumption, improving economic efficiency and the personnel quality, and applying quality management theory and method to carry out activities.
Strengthening process quality control

In 2009, AVIC strengthened process quality control, and continuously improved product quality, increased productivity, and raised management level.

Case

AVIC Heavy Machinery Co., Ltd. implemented MES

AVIC Heavy Machinery Co., Ltd. integrated quality management system in the MES (manufacturing execution system). It processed parts with real-time quality control, based on the list of waste products in the process, and incorporated quality statistics and quality analysis activities into the production management, got real-time access to scrap information to guide production, improve quality and increase productivity.

4.4 Quality culture cultivation

Taking quality policies as the guideline and 6S management as the support, AVIC established quality cultural system at three levels of material, system and spirit, which formed the strict working style and the working atmosphere of first-time doing things right.

Quality publicity

AVIC launched the activities of ‘Quality Month’ and ‘Quality Culture Awareness Week’ with the theme of Implementing quality standards, and strengthening process control, which promoted quality management of full and comprehensive participation in the whole process, and comprehensively improved the quality and safety standards. AVIC quality policy advocacy pictures were published, also advocated through electronic pictures within OA system of various units.

Quality training

AVIC attached great importance to quality management training, established quality training system, enhanced development of quality engineering and technical talent echelon. Through quality professional training and talent introduction as well as comprehensive quality education, the full quality awareness and competence were enhanced so that everyone was a quality engineer, and everyone was quality inspector.

Case

AVIC Quality Management Association

As a powerful assistant of AVIC to out quality work, AVIC Quality Management Association strengthened quality education, carried out QC team activities, held quality writing competitions, built quality communication platforms, and provided technical support for promotion and application of quality engineering technology in AVIC.
Environmental protection — focusing on low-carbon developments

It is an important trend for global sustainable development to meet the global challenge of climate change, and achieve low-carbon development. AVIC integrated environmental protection into the Group’s overall strategy, took the advantages in technology and industry of the Group, promoted the concept of green manufacturing, considered energy saving and emission reduction as a breakthrough and important content of adjusting industrial structure and alternating the economic development approach, promoted development of environment-friendly products through technology innovation, and achieved the sustainable development of the Group.

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Developing environment-friendly products ......................... 48
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5.1 Goals and performance

Environmental protection objectives

Consider the economical use of resources and the improvement of resource efficiency as the core; focus on energy-saving, water-saving, material-saving, comprehensive utilization of resources and development of recycling economy; promote institutional innovation, systemic innovation, technical innovation and management innovation; promote green manufacturing concepts; speed up the construction of resource-saving and environment-friendly development mode of aviation industry.

In 2009, AVIC’s overall objective of energy-saving and emission-reduction: compared with 2005, the integrated energy consumption per ten thousand yuan of industrial added value was reduced by 16%; SO2 emissions and COD emissions were reduced by 8%; historical issues of the highlighting enterprises with problems of high energy consumption and emissions were basically solved.

Environmental performance

Compared with 2005, the integrated energy consumption per ten thousand yuan of industrial added value of AVIC was reduced by 21.12% in 2009, SO2 emissions reduced by 12.38%, and COD emissions reduced by 11.53%. In 2009, the amount of saving energy was 1.5364 million tons. Compared with 2005, carbon emissions reduction was approximately 1.04475 million tons.

5.2 Improving management system

AVIC attaches great importance to environmental management system, focuses on strengthening three systems of energy saving and emission reduction, actively promotes the application of advanced management methods including environmental management system certification, cleaner production audit and energy audit, and accelerates the development of resource-saving and environment-friendly enterprises.

Building three systems of energy saving and emission reduction

Statistics system on energy-saving and emission-reduction. As of the end of 2009, AVIC statistics system on energy-saving and emission-reduction had covered all the production operation units. The statistical data could truly reflect the overall situations of energy-saving and emission-reduction.

Monitoring system of energy-saving and emission-reduction. AVIC accelerated the establishment of monitoring system of energy-saving and emission-reduction. As of the end of 2009, AVIC had a total of 9 energy-saving testing stations (including AVIC Energy Conservation Monitoring Centre) and 36 environmental monitoring stations, which had basically formed the monitoring network of energy-saving and emission-reduction.

Evaluation system of energy-saving and emission-reduction. According to AVIC new management structure, the indicators of energy-saving and emission-reduction were decomposed at every level. The business performance assessment responsibility agreements were signed between AVIC and the subordinated members, which increased the weight of energy-saving and emission-reduction indicators, and initially set up the objective appraisal system of energy-saving and emission-reduction. In 2009, those member units of AVIC achieved or exceeded evaluation indicators of energy-saving and emission-reduction accounted for 82.78%.

Innovation of management model

AVIC actively promotes management innovation of energy-saving and emission-reduction, establishes the new mechanism and new model of enterprise production and management, reduces energy consumptions and pollutant emissions, increases the efficiency of resource use, and protects the ecological environment.
As of the end of 2009, AVIC developed industrial standards including the Cleaner Production Audit Requirements for the Aviation Industry. A total of 29 units conducted energy audits, and 26 units passed the cleaner production audit.

In order to promote management regularization, standardization and modernization, and improve management level of environmental protection, AVIC implemented ISO14001 environment management system certification. As of the end of 2009, a total of 48 units passed the certification.

**Term definition**
Cleaner production audit: It means the process in accordance with certain procedures to investigate and diagnose the production and services processes to find out reasons for high energy consumption, material consumption and heavy pollution, propose a plan to reduce the production and use of toxic materials, energy consumption, material consumption and waste production, and select cleaner production programme which is technology-viable, cost-effective and environment-friendly.

Energy audit: It means that according to national regulations and standards related to energy-saving, the auditor conducts inspection, verification, analysis and evaluation of the physical processes and financial process of energy utilization of the enterprise and other using units. It is an effective means and method of strengthening enterprise energy management and energy saving, which plays a strong role in the supervision and management.

### 5.3 Promoting energy-saving and emission-reduction

According to the general idea of ‘Intensifying technical inputs, regulating weaknesses, refining management measures and completing evaluation indicators’, AVIC strengthened technology reform of energy-saving and emission-reduction, adhered to green office, and comprehensively promoted energy-saving and emission-reduction.

#### Inputs in energy-saving and emission-reduction

AVIC increased the investment in technological transformation for the purpose of energy-saving and emission-reduction during the period of the ‘11th Five-year Plan’. As of the end of 2009, the inputs in energy-saving and emission-reduction amounted to a total of 1.0072 billion yuan, which was used to implement 1,090 transformation projects of energy-saving and emission-reduction technology.

#### Increase the intensity of technical transformation

AVIC intensified the inputs in the energy-saving and emission-reduction technology transformation, made full use of the national policies on technology transformation for energy-saving and emission-reduction, and declared 45 projects on technology transformation for energy-saving and emission-reduction in 2009. Moreover, AVIC strictly complied with the relevant State laws and regulations, conducted renovation of production capacity and process with high energy consumption and pollution in order to optimize structure and eliminate outmoded capacity.

#### Actively promoting the use of clean energy

AVIC limited projects of ‘Two high and one resource’ (high energy consumption, high pollution and the resource) during the industry structure adjustment, actively implemented projects changing coal into gas, and promoted the use of clean energy. Compared with 2005, the coal consumption was reduced by 18.42% while the consumption of natural gas increased by 44.78% in 2009.

Implementation of power-saving alteration projects. It focuses on improving the transformation and distribution system, production system, production guarantee system and life system in order to address power consumption as well as imbalance between supply and demand of the enterprises with high power consumption. The power-saving audit as well as design and renovation can achieve energy-saving and efficiency.

Promotion of comprehensive utilization of water resources. Optimize enterprise production process; adopt advanced wastewater treatment and recycling technologies; realize comprehensive management and recycling of wastewater; require key enterprises of sewage to separate emissions of industrial wastewater and water for life as soon as possible.

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**Case**

**AVIC Harbin Dong’an Engine (Group) Co., Ltd.**

Invested more than 32 million yuan in building a reclaimed water station, which used advanced oxidation + ultra filter + reverse osmosis treatment process, made the treated reclaimed water meet requirements of filtering water, and as far as possible reused the remaining waste water for plant production process. After the project was completed, the company sewage emissions were reduced from 3,000 tons/day to 840 tons/day. Sewage emissions per day dropped 72%. Yearly COD emission reductions were up to 173 tons. The annual saving reached 792 thousand tons.

**Case**

**Actively promoting the use of clean energy**

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Persist in green office

AVIC actively promotes green office concept, advocates the economical use of water, electricity and office supplies, conducts green procurement of office products, streamlines all types of travels and meetings, enhances office automation building, and promotes the paperless office.

Integrated case of Production and Test Base of AVIC Radar and Electronic Equipment Research Institute (Suzhou)

The Production and Test Base of Radar and Electronic Equipment Research Institute (Suzhou) applied new technologies for energy conservation and environmental protection, established economical mode of production and energy consumption pattern, and achieved the operational target of ‘low consumption, low emission, low pollution’.

Integrated technology for energy conservation and environmental protection through enclosure structure of the buildings: this technique is to put thick clothes on a building in order to reduce and control conducting and erosion of energies.

Central air conditioning system technology by earth source heat pump and ice storage: this technology can save 40%-60% of operating costs compared with conventional air conditioning systems. It can balance electricity network loading, obtain economic benefit by utilizing time-of-use tariffs, and minimize energy use and reduce emissions.

Integrated technology of water resources use and management: the base established a comprehensive network of water use, reused 75% of wastewater and gradually achieved zero emissions. Furthermore, it established a rainwater collection system, which collected rainwater for production use after treatment so as to greatly reduce the consumption of tap water.

Through the application of the above-mentioned technologies, the base can save 539.33 tons of standard coals, and reduced CO\textsubscript{2} emissions by about 1,402.258 tons each year by using earth source heat pump technology. It can save 10.98 tons of standard coals, and reduced CO\textsubscript{2} emissions by about 28.55 tons each year by using solar energy technology. Moreover, it can save 48,222 cubic meters of tap water by using rainwater collection system. As a result, the project was awarded the title of the Demonstration Project for Green Building by the Ministry of Housing and Urban-rural Development, and the Demonstration Project of Renewable Energy by the Ministry of Finance and Ministry of Housing and Urban-rural Development.

5.4 Developing environmental-friendly products

Development of new products of environmental protection is the key point of realizing effective use of resources and improving the effectiveness of environmental protection. AVIC positively promotes the development of environmental technologies with low energy consumption, low emission and low noise as well as the bio-fuels, which are widely used in the industries of new energy, lithium-ion batteries, electric vehicles and automotive parts so as to realize integration of green product development and enterprise development.

Aviation environmental technology research and development

Developing green aviation technology is the only way of improving environmental protection and comfort of the aircrafts, and realizing the sustainable development of aviation industry. During the research and development of aviation environmental technology, AVIC focuses on developing the technologies, which can reduce air pollutant emissions and reduce aircraft noises, so as to achieve low-carbon and emission-reduction targets of the air transport industry.

The key technologies developed by AVIC green aviation: Engine technology of low fuel consumption, low NO\textsubscript{x} combustion control technology, clean fuel technology, aerodynamic noise analysis technology, noise control technology, etc.

When advancing research and development of aviation technology of environmental protection, AVIC also attaches great importance to comfort design of the plane. For example, as to aircraft interiors such as the carpets and seats, innovative technology is constantly adopted to improve comfort for passengers.

The development goals of green aviation technology of AVIC: by 2030, the nitrogen oxide emissions of civil airliner will be reduced by 50%, carbon dioxide emissions reduced by 30%, noise reduced by 5-10 DB.
Environmental protection — focusing on low-carbon developments

New energy industry

AVIC actively advocates for the development mode of low-power and green environmental protection, advances the development of wind power, gas turbine, solar power and other new energy industries in order to improve the international competitiveness of the enterprise.

AVIC actively develops wind power industry

AVIC relies on aviation technology advantages to positively develop the wind power industry, including wind power blades and wind power machine. Among them, the wind power blades always maintain the first share of domestic market over the years. The wind power machines are the first large wind turbines in China exported to developed countries.

AVIC Shixin Combustion Engine helped the Laiwu Steel Group achieve recycling economy.

AVIC Shixin Combustion Engine Co., Ltd creatively proposed application plan of exhaust all fired combined cycle power plant in the iron and steel enterprises, and obtained the national patent. The device uses the by-products and diffusion of iron and steel enterprises— blast furnace gas and coke oven gas for the purpose of energy cascade use, efficient and recycling use of resources. After the device was used by the blast furnaces in the Laiwu Steel Group, the target of ‘energy saving, resource reduction, pollutant reduction and efficiency improvement’ was achieved.

Electric vehicles and automotive parts industry

Faced with the severe challenges of oil shortage, China is eager to develop new energies to ensure energy security. The development of electric vehicles has become a focus of the national emerging strategic industries. AVIC positively develops electric vehicles and related automotive parts industry of energy-saving and environmental protection, pollution-free and zero-emission in order to reduce greenhouse gas emissions.

Case

In December, 2009, 100 electric vehicle with licenses issued by Zhengzhou City, which were produced by AVIC, successfully achieved scale model run.

Chengdu Weite Electrojet Co. Ltd. achieved the goal of energy saving and emission reduction through technology innovation

AVIC Chengdu Weite Electrojet Co. Ltd. successfully developed electronic fuel injection system of diesel engine. The automobile diesel engine adopting this system can replace the gasoline engine in a much wider range, and thus play the potential of saving gasoline (greater than 30%) and achieve the targets of energy-saving and emission-reduction.

2000 "Cloud Horse' coaches were exported to Pakistan

On November 9, 2009, AVIC Guizhou Yun Ma Aircraft Manufacturing Factory signed a contract of exporting 2,000 ‘Cloud Horse’ coaches of clean energy by using natural gas to Pakistan, which broke the record of Guizhou province with the largest volume of vehicle export and the highest amount of single business transaction.
National security  
Economic development  
Strengthening innovation  
Excellent quality

5.5 Improving environmental awareness and training

Environmental protection training

In 2009, AVIC totally organized five training courses for energy technicians, cleaner production auditors and external auditors of environmental management system. As of the end of 2009, a total of 732 members among AVIC professional management for energy-saving and emission-reduction have relevant qualifications, of whom 607 have qualifications of environment management system auditor, 29 have qualifications of cleaner production auditors, 55 have qualifications of energy technicians.

Environmental protection promotion

In 2009, AVIC organized ‘Energy-saving awareness week’ campaign. A total of 102 member units promoted energy saving by newspapers, television stations, OA systems and other channels. 76 units held publicity display and promotion activities of energy-saving products. 51 units launched a green lighting implementation plan. 103 units organized 156 seminars on energy-saving knowledge. 53 units launched ‘energy-saving and emission-reduction initiatives’. During the period of ‘Energy-saving awareness week’, more than 4,000 posters and placards for energy-saving were posted, 2,300 large panels featuring energy-saving promotion displayed, and around 30,000 brochures for energy-saving issued. A total of 256,505 people accepted the relevant knowledge training.

Case

AVIC promoted the development of energy-saving industry by aviation technology

AVIC independently developed over a dozen models of Blast Furnace Top Gas Pressure Recovery Turbine (TRT), blast furnace and catalytic cracking plant for wind with axial compressor, converter, sintering, heating furnace, cement kilns and the gas turbine of Top Gas Pressure Recovery required by gas combustion with an application in the petrochemical industry. Nearly 200 sets have been applied to around 100 large and medium-sized enterprises domestically or in foreign countries. The total installed capacity of power generation equipment is of approximately 700MW, 2 million tons of standard coals are saved every year, and annual CO2 emission reduction is about 5 million tons. As a result, AVIC was awarded the honors including the ‘Double High and One Excellent’ Project of National Key Technology Transformation, State ‘Torch plan project’, National-level New Products, Prize on Scientific and Technological Progress, and obtained 21 items of national patents.

Case

Professional training for energy-saving and emission-reduction

In June 2009, AVIC organized ‘AVIC professional training course on statistics report on energy-saving and emission-reduction’, which helped the trainees fully grasp the policies on national energy-saving emission-reduction, master the statistical standards, statistics coverage and conversion factors of monitoring reports, and improve the accuracy of monitoring report of energy-saving and emission-reduction.

Case

Conducting self-inspection over energy-saving and emission-reduction

AVIC units utilized ‘Energy awareness week’ to carry out self-inspection over energy-saving and emission-reduction. The focus was on the implementation of energy management system and the management of energy facilities. A total of 1,127 problems were found, 197 amendments to energy management-related system were made, 912 rectifications of the equipment and facilities were carried out, and 18 rectification plans were formulated.

Case

AVIC Hangyu Lifesaving Equipment Co., Ltd. developed rich oxygen sewage purification treatment system

AVIC is committed to the application of advanced aviation technology to the non-aviation civil product industry and responds to national development policies on low-carbon and green industry, and contributes to the national energy-saving and emission-reduction as well as green development.
Work safety, which is the basis for a harmonious and healthy development of an enterprise, plays an important role in national economy and social stability. AVIC attaches great importance to strengthening work safety administration, progressively calling for a policy which prioritizes safety, focuses on prevention and carries out related measures comprehensively. A safety theory that puts people first has been pushed ahead, while a strategy highlighting techniques for safety has been sustained. To safeguard employees’ work safety has always been our fundamental standpoint. We made continuous efforts to enhance on-site safety standards to meet the goal of decreasing accident casualty, focusing on prevent large and extremely-large scale accidents.
6.1 Goals and performance

Goals

To prevent safety accidents with relatively-large, large and extremely-large scale and to reduce safety accidents with ordinary scale, in order to achieve the decrease of both the number of accidents and casualties. All the work safety inspectors and controllers of special operation receive relative trainings and hold certificates before their work. The regulation-making of 6S management system will be completed, and the relative trainings and upgrade-according-to-standards are carried out.

Performance

6.2 Improving management system

AVIC defined a system and establishes institutions for work safety management. A Work Safety Committee was set up, while AVIC Rules on Work Safety Management and AVIC Provisional Measures on Responsibilities of Work Safety have been worked out. And 6 rules related to work safety and 4 safety standards have been promulgated. All affiliates also formulated corresponding rules to further improve AVIC’s system of work safety rules.

6.3 Strengthening work safety management

Implementing safety responsibility system

AVIC gives attention to implement safety responsibility. The headquarter signs safety responsibility agreements with all subsidiaries and affiliates. A multi-category evaluation model has been adopted to allow the Headquarter to evaluate subsidiaries and the subsidiaries to evaluate the affiliates. Work Safety Standards, such as safety accidents and occupational diseases, have been developed, to make sure all assets, employees and activities are under control. Work safety has been linked to every section, every position and every person to ensure no blank of work safety responsibility.

Removing potential risks

AVIC increases input into work safety to make great efforts to remove potential risks. In 2009, 7,996 safety inspections were carried out, in which 9,870 risks were disclosed, with 97% corrected; 38 serious risks were found, with 100% corrected. Throughout the whole year, RMB 236 million yuan were invested to correct potential risks, promoting substantial workplace safety standard on the site of research and production.

Occupational health and safety

AVIC has established and improved OSH Management System. By the end of 2009, 36 subsidiaries and affiliates received Certificate of OSH Management System. Inspection on occupational health conditions are widely carried out, focusing on workplaces. Great efforts are made to streamline the pre-job, on-job and post-job physical examinations, improve working conditions of workplaces with high occupational diseases incidents and examine the availability and use of protection facilities for workers.
6.4 Promoting emergency response capacity

AVIC improves the Safety Accidents Emergency Response Plan, and sets up rescue and aid system of work safety accidents. In 2009, 291 general plans of rescue and aid for work safety accidents were developed, and 1,545 secondary plans were in place. Over 580 rescue and aid exercises were organized, involving 55,000 persons. AVIC aircraft organized large-scale rescue and aid exercise in case of fire caused by aircraft spray-painting, which strengthened the target-oriented and simulated exercise.

China is a country frequently hit by natural disasters. Aviation rescue and aid has advantages in speed, efficiency and few limits caused by geographical space. Establishing national aviation rescue and aid system, to respond to natural disasters and various forms of emergencies, is the need of construction of harmonious society and will benefit the state and the people in a long run. Aviation rescue and aid system is an indispensable intrinsic part of national rescue and aid system, mainly dealing with settlements and aids for 4 types of emergencies, including natural disasters, accidents, public health and social public security. Aviation equipments play an important role in this system. AVIC is able to provide a full-spectrum of aviation aid facilities (such as helicopters, general aircrafts, etc.) and proactively supports the establishment of national aviation rescue and aid system.

Organizational Chart of AVIC Rescue and Aid

Leading Team of Work Safety of AVIC

Office for Rescue and Aid
(Division of Work Safety, Department of Quality and Safety)

Rescue and Aid Offices of all Subsidiaries

Rescue and Aid Offices of all Affiliates

6.5 Building safety culture

In 2009, AVIC organized several activities, including ‘Three Campaigns and Three Buildings’, ‘Work Safety Month’ and ‘General Inspection on Work Safety’, formulating a healthy atmosphere to make everyone comply with rules and not ignore any tiny things related to safety and building a positive safety culture within the corporation.

In 2009, AVIC published 3,827 articles in internal magazines, local newspapers and corporate columns and coverage of radio, TV and internet reached 3,718 times. Over 1,000 aware-raising activities were held, while over 1,600 work safety trainings were organized, covering more than 141,000 people. By the end of 2009, 165 persons have become registered safety engineers in AVIC.
Caring for employees — contributing to common growth

AVIC upholds the idea that human resources is the top resource, and develops a theory to place people at the center of scientific development and develop human resources by the fundamental approach of application. A human resources development strategy, focusing on the development of ‘three high-level groups of workforce’ has been developed. Innovation of working mechanism of human resources and optimization of structure of workforce play a key role, and training and selecting high-quality professional employee work as priority. Through establishing harmonious labor relations and promoting hand-in-hand development of employees and enterprise, a large-scale, high-quality and well-structured workforce has been in place.
By the end of 2009, the total employees of AVIC reached 409,622, including 132,998 female employees, accounting for 32.37%; 14,041 employees of ethnic minority and 99 foreign employees. Female managers (deputy division chief or above) accounted for 16% of total, and the turnover rate of employees was 5.84%.

AVIC positively performed social responsibilities in terms of continuously creating new employment opportunities. In 2009, although facing the harsh situations and severe challenges caused by the global financial crisis, AVIC still created 50 thousand new job positions. It employed 25,569 graduates with an increase of 27.4%. Among them, 12,075 were college and university graduates with a double increase compared with the plan.

AVIC recruited senior managers from the world

In 2009, AVIC reformed its talent selection process through publicly recruiting 13 senior managers from the globe. Nearly one thousand applicants participated in the selection and 7 senior managers were recruited. This recruitment showcased the good image of AVIC and found and reserved a batch of excellent talents.

7.1 Safeguarding employee’s rights and interests

AVIC complies with related labor laws and regulations strictly, actively safeguards employee’s legitimate rights and interests. AVIC adopts labor policies with equity and nondiscrimination to improve harmonious and stable labor relations. By the end of 2009, the enterprise concluded labor contracts with 99.01% of all on-job employees, and the coverage of collective agreements reached 100%.

AVIC takes full advantage of employees’ role in democratic management and supervision. By the end of 2009, the unionization rate of all subsidiaries and affiliates of the group reached 100%, while all the formal employees were unionized. Worker’s Representatives Conference was made good use of to ensure employees’ rights of involvement and information. 43,077 pieces of improvement advice were solicited throughout that year.

AVIC recruited senior managers from the world

Case

In 2009, AVIC reformed its talent selection process through publicly recruiting 13 senior managers from the globe. Nearly one thousand applicants participated in the selection and 7 senior managers were recruited. This recruitment showcased the good image of AVIC and found and reserved a batch of excellent talents.

The age breakdown of AVIC employees in 2009
Units: [percentage]

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>55 and above</td>
<td>46.94</td>
</tr>
<tr>
<td>50-55</td>
<td>18.14</td>
</tr>
<tr>
<td>45-50</td>
<td>14.15</td>
</tr>
<tr>
<td>40-45</td>
<td>11.86</td>
</tr>
<tr>
<td>35-40</td>
<td>5.98</td>
</tr>
<tr>
<td>30-35</td>
<td>2.93</td>
</tr>
</tbody>
</table>

The education level of AVIC employees in 2009
Units: [percentage]

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ph. D</td>
<td>0.18</td>
</tr>
<tr>
<td>Master</td>
<td>3.49</td>
</tr>
<tr>
<td>Bachelor</td>
<td>21.86</td>
</tr>
<tr>
<td>High School and below</td>
<td>27.86</td>
</tr>
<tr>
<td>College Graduate</td>
<td>22.56</td>
</tr>
<tr>
<td>Technical School and Skilled Workers School</td>
<td>24.03</td>
</tr>
</tbody>
</table>

Various types of labor contracts in AVIC in 2009
Units: [percentage]

<table>
<thead>
<tr>
<th>Type of Labor Contract</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee with indefinite-term labor contract</td>
<td>37.77</td>
</tr>
<tr>
<td>Employee with fixed-term labor contract</td>
<td>62.01</td>
</tr>
<tr>
<td>Employee with task-based labor contract</td>
<td>0.22</td>
</tr>
</tbody>
</table>

AVIC Corporate Social Responsibility Report 2009
Caring for employees – contributing to common growth
In 2009, AVIC further improved incentive mechanism for employees to establish an income incentive mechanism in line with market. The social security and welfare system for employees was improved, with social insurance covering 97.89% of total employees.

### 7.2 Promoting employee’s development

AVIC sustains human resources strategy at the center of Group’s development strategy, putting human resources development and human resources structure adjustment at priority. Efforts are made to provide multiple channels and broad space for development.

#### Training of employees

In 2009, AVIC strengthened the construction of training system in the Group, highlighting capacity building. With the goals of high quality and professionalism, guided by new models and new responsibilities, the training facilitates employees to upgrade concepts, optimize knowledge structure and enhance comprehensive quality through professional training, highlighting important targets and content. Throughout the year, all subsidiaries and affiliates trained 636,735 person times, with total input of RMB 267.07 million yuan.

According to the need of building ‘Three High-level groups of workforce’, taking into account different natures and requirements of human resources development, AVIC adopted various forms of employee training through multiple channels.

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### Training system of AVIC

- **AVIC College**: AVIC College plays a major role in providing training to senior managers and technical workforce through classified training.

- **Party School of AVIC**: According to requirements of SASAC Branch of Central Party School, AVIC party school provides theory courses to party members at all levels, carrying out all-round training on basic theoretical knowledge of CPC.

- **Training centers in Hafei and Hongdu**: Training centers, together with universities in aviation area, such as Beijing Aerospace and Aviation University, Nanjing Aerospace and Aviation University and Northwestern Polytechnical University, provides training on various specific techniques and technical innovations to high-level professionals.

- **Training centers for skilled workers**: Training centers of subsidiaries and affiliates are made good use of to provide training for high-skilled workers.

- **Overseas training**: The young staff playing leading role, are selected to pursue Master degree in universities in Britain and France. Technical staff and managers are sent abroad to participate in various training programs.

- **Universities and professional institutions**: Senior managers are sent to well-known business schools, including Cheung Kong Graduate School of Business, China-Europe International Business School and Business School of Women University, to receive MBA education. They also carry out trainings on knowledge structure optimization with Tsinghua University and various technical workshops and training courses with BAAU, NAAU and NAVU.

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### Training for high-skilled workforce in AVIC

In November of 2009, AVIC’s first round of Rotation Training for High-skilled Elites was held in training centers of Xi’an Aviation Industry (Group) Company, involving 58 high-skilled workers, who hold the titles of Master of Skills or above granted by Provinces or Ministries (including the Group) from 31 subsidiaries and affiliates. This is the first time to upgrade quality of high-skilled workers by means of rotation trainings in China’s aviation industry history.

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### Making efforts to push forward development of internationalized workforce.

AVIC reached strategic cooperation framework agreement with China Scholarship Council to widen abroad training channels for high-level staff and send 1,000 potential young leaders to study abroad, namely ‘One Thousand People Studying Abroad Campaign’. In 2009, first 49 staff completed study abroad and earned Master degrees of Science.
Career development of employees

AVIC adopts active measures to provide opportunities for employees’ study and development. Through creating a relax and friendly working environment and building platforms for development, AVIC makes efforts to reach common growth of enterprises and employees.

In 2009, AVIC evaluated leadership teams of subsidiaries and affiliates to further promote exchanges of managers among different regions, age groups, and professions. Throughout the year, 60 exchanges within the Group and 3 exchanges from outside took place under the exchange program. Efforts were made to strengthen building of potential leaders to form a ladder-like structure.

In 2009, AVIC promoted the work to separate managers and experts, through improving management on technical experts. The selection of chief technical experts, top technical experts, and first-grade technical experts were carried out in an all-round way, and 55 chief experts were entitled. The Provisional Measures on Qualification Evaluation and Recruitment of Professional and Technical Positions of AVIC and the Measures on Management of Professional and Technical Leading Staff of AVIC were formulated, in order to further streamline the selection and recruitment of professional and technical staff as well as the appointment of chief technical officers of specific models.

In 2009, the first vocational skills competition was successfully held. Through the competition and award, a group of excellent skilled workers were rewarded. The restructured Occupational Skills Evaluation Center for Aviation Industry provided occupational skills evaluation for 22,862 persons and 15,993 persons received vocational qualification certificates.

AVIC adopts ‘One Thousand People Campaign’ to attract high-level professionals from abroad.

AVIC worked out the plan to attract high-level professionals from abroad. 5 applications for innovation and entrepreneurship bases for overseas high-level professionals have been submitted, and 7 candidates have been recommended for National One Thousand People Campaign, one of whom was invited to attend the celebration events of the 60th Anniversary of Founding of PRC and met by the state leaders.


Engine is an art to perfection. Engine is a profound science. Engine is a complicated systematic work. We have to overcome flippancy, devote ourselves, tolerate loneliness and make in-depth research to find the underlying rules and improve the techniques to help us.

—Devote this to China’s aviation industry and the people full of hopes for this undertaking.


Remarks of Excellent Employees

I am proud of being a part of aviation industry. I would like to devote my whole life to aviation industry for this country. Be honest and be surefooted. Focus on quality and pursue excellence. I will write my loyalty to this country onto the blue sky.

Engine is an art to perfection. Engine is a profound science. Engine is a complicated systematic work. We have to overcome flippancy, devote ourselves, tolerate loneliness and make in-depth research to find the underlying rules and improve the techniques to help us.

—Devote this to China’s aviation industry and the people full of hopes for this undertaking.

With more care and preparation and fewer mistakes, should the work entrusted by the state and people be completed safely and successfully.

I love the aviation industry and give attention to my responsibility. I would like to work in a happy manner.

Openness, diligence and perseverance are fundamental qualifications for young scientific and technical researchers. It is crucial for the success of young scientific and technical researchers to be sensible to new technologies and issues and place interests of team, group and state on individual's interests.

Make solid efforts to finish every work. To bear in mind the dreams of aviation work.

Employee Honors

AVIC undertook the study on Scientific Outlook on Development. In 2009, the subsidiaries and staff won several national awards.

The collective and individual awards won by AVIC in 2009

<table>
<thead>
<tr>
<th>Titles</th>
<th>Award Winners</th>
<th>Awarding Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>National May 1st Labor Medallion</td>
<td>Shen Guorong, Cheng Ao</td>
<td>All-China Federation of Trade Unions</td>
</tr>
<tr>
<td>National Worker's Pioneer</td>
<td>Technical Office, No. 45 Workshop, Harbin Aircraft Industry Group Company</td>
<td>All-China Federation of Trade Union</td>
</tr>
<tr>
<td></td>
<td>Xue Ying's Team, Xi'an Aircraft Industry Group Company, Pressing Team, Sub-Factor of Components, Bashan Branch Company, Xinxing Aviation Industry (Group) Company, Li Zhiqiang's Team, Assembling Factory, Liming Aviation Engine (Group) Company</td>
<td></td>
</tr>
<tr>
<td>Model Units of Enterprises at Central Level</td>
<td>18 units, including CNC Team of Mechanical Manufacturing Factory of Jiangxi Hongdu Aviation Industry Company of AVIC and Institute for Industrial Combustion Turbine of AVIC</td>
<td>Ministry of Human Resources and Social Security, State-owned Assets Supervision and Administration Commission of the State Council</td>
</tr>
<tr>
<td>Model Workers of Enterprises at Central Level</td>
<td>30 peoples, including Sang Jianhua and Yuan Yidong</td>
<td>Ministry of Human Resources and Social Security, State-owned Assets Supervision and Administration Commission of the State Council</td>
</tr>
</tbody>
</table>

Case

Song Wencong was selected to be Moving Figures of China in 2009

Song Wencong is chief expert of Chengdu Institute for Aircraft Design of AVIC and Academician of Chinese Academy of Engineering. He had been involved in research on several models of aircraft and was chief designer of two national major models of aircraft, achieving a series of creative triumph.

He bore in mind the determination to save the country in youth, and worked hard with an ambition to make the country stronger when in middle age. Nowadays, his blood has been dissolved into iron eagles. Young horse makes efforts to reach the peak, while the old one strolls to overcome all difficulties easily. He still bears a one-thousand-mile dream and walks on the road.

---- Comments made by Organizational Committee of Moving Figure of China in 2009

Human resources are the base and top element to push forward progress and development of science and technologies. In the era of knowledge-based economy, the development of aerospace and aviation faces with severe competitions globally. Only if we have an innovation workforce, which holds both knowledge and good nature, AVIC could bear the social responsibility of aviation workers.

---- Remarks on human resources development by Song Wencong
AVIC attaches importance to help employees in difficulties. From the Headquarters to subsidiaries and affiliates at various levels, a support and assistance system has been in place, improving mutual assistance mechanism and establishing a mutual support fund with its management measures. By then end of 2009, RMB 3.0857 million yuan has been input to assist 11,950 person times of employees in difficulties. In every spring festival, the leaders of Group will visit retired employees and families of the employees in difficulties, helping them resolve difficulties. In 2009, AVIC made great effort to promote well-being work to help employees resolve 1,888 difficulties.

Leaders of Group visited enterprises in difficulties

From January 20th to 22nd of 2009, when the traditional spring festival was approaching, leaders of AVIC went to enterprises in difficulties and damaged seriously in the earthquake to visit families of employees in difficulties and see retired employees. The visits brought those cares and blessings from Group and its employees.

Xi'an Aviation Power Control Company provided free bus services to drive its employees back home for Spring Festival.

In order to conquer the difficulties in transportation in the period of Spring Festival and to ease the pressure on transportation during Spring Transportation Season, Xi'an Aviation Power Control Company provided over 20 (times) buses to drive employees back home free of charge. On January 22nd and morning of 23rd, over 20 buses took nearly one thousand employees and their families with cares and greetings from the company.

AVIC’s enterprise culture combines a mission of ‘Contribute to the nation with aviation industry, strengthen the military forces and enrich the people’ and a vision of ‘Profession and integrity, innovation and preeminent’.

In 2009, the culture building of the Group focused on system and image building. The Outline of Culture Building of AVIC was promulgated, setting up a trinity leadership system on culture building, which provided that general manager leads the culture building, Party Committee implements practical work and all departments involves into the work according to responsibility-sharing. The institution and resource guarantee mechanism as well as evaluation system have been in place. Handbook on Visual Recognition System of AVIC was issued, providing 6 unifications, namely unified strategy, unified mission and vision, unified denotation and emblem, unified flag, unified anthem and unified standard characters and colors. 87% of total units in Group have already completed unifications of the cultural elements; while 96% units are working on unify uniforms. All units are actively organizing employees to learn anthem of Group.

Cultural training

In 2009, AVIC provided aware-raising activities and trainings on enterprise culture to 1,500 senior managers and 519 employees at division chief level or below, so as to increase employee's recognition on AVIC culture and their responsibility of popularizing AVIC culture.
AVIC attaches highly attention to cultural life of employees and makes efforts to help employees reach a work-life balance. In 2009, Group held Games for Fun and Gala to bring more colors to employee’s life and intensify enterprise’s cohesiveness.

Case

Gala for rewarding Excellent Person of the Year in 2009

The leaders of Group granted awards to Top Ten Excellent Persons of AVIC for the Year of 2009. The employees from all units of AVIC presented songs and dances to bring joy and happiness to all.
Achieving win-win situation and mutual benefits
— promoting social harmony

The prosperity and development of AVIC come from support of clients and all sectors in the society, benefit from communication and cooperation with stakeholders. When drinking water, we bear the source in mind. We always comply with laws in business operation and make the best to boost the quality of services to achieve a win-win situation and mutual benefits. We also make efforts to payback to the society and contribute to the establishment of a harmonious world.

Achieving a win-win situation and mutual benefits .......................................................... 62
Complying with laws in business operation ................................................................. 63
Community development ......................................................................................... 65
Social activities for public interests ................................................................. 65
8.1 Achieving a win-win situation and mutual benefits

Customer Services

AVIC upholds the concept of ‘Profession and integrity, innovation and preeminent’ in its business operation. The honesty works as the base for enterprise’s development. AVIC improves its service system for clients unremittingly and upgrades its capacity to deliver service in order to provide good services to clients.

**Case**

Xi’an Aircraft Industry (Group) Company of AVIC improves its client service system for clients

Since 2005, MA60 aircraft has been put into service in several countries such as Indonesia, with a dispatching rate higher than 98%. XAC has established a relatively complete Guarantee System for Safe Operation, Client Service System and Multi-discipline Training System to maintain the fleet’s dispatching rate at a comparatively high level.

- **Guarantee System for Technical Services**
  - Management System of Suppliers
- **Guarantee System for supply of spare parts**
- **Client Service System**
- **Multi-discipline Training System**
- **Ensuring fleet’s dispatching rate**

XAC mapped out diversified plan for spare parts supply for Joy Air. XAC established a branch warehouse for clients worldwide at its hub airport, Xi’an Xianyang Airport. XAC strengthened management and coordination on services for suppliers.

In terms of pilot, XAC divided all pilots of Joy Air into three groups to provide trainings.

In terms of aircraft maintenance, XAC provided trainings on aircraft models to maintenance staff of Joy Air.

In terms of dispatching, dispatchers of Air Joy are able to dispatch MA60 aircraft.

Cooperation between government and enterprise

AVIC attaches great importance to cooperation with relative governmental authorities at home and abroad. AVIC takes part in research projects under auspice of Ministry of Industry and Information, Ministry of Science and State Development and Reform Administration to advance the rapid development of aviation industry jointly. A good cooperation has been established with governments of Pakistan, Egypt, Ukraine and Russian Federation. AVIC actively adopts and involves into the strategy for regional economic development cycle and signed strategic cooperation agreements with governments of Beijing, Tianjin, Henan and Jiangxi to improve common development of local enterprises.

**Case**

AVIC signed strategic cooperation agreement with Jiangxi Provincial Government

In December of 2009, AVIC, together with Jiangxi Provincial Government, held a signing-up ceremony and ground-breaking ceremony of Nanchang Aviation Industrial Park. The two sides signed the Strategic Cooperation Agreement between Jiangxi Provincial Government and AVIC. In light of the agreement, the two sides will invest RMB 30 billion yuan jointly to plan and establish Nanchang Aviation Industrial Park from a higher starting point.

Cooperation between universities and enterprise

AVIC gives priority to the leading role of scientific innovation, strengthens the cooperation with researchers in universities continuously. In 2009, AVIC signed strategic partnership agreements with BAAU, NWPU and NAAU to explore a way which combines production and research, and leads to a common development.

Responsible procurement

AVIC attaches importance to management of suppliers and insists on implementation of purchase with responsibility. During the purchases, the principles of fairness, impartiality and transparency are upheld, and suppliers are required to focus on protection of employee’s rights and safety. During the purchases, requirements on environmental protection are applied to promote energy-saving and emission reduction. AVIC makes efforts to achieve a win-win situation and mutual benefits.
Cooperation between banks and enterprise

Facing with global financial crisis, AVIC grasped the opportunity to start cooperation with various financial institutions in the fields of account settlement and financing. In 2009, the preliminary line of credits for AVIC from 15 domestic banks reached RMB 482 billion yuan, becoming the enterprise which received the highest line of credit and had largest number of partner banks.

Cooperation with peer enterprises

As one of the Top 500 Global, AVIC cooperates with domestic and international peer enterprises continuously on the basis of equity and mutual benefits to reach complementation and common development. In 2009, AVIC concluded strategic partnership agreements with Commercial Aircraft Corporation of China, General Electric (GE).

AVIC signed framework agreement of joint venture with GE.

In November of 2009, AVIC and GE signed a Framework Agreement on Establishing an Aviation Electronics Joint Venture. Each side will provide 50% of the total investment to establish an aviation electronics joint venture in China, making good use of each side's advantages to provide products and services for future civil aviation projects.

8.2 Complying with laws and regulations

Legitimate business operations

AVIC complies with laws strictly in its business operation through improving internal rules, strengthening nurturing of staff taking care of legal affairs and raising the employee's awareness of risk prevention. Legal affairs department provides legal support for major decisions made by Group as well as guarantee for development of all businesses, in order to support smooth productions and operations of Group and lower risks in operation. In 2009, 100% of the contracts made at headquarter level were assessed by legal affairs department.
**Strengthening auditing**

AVIC continues the working model of unified leadership and classified responsibilities. Management auditing is a major part, while the establishment of risk control system is an important part. Auditing is being reformed strategically to establish and improve a long-term mechanism on internal auditing and risk control, which will play a role of early-warning radar and immunity system. A supervision system covering all process of the operation will be given priority. The Group set up six regional auditing radar and immunity system. A supervision system covering all process of internal auditing and risk control, which will play a role of early-warning

In 2009, the whole Group carried out 37,401 internal audits, including 362 financial audits on revenue and expenditure, 900 audits on economic responsibility, 160 audits on economic returns, 3,785 project audits, 30,540 purchase audits as well as 751 contract audits. 4,936 advices for correction were developed, 4,249 of which were accepted, so that the acceptance rate reached 86.08%.

**Fighting corruption and upholding integrity**

In 2009, AVIC implemented the Outline and Working Plan on the system of preventing and punishing corruption in a serious manner. On the basis of reality, AVIC made efforts to push forward the work on building fine party culture and clean governance as well as fighting corruption in a concrete way. The party commission of Group worked out the Decision on Further Fighting Corruption and Upholding Integrity to Promote a Good and Rapid Development of Group. An anticorruption framework with AVIC characteristics, consisting responsibility system, working system and evaluation systems on fighting corruption, has been initially in place.

AVIC makes efforts to strengthen education on leader's cleanliness during work, holding a video meeting with 2,000 participants on Several Rules on Cleanliness of State-owned Enterprise's Leaders in work and edited the Handbook on Cleanliness of AVIC Leaders in Work. A documentary named “Turning point of Life”, reflecting real cases in subsidiaries of AVIC. The fundamental system on anti-corruption and upholding integrity, including moral construction of leaders, decision-making system and responsibility system on party culture and clean governance, has been set up. Specified mechanism on inspection including efficiency inspection measures, accountability system for leaders and working rules of inspection, and working mechanism of inspection including files management and results assessment of efficiency inspection, have been in place. An initial framework for fighting corruption and upholding integrity has been formed in Group. The Group organized specified research on decision-making system and inspection on efficiency. The efficiency inspections on research of new models, cost management and project construction were carried out in

**Framework of AVIC System on Anti-corruption and Upholding Integrity (simplified)**

![Framework Diagram]

Focus on enterprise's development to create a business operation atmosphere that brings us business but not troubles.

Focus on progress of employees to create a development atmosphere that ensure the employees to own comprehensive and complete lives.

The content, channels and fruits of the evaluation should be clear-cut. An evaluation mechanism, which is scientific, reasonable, objective, fair, comprehensive and clear-cut in terms of responsibility and rewarding, should be set up.
For several years, AVIC has attached importance to construct harmonious relationship with community and made efforts to achieve common development of the enterprises and the communities they locate. Given the characteristics of aviation industry, many subsidiaries and affiliates of AVIC locate in remote areas, which are far from cities. With decades of development, all enterprises have recruited a great number of workers from those areas and build roads, schools, hospitals and commercial facilities, to promote local employment strongly and raise the levels of education and medical services. The remote and impoverished areas have become modern cities. AVIC has made great contributions to promoting local economic and social development.

AVIC actively involves activities for public interests, supporting the impoverished and vulnerable groups and disaster-relief work. All subsidiaries and affiliates of Group have contributed greatly in the regard of donation for public interests, poverty alleviation and disaster relief, receiving wide recognition from various sectors.

AVIC involves into the extension of China Aviation Museum.

In May of 2009, AVIC involved in the extension project of China Aviation Museum, which is the only aviation museum in China and the largest one in Asia. The project was completed in early September and started to open to public for free. AVIC also actively involves in the daily maintenance of collections of the museum. The museum plays an important role in publicizing aviation knowledge and raising citizen’s awareness on aviation.

MA60 aircraft brought students back home.

On January 4th, 2010, a campaign which brought university students from Mianyang, a quake-hit area, back home kicked off. The campaign was organized by Xi’an International Aviation Manufacturing Company and Joy Air.

8.3 Community development

AVIC has made great contributions to promoting local economic and social development.

8.4 Social activities for public interests

AVIC actively involves activities for public interests, supporting the impoverished and vulnerable groups and disaster-relief work. All subsidiaries and affiliates of Group have contributed greatly in the regard of donation for public interests, poverty alleviation and disaster relief, receiving wide recognition from various sectors.
Poverty alleviation

Following the call for poverty alleviation and construction of harmonious society made by the state, AVIC implemented poverty alleviation projects in Guizhou and Hanzhong of Shaanxi to help impoverished areas reduce poverty, on the basis of local and enterprise’s realities.

Shan Ying Aviation Hope School finished its extension project with the donation from Guizhou Aviation Industry (Group) Company.

On November 28th of 2008, Shan Ying Aviation Hope School finished its extension project with the donation from Guizhou Aviation Industry (Group) Company. In order to express its appreciation to the company’s attention on basic education in impoverished mountainous areas and its donation, the school changed its name to Shan Ying Aviation Hope School from October of 2008.

Actively involving in disaster-relief

AVIC actively supports people in the areas hit by disasters, such as earthquake and typhoon through disaster relief activities. AVIC makes its every effort to help people in disaster-affected areas to go out of difficulties and rebuild their home.

Supporting disaster relief of “5·12” Wenchuan Earthquake

After the earthquake took place in Wenchuan on May 12th of 2008, AVIC activated its emergency plan to try all the best to safeguard lives and assets of employees and assets of the state. The donation from all units of AVIC reached RMB 129.15 million yuan.

On May 10th, 2009, on the occasion of the first anniversary of Wenchuan Earthquake, AVIC sent a mission of good will to visit Sichuan in order to inspect reconstruction and supporting projects of AVIC subsidiaries in Sichuan. The mission of good will visited Zhao Qisong, an injured child at the quake, who was rescued by Chengfei Hospital, and the medical staff. The mission also visited Dongfang Turbine Company, which hit by the quake greatly, and employees of the company, who still lived in the Community of Aviation Good Will. Zhang Zhiying, GM of the company briefed the detailed information on reconstruction as well as the progress of various projects. He also expressed appreciation to AVIC for its generous support after the destructive quake.

A school in disaster-hit area donated by Hanzhong Aviation Industry (Group) Company of AVIC was put into use.

In November Of 2009, the Central Primary School of Hejiayan Town, Lveyang County, a disaster-hit area, donated by Hanzhong Aviation Industry (Group) Company of AVIC, was put into use. Nearly 400 students returned schooling.
Prospects

The future years are an important period to build a well-being society in an all-round way, a difficulties-conquering period to accelerate changes of economic development model and a key period for AVIC to boost sustainable development.

We will actively respond to challenges arising from complex economic situation. With guidance to Scientific Outlook on Development, we will further promote market reform and accelerate the establishment of modern enterprise system, so as to ensure completion of research task of major aviation equipments. We will also promote innovation, intensify quality control, readjust industrial structure and optimize industrial layout. Efforts will also be made to strengthen the changes of economic development model, boost core competitiveness of the Group and continuously strengthen comprehensive power of the Group.

We will intensify work safety management to prevent safety accidents that are relatively large scale. Input on work safety will be increased through comprehensive planning and focusing on priorities, so as to raise OSH level of employees. We will work on technical innovation on environmental protection and strengthen the system for energy-saving and emission reduction, in order to actively push forward green development. The accountability system of energy-saving and emission reduction will be put into practice and application of new technologies, methods and equipment will be accelerated to build a resource-saving and environment-friendly enterprise.

We will make great efforts to strengthen human resources development through boosting employee’s quality and improve human resources structure.

We will continue cooperation and exchange with stakeholders and raise the ability to serve clients. We will also continue the commitment on activities for public interests to create friendly environment for enterprise’s development in order to achieve a win-win situation and mutual benefits and contribute to building a harmonious society.
Appendix

Comments of experts

Comments on AVIC’s CSR Report 2009

I carefully read the Corporate Social Responsibility Report 2009 of the Aviation Industry Corporation of China (hereinafter referred to as ‘the report’), and hereby made the following comments:

The Aviation Industry Corporation of China (AVIC) is the backbone enterprise of China’s aviation industry. In the developing history of the past nearly 60 years, AVIC and its predecessor started from scratch, and established a world-class system of aviation technological research and development and manufacturing. It produced a lot of advanced aviation equipment, which made an indelible contribution to preserving national unity, building strong national defense, and promoting healthy development of the national economy.

Since the establishment, AVIC has been resolutely implementing the Scientific Outlook on Development, following the requirements of the SASAC Guidance on Assuming Social Responsibility by Central SOEs, adhering to the aim of ‘Contribute to the nation with aviation industry, strengthen the military forces and enrich the people’, and actively integrating social responsibility concept into the enterprise’s day-to-day management. It has made remarkable achievements, which are widely praised in the community.

The report comprehensively and systematically introduces AVIC’s corporate responsibility practices from eight aspects including national security, economic development, strengthening innovation, excellent quality, environmental protection, safety production, caring employees as well as a win-win situation and mutual benefits, which has the following characteristics:

The report fully illustrates AVIC’s aim of ‘Contribute to the nation with aviation industry, strengthen the military forces and enrich the people’ from the social responsibility perspective, underlining the strong sense of responsibility and the mission on dedication to national prosperity, which developed with hard work in the past decades by generations of aviation staff with Wu Daguan as the representative.

The report discloses in detail the overall situations that as the main force of China’s aviation industry, AVIC, in pursuit of the strategic objectives of ‘Two integrations, Three innovations, Five-izations and One trillion’, firmly promoted market-oriented reform, actively optimized industrial layout, vigorously explored the market, and achieved its leaping development. It also indicated that AVIC’s aviation high-tech industry played a strategic role in the economic and social development, in particular played an important role in promoting employment, providing impetus to the development of related industries, and enhancing the transition of economic development mode.

The report comprehensively describes AVIC’s performance on addressing climate change and developing low-carbon economy, in particular achieving good results of green technology innovation including wind power generation equipment as well as electric automobiles.

The report reveals in detail that AVIC enthusiastically paid attention to public welfare, actively involved in disaster relief and poverty alleviation activities, built the Aviation Pavilion of the Shanghai Expo, and strongly supported the China Aviation Museum building, which demonstrated the height of social participation of the aviation staff.

Overall, the report is of comprehensive content and clear logic. It reflected AVIC’s strong sense, culture and practices of responsibility, which are in line with the international mainstream social responsibility guidelines like the United Nations Global Compact. It is a high-quality social responsibility report.

In order to improve AVIC’s social responsibility work, I would like to make the following proposals:

Firstly, it is necessary to further strengthen promotion and education of corporate social responsibility, and improve the overall social responsibility awareness and responsibility practice capacity.

Secondly, it is essential to strengthen social responsibility management system, improve the relevant operational systems, mechanisms and processes, which provide guarantee for promoting AVIC’s social responsibility work.

Finally, I hope that AVIC will continue its social responsibility journey, and write a more brilliant new chapter!

Chen Ying
Member of the Board of the United Nations Global Compact
Director of Beijing Rong Zhi Institute of Corporate Social Responsibility
Director of Global Compact Network China
Feedback of readers

AVIC values your comments on this CSR report. Please feedback your comments on this report and enable us to improve this report continuously.

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