AVIC International Holding (HK) Limited
中國航空工業國際控股(香港)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 232)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "Board") of directors (the "Directors") of AVIC International Holding (HK) Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018, together with the comparative figures for 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2018** ***HK$'000***	2017 *HK$'000* (Restated)
CONTINUING OPERATIONS			
REVENUE	*3*	**1,341,223**	–
Cost of sales		**(1,070,262)**	–
Gross profit		**270,961**	–
Other income and gain	*4*	**51,355**	6,227
Selling and distribution expenses		**(83,367)**	–
Administrative expenses		**(351,248)**	(37,054)
Other operating expense	*6*	**–**	(764)
Finance costs	*5*	**(18,854)**	–
Gain on disposal of convertible loans		**–**	87,151
Share of profits and losses of:			
Joint ventures		**(2,941)**	(19,043)
Associates		**471**	222
Gain on deemed disposal of an associate		**3,561**	–
Loss on disposal of an associate		**(909)**	–
Impairment of available-for-sale investments (transfer from available-for-sale investment revaluation reserve)		**–**	(67,280)
Reversal of impairment losses/(impairment losses) on financial assets, net	*6*	**2,519**	(20,699)
Fair value loss on derivative financial instruments		**–**	(11,337)
Fair value loss on an equity investment at fair value through profit or loss		**–**	(6,857)
Fair value loss on financial assets at fair value through profit or loss		**(30,573)**	–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(cont'd)*

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	**(159,025)**	(69,434)
Income tax credit	7	**31,893**	724
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(127,132)**	(68,710)
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	8	**507,569**	(267,833)
PROFIT/(LOSS) FOR THE YEAR		**380,437**	(336,543)
Attributable to:			
Owners of the parent		**398,968**	(288,481)
Non-controlling interests		**(18,531)**	(48,062)
		380,437	(336,543)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
– For profit/(loss) for the year		**HK4.47 cents**	(HK5.23 cents)
– For loss from continuing operations		**(HK1.43 cents)**	(HK1.24 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018 *HK$'000*	2017 *HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**380,437**	(336,543)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**–**	(86,017)
Reclassification adjustment for loss included in the consolidated statement of profit or loss		
– Impairment loss	**–**	67,280
	–	(18,737)
Exchange differences:		
Exchange differences on translation of foreign operations	**(117,307)**	97,554
Reclassification adjustment for a foreign operation disposed of during the year	**114,803**	–
	(2,504)	97,554
Share of other comprehensive income of a joint venture	**–**	2,905
NET OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**(2,504)**	81,722
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains on defined benefit plans	**1,333**	–
Income tax effect	**(338)**	–
	995	–
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(137,499)**	–
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**(136,504)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(139,008)**	81,722
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**241,429**	(254,821)
Attributable to:		
Owners of the parent	**279,595**	(240,767)
Non-controlling interests	**(38,166)**	(14,054)
	241,429	(254,821)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2018**	2017
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**335,243**	22,444
Investment properties		**–**	368,639
Goodwill		**400,094**	–
Other intangible assets		**1,781,157**	–
Investments in joint ventures		**39,174**	42,464
Investments in associates		**12,446**	14,385
Equity investments designated at fair value through other comprehensive income		**54,031**	–
Available-for-sale investments		**–**	110,380
Total non-current assets		**2,622,145**	558,312
CURRENT ASSETS			
Properties under development and completed properties held for sale		**–**	2,937,160
Inventories		**473,753**	–
Trade receivables	*12*	**102,711**	76,977
Due from fellow subsidiaries		**29,566**	1,664
Due from an associate		**575**	10,441
Loans to an associate		**9,143**	–
Prepayments, deposits and other receivables		**84,795**	5,095
Available-for-sale investments		**–**	82,348
Financial assets at fair value through profit or loss		**–**	80,761
Derivative financial instruments		**–**	1
Prepaid taxes		**–**	4,176
Cash and cash equivalents		**1,191,575**	627,140
Total current assets		**1,892,118**	3,825,763
CURRENT LIABILITIES			
Due to non-controlling shareholders of subsidiaries		**–**	138,852
Due to an intermediate holding company		**28,815**	16,681
Due to fellow subsidiaries		**–**	5,492
Loans from a fellow subsidiary		**–**	366,864
Trade payables	*13*	**90,152**	122,511
Other payables and accruals		**114,727**	34,198
Provisions and other liabilities		**49,445**	–
Customer deposits		**–**	217,981
Tax payable		**137,389**	78,403
Interest-bearing bank borrowings		**120,218**	–
Total current liabilities		**540,746**	980,982

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(cont'd)*

	Note	2018 HK$'000	2017 HK$'000
NET CURRENT ASSETS		**1,351,372**	2,844,781
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,973,517**	3,403,093
NON-CURRENT LIABILITIES			
Loans from an intermediate holding company		**–**	503,550
Loans from a fellow subsidiary		**–**	556,213
Other payables and accruals		**29,520**	–
Provisions and other liabilities		**47,539**	–
Interest-bearing bank borrowings		**1,031**	–
Defined benefit obligation		**6,905**	–
Deferred tax liabilities		**269,354**	71,398
Total non-current liabilities		**354,349**	1,131,161
Net assets		**3,619,168**	2,271,932
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*14*	**930,337**	551,959
Reserves		**2,688,831**	1,180,546
		3,619,168	1,732,505
Non-controlling interests		**–**	539,427
Total equity		**3,619,168**	2,271,932

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investments, financial assets at fair value through profit or loss, and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments*: *Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position.

A reconciliation between the changes in carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement	
				Re-		
		Category	**Amount**	**classification**	**Amount**	**Category**
	Notes		***HK$'000***	***HK$'000***	***HK$'000***	
Financial assets						
Available-for-sale investments		**AFS[2]**	**192,728**	**(192,728)**	**–**	**N/A**
To: Equity investments designated at fair value through other comprehensive income	*(i)*			**(110,380)**		
To: Financial assets at fair value through profit or loss	*(ii)*			**(82,348)**		
Equity investments designated at fair value through other comprehensive income		**N/A**	**–**	**191,141**	**191,141**	**FVOCI[1] (equity)**
From: Available-for-sale investments	*(i)*			**110,380**		
From: Equity investment at fair value through profit or loss	*(i)*			**80,761**		
Financial assets at fair value through profit or loss		**FVPL[3]**	**–**	**82,349**	**82,349**	**FVPL (mandatory)**
From: Available-for-sale investments	*(ii)*			**82,348**		
From: Derivative financial instruments	*(ii)*			**1**		
Equity investments at fair value through profit or loss		**FVPL**	**80,761**	**(80,761)**	**–**	**N/A**
To: Equity investments designated at fair value through other comprehensive income	*(i)*			**(80,761)**		
Derivative financial instruments		**FVPL**	**1**	**(1)**	**–**	**N/A**
To: Financial assets at fair value through other comprehensive income	*(ii)*			**(1)**		
			273,490	**–**	**273,490**	

[1] *FVOCI: Financial assets at fair value through other comprehensive income*
[2] *AFS: Available-for-sale investments*
[3] *FVPL: Financial assets at fair value through profit or loss*

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments and equity investment at fair value through profit or loss as equity investments at fair value through other comprehensive income.

(ii) The Group has classified its convertible bonds previously classified as available-for-sale investments and derivative financial instruments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits *HK$'000*
Fair value reserve under HKFRS 9 (available-for-sale investment revaluation reserve under HKAS 39)	
Balance as at 31 December 2017 under HKAS 39	**6,649**
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	**(6,649)**
Reversal of impairment losses under HKAS 39 for equity investments designated at fair value through other comprehensive income previously classified as available-for-sale investments	**(628,135)**
Balance as at 1 January 2018 under HKFRS 9	**(628,135)**
Retained profits	
Balance as at 31 December 2017 under HKAS 39	**591,051**
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	**6,649**
Reversal of impairment losses under HKAS 39 for equity investments designated at fair value through other comprehensive income previously classified as available-for-sale investments	**628,135**
Balance as at 1 January 2018 under HKFRS 9	**1,225,835**

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	**Increase/ (decrease)** ***HK$'000***
Assets		
Properties under development and completed properties held for sale	*(i)*	**134,818**
Trade receivables	*(i)*	**(76,977)**
Due from fellow subsidiaries	*(i)*	**(1,664)**
Prepayments	*(iii)*	**4,971**
Prepaid taxes	*(i)*	**16,539**
Total assets		**77,687**
Liabilities		
Other payables and accruals	*(i)*	**(10,016)**
Customer deposits	*(i),(ii)*	**(217,981)**
Contract liabilities	*(i),(ii)*	**339,654**
Deferred tax liabilities		**4,353**
Total liabilities		**116,010**
Equity		
Exchange fluctuation reserve	*(i)*	**1,070**
Retained profits	*(i),(iii)*	**(21,029)**
Non-controlling interests	*(i)*	**(18,364)**
		(38,323)

The adoption of HKFRS 15 has had no impact on profit or loss from continuing operations, other comprehensive income, the consolidated statement of financial position or on the Group's operating, investing and financing cash flows for the year ended 31 December 2018 because the property development and investment business has been disposed of.

The nature of the adjustments as at 1 January 2018 are described below:

(i) Revenue from sales of properties

Prior to the adoption of HKFRS 15, the Group accounted for revenue from sales of properties when significant risks and rewards of ownership has been transferred to the customers.

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

If the control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical procession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

The impact of the adoption of HKFRS 15 on revenue from sales of properties was adjusted to the opening balance of retained profits at 1 January 2018.

(ii) Significant financing component for sales of properties

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customers in connection with the Group's pre-sales of properties as customer deposits in the consolidated statement of financial position.

Upon adoption of HKFRS 15, the Group elected to apply the practical expedient and did not recognise the effects of a significant component with a customer if the time period is one year or less. In addition, reclassifications have been made from customer deposits to contract liabilities for the outstanding balance of sales proceeds from customers. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1 January 2018. Customer deposits of HK$217,981,000 has been reclassified to contract liabilities as at 1 January 2018.

(iii) Sales commission

Prior to the adoption of HKFRS 15, the Group expensed off the sales commission associated with obtaining agreement for sale and purchase with property buyer. Upon adoption of HKFRS 15, sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in prepayments. Capitalised sales commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as selling and distribution expenses at that time. The impact of the adoption of HKFRS 15 on sales commission was adjusted to the opening balance of retained profits at 1 January 2018.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. During the year, the Group acquired the general aviation aircraft piston engine business and disposed of the property development and investment business. Accordingly, the comparative segment information related to the property development and investment business is classified as "profit/(loss) for the year from a discontinued operation" in the consolidated statements of profit or loss. As a result, the Group has only one reportable operating segment, the general aviation aircraft piston engine business, which engages in the design, development and production of general aviation aircraft piston engines and spare parts as well as the provision of aftermarket services and supports for piston engines.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss for the year from continuing operations. The adjusted loss for the year from continuing operations is measured consistently with the Group's loss for the year from continuing operations except that certain income and gain, gains or losses relating to investments in joint ventures and associates and financial instruments, the gain on disposal of convertible loans, as well as head office and corporate expenses and unallocated finance costs and income tax are excluded from such measurement.

The following is an analysis of the Group's revenue and results from continuing operations by reportable operating segment for the year ended 31 December.

	General aviation aircraft piston engine business		Total	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Segment revenue:				
Sales to external customers	**1,341,223**	–	**1,341,223**	–
Segment results	**(84,773)**	–	**(84,773)**	–
Reconciliation:				
Unallocated other income and gain			**36,987**	6,227
Corporate and other unallocated expenses			**(31,251)**	(37,818)
Unallocated finance costs			**(15,461)**	–
Gain on disposal of convertible loans			**–**	87,151
Share of profits and losses of:				
Joint ventures			**(2,615)**	(19,043)
Associates			**471**	222
Gain on deemed disposal of an associate			**3,561**	–
Loss on disposal of an associate			**(909)**	–
Impairment of an available-for-sale investment			**–**	(67,280)
Reversal of impairment losses/(impairment losses) on financial assets, net			**3,488**	(20,699)
Fair value loss on derivative financial instruments			**–**	(11,337)
Fair value loss on an equity investment at fair value through profit or loss			**–**	(6,857)
Fair value loss on financial assets at fair value through profit or loss			**(30,573)**	–
Unallocated income tax credit/(expense)			**(6,057)**	724
Loss for the year from continuing operations			**(127,132)**	(68,710)
Other segment information:				
Depreciation	**57,962**	–	**57,962**	–
Unallocated depreciation			**827**	1,098
			58,789	1,098
Amortisation	**75,807**	–	**75,807**	–
Capital expenditure*	**121,761**	–	**121,761**	–
Unallocated capital expenditure			**74**	28
			121,835	28

* *Capital expenditure consists of additions to property, plant and equipment and other intangible assets.*

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
United States of America	**1,065,749**	–
Europe	**154,163**	–
Others	**121,311**	–
	1,341,223	–

The revenue information of continuing operations above is based on the location of the customers.

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
United States of America	**1,901,485**	–
Europe	**593,877**	–
Hong Kong	**21,673**	22,424
Mainland China	**51,079**	425,508
	2,568,114	447,932

The non-current asset information above is based on the locations of the assets and excludes financial assets and deferred tax assets.

Information about major customers

Revenue from each of the major customers, which individually amounted to 10% or more of the Group's revenue from continuing operations, is set out below:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**402,855**	–
Customer B	**220,334**	–
Customer C	**159,254**	–

4. REVENUE, OTHER INCOME AND GAIN

An analysis of revenue, other income and gain from continuing operations is as follows:

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Sale of goods	**1,234,677**	–
Rendering of services	**106,546**	–
	1,341,223	–
Other income		
Bank interest income	**2,253**	3,897
Interest income on a convertible bond	**186**	1,036
Interest income on loans to an associate	**787**	586
Interest income on a loan to a related company	**–**	536
Compensation fee	**9,680**	–
Distributorship fee income	**713**	–
Government grant*	**–**	172
Foreign exchange differences, net	**33,151**	–
Others	**4,364**	–
	51,134	6,227
Gain		
Gain on disposal of items of property, plant and equipment	**221**	–
	51,355	6,227

* *This represents subsidies from municipal government in Mainland China. There are no unfulfilled conditions or contingencies relating to these subsidies.*

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Interest on interest-bearing loans and borrowings	**17,755**	–
Increase in discounted amounts of provisions and other liabilities arising from the passage of time	**114**	–
Others	**985**	–
	18,854	–

6. LOSS BEFORE TAX

The Group's loss before tax from continuing operations is arrived at after charging/(crediting):

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Cost of inventories sold*	**978,304**	–
Cost of services provided*	**94,293**	–
Reversal of write-down of inventories to net realisable value*	**(2,335)**	–
Research and development costs:		
Current period expenditure	**45,090**	–
Depreciation	**58,789**	1,098
Amortisation of other intangible assets	**75,807**	–
Foreign exchange differences, net	**(33,151)**	17
Other operating expense:		
Loss on disposal of items of property, plant and equipment	**–**	764
Impairment losses/(reversal of impairment losses) on financial assets, net:		
Impairment of trade receivables, net	**969**	–
Impairment/(reversal of impairment) of other receivables, net	**(3,488)**	20,699
	(2,519)	20,699

* *Included in "cost of sales" in the consolidated statement of profit or loss.*

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. In the prior year, no provision for Hong Kong profits tax was made as the Group did not generate any assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Current – Hong Kong:		
Charge for the year	**6,060**	–
Overprovision in prior years	**–**	(277)
Current – Elsewhere:		
Charge/(credit) for the year	**10,931**	(447)
Deferred	**(48,884)**	–
Total tax credit for the year from continuing operations	**(31,893)**	(724)
Total tax charge for the year from the discontinued operation	**94,585**	15,920
	62,692	15,196

8. DISCONTINUED OPERATION

During the year, the Group disposed of the entire issued share capital of Ease Triumph International Limited ("Ease Triumph") and the outstanding shareholder's loans and interests owed by Ease Triumph to the Company, to Shengtong Holding Limited, as detailed in note 16. Ease Triumph and its subsidiaries ("Ease Triumph Group") engaged in the property development and investment business. The disposal of the property development and investment business is part of a wider restructuring campaign being implemented by the state-owned Assets Supervision and Administration Commission of the State Council.

The results of Ease Triumph Group included in the Group's consolidated statement of profit or loss as a discontinued operation are presented below:

	2018	2017
	HK$'000	*HK$'000*
Revenue	**41,095**	1,520,710
Cost of sales	**(19,358)**	(1,706,522)
Gross profit/(loss)	**21,737**	(185,812)
Other income and gains	**2,285**	35,454
Selling and distribution expenses	**(2,333)**	(26,130)
Administrative expenses	**(30,962)**	(36,664)
Other operating expense	**(12)**	–
Finance costs	**(49,111)**	(38,761)
Loss before tax from the discontinued operation	**(58,396)**	(251,913)
Income tax expense	**(2,585)**	(15,920)
Loss after tax from the discontinued operation	**(60,981)**	(267,833)
Pre-tax gain on disposal of subsidiaries *(Note 16)*	**660,550**	–
Tax expense	**(92,000)**	–
After-tax gain on disposal of subsidiaries	**568,550**	–
Profit/(loss) for the year from the discontinued operation	**507,569**	(267,833)
Attributable to:		
Owners of the parent	**526,100**	(219,771)
Non-controlling interests	**(18,531)**	(48,062)
	507,569	(267,833)
Earnings/(loss) per share:		
Basic and diluted, from the discontinued operation	**HK5.90 cents**	(HK3.99 cents)

The calculation of basic and diluted earnings/(loss) per share from the discontinued operation is based on:

	2018	2017 (Restated)
Profit/(loss) attributable to ordinary equity holders of the parent from the discontinued operation	**HK$526,100,000**	(HK$219,771,000)
Weighted average number of ordinary shares in issue during the year	**8,919,813,140**	5,519,591,000

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 8,919,813,140 (2017: 5,519,591,000) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic and diluted earnings/(loss) per share is based on:

	2018 *HK$'000*	2017 *HK$'000* (Restated)
Profit/(loss) attributable to ordinary equity holders of the parent:		
From continuing operations	**(127,132)**	(68,710)
From a discontinued operation	**526,100**	(219,771)
	398,968	(288,481)

	Number of shares **2018**	2017
Weighted average number of ordinary shares in issue during the year	**8,919,813,140**	5,519,591,000

10. DIVIDEND

	2018 *HK$'000*	2017 *HK$'000*
Special – HK1 cent (2017: Nil) per ordinary share	**93,034**	–

The special dividend declared subsequent to the reporting period has not been recognised as a liability at the end of the reporting period.

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2018, the Group has additions of items of property, plant and equipment of HK$66,973,000 (2017: HK$28,000) and disposal of items of property, plant and equipment with net book value of HK$7,525,000 (2017: HK$1,557,000).

12. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**109,283**	76,977
Impairment	**(6,572)**	–
	102,711	76,977

The Group has different credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Trade receivables from sale of properties in respect of the property development and investment business are payable pursuant to the terms of sale and purchase agreements. The Group's trading terms with its customers in the general aviation aircraft piston engine business are mainly on credit, where partial advanced payment is required for certain customers. The credit period is generally 30 days. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. As at 31 December 2018, the Group had certain concentrations of credit risk as 37% of the Group's trade receivables were due from one of the Group's key customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**76,745**	–
1 to 2 months	**12,241**	–
2 to 3 months	**3,927**	–
Over 3 months	**9,798**	76,977
	102,711	76,977

13. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**65,839**	85,604
1 to 2 months	**19,182**	–
2 to 3 months	**3,844**	–
Over 3 months	**1,287**	36,907
	90,152	122,511

The trade payables are non-interest-bearing and are normally settled on 60– to 90-day terms.

14. SHARE CAPITAL

Shares

	2018	2017
	HK$'000	*HK$'000*
Authorised:		
10,000,000 ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
9,303,374,783 (2017: 5,519,591,000) ordinary shares of HK$0.10 each	**930,337**	551,959

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital**	**Share premium account**	**Total**
		HK$'000	***HK$'000***	***HK$'000***
At 1 January 2017, 31 December 2017 and 1 January 2018	**5,519,591,000**	**551,959**	**609,080**	**1,161,039**
Issue of shares *(Note)*	**3,783,783,783**	**378,378**	**1,248,649**	**1,627,027**
At 31 December 2018	**9,303,374,783**	**930,337**	**1,857,729**	**2,788,066**

Note:

On 7 February 2018, 3,783,783,783 new shares of the Company have been issued as fully paid to AVIC International (HK) Group Limited ("AVIC International (HK) Group"), an intermediate holding company, as part of the consideration for the acquisition as detailed in note 15. The fair value of these shares was HK$1,627,027,000 which was measured based on listed share price of HK$0.43 on that date. Accordingly, the issued share capital and share premium account of the Company increased by HK$378,378,000 and HK$1,248,649,000, respectively.

15. BUSINESS COMBINATION

On 7 February 2018, the Group completed the acquisition of the entire issued share capital of Motto Investment Limited ("Motto") and the shareholder's loan notes (the "Acquisition") from AVIC International (HK) Group at an aggregate nominal consideration of HK$2,400,000,000, of which HK$1,400,000,000 was satisfied by way of allotment and issue of 3,783,783,783 shares of the Company, HK$200,000,000 was satisfied by cash at the acquisition date and the remaining HK$800,000,000 was to be satisfied by cash upon earlier of the following events: (i) the Company having received the proceeds from the disposal of its property development and investment business, resulting in the Company having net cash balance of more than HK$800,000,000; and (ii) the Company having net cash balance of more than HK$800,000,000. The payment of HK$800,000,000 was finally made at the end of 2018. Further details of the Acquisition were included in the circular of the Company dated 29 December 2017.

The fair values of the identifiable assets and liabilities of Motto and its subsidiaries ("Motto Group") as at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment	**320,445**
Other intangible assets	**1,842,405**
Investment in a joint venture	**1,062**
Inventories	**571,852**
Trade and other receivables	**121,303**
Due from fellow subsidiaries	**30,024**
Prepayments	**41,896**
Cash and cash equivalents	**73,920**
Trade payables, other payables and accruals	**(191,534)**
Interest-bearing loans and borrowings	**(51,925)**
Contract liabilities	**(35,704)**
Provisions and other liabilities	**(120,435)**
Due to an intermediate holding company	**(28,087)**
Due to fellow subsidiaries	**(14,198)**
Loan from an intermediate holding company	**(1,845,561)**
Tax payable	**(3,658)**
Defined benefit obligations	**(7,006)**
Deferred tax liabilities	**(324,540)**
Total identifiable net assets at fair value	**380,259**
Shareholder's loan notes acquired	**1,845,561**
Goodwill on acquisition	**401,207**
Total consideration	**2,627,027**
Satisfied by:	
Cash consideration	**1,000,000**
Fair value of consideration shares	**1,627,027**
	2,627,027

The fair value of the trade and other receivables as at the date of acquisition amounted to HK$121,303,000. The gross contractual amount of trade and other receivables was HK$128,410,000, of which trade and other receivables of HK$5,603,000 are expected to be uncollectible.

The Group incurred transaction costs for the Acquisition of HK$21,742,000 and HK$6,952,000, respectively, for the years ended 31 December 2017 and 2018. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss for the years ended 31 December 2017 and 2018, respectively.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the Acquisition is as follows:

	HK$'000
Cash consideration paid	**(1,000,000)**
Cash and cash equivalents acquired	**73,920**
Net outflow of cash and cash equivalents included in cash flows from investing activities for the year ended 31 December 2018	**(926,080)**
Transaction costs of the Acquisition included in cash flows from operating activities for the years ended 31 December 2017 and 2018	**(28,694)**
	(954,774)

Since the Acquisition, Motto Group contributed HK$1,341,223,000 to the Group's revenue and HK$84,773,000 to the consolidated loss for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the loss for the year from continuing operations of the Group would have been HK$1,483,590,000 and HK$137,223,000, respectively.

16. DISPOSAL OF SUBSIDIARIES

	2018
	HK$'000
Net assets disposed of:	
Investment properties	**357,714**
Properties under development and completed properties held for sale	**2,972,892**
Prepayments, deposits and other receivables	**55,550**
Prepaid taxes	**25,157**
Cash and cash equivalents	**7,504**
Due to non-controlling shareholders of subsidiaries	**(127,621)**
Due to an intermediate holding company	**(7,708)**
Loan from the immediate holding company	**(1,312,458)**
Due to the immediate holding company	**(90,569)**
Due to fellow subsidiaries	**(1,147)**
Loans from a non-controlling shareholder of a subsidiary	**(830,219)**
Trade payables	**(94,401)**
Other payables and accruals	**(19,613)**
Contract liabilities	**(349,991)**
Tax payable	**(43,965)**
Deferred tax liabilities	**(71,556)**
Non-controlling interests	**(482,897)**
	(13,328)
Outstanding shareholder's loans and interests disposed of	**1,403,027**
Exchange fluctuation reserve	**114,803**
	1,504,502
Gain on disposal of subsidiaries *(Note 8)*	**660,550**
	2,165,052
Satisfied by:	
Cash *(Note)*	**2,165,052**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2018
	HK$'000
Cash consideration *(Note)*	**2,165,052**
Cash and bank balances disposed of	**(7,504)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**2,157,548**

Note: The amount included cash consideration for the disposal of entire issued share capital of Ease Triumph of HK$762,025,000, and for the outstanding shareholder's loans and interests on the shareholder's loans of HK$1,403,027,000.

17. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period *(note 8)*.

OVERALL REVIEW

On 7 February 2018, the Group completed the Acquisition at an aggregate nominal consideration of HK$2,400,000,000, of which HK$1,400,000,000 was satisfied by way of allotment and issue of shares of the Company and HK$1,000,000,000 was satisfied by cash. Further details of the Acquisition were included in the circular of the Company dated 29 December 2017. The core business of Motto Group is the general aviation aircraft piston engine business which engages in the design, development and production of general aviation aircraft piston engines and spare parts as well as the provision of aftermarket services and supports for piston engines.

During the year, the Group disposed of the entire issued share capital of Ease Triumph and the outstanding shareholder's loans and interests owed by Ease Triumph to the Company, to Shengtong Holding Limited (the "Disposal"). Ease Triumph Group engaged in the property development and investment business. The Disposal is part of a wider restructuring campaign being implemented by the state-owned Assets Supervision and Administration Commission of the State Council. Further details of the Disposal were included in the circular of the Company dated 25 October 2018. In 2018, the revenue of this discontinued operation amounted to HK$41,095,000 (2017: HK$1,520,710,000). Together with the after-tax gain on disposal of subsidiaries of HK$568,550,000 (2017: Nil) recorded, the profit from this discontinued operation was HK$507,569,000 (2017: loss of HK$267,833,000).

In 2018, the Group recorded revenue from continuing operations of HK$1,341,223,000 (2017: Nil). The profit attributable to owners of the parent was HK$398,968,000 compared with a loss of HK$288,481,000 last year. The significant improvement was caused by the profit from the discontinued operation attributable to owners of the parent of HK$526,100,000 (2017: loss of HK$219,771,000) recorded, though there was also loss from continuing operations of HK$127,132,000 (2017: HK$68,710,000) recorded.

The increase in the loss from continuing operations from HK$68,710,000 to HK$127,132,000 was mainly because: (1) the newly acquired general aviation aircraft piston engine business recorded a loss of HK$84,773,000 for 2018; (2) a one-off gain on disposal of convertible loans of HK$87,151,000 was recorded last year; and (3) finance costs of HK$15,461,000 (2017: Nil) was recorded in 2018 on the new loan from an intermediate holding company made in 2018; which were partly offset by: (a) the decrease in the impairment and fair value loss on financial assets from HK$106,173,000 last year to HK$28,054,000 in 2018; (b) an exchange gain of HK$33,151,000 (2017: loss of HK$17,000) arisen from the change in exchange rate was recorded in 2018; and (c) the decrease in the share of losses of the joint ventures and associates from HK$18,821,000 last year to HK$2,470,000 in 2018.

Basic earnings per share amounted to HK¢4.47 (2017: loss per share amounted to HK¢5.23). The return on equity, calculated on the basis of profit/loss attributable to owners of the parent as a percentage of equity attributable to owners of the parent as of 31 December 2018, was 11% (2017: –17%).

BUSINESS REVIEW

During the year, the Group acquired the general aviation aircraft piston engine business and disposed of the property development and investment business. Accordingly, the Group has only one reportable operating segment, namely the general aviation aircraft piston engine business, which engages in the design, development and production of general aviation aircraft piston engines and spare parts as well as the provision of aftermarket services and supports for piston engines.

In accordance with HKFRS 3, the identifiable assets acquired and liabilities assumed in a business combination should be measured at their fair values at the acquisition date. Accordingly, at the Group's level, property, plant and equipment, other tangible assets and inventories of Motto Group were stated at their fair values at the acquisition date. The Group subsequently measures and accounts for the assets acquired and liabilities assumed in the business combination in accordance with other applicable HKFRSs for those items, depending on their nature.

Since the completion of the Acquisition, i.e. 7 February 2018, up to 31 December 2018, the general aviation aircraft piston engine business recognised revenue and gross profit of HK$1,341,223,000 and HK$270,961,000, respectively, and recorded loss of HK$84,773,000. Had the assets acquired and liabilities assumed in the Acquisition been stated at their carrying values at Motto Group's level, i.e. excluding the effect from the aforesaid fair value adjustments charged to current year's profit or loss of HK$105,065,000 at the Group's level, the general aviation aircraft piston engine business would have recorded profit of HK$20,292,000.

In 2018, the general aviation aircraft piston engine business built and shipped 2,511 engines, a 13% increase from 2017 (before being acquired by the Group). Engine volume is an important measure to the business as it reflects market share gains reflective of the business strategy to have the widest product offerings to ensure access to all general aviation piston engine aircraft types. In 2018, there was growth in both our Titan product line and our Jet-A Engine product line.

FINANCIAL REVIEW

Convertible bonds

As at 31 December 2017, the Group held convertible bonds issued by Peace Map Holding Limited ("PMH") and AVIC Joy Holdings (HK) Limited ("AVIC Joy"), respectively, both are listed companies in Hong Kong. These convertible bonds are managed and their performance is evaluated on a fair value basis. Fair values are mainly influenced by the prices of the underlying securities and the time value of the conversion options.

On 1 January 2018, the Group adopted HKFRS 9. Originally, the convertible bonds were separated into derivative financial instruments and available-for-sale debt instruments. In accordance with HKFRS 9, the entire convertible bonds should be classified as financial assets at fair value through profit or loss.

On 6 March 2018, the convertible bond issued by AVIC Joy matured and was redeemed by AVIC Joy. On 2 August 2018, the convertible bonds issued by PMH matured but PMH failed to redeem them. Therefore, they were included in financial assets at fair value through profit or loss and stated at fair values of zero as at 31 December 2018.

In 2018, net fair value loss on financial assets at fair value through profit or loss of HK$30,573,000 was recognised in respect of the convertible bonds issued by PMH and AVIC Joy, whereas last year, a fair value loss on derivative financial instruments of HK$11,337,000 was recognised in respect of the derivatives embedded in these convertible bonds.

Listed equity investments

As at 31 December 2017, the Group held shares issued by PMH and classified the investment as a financial asset at fair value through profit or loss, and held shares issued by AVIC Joy and classified the investment as an available-for-sale investment.

On 1 January 2018, the Group adopted HKFRS 9. In accordance with HKFRS 9, the Group elected the option to irrevocably designate all its equity investments as equity investments designated at fair value through other comprehensive income. Net changes in fair value are recognised as other comprehensive income instead of being recognised in the statement of profit or loss. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised. Since 2018, PMH's shares have been suspended for trading and PMH is in liquidation process. As at 31 December 2018, the fair value of the shares issued by PMH and AVIC Joy was assessed to be zero and HK$53,642,000 respectively, which were included in equity investments designated at fair value through other comprehensive income.

Last year, the Group recorded a fair value loss on the shares issued by PMH of HK$6,857,000 which was recognised in the statement of profit or loss. Furthermore, an impairment of available-for-sale investments of HK$67,280,000 in respect of the shares issued by AVIC Joy was also recorded.

Joint ventures and associates

During the year, the Group recorded share of losses of joint ventures and associates in an aggregate of HK$2,470,000 (2017: HK$18,821,000).

Other income and gain

Other income and gain from continuing operations increased from HK$6,227,000 last year to to HK$51,355,000 in 2018, mainly due to the exchange gain of HK$33,151,000 recorded.

Selling and distribution expenses

Selling and distribution expenses from continuing operations of HK$83,367,000 (2017: Nil) represents those selling and distribution expenses incurred by the general aviation aircraft piston engine business newly acquired in 2018.

Administrative expenses

During the year, the Group recorded administrative expenses from continuing operations of HK$351,248,000 (2017: HK$37,054,000), of which HK$319,998,000 were incurred by the general aviation aircraft piston engine business newly acquired in 2018. Administrative expenses consist of salaries and wages, product liability expenses, engineering expenses, legal and professional expenses and other general expenses.

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group has consistently maintained sufficient working capital. As at 31 December 2018, the Group had current assets of HK$1,892,118,000 (2017: HK$3,825,763,000), including cash and bank balances and time deposits in an aggregate of HK$1,191,575,000 (2017: HK$627,140,000). The Group's current liabilities as at 31 December 2018 were HK$540,746,000 (2017: HK$980,982,000).

On 7 February 2018, the Acquisition was completed and a total of 3,783,783,783 new shares of the Company have been issued as fully paid to AVIC International (HK) Group, an intermediate holding company. The fair value of these shares was HK$1,627,027,000 which was measured based on listed share price of HK$0.43 on that date. Accordingly, the issued share capital and share premium account of the Company increased by HK$378,378,000 and HK$1,248,649,000 respectively.

As at 31 December 2018, the Group's equity attributable to owners of the parent amounted to HK$3,619,168,000 (2017: HK$1,732,505,000), comprising issued capital of HK$930,337,000 (2017: HK$551,959,000) and reserves of HK$2,688,831,000 (2017: HK$1,180,546,000). The Group's interest-bearing debts included interest-bearing bank borrowings of HK$121,249,000 (2017: loans from a fellow subsidiary of HK$923,077,000 and loans from an intermediate holding company of HK$503,550,000). The Group's gearing ratio, calculated on the basis of the interest-bearing debts as a percentage of equity attributable to owners of the parent plus the interest-bearing debts, was 3% (2017: 45%).

The Group's banking facilities are mainly utilised for general working capital requirements.

CHARGES ON THE GROUP'S ASSETS

There were no charges on the Group's assets.

EXPOSURE TO FOREIGN CURRENCY RISK

As most of the Group's business transactions, assets and liabilities are principally denominated in the functional currencies of the operating units, the Group's exposure to foreign currency risk is minimal.

MATERIAL ACQUISITIONS AND DISPOSALS

Save for the transactions as disclosed elsewhere in this announcement, the Group had no other material acquisitions or disposals during the year.

ENVIRONMENTAL AND REGULATORY COMPLIANCE

Environmental protection and the effective use of natural resources have gradually become an important concept in modern economic growth. The Group has been keeping track on the major trends in environmental protection around the world and has been making an effort to integrate the concept of environmental protection in its operations. Based on new technology and management approach, the Group strictly control its environmental impact and resource usage such that cleaner production featuring lower pollution and lower emissions thus sustainable development can be achieved.

The Group strictly complies all applicable laws and regulations released by the relevant authorities which are material to us. Throughout the year, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, there were 691 (2017: 70) employees in the Group. The employee wages and salaries for the continuing operations, excluding directors' remuneration, amounted to HK$252,989,000 (2017: HK$5,846,000) for the year ended 31 December 2018. The Group recognises the importance of good relationship with employees. The Directors believe that the working environment and benefits offered to employees have contributed to building good staff relations and retention. The Group's remuneration policies are formulated based on the performance of individual employees and market conditions and are reviewed regularly. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

OUTLOOK

Across the five market sectors accessible to the piston aircraft (Certified General Aviation Business and Pleasure; Certified General Aviation Pilot Training; Uncertified General Aviation; General Aviation Light Sport; and Unmanned Aircraft), our strategy is to have the widest breadth of product offerings and to invest heavily in new product development and certification so as to meet future opportunities in the market. In addition, our commitment to continuous improvement and modernisation of the manufacturing facility are on schedule to deliver operational and cost efficiencies in 2019 and 2020.

Blue Marlin Program

The Blue Marlin factory modernisation program (the "Blue Marlin Program"), a US$75 million investment in new facilities and equipment, began construction in July of 2018. As of December 2018, facility construction, despite substantial weather impacts, was on schedule to complete construction in June 2019. In addition, equipment upgrades were on schedule with the first equipment completing supplier runoff verification in December 2018. This equipment will be ready for shipment and installation in May 2019. Overall progress remains on schedule for full production rates in late 2020.

Research and Development

Research and Development projects aimed at bringing new engine variants to market including the IO-370, CD-170, CD-285, and CD-300, which have completed major milestones and entered important installation and flight testing programs with original equipment manufacturers of various aircrafts. We expect these programs to exit development and certification in phases across the next 24 months allowing transition to full production and customer delivery in that timeframe.

Challenge and Opportunities

The uncertainty of the global economy in 2019 and thus resulting changes in the global general aviation market will affect the sales targets of the Group. In addition, in case there is a delay in the progress of the Research and Development projects and the Blue Marlin factory modernisation program, it may have an impact on short-term production.

The many opportunities, initiatives and investments that were underway in 2018 are expected to continue in 2019 as both the Blue Marlin Program and major product programs would reach fruition in 2020. At that time, the Group expects to achieve improved operating results and to have growth opportunities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company is committed to maintain good standards of corporate governance practices by emphasising transparency, accountability and responsibility to its shareholders.

For the year ended 31 December 2018, the Company applied the principles of, and complied with all the code provisions and, where applicable, the recommended best practices of the "Corporate Governance Code" (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except as noted hereunder.

Other than the non-executive Director appointed on 23 June 2015 and the independent non-executive Director appointed on 26 May 2017, the other two independent non-executive Directors are appointed without specific terms as provided for in code provision A.4.1 of the CG Code. In accordance with the Bye-laws of the Company, one-third of the Directors (including non-executive Directors) for the time being shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement at least once every three years. The retiring Directors shall be eligible for re-election.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry, all directors of the Company have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2018.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young ("EY"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by EY on the preliminary announcement.

REVIEW BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2018 of the Group have been reviewed by the audit committee of the Company.

SPECIAL DIVIDEND

The Register of Members will be closed from Tuesday, 4 June 2019 to Thursday, 6 June 2019 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the special dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 pm on Monday, 3 June 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 May 2019 to Friday, 24 May 2019, both days inclusive, during which period no transfer of shares will be registered, in order to determine the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on 24 May 2019 ("AGM"). In order to be entitled to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged for registration with the Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 17 May 2019.

APPRECIATION

I would like to take this opportunity to express my appreciation to my fellow Directors and all our staff for their support, hard work and dedication.

By order of the Board of
AVIC International Holding (HK) Limited
Liu Hongde
Chairman

Hong Kong, 15 March 2019

As at the date of this announcement, the Board comprises Mr. Liu Hongde, Mr. Lai Weixuan, Mr. Fu Fangxing, Mr. Yu Xiaodong and Mr. Zhang Zhibiao as executive Directors; Mr. Chow Wai Kam as non-executive Director; Mr. Chu Yu Lin, David, Mr. Li Ka Fai, David and Mr. Zhang Ping as independent non-executive Directors.