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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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the “Board”) of AVIC International Holding (HK) Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2013, together with the comparative figures for 2012, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	2013 HK\$	2012 HK\$
REVENUE	3	47,978,864	87,328,163
Cost of sales		(42,759,878)	(77,224,314)
Gross profit		5,218,986	10,103,849
Other income and gain	4	27,471,152	25,247,730
Administrative expenses		(46,190,303)	(51,615,956)
Other operating income/(expenses), net		(25,010,073)	649,880
Finance costs	5	(2,936,761)	(3,050,736)
Net loss on deemed disposal of an associate		(7,808,330)	–
Gain on disposal of associates		358,423,419	19,958,414
Share of profits and losses of:			
Joint venture		60,838,893	229,743,979
Associates		(32,001,370)	(22,094,004)
Fair value loss on equity investment at fair value through profit or loss		(2,620,081)	–
Net gain on disposal of available-for-sale investments		140,209,026	223,313,135
Net loss on derecognition of an available-for-sale investment		(2,031,607)	–
Fair value gain/(loss) on derivative financial instruments, net		4,124,612	(12,671,668)
Gain on disposal of subsidiaries		–	3,028,233

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

	<i>Notes</i>	2013 HK\$	2012 <i>HK\$</i>
PROFIT BEFORE TAX	6	477,687,563	422,612,856
Income tax expense	7	(81,012,316)	(61,617,712)
PROFIT FOR THE YEAR		<u>396,675,247</u>	<u>360,995,144</u>
Attributable to:			
Owners of the parent		397,242,208	359,651,230
Non-controlling interests		(566,961)	1,343,914
		<u>396,675,247</u>	<u>360,995,144</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8	<u>HK8.57 cents</u>	<u>HK7.70 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
PROFIT FOR THE YEAR	<u>396,675,247</u>	<u>360,995,144</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	49,571,292	(121,540,836)
Reclassification adjustments for gains included in the consolidated statement of profit or loss		
– Gain on disposal	(178,085,155)	(247,950,880)
Income tax effect	<u>34,178,933</u>	<u>93,155,136</u>
	(94,334,930)	(276,336,580)
Share of other comprehensive income of a joint venture	(36,396,187)	(296,679,305)
Share of other comprehensive income of associates	5,103,684	7,276,653
Exchange differences on translation of foreign operations	<u>14,045,154</u>	<u>15,629,767</u>
NET OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(111,582,279)</u>	<u>(550,109,465)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>285,092,968</u>	<u>(189,114,321)</u>
Attributable to:		
Owners of the parent	285,593,172	(190,523,716)
Non-controlling interests	<u>(500,204)</u>	<u>1,409,395</u>
	<u>285,092,968</u>	<u>(189,114,321)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	31 December 2013 HK\$	31 December 2012 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		43,606,420	46,087,240
Prepaid land lease payments		3,065,639	3,105,075
Goodwill		–	4,193,707
Intangible asset		760,654	950,817
Investment in a joint venture		339,149,917	314,707,211
Interests in associates		302,363,625	302,951,535
Loans to related companies		20,127,389	–
Deposit paid for acquisition of a property		–	40,000,000
Financial asset under Project EC120		–	–
Available-for-sale investments		204,523,519	193,975,451
Derivative financial instruments		191,429,868	–
		<hr/>	<hr/>
Total non-current assets		1,105,027,031	905,971,036
CURRENT ASSETS			
Inventories		3,025,756	2,776,536
Trade and bills receivables	9	14,862,874	13,815,192
Loans to an associate		12,101,911	12,250,000
Loan to a related company		–	18,750,000
Prepayments, deposits and other receivables		90,930,682	32,461,335
Equity investment at fair value through profit or loss		8,381,000	–
Derivative financial instruments		34,632,277	9,014,631
Pledged time deposits		382,166	6,625,000
Cash and cash equivalents		1,079,008,484	1,024,789,556
		<hr/>	<hr/>
		1,243,325,150	1,120,482,250
Asset classified as held for sale		–	60,000,000
		<hr/>	<hr/>
Total current assets		1,243,325,150	1,180,482,250
CURRENT LIABILITIES			
Due to non-controlling shareholder of a subsidiary		160,833	320,317
Trade and bills payables	10	6,571,758	43,823,954
Tax payable		58,849,659	16,535,960
Other payables and accruals		11,095,205	17,666,439
Interest-bearing bank borrowings		40,382,165	14,625,000
		<hr/>	<hr/>
Total current liabilities		117,059,620	92,971,670
		<hr/>	<hr/>
NET CURRENT ASSETS		1,126,265,530	1,087,510,580

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	31 December 2013 HK\$	31 December 2012 HK\$
TOTAL ASSETS LESS CURRENT LIABILITIES	2,231,292,561	1,993,481,616
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>980,889</u>	<u>35,282,673</u>
Net assets	<u>2,230,311,672</u>	<u>1,958,198,943</u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	461,959,100	466,139,700
Reserves	<u>1,763,270,812</u>	<u>1,486,477,279</u>
Non-controlling interests	<u>2,225,229,912</u>	<u>1,952,616,979</u>
Total equity	<u>5,081,760</u>	<u>5,581,964</u>
	<u>2,230,311,672</u>	<u>1,958,198,943</u>

Notes:

1. BASIS OF PREPARATION

The financial statements of the Group 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, 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 certain equity investments and derivative financial instruments which have been measured at fair value. An asset classified as held for sale was stated at the lower of its carrying amount and fair value less costs to sell. The financial statements of the Group are presented in Hong Kong dollars 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.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities Consolidated Financial Statements</i>
HKFRS 10	<i>Joint Arrangements</i>
HKFRS 11	<i>Disclosure of Interests in Other Entities</i>
HKFRS 12	
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i> (early adopted)
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009-2011 Cycle</i>	Amendments to a number of HKFRSs issued in June 2012

The adoption of the new and revised HKFRSs has had no significant financial effect on the financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the knitting and textile business segment engages in the production and distribution of knitting and textile products, knitted fabrics and clothing; and
- (b) the aero-technology related business segment engages in the share of profit from the development, manufacture and distribution of helicopters.

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 profit/(loss), which is a measure of adjusted profit for the year. The adjusted profit for the year is measured consistently with the Group's profit for the year except that head office's other income and gain, net loss on deemed disposal of an associate, gain on disposal of associates, share of profits and losses of the joint venture and associates, fair value loss on equity investment at fair value through profit or loss, net gain on disposal of available-for-sale investments, net loss on derecognition of an available-for-sale investment, fair value gain/(loss) on derivative financial instruments, net, gain on disposal of subsidiaries as well as head office and corporate expenses and unallocated income tax are excluded from such measurement. Certain comparative amounts have been reclassified to conform with the current year's presentation.

	Knitting and textile business		Aero-technology related business		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Segment revenue:						
Sales to external customers	<u>47,979</u>	<u>87,328</u>	<u>-</u>	<u>-</u>	<u>47,979</u>	<u>87,328</u>
Segment results	<u>(1,157)</u>	<u>2,743</u>	<u>-</u>	<u>-</u>	<u>(1,157)</u>	<u>2,743</u>
<i>Reconciliation:</i>						
Unallocated other income and gain					27,273	24,990
Corporate and other unallocated expenses					(67,459)	(47,113)
Net loss on deemed disposal of an associate					(7,808)	-
Gain on disposal of associates					358,423	19,958
Share of profits and losses of:						
Joint venture					60,839	229,744
Associates					(32,001)	(22,094)
Fair value loss on equity investment at fair value through profit or loss					(2,620)	-
Net gain on disposal of available-for-sale investments					140,209	223,313
Net loss on derecognition of an available-for-sale investment					(2,032)	-
Fair value gain/(loss) on derivative financial instruments, net					4,125	(12,672)
Gain on disposal of subsidiaries					-	3,028
Unallocated income tax expense					(81,117)	(60,902)
Profit for the year	<u>396,675</u>	<u>360,995</u>				

	Knitting and textile business		Aero-technology related business		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Other segment information:						
Bank interest income	106	15	–	–	106	15
Unallocated bank interest income					<u>17,536</u>	<u>14,122</u>
					<u>17,642</u>	<u>14,137</u>
Depreciation and amortisation	(2,588)	(3,648)	–	–	(2,588)	(3,648)
Unallocated depreciation and amortisation					<u>(2,099)</u>	<u>(2,109)</u>
					<u>(4,687)</u>	<u>(5,757)</u>
Finance costs	<u>(2,937)</u>	<u>(3,051)</u>	<u>–</u>	<u>–</u>	<u>(2,937)</u>	<u>(3,051)</u>

Geographical information

(a) Revenue from external customers

	2013 HK\$'000	2012 HK\$'000
Mainland China	<u>47,979</u>	<u>87,328</u>

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

(b) *Non-current assets*

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Hong Kong	277,366	286,401
Mainland China	373,255	425,595
	650,621	711,996

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

Information about major customers

Revenue of approximately HK\$8,600,000, HK\$8,290,000, HK\$8,090,000 and HK\$5,390,000 were derived from sales by the knitting and textile business segment to four single customers, respectively. In the prior year, revenue of approximately HK\$25,384,000 had been derived from sales by the knitting and textile business segment to a single customer.

4. OTHER INCOME AND GAIN

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Other income		
Bank interest income	17,641,894	14,137,489
Interest income on a convertible bond issued by an associate	1,035,517	849,692
Interest income on loans to associates	1,600,364	2,277,351
Interest income on other receivables	908,830	1,126,383
Interest income on loans to related companies	1,132,076	1,160,803
Dividend income from an available-for-sale listed investment	867,853	4,376,674
Agency service income	2,229,448	780,000
Government grant	1,910,828	–
Others	92,342	539,338
	27,419,152	25,247,730
Gain		
Gain on disposal of items of property, plant and equipment	52,000	–
	27,471,152	25,247,730

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Interest on bank loans wholly repayable within five years	<u>2,936,761</u>	<u>3,050,736</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Depreciation	4,497,133	5,566,770
Amortisation of customer relationship	190,163	190,163
Recognition of prepaid land lease payments	74,415	72,938
Impairment of goodwill	4,193,707	–
Impairment of loans to an associate	19,000,000	–
Impairment of an investment in an associate	1,826,000	–
Provision for impairment of trade and bills receivables	3,770	919,620
Recovery of other receivables	<u>(13,404)</u>	<u>(1,569,500)</u>

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2012: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Current – Elsewhere:		
Charge for the year	74,250,284	65,822,550
Underprovision/(overprovision) in prior years	6,884,883	(4,081,987)
Deferred	<u>(122,851)</u>	<u>(122,851)</u>
Total tax charge for the year	<u>81,012,316</u>	<u>61,617,712</u>

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent of HK\$397,242,208 (2012: HK\$359,651,230) and the weighted average number of ordinary shares of 4,633,915,385 (2012: 4,668,670,176) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

9. TRADE AND BILLS RECEIVABLES

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Trade and bills receivables	15,803,837	14,734,812
Impairment	<u>(940,963)</u>	<u>(919,620)</u>
	<u>14,862,874</u>	<u>13,815,192</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. 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. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Current	10,599,727	11,621,215
31 to 60 days	2,108,210	559,727
61 to 90 days	1,039,371	–
Over 90 days	<u>1,115,566</u>	<u>1,634,250</u>
	<u>14,862,874</u>	<u>13,815,192</u>

10. TRADE AND BILLS PAYABLES

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

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Current	2,676,733	37,159,244
31 to 60 days	341,096	1,356,601
61 to 90 days	839,023	918,980
Over 90 days	<u>2,714,906</u>	<u>4,389,129</u>
	<u>6,571,758</u>	<u>43,823,954</u>

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

DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013.

BUSINESS REVIEW

Overall review

In 2013, the Group recorded turnover of HK\$47,979,000 (2012: HK\$87,328,000) and profit attributable to owners of the parent of HK\$397,242,000 (2012: HK\$359,651,000). Basic earnings per share amounted to HK¢8.57 (2012: HK¢7.70).

Knitting and textile business

In 2013, the purchase orders received by 浙江東陽金牛針織製衣有限公司 (“Zhejiang Dongyang Jinniu”) reduced obviously as compared to 2012 due to a downturn in the industry of knitting and textile business. The turnover was HK\$47,979,000 (2012: HK\$87,328,000) and the sales volume was approximately 2,219 tonnes (2012: 3,135 tonnes). The gross profit rate was 11% (2012: 12%). The knitting and textile business segment recorded loss of HK\$1,157,000 (2012: profit of HK\$2,743,000) for the year.

Aero-technology related business

The Group is entitled to share 80% of the net income in relation to Project EC120 operated by AVIC International Holding Corporation (“AVIC International”), a substantial shareholder of the Company. 9 EC120 helicopters were sold in 2013. No turnover was recorded by the Group for both 2013 and 2012 as a breakeven was recorded by AVIC International from the operations of Project EC120 which was because AVIC International agreed that its indirect expenses allocated to Project EC120, if any, shall not exceed its share of income net of direct costs and expenses from the operations of Project EC120. As a result, the aero-technology related business segment did not contribute any profit to the Group for the year (2012: Nil).

Others

As disclosed in the announcement and circular of the Company dated 10 April 2013 and 6 May 2013, respectively, the Group and all other shareholders of Sinbo Investment Limited (“Sinbo”) entered into a sale and purchase agreement on 8 April 2013 with Peace Map Holding Limited (formerly known as Mongolia Investment Group Limited) and its directly wholly-owned subsidiary, Jichang Investments Limited (“Jichang”), to dispose of their entire equity interests in Sinbo to Jichang (the “Disposal”). The Group held 22.66% equity interest in Sinbo which had been classified as asset held for sale at its net carrying value of HK\$60,000,000 as at 31 December 2012. On 2 August 2013, the Disposal was completed as disclosed in the announcement dated 2 August 2013. As a result, a gain on disposal of associates of HK\$358,423,000 (2012: HK\$19,958,000) was recorded by the Group.

During the year, the Group disposed of certain listed investments and recorded net gain on disposal of available-for-sale investments of HK\$140,209,000 (2012: HK\$223,313,000). In addition, the Group recorded share of profits of the joint venture and associates in an aggregate of HK\$28,838,000 (2012: HK\$207,650,000). The decrease was mainly because the joint venture recorded a profit drop for the year as there was a decrease in the gain arising from the disposal of its available-for-sale investments during the year. The Group also recorded bank interest income of HK\$17,642,000 (2012: HK\$14,137,000) for the year. Nevertheless, during the year, a provision for impairment of loans to an associate of HK\$19,000,000 (2012: Nil) was made as the associate has been loss-making for recent years.

PROSPECTS

The Group, as an investment holding company, is committed to making investments in the aero-technology related business and other fields, and aims to enhance its value and create long-term return for its shareholders in terms of returns on investments and operating profits. Given that China is encouraging the development of its aviation industry, particularly the reform of low-altitude airspace management, the aero-technology related business will have a golden opportunity for development in future. Zhejiang Dongyang Jinniu owns extensive industry experience and established customer base. Nevertheless, as the prosperity of the knitting and textile business declines as a result of the condition of the macro economy, the Group is cautiously optimistic about the prospect of the business. The Group will identify the projects with a bright development prospect, and will continue to review and optimise its business portfolios.

FINANCIAL REVIEW

Liquidity, capital structure and financial resources

The Group has consistently maintained sufficient working capital. As at 31 December 2013, the Group had current assets of HK\$1,243,325,000 (2012: HK\$1,180,482,000), including cash and bank balances and time deposits in an aggregate of HK\$1,079,391,000 (2012: HK\$1,031,415,000). The Group's current liabilities as at 31 December 2013 were HK\$117,060,000 (2012: HK\$92,972,000).

During the year, the Company repurchased a total of 31,190,000 shares of the Company on The Stock Exchange of Hong Kong Limited at prices ranging from HK\$0.305 to HK\$0.36 per share for an aggregate consideration with the relevant expenses totalling HK\$10,600,000. All of these repurchased shares were cancelled during the year. Furthermore, 10,616,000 shares of the Company repurchased in 2012 were also cancelled during the year.

As at 31 December 2013, the Group's equity attributable to owners of the parent amounted to HK\$2,225,230,000 (2012: HK\$1,952,617,000), comprising issued capital of HK\$461,959,000 (2012: HK\$466,140,000) and reserves of HK\$1,763,271,000 (2012: HK\$1,486,477,000). The Group's outstanding bank borrowings as at 31 December 2013 amounted to HK\$40,382,000 (2012: HK\$14,625,000). The Group's gearing ratio, calculated on the basis of total bank borrowings as a percentage of equity attributable to owners of the parent, was 2% (2012: 1%).

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

Charges on the Group's assets

As at 31 December 2013, the following Group's assets were pledged to secure the Group's banking facilities:

- (i) certain of the Group's land and buildings with an aggregate net book value of approximately HK\$3,879,000 (2012: HK\$4,112,000);
- (ii) the Group's leasehold land with a net book value of approximately HK\$3,140,000 (2012: HK\$3,179,000); and
- (iii) certain of the Group's short term time deposits amounting to approximately HK\$382,000 (2012: HK\$6,625,000).

Exposure to fluctuations in exchange rates

The Group's foreign currency exposures primarily arise from certain sales or purchases by operating units in currencies other than the units' functional currency. In view of the fact that the Group tries to match its assets and liabilities with the same currency, the Group's exposure to foreign currency risk is minimal.

MATERIAL ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

As at 31 December 2013, the banking facility granted to a subsidiary subject to guarantees given to the bank by the Company was not utilised.

As at 31 December 2012, the banking facilities granted to the companies controlled by acquaintances of a director of a subsidiary subject to guarantees given to banks by the Group were utilised to the extent of HK\$15,000,000.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, there were 68 (2012: 105) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in the section "Liquidity, capital structure and financial resources" above, 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 the corporate governance practices by emphasising transparency, accountability and responsibility to its shareholders.

For the year ended 31 December 2013, 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.

All non-executive directors (including independent non-executive directors) of the Company 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 does not have a nomination committee as provided for in code provisions A.5.1 to A.5.4 of the CG Code. At present, the Company does not consider it necessary to have a nomination committee as the Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors of the Company from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board is also responsible for assessing the independence of each independent non-executive director of the Company and reviewing the succession plan for the directors of the Company, in particular the Chairman and the Chief Executive Officer.

Mr. Wu Guangquan, the Chairman of the Board, was unable to attend the annual general meeting held in May 2013 as provided for in code provision E.1.2 of the CG Code as he was on an overseas engagement.

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 of all the directors of the Company, all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout the year 2013.

REVIEW BY AUDIT COMMITTEE

The final results for the year ended 31 December 2013 of the Group have been reviewed by the audit committee of the Company.

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
AVIC International Holding (HK) Limited
Wu Guangquan
Chairman

Hong Kong, 18 March 2014

As at the date of this announcement, the Board of the Company comprises Mr. Wu Guangquan, Mr. Pan Linwu, Mr. You Lei, Mr. Ji Guirong and Mr. Zhang Chuanjun as executive directors; Mr. Ip Tak Chuen, Edmond as non-executive director; Mr. Chu Yu Lin, David, Mr. Li Ka Fai, David and Mr. Li Zhaoxi as independent non-executive directors.