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 2010

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 2010, together with the comparative figures for 2009, are as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2010** *HK$*	2009 *HK$*
REVENUE	*3*	**274,386,084**	228,758,961
Cost of sales		**(237,264,158)**	(210,414,841)
Gross profit		**37,121,926**	18,344,120
Other income and gains	*4*	**14,273,374**	22,052,621
Administrative expenses		**(33,948,289)**	(35,742,782)
Other operating income/(expenses), net		**259,650**	(761,902)
Finance costs	*5*	**(3,971,438)**	(1,570,251)
Deficit on revaluation of an investment property		**–**	(700,000)
Surplus/(deficit) on revaluation of items of property, plant and equipment		**(1,526,044)**	1,007,111
Gain on partial disposal of investment in a jointly-controlled entity		**54,996,388**	–
Gain on deemed disposal of an associate		**1,600,123**	–
Gain on disposal of subsidiaries		**–**	1,205,027
Share of profits and losses of:			
Jointly-controlled entity		**3,494,532**	486,412
Associates		**(9,141,925)**	(4,722,507)
Impairment of a financial asset under Project EC120		**(3,459,462)**	(6,000,000)
Gain on disposal of available-for-sale investments		**–**	32,121,760
Fair value gain/(loss) on derivative financial instrument		**(5,918,887)**	11,366,053

	Notes	**2010** *HK$*	2009 *HK$*
PROFIT BEFORE TAX	*6*	**53,779,948**	37,085,662
Income tax expense	*7*	**(10,099,853)**	(12,379,752)
PROFIT FOR THE YEAR		**43,680,095**	24,705,910
Attributable to:			
Equity holders of the parent		**36,061,524**	23,772,415
Non-controlling interests		**7,618,571**	933,495
		43,680,095	24,705,910
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic and diluted		**HK0.76 cent**	HK0.50 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2010 HK$	2009 HK$
PROFIT FOR THE YEAR	**43,680,095**	24,705,910
OTHER COMPREHENSIVE INCOME		
Surplus on property, plant and equipment revaluation	**13,518,404**	4,971,243
Income tax effect	**(3,028,122)**	–
	10,490,282	4,971,243
Available-for-sale investments:		
Change in fair value	**1,842,899,816**	10,363,981
Reclassification adjustment for gain included in the consolidated income statement		
– Gain on disposal	**–**	(1,313,605)
Income tax effect	**(459,766,669)**	–
	1,383,133,147	9,050,376
Share of other comprehensive income of a jointly-controlled entity	**1,041,417,750**	–
Reclassification adjustment for gain included in the consolidated income statement		
– Gain on partial disposal	**(76,231,396)**	–
	965,186,354	–
Share of other comprehensive income of an associate	**9,500,000**	–
Exchange differences on translation of foreign operations	**9,850,353**	1,277,143
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**2,378,160,136**	15,298,762
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,421,840,231**	40,004,672
Attributable to:		
Equity holders of the parent	**2,406,623,139**	36,396,922
Non-controlling interests	**15,217,092**	3,607,750
	2,421,840,231	40,004,672

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2010 HK$**	31 December 2009 HK$
NON-CURRENT ASSETS			
Investment property		**–**	–
Property, plant and equipment		**303,725,964**	281,864,870
Prepaid land lease payments		**28,794,109**	28,506,932
Goodwill		**30,493,201**	30,493,201
Investment in a jointly-controlled entity		**1,008,486,464**	43,319,189
Investments in associates		**242,081,329**	170,041,714
Financial asset under Project EC120		**–**	3,459,462
Available-for-sale investments		**1,877,310,258**	63,284,434
Total non-current assets		**3,490,891,325**	620,969,802
CURRENT ASSETS			
Inventories		**21,872,515**	13,945,119
Trade and bills receivables	*9*	**40,368,355**	32,488,155
Loans to a jointly-controlled entity		**23,529,412**	–
Loans to associates		**5,882,353**	50,138,909
Loan to a related company		**17,647,059**	–
Prepayments, deposits and other receivables		**50,017,164**	81,745,267
Derivative financial instrument		**17,875,291**	23,794,178
Available-for-sale investments		**29,033,802**	–
Pledged time deposits		**34,444,706**	45,051,137
Cash and cash equivalents		**340,002,935**	330,478,651
Total current assets		**580,673,592**	577,641,416
CURRENT LIABILITIES			
Trade and bills payables	*10*	**75,376,019**	112,698,176
Tax payable		**9,765,573**	8,778,876
Other payables and accruals		**25,192,522**	21,187,580
Interest-bearing bank borrowings		**55,882,353**	28,409,091
Total current liabilities		**166,216,467**	171,073,723
NET CURRENT ASSETS		**414,457,125**	406,567,693
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,905,348,450**	1,027,537,495
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**471,624,216**	6,653,991
Net assets		**3,433,724,234**	1,020,883,504

	31 December 2010 HK$	31 December 2009 HK$
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**475,439,700**	475,439,700
Reserves	**2,886,638,638**	480,015,499
	3,362,078,338	955,455,199
Non-controlling interests	**71,645,896**	65,428,305
Total equity	**3,433,724,234**	1,020,883,504

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 property, plant and equipment, equity investments and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars except when otherwise indicated.

2. **Changes in accounting policy 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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

The adoption of the new and revised HKFRSs had no material impact on the results and financial position for the current or prior accounting periods which have been prepared and presented.

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 electric and steam power supply segment engages in the generation and sale of electric and steam power; and

(b) Project EC120 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/(loss) for the year. The adjusted profit/(loss) for the year is measured consistently with the Group's profit/(loss) for the year except that head office's other income and gains, deficit on revaluation of an investment property, gain on partial disposal of investment in a jointly-controlled entity, gain on deemed disposal of an associate, gain on disposal of subsidiaries, share of profits and losses of jointly-controlled entity and associates, gain on disposal of available-for-sale investments, fair value gain/(loss) on derivative financial instrument as well as head office and corporate expenses and unallocated income tax are excluded from such measurement.

	Electric and steam power supply		Project EC120		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**273,732**	227,041	**654**	1,718	**274,386**	228,759
Segment results	**21,038**	6,041	**(4,037)**	(5,005)	**17,001**	1,036
Reconciliation:						
Unallocated other income and gains					**3,496**	10,133
Corporate and other unallocated expenses					**(19,023)**	(18,364)
Deficit on revaluation of an investment property					**–**	(700)
Gain on partial disposal of investment in a jointly-controlled entity					**54,996**	–
Gain on deemed disposal of an associate					**1,600**	–
Gain on disposal of subsidiaries					**–**	1,205
Share of profits and losses of:						
Jointly-controlled entity					**3,495**	486
Associates					**(9,142)**	(4,723)
Gain on disposal of available-for-sale investments					**–**	32,122
Fair value gain/(loss) on derivative financial instrument					**(5,919)**	11,366
Unallocated income tax expense					**(2,824)**	(7,855)
Profit for the year					**43,680**	24,706
Other segment information:						
Bank interest income	**759**	1,687	**1,156**	192	**1,915**	1,879
Unallocated amounts					**1,057**	527
					2,972	2,406
Interest income on loans to associates	**–**	–	**–**	1,301	**–**	1,301
Unallocated amounts					**1,133**	1,116
					1,133	2,417
Depreciation	**(17,205)**	(16,263)	**(408)**	(409)	**(17,613)**	(16,672)
Unallocated amounts					**(1,032)**	(1,291)
					(18,645)	(17,963)
Finance costs	**(3,971)**	(1,570)	**–**	–	**(3,971)**	(1,570)
Surplus/(deficit) on revaluation of items of property, plant and equipment	**(1,526)**	1,007	**–**	–	**(1,526)**	1,007
Impairment of a financial asset under Project EC120	**–**	–	**(3,459)**	(6,000)	**(3,459)**	(6,000)

4. Other income and gains

	2010	2009
	HK$	*HK$*
Other income		
Bank interest income	**2,972,264**	2,406,328
Interest income on convertible bonds issued by an associate	**550,000**	485,535
Interest income on loans to associates	**1,133,252**	2,416,799
Interest income on other receivable	**755,562**	932,438
Income from installation of infrastructure for steam supply	**6,873,938**	5,082,391
Government grants	**304,662**	989,204
Income from sale of coal residues	**1,439,891**	2,331,475
Dividend income from an unlisted available-for-sale investment	**–**	6,937,490
Gross rental income	**–**	133,780
Others	**243,805**	101,009
	14,273,374	21,816,449
Gains		
Gains on disposal of items of property, plant and equipment	**–**	236,172
	14,273,374	22,052,621

5. Finance costs

An analysis of finance costs is as follows:

	2010	2009
	HK$	*HK$*
Interest on bank loans wholly repayable within five years	**3,971,438**	1,570,251

6. Profit before tax

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

	2010	2009
	HK$	*HK$*
Depreciation	**18,645,488**	17,963,389
Recognition of prepaid land lease payments	**736,905**	728,531
Provision for impairment of trade and bills receivables, net	**156,202**	427,947
Write-off/(recovery) of other receivables	**(254,933)**	49,864

7. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2010	2009
	HK$	*HK$*
Current – Hong Kong	**123,870**	153,054
– Elsewhere	**7,800,549**	12,370,763
Deferred	**2,175,434**	(144,065)
Total tax charge for the year	**10,099,853**	12,379,752

8. Earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK$36,061,524 (2009: HK$23,772,415) and the weighted average number of ordinary shares of 4,754,397,000 (2009: 4,754,397,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

9. Trade and bills receivables

	2010	2009
	HK$	*HK$*
Trade and bills receivables	**41,943,340**	33,890,815
Impairment	**(1,574,985)**	(1,402,660)
	40,368,355	32,488,155

The Group's trade receivables mainly represent the receivables from the sale of electric and steam power. The Group's trading terms with these customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 60 days, extending up to 90 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. 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:

	2010	2009
	HK$	*HK$*
Current	**31,694,650**	26,910,416
31-60 days	**5,486,744**	3,619,402
61-90 days	**1,048,436**	745,850
Over 90 days	**2,138,525**	1,212,487
	40,368,355	32,488,155

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:

	2010	2009
	HK$	*HK$*
Current	**75,145,832**	108,026,419
31-60 days	**219,359**	2,907,509
61-90 days	**–**	80,673
Over 90 days	**10,828**	1,683,575
	75,376,019	112,698,176

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

DIVIDENDS

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2010.

BUSINESS REVIEW

Overall review

The Group's consolidated results for 2010 improved substantially in comparison with last year. In 2010, the Group recorded turnover of HK$274,386,000 (2009: HK$228,759,000) and profit attributable to equity holders of HK$36,062,000 (2009: HK$23,772,000). Basic earnings per share amounted to HK¢0.76(2009: HK¢0.50). The improvement in results was mainly due to the improved contribution from the electric and steam power supply segment and the gain on partial disposal of investment in a jointly-controlled entity.

Electric and steam power supply

In 2010, the turnover of Zhejiang Sealand Thermoelectric Share-Holding Co. ("Zhejiang Sealand"), a non-wholly-owned subsidiary of the Group principally engaging in the supply of electric and steam power in the Linping industrial region of Hangzhou in China, increased by 21% from HK$227,041,000 to HK$273,732,000. The overall gross profit rate increased from 7% to 13%. Sales of steam power represented 87% of the turnover. The sales volume of steam power for the year was 1,160,000 tonnes, an increase of 5% from 2009. The average selling price of steam power was raised by 20%. For the year ended 31 December 2010, the electric and steam power supply segment recorded profit of HK$21,038,000 (2009: HK$6,041,000).

In 2010, sales of steam power was still the main source of income of Zhejiang Sealand. To improve production capacity and efficiency, Zhejiang Sealand implemented upgrade and innovation to part of its steam boilers and thus the thermal efficiency was raised by more than 7%. Moreover, the desulphurisation system project had been completed and passed in the inspection conducted by the environmental protection department. It can effectively reduce the emission of sulphur dioxide and thus reduce sewage tariff by 2/3.

Project EC120

Totally 24 EC120 helicopters were sold in 2010. Turnover amounted to HK$654,000 (2009: HK$1,718,000). Having considered the profit and cashflow forecast of Project EC120, the Group made a provision for impairment of HK$3,459,000 (2009: HK$6,000,000) against the financial assets thereunder. As a result, Project EC120 segment recorded loss of HK$4,037,000 (2009: HK$5,005,000) for the year ended 31 December 2010.

Others

On 23 December 2010, the Group disposed of part of its investment in a jointly-controlled entity to an independent third party at a consideration of HK$58,510,000 and a gain on partial disposal of investment in a jointly-controlled entity of HK$54,996,000 was recorded.

As mentioned in the interim report of this year, certain of the Group's investments have been publicly listed in 2010 which caused a change in the measurement of these investments by the Group and thus resulted in a huge increase in their values. As at 31 December 2010, an increase in the values of these investments (net of tax) of approximately HK$2,344,486,000 was recorded by the Group. Such increase had no impact on the consolidated income statement.

PROSPECTS

Looking forward, the Group is optimistic on the outlook of its business. Zhejiang Sealand will continue to implement technical innovation to out-dated steam boilers so as to further boost the production capacity. Furthermore, high-quality internal management will continue to be adopted so as to improve the operational efficiency. With the mature management team, conservative company culture and strong financial position, the Group will continue to closely monitor projects in aviation industry and aero-related industry in China with good prospects so as to further develop and diversify its aero-related business.

FINANCIAL REVIEW

Liquidity, capital structure and financial resources

The Group has consistently maintained sufficient working capital. As at 31 December 2010, the Group had current assets of HK$580,674,000 (2009: HK$577,641,000), including cash and bank balances and time deposits in an aggregate of HK$374,448,000 (2009: HK$375,530,000). The Group's current liabilities as at 31 December 2010 were HK$166,216,000 (2009: HK$171,074,000).

As at 31 December 2010, the Group's equity attributable to equity holders of the parent amounted to HK$3,362,078,000 (2009: HK$955,455,000), comprising issued capital of HK$475,440,000 (2009: HK$475,440,000) and reserves of HK$2,886,638,000 (2009: HK$480,015,000). The Group's outstanding bank borrowing as at 31 December 2010 amounted to HK$55,882,000 (2009: HK$28,409,000). The Group's gearing ratio, calculated on the basis of total bank borrowings as a percentage of equity attributable to equity holders of the parent, was 2% (2009: 3%).

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

Charges on the Group's assets

As at 31 December 2010, 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$27,116,000(2009: HK$22,119,000);

(ii) certain of the Group's leasehold land with an aggregate net book value of approximately HK$28,147,000 (2009: HK$27,798,000); and

(iii) certain of the Group's short term time deposits amounting to HK$34,445,000 (2009: HK$45,051,000).

Exposure to fluctuations in exchange rates

The Group's foreign currency exposures primarily arises 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

The Group had no other material acquisitions or disposals during the year.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group had given financial guarantees to banks for banking facilities granted to major suppliers of HK$54,118,000 (2009: HK$68,182,000) which were utilised to the extent of HK$54,118,000 (2009: HK$68,182,000).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2010, there were 271 (2009: 272) 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

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

CORPORATE GOVERNANCE PRACTICES

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

Throughout the year of 2010, the Company applied the principles of, and complied with all the code provisions and, where applicable, the recommended best practices of the "Code on Corporate Governance Practices" 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 for all non-executive directors are appointed without specific terms, which is set out in the Corporate Governance Report in the Annual Report.

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

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. Based on specific enquiry of the Company's directors, the directors have complied with the required standards as set out in the Model Code throughout the year of 2010.

REVIEW BY AUDIT COMMITTEE

The final results for the year ended 31 December 2010 of the Group have been reviewed by the audit committee.

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, 10 March 2011

As at the date of this announcement, the Board of the Company comprises Mr. Wu Guangquan, Mr. Jiang Wei, Mr. Ji Guirong, Mr. Liu Rongchun, Mr. Pan Linwu 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.