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 2011

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 2011, together with the comparative figures for 2010, are as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	2011 Continuing operations HK$	2011 Discontinued operation HK$	2011 Total HK$	2010 Continuing operations HK$	2010 Discontinued operation HK$	2010 Total HK$
REVENUE	3	–	303,232,773	303,232,773	654,454	273,731,630	274,386,084
Cost of sales		–	(273,448,525)	(273,448,525)	–	(237,264,158)	(237,264,158)
Gross profit		–	29,784,248	29,784,248	654,454	36,467,472	37,121,926
Other income	4	13,386,603	19,028,821	32,415,424	4,652,478	9,620,896	14,273,374
Administrative expenses		(39,431,323)	(16,952,595)	(56,383,918)	(21,147,945)	(12,800,344)	(33,948,289)
Other operating income, net		–	173,447	173,447	–	259,650	259,650
Finance costs	5	–	(7,567,778)	(7,567,778)	–	(3,971,438)	(3,971,438)
Deficit on revaluation of items of property, plant and equipment		–	–	–	–	(1,526,044)	(1,526,044)
Gain on partial disposal of investment in a jointly-controlled entity		–	–	–	54,996,388	–	54,996,388
Gain/(loss) on deemed disposal of an associate		(3,081,826)	–	(3,081,826)	1,600,123	–	1,600,123
Gain on additional investment in an associate		2,143,056	–	2,143,056	–	–	–
Share of profits and losses of:							
Jointly-controlled entity		127,756,610	–	127,756,610	3,494,532	–	3,494,532
Associates		194,062	–	194,062	(9,141,925)	–	(9,141,925)
Impairment of a financial asset under Project EC120		–	–	–	(3,459,462)	–	(3,459,462)
Gain on disposal of available-for-sale investments		331,046,551	–	331,046,551	–	–	–
Fair value loss on derivative financial instrument		–	–	–	(5,918,887)	–	(5,918,887)
Gain on disposal of subsidiaries		–	148,489,035	148,489,035	–	–	–
PROFIT BEFORE TAX	6	432,013,733	172,955,178	604,968,911	25,729,756	28,050,192	53,779,948
Income tax expense	7	(111,191,360)	(20,188,963)	(131,380,323)	(369,615)	(9,730,238)	(10,099,853)
PROFIT FOR THE YEAR		320,822,373	152,766,215	473,588,588	25,360,141	18,319,954	43,680,095
Attributable to:							
Equity holders of the parent		320,822,373	146,696,878	467,519,251	25,360,141	10,701,383	36,061,524
Non-controlling interests		–	6,069,337	6,069,337	–	7,618,571	7,618,571
		320,822,373	152,766,215	473,588,588	25,360,141	18,319,954	43,680,095
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8						
– Basic and diluted		HK6.79 cents	HK3.11 cents	HK9.90 cents	HK0.53 cent	HK0.23 cent	HK0.76 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011	2010
	HK$	*HK$*
PROFIT FOR THE YEAR	**473,588,588**	43,680,095
OTHER COMPREHENSIVE INCOME		
Surplus on property, plant and equipment revaluation	**–**	13,518,404
Income tax effect	**–**	(3,028,122)
	–	10,490,282
Available-for-sale investments:		
Change in fair value	**(929,298,296)**	1,842,899,816
Reclassification adjustments for gains included in the consolidated income statement		
– Gain on disposal	**(331,046,551)**	–
– Conversion of convertible bonds into interests in an associate	**(13,961,927)**	–
Income tax effect	**332,432,600**	(459,766,669)
	(941,874,174)	1,383,133,147
Share of other comprehensive income of a jointly-controlled entity	**(701,496,414)**	1,041,417,750
Reclassification adjustment for gain included in the consolidated income statement		
– Gain on partial disposal	**–**	(76,231,396)
	(701,496,414)	965,186,354
Share of other comprehensive income of an associate	**2,612,000**	9,500,000
Exchange differences on translation of foreign operations	**14,639,218**	9,850,353
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(1,626,119,370)**	2,378,160,136
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(1,152,530,782)**	2,421,840,231
Attributable to:		
Equity holders of the parent	**(1,162,009,245)**	2,406,623,139
Non-controlling interests	**9,478,463**	15,217,092
	(1,152,530,782)	2,421,840,231

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2011** *HK$*	31 December 2010 *HK$*
NON-CURRENT ASSETS			
Property, plant and equipment		**49,961,296**	303,725,964
Prepaid land lease payments		**3,126,952**	28,794,109
Goodwill		**4,193,707**	30,493,201
Intangible asset		**1,140,980**	–
Investment in a jointly-controlled entity		**510,161,056**	1,008,486,464
Interests in associates		**202,785,969**	242,081,329
Financial asset under Project EC120		**–**	–
Available-for-sale investments		**534,904,646**	1,877,310,258
Total non-current assets		**1,306,274,606**	3,490,891,325
CURRENT ASSETS			
Inventories		**4,540,453**	21,872,515
Trade and bills receivables	*9*	**10,965,384**	40,368,355
Loans to a jointly-controlled entity		**–**	23,529,412
Loans to associates		**53,243,122**	5,882,353
Loan to a related company		**18,292,683**	17,647,059
Prepayments, deposits and other receivables		**305,944,306**	50,017,164
Derivative financial instrument		**–**	17,875,291
Available-for-sale investments		**–**	29,033,802
Time deposit		**164,634,146**	–
Pledged time deposits		**365,854**	34,444,706
Cash and cash equivalents		**631,308,018**	340,002,935
		1,189,293,966	580,673,592
Assets classified as held for sale		**56,280,761**	–
Total current assets		**1,245,574,727**	580,673,592
CURRENT LIABILITIES			
Due to non-controlling shareholder of a subsidiary		**94,895**	–
Trade and bills payables	*10*	**24,600,267**	75,376,019
Tax payable		**38,761,759**	9,765,573
Other payables and accruals		**167,678,922**	25,192,522
Interest-bearing bank borrowings		**37,073,171**	55,882,353
Total current liabilities		**268,209,014**	166,216,467

	31 December 2011 HK$	31 December 2010 HK$
NET CURRENT ASSETS	**977,365,713**	414,457,125
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,283,640,319**	3,905,348,450
NON-CURRENT LIABILITY		
Deferred tax liabilities	**128,560,660**	471,624,216
Net assets	**2,155,079,659**	3,433,724,234
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**468,085,100**	475,439,700
Reserves	**1,682,821,990**	2,886,638,638
	2,150,907,090	3,362,078,338
Non-controlling interests	**4,172,569**	71,645,896
Total equity	**2,155,079,659**	3,433,724,234

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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

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) 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, gain on partial disposal of investment in a jointly-controlled entity, gain/(loss) on deemed disposal of an associate, gain on additional investment in an associate, share of profits and losses of the jointly-controlled entity and associates, gain on disposal of available-for-sale investments, fair value loss on derivative financial instrument, gain on disposal of subsidiaries as well as head office and corporate expenses and unallocated income tax are excluded from such measurement.

	Continuing operations				Discontinued operation				Total	
	Aero-technology related business		Total		Electric and steam power supply		Total			
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Segment revenue:										
Sales to external customers	–	654	–	654	303,233	273,732	303,233	273,732	303,233	274,386
Segment results	541	(4,037)	541	(4,037)	17,644	21,038	17,644	21,038	18,185	17,001
Reconciliation:										
Unallocated other income			8,860	3,496			21	–	8,881	3,496
Corporate and other unallocated expenses			(35,566)	(19,005)			(632)	(18)	(36,198)	(19,023)
Gain on partial disposal of investment in a jointly-controlled entity			–	54,996			–	–	–	54,996
Gain/(loss) on deemed disposal of an associate			(3,082)	1,600			–	–	(3,082)	1,600
Gain on additional investment in an associate			2,143	–			–	–	2,143	–
Share of profits and losses of:										
Jointly-controlled entity			127,757	3,495			–	–	127,757	3,495
Associates			194	(9,142)			–	–	194	(9,142)
Gain on disposal of available-for-sale investments			331,047	–			–	–	331,047	–
Fair value loss on derivative financial instrument			–	(5,919)			–	–	–	(5,919)
Gain on disposal of subsidiaries			–	–			148,489	–	148,489	–
Unallocated income tax expense			(111,071)	(124)			(12,756)	(2,700)	(123,827)	(2,824)
Profit for the year			320,823	25,360			152,766	18,320	473,589	43,680
Other segment information:										
Bank interest income	831	1,156	831	1,156	784	759	784	759	1,615	1,915
Unallocated amounts			1,725	1,057			21	–	1,746	1,057
			2,556	2,213			805	759	3,361	2,972
Interest income on loans to a jointly-controlled entity	1,763	–	1,763	–	–	–	–	–	1,763	–
Interest income on a loan to a related company	1,368	–	1,368	–	–	–	–	–	1,368	–
Depreciation	(416)	(408)	(416)	(408)	(22,641)	(17,205)	(22,641)	(17,205)	(23,057)	(17,613)
Unallocated amounts			(1,081)	(1,032)			–	–	(1,081)	(1,032)
			(1,497)	(1,440)			(22,641)	(17,205)	(24,138)	(18,645)
Finance costs	–	–	–	–	(7,568)	(3,971)	(7,568)	(3,971)	(7,568)	(3,971)
Deficit on revaluation of items of property, plant and equipment	–	–	–	–	–	(1,526)	–	(1,526)	–	(1,526)
Impairment of a financial asset under Project EC120	–	(3,459)	–	(3,459)	–	–	–	–	–	(3,459)

4. Other income

	2011	2010
	HK$	*HK$*
Bank interest income	**3,360,697**	2,972,264
Interest income on a loan to a related company	**1,368,110**	–
Interest income on convertible bonds issued by an associate	**155,833**	550,000
Interest income on loans to a jointly-controlled entity	**1,763,162**	–
Interest income on loans to associates	**1,626,198**	1,133,252
Interest income on other receivables	**667,892**	755,562
Income from installation of infrastructure for steam supply	**3,064,837**	6,873,938
Government grants	**12,479,888**	304,662
Income from sale of coal residues	**2,560,120**	1,439,891
Dividend income from an available-for-sale listed investment	**5,249,769**	–
Others	**118,918**	243,805
	32,415,424	14,273,374

5. Finance costs

An analysis of finance costs is as follows:

	2011	2010
	HK$	*HK$*
Interest on bank loans wholly repayable within five years attributable to a discontinued operation	**7,567,778**	3,971,438

6. Profit before tax

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

	2011	2010
	HK$	*HK$*
Depreciation	**24,137,574**	18,645,488
Recognition of prepaid land lease payments	**767,793**	736,905
Provision for impairment of trade and bills receivables, net	**–**	156,202
Recovery of other receivables	**(173,447)**	(254,933)

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. In the prior year, Hong Kong profits tax was provided at the rate of 16.5% on the estimated 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.

	2011	2010
	HK$	*HK$*
Current – Hong Kong	**–**	123,870
– Elsewhere	**130,594,573**	7,800,549
Deferred	**785,750**	2,175,434
Total tax charge for the year	**131,380,323**	10,099,853

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$467,519,251 (2010: HK$36,061,524) and the weighted average number of ordinary shares of 4,723,995,831 (2010: 4,754,397,000) in issue during the year.

The calculation of basic earnings per share from continuing operations is based on the profit for the year from continuing operations attributable to ordinary equity holders of the parent of HK$320,822,373 (2010: HK$25,360,141) and the weighted average number of ordinary shares of 4,723,995,831 (2010: 4,754,397,000) in issue during the year.

The calculation of basic earnings per share from the discontinued operation is based on the profit for the year from the discontinued operation attributable to ordinary equity holders of the parent of HK$146,696,878 (2010: HK$10,701,383) and the weighted average number of ordinary shares of 4,723,995,831 (2010: 4,754,397,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during those years.

9. Trade and bills receivables

	2011	2010
	HK$	*HK$*
Trade and bills receivables	**10,965,384**	41,943,340
Impairment	**–**	(1,574,985)
	10,965,384	40,368,355

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 two 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 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:

	2011	2010
	HK$	*HK$*
Current	**4,886,884**	31,694,650
31-60 days	**1,461,435**	5,486,744
61-90 days	**1,157,676**	1,048,436
Over 90 days	**3,459,389**	2,138,525
	10,965,384	40,368,355

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:

	2011	2010
	HK$	*HK$*
Current	**7,279,367**	75,145,832
31-60 days	**5,778,673**	219,359
61-90 days	**4,906,328**	–
Over 90 days	**6,635,899**	10,828
	24,600,267	75,376,019

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

11. Comparative amounts

As a result of a discontinued operation arising from the disposal of certain subsidiaries during the current year, the comparative amounts in the consolidated income statements have been presented to conform with the current year's presentation.

DIVIDENDS

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2011.

BUSINESS REVIEW

Overall review

The Group's consolidated results for 2011 improved substantially in comparison with last year. In 2011, the Group recorded turnover of HK$303,233,000 (2010: HK$274,386,000) and profit attributable to equity holders of HK$467,519,000 (2010: HK$36,062,000). Basic earnings per share amounted to HK¢9.90 (2010: HK¢0.76). The improvement in results was mainly attributable to the gain recorded on disposal of the electric and steam power supply business and on disposal of certain available-for-sale investments.

Electric and steam power supply

During the year, the Group disposed of its electric and steam power supply business by disposing 53% out of its 56% equity interest in Zhejiang Sealand Thermoelectric Share-Holding Co. ("Zhejiang Sealand"), a non-wholly-owned subsidiary of the Group, so as to realise its investment in this business and to invest in businesses in other industries with better growth prospects, with an aim to restructure its business portfolio and to increase shareholders' value. A gain on disposal of subsidiaries of HK$148,489,000 (2010: Nil) was recorded. The details of this disposal have been contained in the circular dated 7 December 2011.

In 2011, the turnover contributed by this discontinued operation amounted to HK$303,233,000 (2010: HK$273,732,000). Together with the gain on disposal of subsidiaries, this discontinued operation contributed profit of HK$152,766,000 (2010: HK$18,320,000) to the Group's profit for the year.

Aero-technology related business

Totally 10 EC120 helicopters were sold in 2011. However, no turnover (2010: HK$654,000) was recorded by the Group on this as a loss was incurred by AVIC International Holding Corporation, a substantial shareholder of the Company, from the operations of Project EC120 of which the Group shares 80%. The Group did not make any provision for impairment (2010: HK$3,459,000) against the financial assets thereunder for the year as the financial assets had been fully impaired as at 31 December 2010. The aero-technology related business segment recorded profit of HK$541,000 (2010: loss of HK$4,037,000) for the year.

Knitting and textile

During the year, the Group acquired 51% equity interest in 浙江東陽金牛針織製衣有限公司 ("Zhejiang Dongyang Jinniu") at a cash consideration of RMB7,000,000 (equivalent to approximately HK$8,537,000). Zhejiang Dongyang Jinniu is engaged in the production and distribution of knitting and textile products, knitted fabrics and clothing in Zhejiang Province, the PRC. The acquisition was considered as a good opportunity for the Group to diversify its source of revenue. The details of this acquisition have been contained in the circular dated 17 November 2011. The acquisition was completed on 28 December 2011.

Others

During the year, the convertible bonds held by the Group and issued by China Environmental Investment Holdings Limited ("CEIH") (formerly known as Sino Gas Group Limited), an associate of the Group, became mature and were converted into 137,500,000 ordinary shares of CEIH at a conversion price of HK$0.2 per share. As a result, a net gain on the additional investment in an associate of HK$2,143,000 (2010: Nil) was recorded.

For the year ended 31 December 2011, the Group disposed certain listed investments and recorded gain on disposal of available-for-sale investments of HK$331,047,000 (2010: Nil). In addition, the Group recorded share of profits of jointly-controlled entity and associates of HK$127,951,000 (2010: losses of HK$5,647,000). The increase was mainly attributable to the satisfactory results achieved by the jointly-controlled entity for the year.

PROSPECTS

Looking forward, the Group is optimistic about the prospects of the knitting and textile business in light of (i) the continuing economic development in the PRC; (ii) the increasing per capita disposable income in the PRC; and (iii) the extensive industrial experience and established customer base of Zhejiang Dongyang Jinniu. At the same time, the Group will keep reviewing the business portfolio from time to time, and will continue to identify possible acquisition opportunities in businesses in other industries with good prospects, with the aim to optimise its business portfolio and to increase shareholders' value.

FINANCIAL REVIEW

Liquidity, capital structure and financial resources

The Group has consistently maintained sufficient working capital. As at 31 December 2011, the Group had current assets of HK$1,245,575,000 (2010: HK$580,674,000), including cash and bank balances and time deposits in an aggregate of HK$796,308,000 (2010: HK$374,448,000). The Group's current liabilities as at 31 December 2011 were HK$268,209,000 (2010: HK$166,216,000).

During the year, the Company repurchased a total of 73,546,000 shares of the Company on The Stock Exchange of Hong Kong Limited at prices ranged from HK$0.25 to HK$0.345 per share for an aggregate consideration of HK$25,087,000. All the relevant share certificates in respect of the repurchased shares have been duly cancelled.

As at 31 December 2011, the Group's equity attributable to equity holders of the parent amounted to HK$2,150,907,000 (2010: HK$3,362,078,000), comprising issued capital of HK$468,085,000 (2010: HK$475,440,000) and reserves of HK$1,682,822,000 (2010: HK$2,886,638,000). The Group's outstanding bank borrowing as at 31 December 2011 amounted to HK$37,073,000 (2010: HK$55,882,000). 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% (2010: 2%).

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

Charges on the Group's assets

As at 31 December 2011, 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$3,964,000 (2010: HK$27,116,000);

(ii) certain of the Group's leasehold land with an aggregate net book value of approximately HK$3,205,000 (2010: HK$28,147,000); and

(iii) certain of the Group's short term time deposits amounting to HK$366,000 (2010: HK$34,445,000).

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 acquisition of Zhejiang Dongyang Jinniu and the disposal of the electric and steam power supply business disclosed in the section "Business Review" above and transactions described elsewhere in this announcement, the Group had no other material acquisitions or disposals during the year.

CONTINGENT LIABILITIES

As at 31 December 2011, 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$28,171,000 (2010: Nil). In the prior year, the banking facilities granted to major suppliers subject to guarantees given to banks by the Group were utilised to the extent of HK$54,118,000.

EVENTS AFTER THE REPORTING PERIOD

On 2 November 2011, the Group entered into an agreement with Sino Gas Finance Limited ("Sino Gas Finance"), a wholly-owned subsidiary of CEIH, to (i) sell the Group's 47.91% equity interest in Fidelity Finance Leasing Limited ("Fidelity Finance") and its subsidiary; and (ii) sell and assign the shareholder's loan due and owing to the Group by Fidelity Finance as at the date of the execution of the agreement, to Sino Gas Finance at an aggregate consideration of HK$51,776,000 which is to be satisfied by convertible bonds issued by CEIH. Subsequent to the end of the reporting period, on 6 March 2012, the disposal was completed.

Subsequent to the end of the reporting period, on 23 February 2012, the Group subscribed for new shares issued by CEIH at par pursuant to CEIH's open offer for a total consideration, before expense, of HK$68,773,000. There is no change in the Group's percentage of shareholding in CEIH subsequent to the subscription.

Subsequent to the end of the reporting period, on 9 March 2012, the Group completed the disposal of its remaining 3% equity interest in Zhejiang Sealand. No gain or loss is expected on this disposal as this 3% equity interest in Zhejiang Sealand has been stated at fair value at the end of the reporting period.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, there were 97 (2010: 271) 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 PRACTICES

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

For the year ended 31 December 2011, 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 2011 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 BY DIRECTORS

The Company 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 complied with the required standards as set out in the Model Code throughout the year of 2011.

REVIEW BY AUDIT COMMITTEE

The final results for the year ended 31 December 2011 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, 16 March 2012

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.