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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020, together with the comparative figures for 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2020 HK\$'000	2019 HK\$'000 (Restated)
REVENUE	4	1,246,809	1,458,003
Cost of sales and services		<u>(1,064,610)</u>	<u>(1,081,480)</u>
Gross profit		182,199	376,523
Other income	4	22,644	18,689
Other gains and losses	4	(40,707)	18,920
Impairment of goodwill and other intangible assets	8	(471,044)	–
Selling and distribution expenses		(127,077)	(90,768)
Administrative expenses		(316,682)	(319,450)
Research and development costs		(37,921)	(38,208)
Share of profits and losses of:			
Joint ventures		–	(38,361)
An associate		(1,191)	(328)
Finance costs		<u>(18,751)</u>	<u>(10,850)</u>

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

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
LOSS BEFORE TAX		(808,530)	(83,833)
Income tax credit	<i>5</i>	<u>51,792</u>	<u>29,817</u>
LOSS FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE PARENT	<i>6</i>	<u>(756,738)</u>	<u>(54,016)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	<i>7</i>	<u>(HK8.13 cents)</u>	<u>(HK0.58 cents)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(756,738)</u>	<u>(54,016)</u>
OTHER COMPREHENSIVE (EXPENSE) INCOME		
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	33,123	(3,090)
Reclassification adjustment for a foreign operation deregistered during the year	<u>–</u>	<u>(1,721)</u>
	<u>33,123</u>	<u>(4,811)</u>
Items that will not be reclassified to profit or loss in subsequent periods:		
Actuarial losses on defined benefit plans	(702)	(5,247)
Income tax effect	<u>95</u>	<u>620</u>
	<u>(607)</u>	<u>(4,627)</u>
Changes in fair value of equity investments designated at fair value through other comprehensive income	(3,332)	(19,601)
Gain on property revaluation	<u>–</u>	<u>130,615</u>
	<u>(3,939)</u>	<u>106,387</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>29,184</u>	<u>101,576</u>
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE PARENT	<u><u>(727,554)</u></u>	<u><u>47,560</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		481,329	410,880
Right-of-use assets		301,528	317,688
Investment property		128,200	151,500
Goodwill	8	14,927	399,821
Other intangible assets	8	1,657,066	1,765,634
Interest in an associate		12,029	11,781
Interest in a joint venture		–	–
Financial assets at fair value through profit or loss		1,938	1,938
Equity investments designated at fair value through other comprehensive income		389	34,430
Deferred tax assets		28,120	24,673
		<hr/>	<hr/>
Total non-current assets		2,625,526	3,118,345
CURRENT ASSETS			
Inventories		442,878	490,265
Trade receivables	9	122,955	103,672
Prepayments, deposits and other receivables		45,156	39,963
Amounts due from fellow subsidiaries		15,788	20,011
Loans to an associate		11,135	9,982
Loans to a joint venture		1,046	–
Cash and cash equivalents		914,072	990,386
		<hr/>	<hr/>
Total current assets		1,553,030	1,654,279
CURRENT LIABILITIES			
Trade payables	10	107,783	85,219
Other payables and accruals		116,493	86,111
Amounts due to intermediate holding companies		26,456	27,846
Tax payable		38,283	46,560
Lease liabilities		5,311	5,906
Provisions and other liabilities		104,618	42,633
Contract liabilities		17,948	7,919
Bank borrowings		195,343	225,161
		<hr/>	<hr/>
Total current liabilities		612,235	527,355
NET CURRENT ASSETS		<hr/> 940,795	<hr/> 1,126,924
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 3,566,321	<hr/> 4,245,269

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
EQUITY		
Issued capital	930,337	930,337
Reserves	<u>1,915,803</u>	<u>2,643,357</u>
Total equity	<u>2,846,140</u>	<u>3,573,694</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	226,902	274,480
Bank borrowings	57,559	–
Other financial liabilities	47,897	–
Lease liabilities	309,586	314,704
Provisions and other liabilities	32,529	35,526
Contract liabilities	28,935	31,109
Defined benefit plan obligations	<u>16,773</u>	<u>15,756</u>
Total non-current liabilities	<u>720,181</u>	<u>671,575</u>
	<u>3,566,321</u>	<u>4,245,269</u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. AMENDMENTS TO HKFRSS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 3	<i>Definition of Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

The chief operating decision-makers (“CODM”) have been identified as the board of directors of the Company. For management purposes, the Group is organised into business units based on their products and services. The Group has only one reportable operating segment, the general aviation aircraft piston engine business, which is engaged in the design, development and production of general aviation aircraft piston engines and spare parts as well as the provision of aftermarket services and support for piston engines.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment loss before tax, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group’s loss before tax except that certain income, gains and losses, administrative expenses, share of profits and losses of a joint venture and an associate are excluded from such measurement.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

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

	General aviation aircraft piston engine business		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment revenue:				
Sales to external customers	<u>1,246,809</u>	<u>1,458,003</u>	<u>1,246,809</u>	<u>1,458,003</u>
Segment results	<u>(801,551)</u>	<u>(31,047)</u>	<u>(801,551)</u>	<u>(31,047)</u>
<i>Reconciliation:</i>				
Unallocated other income			9,294	14,342
Unallocated other gains and losses			563	(12,739)
Unallocated administrative expenses			(15,645)	(15,808)
Share of profits and losses of:				
A joint venture			-	(38,253)
An Associate			<u>(1,191)</u>	<u>(328)</u>
Loss before tax			<u>(808,530)</u>	<u>(83,833)</u>

4. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES

An analysis of revenue, other income, other gains and losses is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers		
Sale of aircraft engines transferred at a point in time	701,154	672,493
Sale of spare parts transferred at a point in time	451,753	661,408
Rendering of services transferred over time	93,902	124,102
	<u>1,246,809</u>	<u>1,458,003</u>
Other income		
Bank interest income	8,394	13,832
Interest income on financial assets at fair value through profit or loss	–	78
Interest income on loans to an associate	550	541
Service fee income	8,525	–
Distributorship fee income	775	775
Others	4,400	3,463
	<u>22,644</u>	<u>18,689</u>
Other gains and losses		
Gain on deregistration of a subsidiary	–	1,721
Gain on dilution of an associate	767	–
Gain on disposal of other intangible assets	–	28,210
(Loss) gain on disposal of items of property, plant and equipment	(58)	1,217
Loss on dissolution of a joint venture	–	(302)
Fair value loss on other financial liabilities	(47,897)	–
Fair value loss on an investment property	(23,300)	–
Foreign exchange differences, net	19,225	(16,437)
Impairment losses under expected credit loss model, net of reversal:		
– trade receivables	(5,510)	2,178
– other receivables	16,066	4,033
– a loan to a joint venture	–	(1,700)
	<u>(40,707)</u>	<u>18,920</u>

5. 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 (2019: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – Hong Kong:		
Underprovision in prior years	99	–
Current – Elsewhere:		
Charge for the year	4,493	5,967
Overprovision in prior years	(968)	(19,080)
Deferred	<u>(55,416)</u>	<u>(16,704)</u>
	<u><u>(51,792)</u></u>	<u><u>(29,817)</u></u>

6. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging (crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold*	942,894	993,441
Cost of services provided*	83,438	102,377
Write-down (reversal of write-down) of inventories*	38,278	(14,338)
Provisions and other liabilities:		
Additional provision, net	94,445	24,971
Depreciation of property, plant and equipment	60,131	64,934
Depreciation of right-of-use assets	16,380	8,219
Amortisation of other intangible assets	<u>88,009</u>	<u>82,731</u>

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

7. LOSS PER SHARE

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The calculation of basic loss per share is based on:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss attributable to ordinary equity holders of the parent	<u><u>(756,738)</u></u>	<u><u>(54,016)</u></u>
	Number of shares	
	2020	2019
Weighted average number of ordinary shares in issue during the year	<u><u>9,303,374,783</u></u>	<u><u>9,303,374,783</u></u>

8. GOODWILL AND OTHER INTANGIBLE ASSETS

The Group's goodwill acquired through business combination has been allocated to the following cash-generating units ("CGU") for impairment testing:

- General aviation aircraft piston engine business in USA CGU ("USA CGU"); and
- General aviation aircraft piston engine business in Germany CGU ("Germany CGU")

As at 31 December 2020, the carrying amount of goodwill allocated to USA CGU was Nil (2019: HK\$385,770,000). During the year ended 31 December 2020, the Group recognised impairment of goodwill directly related to USA CGU amounting to HK\$385,770,000 (2019: Nil), which was mainly due to the coronavirus disease 2019 pandemic (the "COVID-19 Pandemic") and the deteriorated economic environment.

As at 31 December 2020, the carrying amount of goodwill allocated to Germany CGU was HK\$14,927,000 (2019: HK\$14,051,000).

Impairment of other intangible assets of HK\$85,274,000 (2019: Nil) was recognised for the year ended 31 December 2020 for development programs in progress and completed programs which had been suspended and no longer had economic benefit.

9. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	131,392	108,066
Impairment losses under expected credit loss model	<u>(8,437)</u>	<u>(4,394)</u>
	<u>122,955</u>	<u>103,672</u>

As at 1 January 2019, trade receivables from contracts with customers amounted to HK\$102,711,000.

The Group's trading terms with its customers 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 2020, the Group had certain concentrations of credit risk as 38% (2019: 32%) 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	63,372	76,361
1 to 2 months	19,029	11,726
2 to 3 months	2,654	2,441
Over 3 months	37,900	13,144
	<u>122,955</u>	<u>103,672</u>

10. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	52,282	57,815
1 to 2 months	47,926	22,559
2 to 3 months	5,730	3,409
Over 3 months	1,845	1,436
	<u>107,783</u>	<u>85,219</u>

The trade payables are normally settled on 45 days terms.

11. COMPARATIVE INFORMATION

Certain comparative financial information has been reclassified in order to conform with the current period's presentation.

DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2020.

OVERALL REVIEW

In 2020, the Group recorded revenue of HK\$1,246,809,000 (2019: HK\$1,458,003,000) and gross profit of HK\$182,199,000 (2019: HK\$376,523,000). The Group recorded loss for the year of HK\$756,738,000 (2019: HK\$54,016,000), which was mainly because the general aviation aircraft piston engine business recorded a loss of HK\$749,196,000 (2019: HK\$20,310,000) for the year as a result of the COVID-19 Pandemic and the deteriorated economic environment.

Basic loss per share amounted to HK¢8.13 (2019: HK¢0.58). 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, was -27% (2019: -2%).

BUSINESS REVIEW

During the year, the Group has only one reportable operating segment, the general aviation aircraft piston engine business, which is engaged in the design, development and production of general aviation aircraft piston engines and spare parts as well as the provision of aftermarket services and support for piston engines.

In 2020, the general aviation aircraft piston engine business recognised revenue of HK\$1,246,809,000 (2019: HK\$1,458,003,000) and gross profit of HK\$182,199,000 (2019: HK\$376,523,000), and recorded loss for the year of HK\$749,196,000 (2019: HK\$20,310,000). Impairment of goodwill and other intangible assets of HK\$471,044,000 (2019: Nil) was recorded by the business mainly due to the COVID-19 Pandemic and the deteriorated economic environment. Selling and distribution expenses increased from HK\$90,768,000 to HK\$127,077,000 mainly because a warranty provision of HK\$51,003,000 was made due to a recall of products by our subsidiary in Germany for replacement of parts for safety issues. Had the effect from the fair value adjustments on the identifiable assets acquired from the acquisition of the business in 2018 charged to current year's profit or loss of HK\$44,773,000 (2019: HK\$55,644,000) been excluded, the general aviation aircraft piston engine business would have recorded loss of HK\$704,423,000 (2019: profit of HK\$35,334,000).

2020 has become one of the most challenging years in the history of the general aviation aircraft piston engine business owing to the outbreak of the COVID-19 Pandemic and natural disasters. Due to the COVID-19 Pandemic, the USA and global gross domestic product decreased by 4.3% and 4.2%, respectively. During the first quarter to the third quarter, the global piston airplane market decreased by 10.9% as compared with the same period of 2019. With the implementation of quarantine measures and travel restrictions, the piston airplane deliveries experienced a 15% decline during the first quarter of 2020 as compared with 2019 and decreased by 21% in the second quarter, with a rebound of 7% increase in the third quarter. As the COVID-19 vaccines become available, it is expected that the USA economy will be recovered in 2021 and 2022. The piston airplane market will also increase accordingly.

In 2020, our sales income decreased by 14% year-on-year, which was mainly attributable to the unpredictable pandemic around the world, two hurricanes sweeping through North America, and the supply chain shortage of avgas-powered engine, which is our major product, as well as machine downtime. Notwithstanding the challenges encountered, we successfully stimulated sales through several marketing campaigns and offset the impact brought by the above adverse factors to a certain extent.

Our state-of-the-art manufacturing plant located in Mobile, Alabama USA was initially scheduled to be completed in 2020. To date, we have moved around 37% of staff, 61% of equipment, and 19% of manufacturing centers to the new plant. The manufacturing centers that have been transferred include cylinder barrel machining, fuel/ignition system, camshaft milling and cylinder assembly machining. However, the deliveries and training for certain equipment were delayed due to international travel restrictions. The major production lines are expected to be transferred and ready for operation in 2021. It is expected that the brand-new plant will significantly increase our production capacity and effectively reduce the production cost.

FINANCIAL REVIEW

Listed equity investments

Last year, the Group held shares issued by Peace Map Holding Limited (“PMH”) and AVIC Joy Holdings (HK) Limited (“AVIC Joy”), listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), which were classified as equity investments designated at fair value through other comprehensive income.

PMH’s shares had been suspended for trading since 2018 and were delisted on 3 August 2020. The fair values of the shares have been assessed at Nil since 2018.

During the year, the Group disposed of all AVIC Joy’s shares it held to an independent third party, for a cash consideration of HK\$26,821,000. As gains or losses recorded in other comprehensive income for equity investments designated at fair value through other comprehensive income will not be recycled to profit or loss when the investments are derecognised, the disposal had no effect on profit or loss. Further details of the disposal were set out in the announcement of the Company dated 15 September 2020.

Joint ventures and associates

During the year, the Group recorded share of losses of the joint ventures and an associate in an aggregate of HK\$1,191,000 (2019: HK\$38,689,000). The drop in the share of losses was mainly because the Group has discontinued the recognition of its share of losses of a joint venture as the share of losses of the joint venture exceeded the Group's interest in it and the Group has no obligation to take up further losses.

On 30 November 2020, the Group entered into a share purchase agreement with an independent third party, pursuant to which the purchaser agreed to acquire the Group's equity interest held in the joint venture with a consideration of RMB11,500,000. The disposal has not been completed as of 31 December 2020.

Administrative expenses

Administrative expenses consist of salaries and wages, product liability expenses, legal and professional expenses and other general expenses. During the year, the Group recorded administrative expenses of HK\$316,682,000 (2019: HK\$319,450,000).

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group has consistently maintained sufficient working capital. As at 31 December 2020, the Group had current assets of HK\$1,553,030,000 (2019: HK\$1,654,279,000), including cash and bank balances and time deposits in an aggregate of HK\$914,072,000 (2019: HK\$990,386,000). The Group's current liabilities as at 31 December 2020 were HK\$612,235,000 (2019: HK\$527,355,000).

As at 31 December 2020, the Group's total equity amounted to HK\$2,846,140,000 (2019: HK\$3,573,694,000), comprising issued capital of HK\$930,337,000 (2019: HK\$930,337,000) and reserves of HK\$1,915,803,000 (2019: HK\$2,643,357,000). The Group's interest-bearing debts included bank borrowings of HK\$252,902,000 (2019: HK\$225,161,000) and lease liabilities of HK\$314,897,000 (2019: HK\$320,610,000). The Group's gearing ratio, calculated on the basis of the interest-bearing debts as a percentage of total equity plus the interest-bearing debts, was 17% (2019: 13%).

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

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2020, the Group has granted a continuing security interests in all assets of a subsidiary as the collaterals of certain bank loans.

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

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities (2019: Nil).

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 controls 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 of 2020, there was no non-compliance with the relevant laws and regulations that had a significant impact on the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, there were 560 (2019: 650) employees in the Group. The employees' wages and salaries amounted to HK\$233,668,000 (2019: HK\$293,581,000) for the year ended 31 December 2020. 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

It is our strategy to provide customers with premium products and services. Nevertheless, we also face problems such as fragile supply chains and high absenteeism rate as many other companies do, and such situation will continue until a greater base of the general population are vaccinated. Our global research and development team has developed several projects for the product lines of both avgas and jet fuel, and the current progress of all these projects are in line with our expectation. From 2021 onwards, we will strive to become the best choice for customers through constant innovation. Besides, by putting the new plant into operation, we hope to create a safe, innovative, and efficient workplace so as to further promote the steady growth of 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

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 2020, 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 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, which is in contrary to 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. Having made specific enquiry, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2020.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

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 2020 as set out in the preliminary announcement have been agreed by the Company's auditors, Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Deloitte 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 Deloitte on the preliminary announcement.

REVIEW BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2020 of the Group have been reviewed by the audit committee of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 17 May 2021 to Friday, 21 May 2021, 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 21 May 2021 ("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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 14 May 2021.

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
Lai Weixuan
Chairman

Hong Kong, 31 March 2021

As at the date of this announcement, the Board comprises Mr. Lai Weixuan, Mr. Huang Yongfeng, Mr. Zhang Zhibiao, Mr. Yu Xiaodong and Mr. Zhao Yang 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.