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 THE RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board of directors (the "Board") of AVIC International Holding (HK) Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013, together with the comparative figures for the corresponding period of last year.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**16,529**	41,319
Cost of sales		**(13,439)**	(34,361)
Gross profit		**3,090**	6,958
Other income	*4*	**12,772**	10,300
Administrative and other operating expenses, net		**(18,466)**	(51,052)
Finance costs	*5*	**(1,201)**	(1,608)
Loss on deemed disposal of an interest in an associate		**(10,189)**	–
Gain on disposal of associates		**–**	19,958
Share of profits and losses of:			
Jointly-controlled entity		**(7,252)**	211,015
Associates		**(13,591)**	(2,104)
Gain on disposal of available-for-sale investments		**–**	241,265
Fair value gain/(loss) on derivative financial instrument		**7,796**	(2,541)
Gain on disposal of subsidiaries		**–**	19

CONDENSED CONSOLIDATED INCOME STATEMENT *(cont'd)*

	Notes	**For the six months ended 30 June 2013 (Unaudited)** *HK$'000*	2012 (Unaudited) *HK$'000*
PROFIT/(LOSS) BEFORE TAX	*6*	**(27,041)**	432,210
Income tax expense	*7*	**(158)**	(61,021)
PROFIT/(LOSS) FOR THE PERIOD		**(27,199)**	371,189
ATTRIBUTABLE TO:			
Equity holders of the parent		**(26,943)**	371,489
Non-controlling interests		**(256)**	(300)
		(27,199)	371,189
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic and diluted		**(HK0.58 cent)**	HK7.82 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**(27,199)**	371,189
OTHER COMPREHENSIVE INCOME		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE CONDENSED CONSOLIDATED INCOME STATEMENT:		
Available-for-sale investments:		
Change in fair value	**65,924**	(123,971)
Reclassification adjustments for gains included in the condensed consolidated income statement		
– Gain on disposal	**–**	(241,265)
Income tax effect	**(16,196)**	91,684
	49,728	(273,552)
Share of other comprehensive income of a jointly-controlled entity	**33,199**	(295,323)
Share of other comprehensive income of associates	**(111)**	(162)
Exchange differences on translation of foreign operations	**8,896**	278
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**91,712**	(568,759)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**64,513**	(197,570)
ATTRIBUTABLE TO:		
Equity holders of the parent	**64,725**	(197,270)
Non-controlling interests	**(212)**	(300)
	64,513	(197,570)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**43,957**	46,087
Prepaid land lease payments		**3,115**	3,105
Goodwill		**4,194**	4,194
Intangible asset		**856**	951
Investment in a jointly-controlled entity		**340,654**	314,707
Interests in associates		**298,047**	302,952
Deposit paid for acquisition of a property		**–**	40,000
Financial asset under Project EC120		**–**	–
Available-for-sale investments		**259,930**	193,975
Total non-current assets		**950,753**	905,971
CURRENT ASSETS			
Inventories		**8,264**	2,777
Trade and bills receivables	*10*	**9,508**	13,815
Loans to an associate		**12,405**	12,250
Loan to a related company		**18,987**	18,750
Prepayments, deposits and other receivables		**75,641**	32,461
Derivative financial instrument		**16,811**	9,015
Pledged time deposits		**380**	6,625
Cash and cash equivalents		**989,124**	1,024,789
		1,131,120	1,120,482
Assets classified as held for sale		**60,000**	60,000
Total current assets		**1,191,120**	1,180,482
CURRENT LIABILITIES			
Due to a non-controlling shareholder of a subsidiary		**160**	320
Trade and bills payables	*11*	**7,878**	43,824
Tax payable		**13,906**	16,536
Other payables and accruals		**11,057**	17,666
Interest-bearing bank borrowings		**40,126**	14,625
Total current liabilities		**73,127**	92,971
NET CURRENT ASSETS		**1,117,993**	1,087,511

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

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,068,746**	1,993,482
NON-CURRENT LIABILITY		
Deferred tax liabilities	**51,418**	35,283
Net assets	**2,017,328**	1,958,199
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**464,276**	466,140
Reserves	**1,547,682**	1,486,477
	2,011,958	1,952,617
Non-controlling interests	**5,370**	5,582
Total equity	**2,017,328**	1,958,199

Notes:

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and are in compliance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2012, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) for the first time in the current period as disclosed in note 2 below.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

Except as described below, the adoption of the new and revised HKFRSs has had no material impact on the results and financial position for the current or prior accounting periods which have been prepared and presented.

The HKAS 1 Amendments require grouping of items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The Group's presentation of other comprehensive income in the consolidated financial statements has been modified accordingly.

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/(loss) for the period. The adjusted profit/(loss) for the period is measured consistently with the Group's profit/(loss) for the period except that head office's other income, loss on deemed disposal of an interest in an associate, gain on disposal of associates, share of profits and losses of the jointly-controlled entity and associates, gain on disposal of available-for-sale investments, fair value gain/(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.

The following table presents revenue and results regarding the Group's operating segments.

	Revenue		**Results**	
	For the six months ended 30 June			
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Knitting and textile business	**16,529**	41,319	**(522)**	(610)
Aero-technology related business	**–**	–	**3,288**	(765)
Segment revenue and results	**16,529**	41,319	**2,766**	(1,375)
Reconciliation:				
Unallocated other income			**7,877**	7,871
Corporate and other unallocated expenses			**(14,602)**	(41,490)
Loss on deemed disposal of an interest in an associate			**(10,189)**	–
Gain on disposal of associates			**–**	19,958
Share of profits and losses of:				
Jointly-controlled entity			**(7,252)**	211,015
Associates			**(13,591)**	(2,104)
Gain on disposal of available-for-sale investments			**–**	241,265
Fair value gain/(loss) on derivative financial instrument			**7,796**	(2,541)
Gain on disposal of subsidiaries			**–**	19
Unallocated income tax expense			**(4)**	(61,429)
Profit/(Loss) for the period			**(27,199)**	371,189

4. OTHER INCOME

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**7,592**	3,939
Agency service income	**2,229**	–
Interest income on a loan to a related company	**566**	–
Interest income on convertible bonds issued by an associate	**518**	332
Interest income on loans to associates	**598**	1,435
Interest income on other receivables	**401**	75
Dividend income from an available-for-sale listed investment	**868**	4,323
Others	**–**	196
	12,772	10,300

5. FINANCE COSTS

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**1,201**	1,608

6. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**13,439**	34,361
Depreciation	**2,538**	2,914
Amortisation of customer relationship	**95**	95
Recognition of prepaid land lease payments	**13**	36
Provision for impairment of trade and bills receivables	**–**	942
Write-off of other receivables	**–**	2,035

7. INCOME TAX

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2013 and 2012 as the Group did not generate any assessable profits arising in Hong Kong during these periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Elsewhere	**220**	61,021
Deferred	**(62)**	–
Total tax charge for the period	**158**	61,021

8. EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(losses) per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent of HK$26,943,000 (2012: profit of HK$371,489,000) and the weighted average number of ordinary shares of 4,647,568,000 (2012: 4,753,107,000) in issue during the period.

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

9. DIVIDEND

The directors do not declare an interim dividend for the six months ended 30 June 2013 (2012: Nil).

10. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2013	2012
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade and bills receivables	**10,428**	14,735
Impairment	**(920)**	(920)
	9,508	13,815

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.

10. TRADE AND BILLS RECEIVABLES *(cont'd)*

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:

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Current	**6,124**	11,621
31 to 60 days	**879**	560
Over 90 days	**2,505**	1,634
	9,508	13,815

11. 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:

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Current	**1,418**	37,159
31 to 60 days	**1,928**	1,357
61 to 90 days	**1,233**	919
Over 90 days	**3,299**	4,389
	7,878	43,824

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

BUSINESS REVIEW

Overall review

For the first half of 2013, the Group recorded turnover of HK$16,529,000 (2012: HK$41,319,000) and loss attributable to equity holders of HK$26,943,000 (2012: profit of HK$371,489,000). Basic losses per share amounted to HK¢0.58 (2012: basic earnings per share of HK¢7.82). The huge retreat in profit was mainly attributable to the significant gains arising from the disposals of available-for-sale investments by both the Group and its jointly-controlled entity for the corresponding period in 2012.

Knitting and textile business

For the first half of 2013, the turnover of 浙江東陽金牛針織製衣有限公司("Zhejiang Dongyang Jinniu") was HK$16,529,000 (2012: HK$41,319,000) and the sales volume was approximately 714 tonnes (2012: 1,351 tonnes). The gross profit rate was 19% (2012: 17%). The knitting and textile business segment recorded loss of HK$522,000 (2012: HK$610,000) for the period.

Aero-technology related business

3 EC120 helicopters were sold in the first half of 2013. No turnover was recorded by the Group for the period as a breakeven was recorded by AVIC International Holding Corporation, a substantial shareholder of the Company, from the operations of Project EC120 of which the Group shares 80%. The aero-technology related business segment recorded profit of HK$3,288,000 (2012: loss of HK$765,000) for the period.

Others

During the six months ended 30 June 2013, the Group recorded loss on deemed disposal of an interest in an associate of HK$10,189,000 (2012: Nil) resulted from the dilution of the Group's equity interest in China Environmental Investment Holdings Limited ("CEIH"). In addition, the Group recorded share of losses of the jointly-controlled entity and associates in an aggregate of HK$20,843,000 (2012: profits of HK$208,911,000). The Group also recorded a fair value gain on derivative financial instrument of HK$7,796,000 (2012: loss of HK$2,541,000). The fair value of the derivative financial instrument was determined based on the valuation performed by an independent professionally qualified valuer. The fair value gain represented an increase in the fair value of the derivative financial instrument as at 30 June 2013 as compared with that as at 31 December 2012 which was mainly due to the rise in the share price of CEIH.

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. Meanwhile, with the extensive industrial experience and established customer base of Zhejiang Dongyang Jinniu, the Group is optimistic about the prospect of its knitting and textile 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 30 June 2013, the Group had current assets of HK$1,191,120,000 (31 December 2012: HK$1,180,482,000), including cash and bank balances and time deposits in an aggregate of HK$989,504,000 (31 December 2012: HK$1,031,414,000). The Group's current liabilities as at 30 June 2013 were HK$73,127,000 (31 December 2012: HK$92,971,000).

During the six months ended 30 June 2013, the Company repurchased a total of 16,362,000 shares of the Company on the Stock Exchange at prices ranging from HK$0.305 to HK$0.355 per share for an aggregate consideration with the relevant expenses totalling HK$5,384,000. Among these repurchased shares, 8,016,000 shares were cancelled during the period while 8,346,000 shares were subsequently cancelled. Furthermore, 10,616,000 shares of the Company repurchased in 2012 were also cancelled during the period.

As at 30 June 2013, the Group's equity attributable to equity holders of the parent amounted to HK$2,011,958,000 (31 December 2012: HK$1,952,617,000), comprising issued capital of HK$464,276,000 (31 December 2012: HK$466,140,000) and reserves of HK$1,547,682,000 (31 December 2012: HK$1,486,477,000). The Group's outstanding bank borrowing as at 30 June 2013 amounted to HK$40,126,000 (31 December 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 equity holders of the parent, was 2% (31 December 2012: 1%).

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

Charges on the Group's assets

As at 30 June 2013, the following Group's assets were pledged to secure the Group's banking facilities:

(a) certain of the Group's land and buildings with an aggregate net book value of approximately HK$4,007,000 (31 December 2012: HK$4,112,000);

(b) the Group's leasehold land with an aggregate net book value of approximately HK$3,189,000 (31 December 2012: HK$3,179,000); and

(c) certain of the Group's short term time deposits amounting to approximately HK$380,000 (31 December 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 unit's 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 period.

CONTINGENT LIABILITIES

As at 30 June 2013, the Company had given financial guarantees to a bank for banking facilities granted to a subsidiary of HK$93,120,000 (31 December 2012: Nil) which were not utilised.

As at 31 December 2012, the Group had given financial guarantees to banks for banking facilities granted to the companies controlled by acquaintances of a director of a subsidiary of HK$25,000,000 which were utilised to the extent of HK$15,000,000.

EVENTS AFTER THE REPORTING PERIOD

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 (the "Sale and Purchase Agreement") on 8 April 2013 with Mongolia Investment Group Limited ("MIG") 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 was classified as asset held for sale at its net carrying value of HK$60,000,000 as at 30 June 2013. Pursuant to the Sale and Purchase Agreement, the Group will receive an aggregate consideration of HK$339,900,000 (subject to adjustment) which shall be satisfied as to (i) HK$135,960,000 by way of cash; and (ii) HK$203,940,000 (subject to adjustment) by way of convertible notes issued by MIG.

Subsequent to the end of the reporting period, the Disposal was completed on 2 August 2013 upon waiver in writing given by the Group and all other shareholders of Sinbo, pursuant to the terms of the Sale and Purchase Agreement, to waive the requirement to the completion of the placement of new shares of MIG, being one of the conditions precedent to the completion of the Disposal. Furthermore, pursuant to the terms of the Sale and Purchase Agreement, Jichang and MIG elected to issue additional convertible notes to replace part of the cash consideration. As a result, the aggregate consideration of HK$339,900,000 (subject to adjustment) receivable by the Group under the Disposal shall be satisfied as to (i) HK$56,650,000 by way of cash; and (ii) the remaining HK$283,250,000 (subject to adjustment) by way of convertible notes issued by MIG. The details of the completion of the Disposal were contained in the announcement of the Company dated 2 August 2013.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, there were 92 (31 December 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

During the period, the Company purchased certain of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company. The summary details of those transactions are as follows:

Month	No. of shares repurchased	Price per share Highest	Price per share Lowest	Total price paid
		HK$	*HK$*	*HK$*
April 2013	6,096,000	0.320	0.305	1,902,320
May 2013	1,920,000	0.355	0.330	665,420
June 2013	8,346,000	0.355	0.310	2,799,290
	16,362,000			5,367,030
Total expenses on share repurchased				16,542
				5,383,572

8,016,000 repurchased shares were cancelled during the period while 8,346,000 repurchased shares were subsequently cancelled. Upon cancellation of these repurchased shares, the total issued share capital of the Company was reduced by the par value of HK$1,636,200. In addition, the premium together with the relevant expenses paid for the repurchased shares in an aggregate of HK$3,747,372 has been charged to the share premium account.

The purchase of the Company's shares during the period was effected by the Directors, pursuant to the mandate from shareholders approved at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

CORPORATE GOVERNANCE PRACTICES

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

Throughout the six months ended 30 June 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 as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except as noted hereunder.

CORPORATE GOVERNANCE PRACTICES *(cont'd)*

All Non-executive Directors (including Independent Non-executive Directors) are appointed without specific terms as provided for in code provision A.4.1. 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 by rotation 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. 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 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 and reviewing the succession plan for the Directors, 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 as he was on an overseas engagement.

A listed issuer must appoint independent non-executive directors representing at least one-third of the Board by 31 December 2012 pursuant to the new requirement under Rule 3.10A of the Listing Rules. As announced by the Company on 31 December 2012, the Board comprised 6 Executive Directors, 1 Non-executive Director and 3 Independent Non-executive Directors and therefore the number of independent non-executive directors of the Company represented less than one-third of the Board.

On 28 January 2013, Mr. Jiang Wei resigned as an Executive Director. Thereafter, the Board comprises 5 Executive Directors, 1 Non-executive Director and 3 Independent Non-executive Directors and is in compliance with Rule 3.10A of the Listing Rules since 28 January 2013 as the number of independent non-executive directors represented not less than one-third of the Board.

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 for dealings in securities of the Company by the Directors. Based on specific enquiry of the Directors, the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2013.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with the rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls including the review of 2013 interim report. It currently comprises three Independent Non-executive Directors, namely, Mr. Chu Yu Lin, David (as Chairman), Mr. Li Ka Fai, David and Mr. Li Zhaoxi.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 have been reviewed by the Audit Committee, and have also been reviewed by Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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, 23 August 2013

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.