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# AVIC International Holding (HK) Limited

## 中國航空工業國際控股(香港)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 232)

### ANNOUNCEMENT OF THE RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The Board of Directors (the “Board”) of AVIC International Holding (HK) Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014, together with the comparative figures for the corresponding period of last year.

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
REVENUE	3	34,886	16,529
Cost of sales		<u>(32,159)</u>	<u>(13,439)</u>
Gross profit		2,727	3,090
Other income	4	17,312	12,772
Administrative and other operating expenses, net		(20,933)	(18,466)
Finance costs	5	(1,367)	(1,201)
Loss on deemed disposal of interest in an associate		–	(10,189)
Share of profits and losses of:			
Joint venture		(8,796)	(7,252)
Associates		(10,717)	(13,591)
Fair value loss on equity investment at fair value through profit or loss		(1,136)	–
Loss on derecognition of an available-for-sale investment (including reclassification from equity of HK\$5,268,000)		(19,410)	–
Fair value gain/(loss) on derivative financial instruments	6	<u>(91,191)</u>	<u>7,796</u>

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

		<b>For the six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
LOSS BEFORE TAX	7	<b>(133,511)</b>	(27,041)
Income tax expense	8	<b>(1,840)</b>	(158)
<b>LOSS FOR THE PERIOD</b>		<b><u>(135,351)</u></b>	<b><u>(27,199)</u></b>
<b>ATTRIBUTABLE TO:</b>			
Owners of the parent		<b>(134,836)</b>	(26,943)
Non-controlling interests		<b>(515)</b>	(256)
		<b><u>(135,351)</u></b>	<b><u>(27,199)</u></b>
<b>LOSSES PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
– Basic and diluted	9	<b><u>(HK2.92 cents)</u></b>	<b><u>(HK0.58 cent)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2014	2013
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
LOSS FOR THE PERIOD	<u><b>(135,351)</b></u>	<u>(27,199)</u>
 OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair value	9,793	65,924
Reclassification adjustment for loss included in the condensed consolidated statement of profit or loss – arising from derecognition of an available-for-sale investment	(5,268)	–
Income tax effect	–	(16,196)
	<u>4,525</u>	<u>49,728</u>
Share of other comprehensive income of a joint venture	–	33,199
Share of other comprehensive income of associates	–	(111)
Exchange differences on translation of foreign operations	<u>(23,744)</u>	<u>8,896</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods and other comprehensive income for the period, net of tax	<u>(19,219)</u>	<u>91,712</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><b>(154,570)</b></u>	<u>64,513</u>
 ATTRIBUTABLE TO:		
Owners of the parent	(153,981)	64,725
Non-controlling interests	<u>(589)</u>	<u>(212)</u>
	<u><b>(154,570)</b></u>	<u>64,513</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		42,676	43,606
Prepaid land lease payments		2,984	3,065
Intangible asset		666	761
Investment in a joint venture		330,354	339,150
Interests in associates		316,690	302,364
Loans to related companies		38,261	20,127
Financial asset under Project EC120		–	–
Available-for-sale investments		112,927	204,524
Derivative financial instruments		62,135	191,430
		<b>906,693</b>	<b>1,105,027</b>
<b>TOTAL non-current assets</b>			
<b>CURRENT ASSETS</b>			
Inventories		5,699	3,026
Trade and bills receivables	11	27,886	14,863
Loans to an associate		11,801	12,102
Prepayments, deposits and other receivables		106,253	90,931
Available-for-sale investments		49,946	–
Equity investment at fair value through profit or loss		100,576	8,381
Derivative financial instruments		6,110	34,632
Pledged time deposits		373	382
Cash and cash equivalents		966,625	1,079,008
		<b>1,275,269</b>	<b>1,243,325</b>
<b>TOTAL current assets</b>			
<b>CURRENT LIABILITIES</b>			
Due to a non-controlling shareholder of a subsidiary		1,118	161
Trade and bills payables	12	9,255	6,572
Tax payable		40,331	58,849
Other payables and accruals		15,218	11,095
Interest-bearing bank borrowings		39,379	40,382
		<b>105,301</b>	<b>117,059</b>
<b>TOTAL current liabilities</b>			
<b>NET CURRENT ASSETS</b>		<b>1,169,968</b>	<b>1,126,266</b>

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

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<b>2,076,661</b>	2,231,293
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>919</u>	<u>981</u>
Net assets	<u><b>2,075,742</b></u>	<u>2,230,312</u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	<b>461,959</b>	461,959
Reserves	<u><b>1,609,290</b></u>	<u>1,763,271</u>
	<b>2,071,249</b>	2,225,230
Non-controlling interests	<u><b>4,493</b></u>	<u>5,082</u>
Total equity	<u><b>2,075,742</b></u>	<u>2,230,312</u>

*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 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.

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 2013, 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 POLICIES AND DISCLOSURES**

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

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

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.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (2013: 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;
- (b) the trading business segment engages in the trading of raw materials and auxiliary materials (new in 2014); and
- (c) 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 loss for the period except that head office's other income, loss on deemed disposal of interest in an associate, share of profits and losses of the joint venture and associates, fair value loss on equity investment at fair value through profit or loss, loss on derecognition of an available-for-sale investment, fair value gain/(loss) on derivative financial instruments as well as head office and corporate expenses and unallocated income tax are excluded from such measurement. Certain comparative amounts have been reclassified to conform with the current period's presentation.

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

	Revenue		Results	
	For the six months ended 30 June			
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Knitting and textile business	26,422	16,529	(1,051)	(522)
Trading business	8,464	–	62	–
Aero-technology related business	–	–	–	–
Segment revenue and results	<u>34,886</u>	<u>16,529</u>	<u>(989)</u>	<u>(522)</u>
<i>Reconciliation:</i>				
Unallocated other income			17,270	12,672
Corporate and other unallocated expenses			(18,525)	(16,126)
Loss on deemed disposal of interest in an associate			–	(10,189)
Share of profits and losses of:				
Joint venture			(8,796)	(7,252)
Associates			(10,717)	(13,591)
Fair value loss on equity investment at fair value through profit or loss			(1,136)	–
Loss on derecognition of an available-for-sale investment			(19,410)	–
Fair value gain/(loss) on derivative financial instruments			(91,191)	7,796
Unallocated income tax expense			(1,857)	13
Loss for the period			<u>(135,351)</u>	<u>(27,199)</u>

#### 4. OTHER INCOME

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	13,490	7,592
Interest income on a convertible bond issued by an associate	332	518
Interest income on loans to associates	2,373	598
Interest income on other receivables	500	401
Interest income on loans to a related company	579	566
Dividend income from an available-for-sale listed investment	–	868
Agency service income	–	2,229
Others	38	–
	<u>17,312</u>	<u>12,772</u>

#### 5. FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	<u>1,367</u>	<u>1,201</u>

#### 6. FAIR VALUE GAIN/(LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments are managed and their performance is evaluated on a fair value basis. Any fair value gain or loss is recognised in the condensed consolidated statement of profit or loss.

The fair values of the derivative financial instruments have been estimated using valuation techniques based on assumptions that are supported by observable market prices or rates. The valuations require the Directors to make estimates, including expected cash flows and volatility of the underlying securities. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair value, which are recorded in the condensed consolidated statement of profit or loss, are reasonable, and that they are the most appropriate values at the end of the reporting period.

During the period, the fair value loss in respect of the Group's derivative financial instruments recognised in the condensed consolidated statement of profit or loss amounted to HK\$91,191,000 (2013: fair value gain of HK\$7,796,000).



## 7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	32,159	13,439
Depreciation	2,567	2,538
Amortisation of customer relationship	95	95
Recognition of prepaid land lease payments	37	13
Impairment of goodwill of an associate	765	–
	<u>765</u>	<u>–</u>

## 8. INCOME TAX

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2014 and 2013 as the Group did not generate any assessable profits arising in Hong Kong during those 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Elsewhere	1,902	220
Deferred	(62)	(62)
	<u>1,840</u>	<u>158</u>

## 9. LOSSES PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic losses per share amount is based on the loss for the period attributable to owners of the parent of HK\$134,836,000 (2013: HK\$26,943,000) and the weighted average number of ordinary shares of 4,619,591,000 (2013: 4,647,568,000) in issue during the period.

No adjustment has been made to the basic losses per share amount presented for the six months ended 30 June 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

## 10. DIVIDEND

The Directors do not declare an interim dividend for the six months ended 30 June 2014 (2013: Nil).

## 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Trade and bills receivables	<b>28,804</b>	15,804
Impairment	<b>(918)</b>	(941)
	<b>27,886</b>	<b>14,863</b>

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

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

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Current	<b>15,340</b>	10,600
31 to 60 days	<b>6,154</b>	2,108
61 to 90 days	<b>239</b>	1,039
Over 90 days	<b>6,153</b>	1,116
	<b>27,886</b>	<b>14,863</b>

## 12. 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:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Current	<b>1,216</b>	2,677
31 to 60 days	<b>2,839</b>	341
61 to 90 days	<b>2,365</b>	839
Over 90 days	<b>2,835</b>	2,715
	<b>9,255</b>	<b>6,572</b>

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

## **BUSINESS REVIEW**

### **Overall review**

For the first half of 2014, the Group recorded turnover of HK\$34,886,000 (2013: HK\$16,529,000). During the period, the Group commenced to engage in the trading business which contributed HK\$8,464,000 to the Group's turnover for the period. Nevertheless, the loss attributable to owners of the parent increased substantially from HK\$26,943,000 of 2013 to HK\$134,836,000 of 2014, which was mainly resulted from a fair value loss on derivative financial instruments of HK\$91,191,000 recorded for the period as compared to the fair value gain of HK\$7,796,000 for the corresponding period in 2013. Basic losses per share amounted to HK¢2.92 (2013: HK¢0.58).

### **Knitting and textile business**

For the first half of 2014, the turnover of 浙江東陽金牛針織製衣有限公司 (“Zhejiang Dongyang Jinniu”) was HK\$26,422,000 (2013: HK\$16,529,000) and the sales volume was approximately 1,193 tonnes (2013: 714 tonnes). The gross profit rate dropped from 19% to 10% because several purchase orders with high gross profit rate were received in 2013. The knitting and textile business segment recorded loss of HK\$1,051,000 (2013: HK\$522,000) for the period.

### **Trading business**

During the period, the Group commenced to engage in the trading of raw materials and auxiliary materials such as electronic components, electronic products and metal materials in Zhejiang Province. The turnover and gross profit rate for the period was HK\$8,464,000 and 1% respectively. The trading business segment recorded profit of HK\$62,000 for the period.

### **Aero-technology related business**

The Group is entitled to share 80% of the net income in relation to Project EC120 operated by AVIC International Holding Corporation (“AVIC International”), a substantial shareholder of the Company. 3 EC120 helicopters were sold in the first half of 2014. No turnover (2013: Nil) was recorded by the Group for the period as a breakeven was recorded by AVIC International from the operations of Project EC120 which was because AVIC International agreed that its indirect expenses allocated to Project EC120, if any, shall not exceed its share of income net of direct costs and expenses from the operations of Project EC120. As a result, the aero-technology related business segment did not contribute any profit to the Group for the period (2013: Nil).

### **Others**

During the six months ended 30 June 2014, the Group recorded a fair value loss on derivative financial instruments of HK\$91,191,000 (2013: fair value gain of HK\$7,796,000). The fair values of the derivative financial instruments were determined based on the valuation performed by an independent professionally qualified valuer. The fair value loss represented the decrease in the fair values of the derivative financial instruments as at 30 June 2014 as compared with those as at 31 December 2013, which was mainly due to the substantial drop in the share prices of the underlying securities. The Group also recorded a loss of HK\$19,410,000 (2013: Nil) on derecognition of an available-for-sale investment. In addition, the Group recorded share of losses of the joint venture and associates in an aggregate of HK\$19,513,000 (2013: HK\$20,843,000).

## **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 the future. Zhejiang Dongyang Jinniu owns extensive industry experience and established customer base. Nevertheless, as the prosperity of the knitting and textile business declines as a result of the condition of the macro economy, the Group is cautiously optimistic about the prospect of the business. In respect of the Group's new trading business, it is possible that further development can be attained after more experience has been accumulated. 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 2014, the Group had current assets of HK\$1,275,269,000 (31 December 2013: HK\$1,243,325,000), including cash and bank balances and time deposits in an aggregate of HK\$966,998,000 (31 December 2013: HK\$1,079,390,000). The Group's current liabilities as at 30 June 2014 were HK\$105,301,000 (31 December 2013: HK\$117,059,000).

As at 30 June 2014, the Group's equity attributable to owners of the parent amounted to HK\$2,071,249,000 (31 December 2013: HK\$2,225,230,000), comprising issued capital of HK\$461,959,000 (31 December 2013: HK\$461,959,000) and reserves of HK\$1,609,290,000 (31 December 2013: HK\$1,763,271,000). The Group's outstanding bank borrowings as at 30 June 2014 amounted to HK\$39,379,000 (31 December 2013: HK\$40,382,000). The Group's gearing ratio, calculated on the basis of total bank borrowings as a percentage of equity attributable to owners of the parent, was 2% (31 December 2013: 2%).

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

### **Charges on the Group's assets**

As at 30 June 2014, 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\$3,663,000 (31 December 2013: HK\$3,879,000);
- (b) the Group's leasehold land with a net book value of approximately HK\$3,057,000 (31 December 2013: HK\$3,140,000); and
- (c) certain of the Group's short term time deposits amounting to approximately HK\$373,000 (31 December 2013: HK\$382,000).

## **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**

The Group had no material acquisitions or disposals during the period.

## **CONTINGENT LIABILITIES**

As at 30 June 2014, the Company had given financial guarantees to a bank for banking facilities granted to a subsidiary of HK\$93,000,000 (31 December 2013: HK\$93,000,000) which were not utilised.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2014, there were 92 (31 December 2013: 68) 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 period.

## **CORPORATE GOVERNANCE**

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 2014, the Company applied the principles of, and complied with all the code provisions and, where applicable, the recommended best practices of the "Corporate Governance Code" (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except as noted hereunder.

All Non-executive Directors (including Independent Non-executive Directors) are appointed without specific terms as provided for in code provision A.4.1 of the CG Code. In accordance with the Bye-laws of the Company, one-third of the directors (including non-executive directors) for the time being shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at least once every three years. The retiring directors shall be eligible for re-election.

## **CORPORATE GOVERNANCE** (*cont'd*)

The Company does not have a nomination committee as provided for in code provisions A.5.1 to A.5.4 of the CG Code. At present, the Company does not consider it necessary to have a nomination committee as the Board is responsible for reviewing the structure, size, diversity 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 of the Company held in May 2014 as provided for in code provision E.1.2 of the CG Code as he was on an overseas engagement.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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 of all the Directors, all of them confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2014.

## **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 2014 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 2014 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 Hong Kong Institute of Certified Public Accountants.

## **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, 26 August 2014

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