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 2009

The board of directors (the "Board") of AVIC International Holding (HK) Limited (the "Company") announces that the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009, together with the comparative figures for the corresponding period of last year, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**108,448**	112,951
Cost of sales		**(101,139)**	(104,621)
Gross profit		**7,309**	8,330
Other income and gains	*4*	**16,064**	13,193
Administrative and other operating expenses, net		**(18,815)**	(13,583)
Finance costs	*5*	**(1,112)**	(3,113)
Deficit on revaluation of an investment property		**(700)**	–
Loss on partial disposal of equity interest in a subsidiary		**–**	(9,986)
Share of profits and losses of:			
Jointly-controlled entity		**2,351**	–
Associates		**(2,368)**	(420)
Impairment of a financial asset under Project EC120		**(2,000)**	(2,000)
Gain on disposal of an available-for-sale investment		**1,314**	–
Fair value gain/(loss) on equity investments at fair value through profit or loss and derivative financial instruments		**5,070**	(12,064)
PROFIT/(LOSS) BEFORE TAX	*6*	**7,113**	(19,643)
Tax	*7*	**(2,087)**	(3,493)
PROFIT/(LOSS) FOR THE PERIOD		**5,026**	(23,136)

	Note	For the six months ended 30 June **2009** **(Unaudited)** ***HK$'000***	2008 (Unaudited) *HK$'000*
ATTRIBUTABLE TO:			
Equity holders of the parent		**4,777**	(24,128)
Minority interests		**249**	992
		5,026	(23,136)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic		**HK0.10 cent**	(HK0.50 cent)
– Diluted		**N/A**	(HK0.50 cent)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**5,026**	(23,136)
Exchange realignment arising on translation of foreign operations	**1,860**	15,165
Available-for-sale investments:		
Change in fair value	**9,698**	(10,551)
Less: Reclassification adjustment for gain included in the income statement	**(1,314)**	–
	8,384	(10,551)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**10,244**	4,614
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**15,270**	(18,522)
ATTRIBUTABLE TO:		
Equity holders of the parent	**15,021**	(19,514)
Minority interests	**249**	992
	15,270	(18,522)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2009 (Unaudited)** ***HK$'000***	31 December 2008 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Investment property		**–**	18,300
Property under development		**7,646**	–
Property, plant and equipment		**255,817**	223,474
Prepaid land lease payments		**28,871**	29,099
Goodwill		**30,493**	30,493
Interest in jointly-controlled entity		**45,184**	42,833
Interests in associates		**181,714**	123,680
Financial asset under Project EC120		**7,459**	9,459
Available-for-sale investments		**71,935**	47,399
Deposit for acquisition of an investment		**–**	61,166
Deposits and other receivables		**20,500**	20,466
Total non-current assets		**649,619**	606,369
CURRENT ASSETS			
Inventories		**28,845**	31,359
Trade and bills receivables	*10*	**26,965**	46,772
Loan to an associate		**31,048**	9,048
Prepayments, deposits and other receivables		**43,334**	38,987
Derivative financial instrument		**17,498**	–
Available-for-sale investments		**–**	15,365
Pledged time deposits		**60,458**	53,672
Cash and cash equivalents		**316,723**	350,734
Total current assets		**524,871**	545,937
CURRENT LIABILITIES			
Due to minority shareholders		**4,528**	–
Trade and bills payables	*11*	**140,879**	117,625
Tax payable		**2,019**	2,622
Other payables and accruals		**7,871**	7,786
Interest-bearing bank borrowings		**17,045**	29,412
Total current liabilities		**172,342**	157,445
NET CURRENT ASSETS		**352,529**	388,492
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,002,148**	994,861

	30 June 2009 (Unaudited)	31 December 2008 (Audited)
	HK$'000	*HK$'000*
NON-CURRENT LIABILITY		
Deferred tax liabilities	**6,033**	6,798
Net assets	**996,115**	988,063
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**475,440**	475,440
Reserves	**457,895**	443,618
	933,335	919,058
Minority interests	**62,780**	69,005
Total equity	**996,115**	988,063

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 2008, 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. Impact of new and revised Hong Kong Financial Reporting Standards

The following new and revised HKFRSs are adopted for the first time for the current period's financial statements:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives – Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*

The adoption of the new HKFRSs, except for HKAS 1 (Revised) as described below, had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

In October 2008, the HKICPA first issued *Improvements to HKFRSs* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The Group adopted these amendments for the current period's financial statements.

In May 2009, the HKICPA issued *Improvements to HKFRSs 2009* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Most amendments are effective for annual periods beginning on or after 1 January 2010. The Group early adopted the amendment to HKFRS 8 *Operating Segment* for the current period's financial statements.

3. Segment information

The Group's operating segments are structured and managed according to the nature of their operations and the products and services they provide.

The Group has identified two reportable segments for the purposes of resource allocation and performance assessment. Summary details of the reportable segments are as follows:

(a) the electric and steam power supply business 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.

No operating segments have been aggregated to form the above reportable segments.

Management assesses the performance of the operating segments based on the operating profit or loss. Revenue and expenses are allocated to the operating segments with reference to sales generated and expenses incurred by those segments. Impairment of assets directly attributable to the operating segments is also included in the operating profit or loss of those segments. The Group's other income and expenses not directly attributable to the operating segments are excluded.

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

	Revenue		**Results**	
	For the six months ended 30 June			
	2009	2008	**2009**	2008
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Electric and steam power supply business	**107,067**	111,860	**618**	2,255
Aero-technology related business	**1,381**	1,091	**(1,419)**	(2,399)
Segment revenue and results	**108,448**	112,951	**(801)**	(144)
Interest income, rental income and unallocated gains			**8,579**	6,108
Unallocated expenses			**(9,119)**	(6,481)
Finance costs			**–**	(149)
Loss on partial disposal of equity interest in a subsidiary			**–**	(9,986)
Share of profits and losses of:				
Jointly-controlled entity			**2,351**	–
Associates			**(2,368)**	(420)
Gain on disposal of an available-for-sale investment			**1,314**	–
Fair value gain/(loss) on equity investments at fair value through profit or loss and derivative financial instruments			**5,070**	(12,064)
Profit/(loss) for the period			**5,026**	(23,136)

4. Other income and gains

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income		
Bank interest income	**1,227**	6,527
Interest income on convertible bonds	**209**	156
Interest income on loans to an associate	**553**	–
Interest income on other receivables	**474**	–
Income from installation of infrastructure for steam supply	**2,323**	3,751
Government grants	**2,366**	639
Income from sale of coal residues	**1,530**	1,578
Dividend income from available-for-sale unlisted investments	**6,938**	–
Gross rental income	**134**	401
Others	**70**	141
	15,824	13,193
Gains		
Gains on disposal of items of property, plant and equipment	**240**	–
	16,064	13,193

5. Finance costs

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank overdrafts and bank loans wholly repayable within five years	**1,112**	3,112
Interest on a finance lease	**–**	1
	1,112	3,113

6. Profit/(loss) before tax

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**9,181**	8,116
Recognition of prepaid land lease payments	**364**	389
Impairment of trade and bills receivables, net	**460**	–
Write-off of other receivables	**14**	–
Write-back of provision for financial guarantee contracts	**–**	(431)

7. 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 six months ended 30 June 2009 and 2008.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current		
– Hong Kong	**–**	–
– Elsewhere	**2,851**	2,399
Deferred	**(764)**	1,094
Total tax charge for the period	**2,087**	3,493

8. Earnings/(loss) per share attributable to ordinary equity holders of the parent

A diluted earnings per share amount for the six months ended 30 June 2009 has not been disclosed as no diluting events existed during the period.

The calculations of basic and diluted earnings/(loss) per share are based on:

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent	**4,777**	(24,128)

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**4,754,397**	4,785,303
Effect on dilution – weighted average number of ordinary shares:		
Share options	**–**	24,215
	4,754,397	4,809,518

9. Dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2009 (2008: Nil).

10. Trade and bills receivables

	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
Trade and bills receivables	**28,400**	47,742
Impairment	**(1,435)**	(970)
	26,965	46,772

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

	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
Current	**18,471**	38,743
31-60 days	**5,194**	4,786
61-90 days	**2,001**	2,389
Over 90 days	**1,299**	854
	26,965	46,772

11. Trade and bills payables

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
Current	**134,108**	112,428
31-60 days	**6,500**	3,100
61-90 days	**–**	333
Over 90 days	**271**	1,764
	140,879	117,625

BUSINESS REVIEW

Overall review

For the first half of 2009, the Group achieved a turnover of HK$108,448,000 (2008: HK$112,951,000) and a profit attributable to equity holders of HK$4,777,000 (2008: loss of HK$24,128,000). Basic earnings per share amounted to HK¢0.10 (2008: basic loss per share of HK¢0.50).

Electric and steam power supply business

For the first half of 2009, the turnover of Zhejiang Sealand Thermoelectric Share-Holding Co. ("Zhejiang Sealand"), a subsidiary of the Company, decreased slightly by 4% from HK$111,860,000 to HK$107,067,000. The overall gross profit rate remained at 6%. Zhejiang Sealand continued to enhance production efficiency through implementing technology innovation, strengthening internal management and reinforcing production safety. It also endeavored to benefit from the government grant program in terms of energy saving and environmental protection. Government grants of HK$2,366,000 (2008: HK$639,000) was earned during the period. The electric and steam power supply business recorded a profit of HK$618,000 (2008: HK$2,255,000) for the period.

Aero-technology related business

Totally 16 EC120 helicopters were sold in the first half of 2009. Turnover from the aero-technology related business amounted to HK$1,381,000 (2008: HK$1,091,000). Having considered the profit and cashflow forecast of Project EC120, the Group made a provision for impairment of HK$2,000,000 (2008: HK$2,000,000) against the financial assets thereunder. As a result, the aero-technology related business recorded a loss of HK$1,419,000 (2008: HK$2,399,000) for the period.

Others

For the six months ended 30 June 2009, the Group recorded fair value gain on equity investments at fair value through profit or loss and derivative financial instruments of HK$5,070,000 (2008: fair value loss of HK$12,064,000), dividend income from available-for-sale investments of HK$6,938,000 (2008: nil) and share of losses of jointly-controlled entity and associates of HK$17,000 (2008: HK$420,000).

PROSPECTS

In the second half year, Zhejiang Sealand will continue to reinforce production safety and to improve production efficiency through implementing technology innovation. In coordination with the enhanced internal management, Zhejiang Sealand will strive for better results.

It is the long term strategy of the Group to further develop and diversify its aero-technology related business. The Group will closely monitor projects in aviation industry and aviation-related industry in China with good prospects.

FINANCIAL REVIEW

Liquidity, capital structure and financial resources

The Group has consistently maintained sufficient working capital. As at 30 June 2009, the Group had current assets of HK$524,871,000 (31 December 2008: HK$545,937,000), including cash and bank balances and time deposits in an aggregate of HK$377,181,000 (31 December 2008: HK$404,406,000). The Group's current liabilities as at 30 June 2009 were HK$172,342,000 (31 December 2008: HK$157,445,000).

As at 30 June 2009, the Group's equity attributable to equity holders of the parent amounted to HK$933,335,000 (31 December 2008: HK$919,058,000), comprising issued capital of HK$475,440,000 (31 December 2008: HK$475,440,000) and reserves of HK$457,895,000 (31 December 2008: HK$443,618,000). The Group's outstanding bank borrowing as at 30 June 2009 amounted to HK$17,045,000 (31 December 2008: HK$29,412,000). 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 2008: 3%).

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

Charges on the Group's assets

As at 30 June 2009, 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$28,542,000 (31 December 2008: HK$27,446,000);

(b) certain of the Group's leasehold land with an aggregate net book value of approximately HK$28,528,000 (31 December 2008: HK$29,092,000); and

(c) certain of the Group's short term time deposits amounting to HK$60,458,000 (31 December 2008: HK$53,672,000).

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

On 4 January 2006, Sino-Aviation Investments Limited ("Sino-Aviation Investments"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "JV Agreement") with AVIC International Holding Corporation ("AVIC Int'l"), a substantial shareholder of the Company, and Chengdu Aircraft Industry (Group) Corporation Ltd. ("Chengdu Aircraft"), for the establishment of a joint venture to engage in the research and development, design and manufacture of parts and components for commercial aircraft, and provision of related technical services. According to the JV Agreement, the total registered capital of the joint venture will be RMB100 million (equivalent to approximately HK$114 million), of which 40%, 15% and 45% respectively, will be contributed by Sino-Aviation Investments, AVIC Int'l and Chengdu Aircraft. The JV Agreement is conditional upon (i) the internal approval obtained by each of the three parties; and (ii) the approvals from the relevant PRC authorities. As at 30 June 2009, the JV agreement has not become effective as the conditions stated above have not been fulfilled.

Save as disclosed above, the Group had no other material acquisitions or disposals during the period.

CONTINGENT LIABILITIES

As at 30 June 2009, the Group had a contingent liability in respect of guarantees given to banks by the Group for banking facilities granted to major suppliers of HK$39,773,000 (31 December 2008: HK$39,593,000) which were utilised to the extent of approximately HK$31,507,000 (31 December 2008: HK$31,365,000).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2009, there were 274 (31 December 2008: 282) 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 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 2009, 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 (the "Listing Rules"), except for all Non-executive Directors are appointed without specific terms. 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 the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2009.

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. It currently comprises three Independent Non-executive Directors of the Company.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009 have been reviewed by the Audit Committee, and have 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 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
Fu Shula
Chairman

Hong Kong, 21 September 2009

As at the date of this announcement, the Board of the Company comprises Mr. Fu Shula, Mr. Ji Guirong, Mr. Ma Zhiping, Mr. Pan Linwu, Mr. Liu Rongchun 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.