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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 2010

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 2010, 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	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**128,934**	108,448
Cost of sales		**(114,339)**	(101,139)
Gross profit		**14,595**	7,309
Other income and gains	*4*	**8,118**	16,064
Administrative and other operating expenses, net		**(17,574)**	(18,815)
Finance costs	*5*	**(2,012)**	(1,112)
Deficit on revaluation of an investment property		**–**	(700)
Gain on deemed disposal of an associate		**1,600**	–
Share of profits and losses of:			
Jointly-controlled entity		**4,855**	2,351
Associates		**(2,327)**	(2,368)
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 derivative financial instruments		**(3,042)**	5,070

	Notes	For the six months ended 30 June **2010** (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
PROFIT BEFORE TAX	*6*	**2,213**	7,113
Income tax expense	*7*	**(2,893)**	(2,087)
PROFIT/(LOSS) FOR THE PERIOD		**(680)**	5,026
ATTRIBUTABLE TO:			
Equity holders of the parent		**(3,182)**	4,777
Non-controlling interests		**2,502**	249
		(680)	5,026
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic and diluted		**(HK0.07 cent)**	HK0.10 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**(680)**	5,026
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Change in fair value	**1,084,367**	9,698
Reclassification adjustment for gain included in the consolidated income statement		
– Gain on disposal	**–**	(1,314)
Income tax effect	**(270,305)**	–
	814,062	8,384
Share of other comprehensive income of a jointly-controlled entity	**618,945**	–
Exchange difference on translation of foreign operations	**3,956**	1,860
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**1,436,963**	10,244
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,436,283**	15,270
ATTRIBUTABLE TO:		
Equity holders of the parent	**1,432,500**	14,277
Non-controlling interests	**3,783**	993
	1,436,283	15,270

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2010 (Unaudited) *HK$'000***	31 December 2009 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**287,057**	281,865
Prepaid land lease payments		**28,478**	28,507
Goodwill		**30,493**	30,493
Interest in a jointly-controlled entity		**667,119**	43,319
Interests in associates		**230,772**	170,042
Financial asset under Project EC120		**1,459**	3,459
Available-for-sale investments	*10*	**1,119,410**	63,285
Total non-current assets		**2,364,788**	620,970
CURRENT ASSETS			
Inventories		**18,549**	13,945
Trade and bills receivables	*11*	**32,651**	32,488
Loans to associates		**–**	50,139
Loan to a related company		**17,241**	–
Prepayments, deposits and other receivables		**61,573**	81,745
Derivative financial instrument	*12*	**20,753**	23,794
Available-for-sale investment	*10*	**28,350**	–
Pledged time deposits		**37,729**	45,051
Cash and cash equivalents		**331,796**	330,479
Total current assets		**548,642**	577,641
CURRENT LIABILITIES			
Due to non-controlling shareholders of a subsidiary		**311**	–
Trade and bills payables	*13*	**83,588**	112,698
Tax payable		**7,349**	8,779
Other payables and accruals		**19,134**	21,188
Interest-bearing bank borrowings		**77,586**	28,409
Total current liabilities		**187,968**	171,074
NET CURRENT ASSETS		**360,674**	406,567
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,725,462**	1,027,537
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**277,295**	6,654
Net assets		**2,448,167**	1,020,883

	30 June 2010 (Unaudited) *HK$'000*	31 December 2009 (Audited) *HK$'000*
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**475,440**	475,440
Reserves	**1,912,515**	480,015
	2,387,955	955,455
Non-controlling interests	**60,212**	65,428
Total equity	**2,448,167**	1,020,883

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 2009, 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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments are effective for annual periods beginning on or after 1 July 2009, or for annual periods beginning on or after 1 January 2010, although there are separate transitional provisions for each standard or interpretation.

The adoption of the new and revised HKFRSs had no material impact on the results and financial position for the current or prior accounting periods which have been prepared and presented.

3. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has identified two reportable operating segments as follows:

(a) the electric and steam power supply segment engages in the generation and sale of electric and steam power; and

(b) Project EC120 segment engages in the share of profit from the development, manufacture and distribution of helicopters.

Management monitors the results of its operating segments separately for the purposes of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable profit/(loss), which is a measure of adjusted profit/(loss) for the period except that head office's other income and gains, gain on deemed disposal of an associate, share of profits and losses of a jointly-controlled entity and associates, gain on disposal 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.

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

	Revenue		**Results**	
	For the six months ended 30 June			
	2010	2009	**2010**	2009
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Electric and steam power supply	**128,365**	107,067	**7,562**	618
Project EC120	**569**	1,381	**(2,397)**	(1,419)
Segment revenue and results	**128,934**	108,448	**5,165**	(801)
Unallocated other income and gains			**1,770**	8,579
Corporate and other unallocated expenses			**(8,627)**	(9,119)
Gain on deemed disposal of an associate			**1,600**	–
Share of profits and losses of:				
Jointly-controlled entity			**4,855**	2,351
Associates			**(2,327)**	(2,368)
Gain on disposal of an available-for-sale investment			**–**	1,314
Fair value gain/(loss) on derivative financial instruments			**(3,042)**	5,070
Profit/(loss) before tax			**(606)**	5,026
Unallocated income tax expense			**(74)**	–
Profit/(loss) for the period			**(680)**	5,026

4. Other income and gains

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income		
Bank interest income	**1,159**	1,227
Interest income on convertible bonds issued by an associate	**273**	209
Interest income on loans to an associate	**562**	553
Interest income on other receivables	**451**	474
Income from installation of infrastructure for steam supply	**3,968**	2,323
Government grants	**1,012**	2,366
Income from sale of coal residues	**620**	1,530
Dividend income from available-for-sale investments	**–**	6,938
Gross rental income	**–**	134
Others	**73**	70
	8,118	15,824
Gains		
Gains on disposal of items of property, plant and equipment	**–**	240
	8,118	16,064

5. Finance costs

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank overdrafts and bank loans wholly repayable within five years	**2,012**	1,112

6. Profit before tax

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

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of electric and steam power supply	**114,339**	101,139
Depreciation	**9,339**	9,181
Recognition of prepaid land lease payments	**368**	364
Provision for impairment of trade and bills receivables, net	**–**	460
Write-off of other receivables	**–**	14

7. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made for the six months ended 30 June 2009 as the Group did not generate any assessable profits arising in Hong Kong during that period. 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	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**74**	–
– Elsewhere	**2,483**	2,851
Deferred	**336**	(764)
Total tax charge for the period	**2,893**	2,087

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

The calculations 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$3,182,000 (2009: profit of HK$4,777,000) and the weighted average number of ordinary shares of 4,754,397,000 (2009: 4,754,397,000) in issue during the period.

No adjustment has been made to the basic earnings/(losses) per share amounts presented for the periods ended 30 June 2010 and 2009 in respect of a dilution as the Group has no potentially dilutive ordinary shares in issue during those periods.

9. Dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2010 (2009: Nil).

10. Available-for-sale investments

	30 June 2010	31 December 2009
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Non-current:		
Listed overseas investments, at fair value *(note)*	**1,114,532**	–
Unlisted investments, at cost *(note)*	**–**	33,231
Unlisted investments, at fair value:		
Bond component of convertible bonds issued by Sino Gas Group Limited ("Sino Gas"), an associate of the Group	**–**	25,201
Club debentures	**4,878**	4,853
	1,119,410	63,285
Current:		
Unlisted investment, at fair value:		
Bond component of convertible bonds issued by Sino Gas	**28,350**	–

Note:

During the year ended 31 December 2009, these investments consisted of investments in unlisted equity securities which were designated as available-for-sale investments and had no fixed maturity date or coupon rate. These investments were stated at cost less impairment as at 31 December 2009 because the range of reasonable fair value estimates was so significant that the directors were of the opinion that their fair values could not be measured reliably.

During the period, upon the successful listing of the equity securities in Shenzhen Stock Exchange, the directors are in the opinion that the fair values of the listed equity securities can be measured reliably based on the quoted market price and therefore these investments were stated at fair value as at 30 June 2010.

11. Trade and bills receivables

	30 June 2010 (Unaudited) *HK$'000*	31 December 2009 (Audited) *HK$'000*
Trade and bills receivables	**34,070**	33,891
Impairment	**(1,419)**	(1,403)
	32,651	32,488

The Group's trade receivables mainly represent the receivable from the sale of electric and steam power. The Group's trading terms with these customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 60 days, extending up to 90 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. 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:

	30 June 2010 (Unaudited) *HK$'000*	31 December 2009 (Audited) *HK$'000*
Current	**23,976**	26,910
31-60 days	**5,247**	3,619
61-90 days	**1,416**	746
Over 90 days	**2,012**	1,213
	32,651	32,488

12. Derivative financial instrument

Derivative financial instrument represents the conversion option of convertible bonds issued by Sino Gas and purchased by the Group.

13. **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 2010 (Unaudited) *HK$'000*	31 December 2009 (Audited) *HK$'000*
Current	**76,839**	108,026
31-60 days	**523**	2,907
61-90 days	**128**	81
Over 90 days	**6,098**	1,684
	83,588	112,698

BUSINESS REVIEW

Overall review

For the first half of 2010, the Group achieved turnover of HK$128,934,000 (2009: HK$108,448,000) and loss attributable to equity holders of HK$3,182,000 (2009: profit of HK$4,777,000). Basic losses per share amounted to HK¢0.07 (2009: basic earnings per share of HK¢0.10).

Electric and steam power supply

For the first half of 2010, the turnover of Zhejiang Sealand Thermoelectric Share-Holding Co. ("Zhejiang Sealand"), a non-wholly-owned subsidiary of the Group principally engaging in the supply of electric and steam power in the Linping industrial region of Hangzhou in China, increased by 20% from HK$107,067,000 to HK$128,365,000. The overall gross profit rate increased from 6% to 11%. The consumer's demand for steam power started to recover from the Global Financial Tsunami. The sales volume of steam power for the period was 560,000 tonnes, an increase of 8% from 2009. The average selling price of steam power was raised by 15% so as to cope with the rise in coal price. The electric and steam power supply segment recorded profit of HK$7,562,000 (2009: HK$618,000) for the period.

Project EC120

Totally 16 EC120 helicopters were sold in the first half of 2010. Turnover amounted to HK$569,000 (2009: HK$1,381,000). Having considered the profit and cashflow forecast of Project EC120, the Group made a provision for impairment of HK$2,000,000 (2009: HK$2,000,000) against the financial assets thereunder. As a result, Project EC120 segment recorded loss of HK$2,397,000 (2009: HK$1,419,000) for the period.

Others

For the first half of 2010, the turnover of Sino Gas, an associate of the Group principally engaging in the operation of CNG and LPG refueling stations, increased by 98% from HK$241,434,000 to HK$477,784,000. The loss attributable to owners of its parent amounted to HK$4,405,000 (2009: HK$5,884,000).

The Group recorded an increase in the value of the investments (after tax) of approximately HK$1,433,000,000 as at 30 June 2010 due to change in the fair value measurement of these investments upon their publicly listing. Such increase had no impact on the condensed consolidated income statement.

PROSPECTS

Looking forward, with the economy in Mainland China has stabilised and the sign of recovery has been shown, Zhejiang Sealand will continue to implement strict cost control measures and to reinforce internal management so as to strive for better results.

It is the long term strategy of the Group to further develop and diversify its aero-related business. The Group will closely monitor projects in aviation industry and aero-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 2010, the Group had current assets of HK$548,642,000 (31 December 2009: HK$577,641,000), including cash and bank balances and time deposits in an aggregate of HK$369,525,000 (31 December 2009: HK$375,530,000). The Group's current liabilities as at 30 June 2010 were HK$187,968,000 (31 December 2009: HK$171,074,000).

As at 30 June 2010, the Group's equity attributable to equity holders of the parent amounted to HK$2,387,955,000 (31 December 2009: HK$955,455,000), comprising issued capital of HK$475,440,000 (31 December 2009: HK$475,440,000) and reserves of HK$1,912,515,000 (31 December 2009: HK$480,015,000). The Group's outstanding bank borrowing as at 30 June 2010 amounted to HK$77,586,000 (31 December 2009: HK$28,409,000). 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 3% (31 December 2009: 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 2010, 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$27,111,000 (31 December 2009: HK$22,119,000);

(b) certain of the Group's leasehold land with an aggregate net book value of approximately HK$27,803,000 (31 December 2009: HK$27,798,000); and

(c) certain of the Group's short term time deposits amounting to HK$37,729,000 (31 December 2009: HK$45,051,000).

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 2010, the Group had contingent liabilities in respect of guarantees given to banks by the Group for banking facilities granted to major suppliers of HK$68,966,000 (31 December 2009: HK$68,182,000) which were utilised to the extent of approximately HK$68,966,000 (31 December 2009: HK$68,182,000).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2010, there were 269 (31 December 2009: 272) 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 2010, 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 2010.

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 2010 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
Wu Guangquan
Chairman

Hong Kong, 26 August 2010

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