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 2012

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 2012, 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	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS			
REVENUE	3	**41,319**	–
Cost of sales		**(34,361)**	–
Gross profit		**6,958**	–
Other income	4	**10,300**	7,595
Administrative and other operating expenses, net		**(51,052)**	(10,863)
Finance costs	5	**(1,608)**	–
Loss on deemed disposal of an associate		**–**	(3,082)
Gain on disposal of associates		**19,958**	–
Gain on additional investment in an associate		**–**	2,143
Share of profits and losses of:			
Jointly-controlled entity		**211,015**	13,388
Associates		**(2,104)**	342
Gain on disposal of available-for-sale investments		**241,265**	–
Fair value loss on derivative financial instrument		**(2,541)**	–
Gain on disposal of subsidiaries		**19**	–

	Notes	For the six months ended 30 June **2012** **(Unaudited)** ***HK$'000***	2011 (Unaudited) *HK$'000*
PROFIT BEFORE TAX	6	**432,210**	9,523
Income tax expense	7	**(61,021)**	(95)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**371,189**	9,428
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation		**–**	7,132
PROFIT FOR THE PERIOD		**371,189**	16,560
ATTRIBUTABLE TO:			
Equity holders of the parent		**371,489**	14,569
Non-controlling interests		**(300)**	1,991
		371,189	16,560
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For profit for the period		**HK7.82 cents**	HK0.31 cent
– For profit from continuing operations		**HK7.82 cents**	HK0.20 cent
– For profit from the discontinued operation		**N/A**	HK0.11 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**371,189**	16,560
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Change in fair value	**(123,971)**	(559,990)
Reclassification adjustments for gain included in the condensed consolidated income statement		
– gain on disposal	**(241,265)**	–
– conversion of convertible bonds into interest in an associate	**–**	(13,962)
Income tax effect	**91,684**	139,998
	(273,552)	(433,954)
Share of other comprehensive income of a jointly-controlled entity	**(295,323)**	(324,120)
Share of other comprehensive income of an associate	**(162)**	2,612
Exchange differences on translation of foreign operations	**278**	9,326
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(568,759)**	(746,136)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(197,570)**	(729,576)
ATTRIBUTABLE TO:		
Equity holders of the parent	**(197,270)**	(734,564)
Non-controlling interests	**(300)**	4,988
	(197,570)	(729,576)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2012 (Unaudited) *HK$'000***	31 December 2011 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**47,631**	49,961
Prepaid land lease payments		**3,097**	3,127
Goodwill		**4,194**	4,194
Intangible asset		**1,046**	1,141
Investment in a jointly-controlled entity		**425,853**	510,161
Interests in associates		**269,531**	202,786
Financial asset under Project EC120		**–**	–
Available-for-sale investments		**198,569**	534,905
Total non-current assets		**949,921**	1,306,275
CURRENT ASSETS			
Inventories		**6,255**	4,541
Trade and bills receivables	*10*	**17,192**	10,965
Loans to associates		**31,243**	53,243
Loan to a related company		**18,293**	18,293
Prepayments, deposits and other receivables		**310,794**	305,944
Derivative financial instrument		**19,145**	–
Time deposit		**164,634**	164,634
Pledged time deposits		**–**	366
Cash and cash equivalents		**572,932**	631,308
		1,140,488	1,189,294
Assets classified as held for sale		**60,000**	56,281
Total current assets		**1,200,488**	1,245,575
CURRENT LIABILITIES			
Due to non-controlling shareholder of a subsidiary		**313**	95
Trade and bills payables	*11*	**21,133**	24,600
Tax payable		**19,807**	38,762
Other payables and accruals		**79,915**	167,679
Interest-bearing bank borrowings		**39,512**	37,073
Total current liabilities		**160,680**	268,209
NET CURRENT ASSETS		**1,039,808**	977,366

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,989,729**	2,283,641
NON-CURRENT LIABILITY		
Deferred tax liabilities	**36,876**	128,561
Net assets	**1,952,853**	2,155,080
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**468,085**	468,085
Reserves	**1,480,895**	1,682,822
	1,948,980	2,150,907
Non-controlling interests	**3,873**	4,173
Total equity	**1,952,853**	2,155,080

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 (the "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 2011, 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 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

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 reportable operating segments as follows:

(a) the knitting and textile segment engages in the production and distribution of knitting and textile products, knitted fabrics and clothing;

(b) the aero-technology related business segment engages in the share of profit from the development, manufacture and distribution of helicopters; and

(c) the electric and steam power supply segment engages in the generation and sale of electric and steam power (discontinued in 2011).

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 for the period except that head office's other income, loss on deemed disposal of an associate, gain on disposal of associates, gain on additional investment in an associate, share of profits and losses of jointly-controlled entity and associates, gain on disposal of available-for-sale investments, fair value 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			
	2012	2011	**2012**	2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Knitting and textile	**41,319**	–	**(610)**	–
Aero-technology related business	**–**	–	**(765)**	(503)
Segment revenue and results	**41,319**	–	**(1,375)**	(503)
Reconciliation:				
Unallocated other income			**7,871**	6,591
Corporate and other unallocated expenses			**(41,490)**	(9,451)
Loss on deemed disposal of an associate			**–**	(3,082)
Gain on disposal of associates			**19,958**	–
Gain on additional investment in an associate			**–**	2,143
Share of profits and losses of:				
Jointly-controlled entity			**211,015**	13,388
Associates			**(2,104)**	342
Gain on disposal of available-for-sale investments			**241,265**	–
Fair value loss on derivative financial instrument			**(2,541)**	–
Gain on disposal of subsidiaries			**19**	–
Unallocated income tax expense			**(61,429)**	–
Profit for the period from continuing operations			**371,189**	9,428
Discontinued operation				
Electric and steam power supply	**–**	143,648	**–**	6,811
Reconciliation:				
Corporate and other unallocated income			**–**	79
Unallocated income tax credit			**–**	242
Profit for the period from a discontinued operation			**–**	7,132
Profit for the period			**371,189**	16,560

4. OTHER INCOME

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**3,939**	1,435
Interest income on a loan to a related company	**–**	643
Interest income on convertible bonds issued by an associate	**332**	156
Interest income on loans to associates	**1,435**	562
Interest income on other receivable	**75**	–
Income from installation of infrastructure for steam supply	**–**	1,908
Government grants	**–**	959
Income from sale of coal residues	**–**	1,121
Dividend income from an available-for-sale listed investment	**4,323**	5,218
Others	**196**	68
	10,300	12,070
Attributable to continuing operations	**10,300**	7,595
Attributable to the discontinued operation	**–**	4,475
	10,300	12,070

5. FINANCE COSTS

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**1,608**	3,861
Attributable to continuing operations	**1,608**	–
Attributable to the discontinued operation	**–**	3,861
	1,608	3,861

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**34,361**	–
Cost of electric and steam power supply	**–**	126,806
Depreciation	**2,914**	11,878
Amortisation of intangible asset	**95**	–
Recognition of prepaid land lease payments	**36**	382
Provision for impairment of trade and bills receivables, net	**942**	–
Write-off of other receivables	**2,035**	–

\# The disclosure presented in this note include all amounts charged in respect of the continuing operations and the discontinued operation.

7. INCOME TAX

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2012 and 2011 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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	–
– Elsewhere	**61,021**	2,001
Deferred	**–**	497
Total tax charge for the period	**61,021**	2,498
Attributable to continuing operations	**61,021**	95
Attributable to the discontinued operation	**–**	2,403
	61,021	2,498

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of HK$371,489,000 (2011: HK$14,569,000) and the weighted average number of ordinary shares of 4,753,107,000 (2011: 4,754,397,000) in issue during the period.

The calculation of basic earnings per share from continuing operations is based on the profit for the period from continuing operations attributable to ordinary equity holders of the parent of HK$371,489,000 (2011: HK$9,428,000) and the weighted average number of ordinary shares of 4,753,107,000 (2011: 4,754,397,000) in issue during the period.

The calculation of basic earnings per share from the discontinued operation for the six months ended 30 June 2011 was based on the profit for the period from the discontinued operation attributable to ordinary equity holders of the parent of HK$5,141,000 and the weighted average number of ordinary shares of 4,754,397,000 in issue during that period.

The Group had 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 2012 (2011: Nil).

10. TRADE AND BILLS RECEIVABLES

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Trade and bills receivables	**18,134**	10,965
Impairment	**(942)**	–
	17,192	10,965

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 two 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 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:

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Current	**9,008**	4,887
31 to 60 days	**6,494**	1,461
61 to 90 days	**466**	1,158
Over 90 days	**1,224**	3,459
	17,192	10,965

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 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Current	**11,080**	7,279
31 to 60 days	**5,134**	5,779
61 to 90 days	**1,757**	4,906
Over 90 days	**3,162**	6,636
	21,133	24,600

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

12. COMPARATIVE AMOUNTS

The comparative amounts in the condensed consolidated income statement has been re-presented as if the operation discontinued during the year ended 31 December 2011 had been discontinued at the beginning of the comparative period.

BUSINESS REVIEW

Overall review

In 2011, the Group disposed of its electric and steam power supply business by disposing 53% out of its 56% equity interest in Zhejiang Sealand Thermoelectric Share-Holding Co. ("Zhejiang Sealand"). The details of the disposal were set out in the circular of the Company dated 7 December 2011. Upon the disposal, the electric and steam power supply segment became discontinued. The profit from the discontinued operation was presented separately on the condensed consolidated income statement.

On 28 December 2011, the Group acquired a 51% equity interest in 浙江東陽金牛針織製衣有限公司 ("Zhejiang Dongyang Jinniu") which is engaged in the production and distribution of knitting and textile products, knitted fabrics and clothing in Zhejiang Province, the PRC. As such, the knitting and textile segment becomes a new reportable operating segment of the Group.

For the first half of 2012, the Group recorded turnover of HK$41,319,000 (2011: Nil (excluding the discontinued operation)) and profit attributable to equity holders of HK$371,489,000 (2011: HK$14,569,000). Basic earnings per share amounted to HK¢7.82 (2011: HK¢0.31).

Knitting and textile

For the first half of 2012, the turnover of Zhejiang Dongyang Jinniu was HK$41,319,000. The overall gross profit rate was 17%. The sales volume of knitting and textile products for the period was 1,351 tonnes. The knitting and textile segment recorded loss of HK$610,000 for the period.

Aero-technology related business

No EC120 helicopters were sold in the first half of 2012. A loss was incurred 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 loss of HK$765,000 (2011: HK$503,000) for the period.

Others

During the six months ended 30 June 2012, the Group completed its disposal of its entire 47.91% equity interest in Fidelity Finance Leasing Limited ("Fidelity Finance") and its subsidiary, and the assignment of the shareholder's loan due and owing to the Group by Fidelity Finance, to Sino Gas Finance Limited, a wholly-owned subsidiary of China Environmental Investment Holdings Limited ("CEIH"), an associate of the Group, at an aggregate consideration of HK$51,776,000 which was satisfied by convertible bonds issued by CEIH. As a result, a gain on disposal of associates of HK$19,958,000 (2011: Nil) was recorded by the Group.

During the six months ended 30 June 2012, the Group disposed of certain listed investments and recorded gain on disposal of available-for-sale investments of HK$241,265,000 (2011: Nil). In addition, the Group recorded share of profits of jointly-controlled entity and associates of HK$208,911,000 (2011: HK$13,730,000). The increase was mainly attributable to the satisfactory results achieved by the jointly-controlled entity. The Group also recorded dividend income from an available-for-sale listed investment of HK$4,323,000 (2011: HK$5,218,000) for the period.

Administrative and other operating expenses increased from HK$10,863,000 to HK$51,052,000 which was due to the inclusion of expenses of Zhejiang Dongyang Jinniu in 2012, as well as the increase in legal and professional fee incurred as a result of the acquisition of Zhejiang Dongyang Jinniu and disposal of Zhejiang Sealand.

As disclosed in the announcements of the Company dated 11 May 2012 and 1 June 2012, the Group entered into a subscription agreement and a subscription supplemental agreement to subscribe for 2,452 shares of Sinbo Investment Limited ("Sinbo") at a cash consideration of HK$60 million (the "Subscription"); as well as a disposal agreement and a disposal supplemental agreement to dispose of its entire equity interest in Sinbo to Mongolia Investment Group Limited at a consideration of HK$339,900,000 by way of shares and convertible notes (the "Disposal"). On 29 June 2012, the Subscription was completed and the investment in Sinbo was accounted for as asset classified as held for sale. Subsequent to the end of the reporting period, on 21 August 2012, the Disposal lapsed and the details of which were contained in the announcement of the Company dated 21 August 2012.

PROSPECTS

Looking forward, the Group is optimistic about the prospects of the knitting and textile business in light of (i) the continuing economic development in the PRC; (ii) the increasing per capita disposable income in the PRC; and (iii) the extensive industrial experience and established customer base of Zhejiang Dongyang Jinniu. At the same time, the Group will keep reviewing the business portfolio from time to time, and will continue to identify possible acquisition opportunities in businesses in other industries with good prospects, with the aim to optimise its business portfolio and to increase shareholders' value.

FINANCIAL REVIEW

Liquidity, capital structure and financial resources

The Group has consistently maintained sufficient working capital. As at 30 June 2012, the Group had current assets of HK$1,200,488,000 (31 December 2011: HK$1,245,575,000), including cash and bank balances and time deposits in an aggregate of HK$737,566,000 (31 December 2011: HK$796,308,000). The Group's current liabilities as at 30 June 2012 were HK$160,680,000 (31 December 2011: HK$268,209,000).

During the six months ended 30 June 2012, the Company repurchased a total of 19,454,000 shares of the Company on the Stock Exchange at prices ranged from HK$0.227 to HK$0.250 per share for an aggregate consideration of HK$4,657,000.

As at 30 June 2012, the Group's equity attributable to equity holders of the parent amounted to HK$1,948,980,000 (31 December 2011: HK$2,150,907,000), comprising issued capital of HK$468,085,000 (31 December 2011: HK$468,085,000) and reserves of HK$1,480,895,000 (31 December 2011: HK$1,682,822,000). The Group's outstanding bank borrowing as at 30 June 2012 amounted to HK$39,512,000 (31 December 2011: HK$37,073,000). 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 2011: 2%).

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

Charges on the Group's assets

As at 30 June 2012, 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$3,839,000 (31 December 2011: HK$3,964,000); and

(b) certain of the Group's leasehold land with an aggregate net book value of approximately HK$3,169,000 (31 December 2011: HK$3,205,000).

As at 31 December 2011, certain of the Group's short term time deposits amounting to HK$366,000 had been pledged to secure the Group's banking facilities.

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 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$33,415,000 (31 December 2011: HK$28,171,000) which were utilised to the extent of HK$23,659,000 (31 December 2011: HK$28,171,000).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, there were 104 (31 December 2011: 97) 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 as follows:

Month	No. of shares repurchased	Price per share Highest	Lowest	Total price paid
		HK$	*HK$*	*HK$'000*
June 2012	19,454,000	0.250	0.227	4,644

The purchased shares were subsequently cancelled and the issued share capital of the Company was reduced by the par value thereof. The premium together with the relevant expenses paid on the repurchase of the shares in an aggregate of HK$2,712,000 has been charged to the share premium account.

The repurchase 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 emphasizing transparency, accountability and responsibility to its shareholders.

Throughout the six months ended 30 June 2012, 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 (effective until 31 March 2012) and the Corporate Governance Code (the "New Code") (effective from 1 April 2012) 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.

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 provision A.5 of the New 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 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.

Due to other business commitments, the Non-executive Director, Mr. Ip Tak Chuen Edmond and an Independent Non-executive Director, Mr. Li Zhaoxi, were unable to attend the annual general meeting of the Company held in May 2012 as provided for in code provision A.6.7 of the New Code.

The Company does not have formal letters of appointment for Directors (except Mr. Ji Guirong had a service agreement with the Company) setting out the key terms and conditions of their appointment as provided in code provision D.1.4 of the New Code. However, the Directors are required to refer to the relevant key terms and conditions as set out in the Bye-laws of the Company and the guidelines set out in A Guide on Directors' Duties issued by the Companies Registry and Guidelines for Directors and Guide for Independent Non-executive Directors (if applicable) published by the Hong Kong Institute of Directors.

Mr. Wu Guangquan, the Chairman of the Board, was unable to attend the annual general meeting held in May 2012 as provided for in code provision E.1.2 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 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 2012.

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 2012 interim report. It currently comprises three Independent Non-executive Directors, namely, Mr. Chu Yu Lin, David (Chairman of the Audit Committee), 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 2012 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, 23 August 2012

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.