

2013 Interim Report



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)



CONTENTS

Chairman's Statement	2
Other Information	6
Interim Financial Statements	14
Report on Review of Interim Financial Information	37



CHAIRMAN'S STATEMENT

RESULTS

The board of directors (the "Board") of AVIC International Holding (HK) Limited (the "Company") presents the interim report which includes the unaudited interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013. The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the six months ended 30 June 2013 and consolidated statement of financial position as at 30 June 2013 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 14 to 36 of this report.

BUSINESS REVIEW

Overall review

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

Knitting and textile business

For the first half of 2013, the purchase orders received by 浙江東陽金牛針織製衣有限公司 ("Zhejiang Dongyang Jinniu") reduced obviously as compared to the corresponding period in 2012 as the overall situation of the textile industry was unsatisfactory. The turnover was HK\$16,529,000 (2012: HK\$41,319,000) and the sales volume was approximately 714 tonnes (2012: 1,351 tonnes). The gross profit rate increased from 17% to 19% which was mainly due to the change of the production's shift system from 3-shifts to 2-shifts, which in turn cut the number of labours by 1/3 and thus the labour cost was reduced correspondingly. The knitting and textile business segment recorded loss of HK\$522,000 (2012: HK\$610,000) 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 2013. No turnover was recorded by the Group for the period as a breakeven (2012: a loss) 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. In addition, bank interest income of HK\$4,337,000 (2012: HK\$1,522,000) was recorded by the aero-technology related business segment in the first half of 2013. The aero-technology related business segment recorded profit of HK\$3,288,000 (2012: loss of HK\$765,000) for the period.

Others

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

PROSPECTS

The Group, as an investment holding company, is committed to making investments in the aero-technology related business and other fields, and aims to enhance its value and create long-term return for its shareholders in terms of returns on investments and operating profits. Given that China is encouraging the development of its aviation industry, particularly the reform of low-altitude airspace management, the aero-technology related business will have a golden opportunity for development in future. Meanwhile, with the extensive industrial experience and established customer base of Zhejiang Dongyang Jinniu, the Group is optimistic about the prospect of its knitting and textile business. The Group will identify the projects with a bright development prospect, and will continue to review and optimise its business portfolios.



FINANCIAL REVIEW

Liquidity, capital structure and financial resources

The Group has consistently maintained sufficient working capital. As at 30 June 2013, the Group had current assets of HK\$1,191,120,000 (31 December 2012: HK\$1,180,482,000), including cash and bank balances and time deposits in an aggregate of HK\$989,504,000 (31 December 2012: HK\$1,031,414,000). The Group's current liabilities as at 30 June 2013 were HK\$73,127,000 (31 December 2012: HK\$92,971,000).

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

As at 30 June 2013, the Group's equity attributable to equity holders of the parent amounted to HK\$2,011,958,000 (31 December 2012: HK\$1,952,617,000), comprising issued capital of HK\$464,276,000 (31 December 2012: HK\$466,140,000) and reserves of HK\$1,547,682,000 (31 December 2012: HK\$1,486,477,000). The Group's outstanding bank borrowing as at 30 June 2013 amounted to HK\$40,126,000 (31 December 2012: HK\$14,625,000). The Group's gearing ratio, calculated on the basis of total bank borrowings as a percentage of equity attributable to equity holders of the parent, was 2% (31 December 2012: 1%).

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

Charges on the Group's assets

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

- (a) certain of the Group's land and buildings with an aggregate net book value of approximately HK\$4,007,000 (31 December 2012: HK\$4,112,000);
- (b) the Group's leasehold land with an aggregate net book value of approximately HK\$3,189,000 (31 December 2012: HK\$3,179,000); and
- (c) certain of the Group's short term time deposits amounting to approximately HK\$380,000 (31 December 2012: HK\$6,625,000).



Exposure to fluctuations in exchange rates

The Group's foreign currency exposures primarily arise from certain sales or purchases by operating units in currencies other than the unit's functional currency. In view of the fact that the Group tries to match its assets and liabilities with the same currency, the Group's exposure to foreign currency risk is minimal.

MATERIAL ACQUISITIONS AND DISPOSALS

Save for the transactions described elsewhere in this interim report, the Group had no other material acquisitions or disposals during the period.

CONTINGENT LIABILITIES

Details of the significant contingent liabilities of the Group are set out in note 13 to the interim financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 16 to the interim financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, there were 92 (31 December 2012: 105) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

APPRECIATION

I would like to take this opportunity to express my appreciation to my fellow directors and all our staff for their support, hard work and dedication.

By Order of the Board
AVIC International Holding (HK) Limited
Wu Guangquan
Chairman

Hong Kong, 23 August 2013



OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in share options of associated corporation of the Company:

Name of Director	Notes	Name of associated corporation	Relationship with the Company	Number of share options held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital as at 30 June 2013
Ji Guirong	(a)	China Environmental Investment Holdings Limited ("CEIH")	Associate	52,350,000	Beneficial owner	1.19
Zhang Chuanjun	(b)	CEIH	Associate	40,000,000	Beneficial owner	0.91

Notes:

- (a) (i) On 23 August 2007, Mr. Ji was granted options to subscribe for an aggregate of 14,900,000 ordinary shares of HK\$0.20 each in CEIH at an exercise price of HK\$0.35 per share. With effect from 23 February 2012, the number and the exercise price of the share options granted were adjusted from 14,900,000 to 22,350,000 and HK\$0.35 per share to HK\$0.233 per share respectively.



- (ii) On 31 August 2010, Mr Ji was granted options to subscribe for an aggregate of 20,000,000 ordinary shares of HK\$0.20 each in CEIH at an exercise price of HK\$0.341 per share. With effect from 23 February 2012, the number and the exercise price of the share options granted were adjusted from 20,000,000 to 30,000,000 and HK\$0.341 per share to HK\$0.227 per share respectively.

The exercise periods of the options are as follows:

Number of share options	Exercise period
7,450,000	1/10/2007 to 31/1/2015
7,450,000	1/1/2008 to 31/1/2015
7,450,000	1/7/2008 to 31/1/2015
30,000,000	31/8/2010 to 30/8/2020
52,350,000	

No options have been exercised, cancelled or lapsed during the period. All the above options remained outstanding as at 30 June 2013.

- (b) (i) On 3 January 2006, Mr. Zhang was granted options to subscribe for an aggregate of 10,000,000 ordinary shares of HK\$0.20 each in CEIH at an exercise price of HK\$0.20 per share.
- (ii) On 31 August 2010, Mr. Zhang was granted options to subscribe for an aggregate of 20,000,000 ordinary shares of HK\$0.20 each in CEIH at an exercise price of HK\$0.341 per share. With effect from 23 February 2012, the number and the exercise price of the share options granted were adjusted from 20,000,000 to 30,000,000 and HK\$0.341 per share to HK\$0.227 per share respectively.

The exercise periods of the options are as follows:

Number of share options	Exercise period
5,000,000	1/7/2006 to 31/1/2015
5,000,000	1/1/2007 to 31/1/2015
30,000,000	31/8/2010 to 30/8/2020
40,000,000	

No options have been exercised, cancelled or lapsed during the period. All the above options remained outstanding as at 30 June 2013.



Certain Directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company.

Save as disclosed above, as at 30 June 2013, none of the Directors of the Company had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section Directors' Interests and Short Positions in Shares and Underlying Shares above and in the section Share Option Scheme below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

At the annual general meeting held on 13 May 2003, the Company adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The share option scheme was expired on 12 May 2013. Since the adoption of the share option scheme, no options have been granted thereunder.



SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name of shareholders	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital as at 30 June 2013
Speed Profit Enterprises Limited ("Speed Profit")	(a)	Beneficial owner	508,616,000	10.95
Tacko International Limited ("Tacko")	(a)	Beneficial owner	1,386,943,000	29.87
		Through a controlled corporation	508,616,000	10.95
AVIC International (HK) Group Limited ("AVIC International (HK) Group")	(a)	Through a controlled corporation	1,895,559,000	40.82
AVIC International	(a)	Through a controlled corporation	1,895,559,000	40.82
Aviation Industry Corporation of China ("AVIC")	(a)	Through a controlled corporation	1,895,559,000	40.82
Atlantis Capital Holdings Limited ("Atlantis Capital")	(b)	Through a controlled corporation	370,284,000	7.97
Liu Yang	(b)	Through a controlled corporation	370,284,000	7.97

Notes:

- (a) Speed Profit is a wholly-owned subsidiary of Tacko, which in turn is a wholly-owned subsidiary of AVIC International (HK) Group. AVIC International (HK) Group is a wholly-owned subsidiary of AVIC International, which in turn is a non wholly-owned subsidiary of AVIC. Accordingly, Tacko is deemed to be interested in the shares held by Speed Profit; and each of AVIC International (HK) Group, AVIC International and AVIC is deemed to be interested in the aggregate shares directly held by Speed Profit and Tacko.



- (b) Pursuant to the disclosure of interests notices filed by each of Atlantis Capital and Ms. Liu Yang on 17 May 2012, Atlantis Investment Management (Hong Kong) Limited ("Atlantis Investment") was disclosed as having direct interest in 370,284,000 shares and was wholly-owned by Atlantis Capital, which in turn was wholly-owned by Ms. Liu Yang. Therefore, Atlantis Capital and Ms. Liu Yang are deemed to be interested in the shares held by Atlantis Investment.

Save as disclosed above, as at 30 June 2013, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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

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



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

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

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the 2012 annual report of the Company, which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director	Details of changes
Mr. Ip Tak Chuen, Edmond	– Appointed as a member of the executive committee of Cheung Kong (Holdings) Limited, a company listed on the Stock Exchange, with effect from 27 March 2013
Mr. Li Ka Fai, David	– Retired as an advisor of China Vanke Co., Ltd, a company listed on Shenzhen Stock Exchange, with effect from 31 March 2013

Saved as disclosed above, the Company is not aware of other changes in the Directors' information which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.



CORPORATE GOVERNANCE PRACTICES

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

Throughout the six months ended 30 June 2013, the Company applied the principles of, and complied with all the code provisions and, where applicable, the recommended best practices of the Corporate Governance Code as set out in Appendix 14 of the 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 provisions A.5.1 to A.5.4. At present, the Company does not consider it necessary to have a nomination committee as the Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board is also responsible for assessing the independence of each Independent Non-executive Director and reviewing the succession plan for the Directors, in particular the Chairman and the Chief Executive Officer.

Mr. Wu Guangquan, the Chairman of the Board, was unable to attend the annual general meeting held in May 2013 as provided for in code provision E.1.2 as he was on an overseas engagement.



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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of the Directors, the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2013.

AUDIT COMMITTEE

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

REVIEW OF INTERIM FINANCIAL STATEMENTS

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



INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
	Notes		
REVENUE	3	16,529	41,319
Cost of sales		(13,439)	(34,361)
Gross profit		3,090	6,958
Other income	4	12,772	10,300
Administrative and other operating expenses, net		(18,466)	(51,052)
Finance costs	5	(1,201)	(1,608)
Loss on deemed disposal of an interest in an associate		(10,189)	–
Gain on disposal of associates		–	19,958
Share of profits and losses of:			
Jointly-controlled entity		(7,252)	211,015
Associates		(13,591)	(2,104)
Gain on disposal of available-for-sale investments		–	241,265
Fair value gain/(loss) on derivative financial instrument		7,796	(2,541)
Gain on disposal of subsidiaries		–	19
PROFIT/(LOSS) BEFORE TAX	6	(27,041)	432,210
Income tax expense	7	(158)	(61,021)
PROFIT/(LOSS) FOR THE PERIOD		(27,199)	371,189



CONDENSED CONSOLIDATED INCOME STATEMENT (cont'd)

		For the six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
<i>Note</i>		HK\$'000	<i>HK\$'000</i>
ATTRIBUTABLE TO:			
	Equity holders of the parent	(26,943)	371,489
	Non-controlling interests	(256)	(300)
		(27,199)	371,189
EARNINGS/(LOSSES) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT			
	– Basic and diluted	(HK0.58 cent)	HK7.82 cents



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

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



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

	Available-										Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Treasury shares HK\$'000	Share option reserve HK\$'000	Share investment revaluation reserve HK\$'000	Reserve fund HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2013	466,140	173,526	(2,631)	5,193	142,062	5,279	45,826	1,117,422	1,952,617	5,582	1,958,199
Loss for the period	-	-	-	-	-	-	-	(26,943)	(26,943)	(256)	(27,199)
Other comprehensive income for the period:											
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	49,728	-	-	-	-	-	49,728
Share of other comprehensive income of a jointly-controlled entity	-	-	-	-	33,199	-	-	-	-	-	33,199
Share of other comprehensive income of associates	-	-	-	-	-	-	(111)	-	-	-	(111)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	8,852	-	8,852	44	8,896
Total comprehensive income for the period	-	-	-	-	82,927	-	8,741	(26,943)	64,725	(212)	64,513
Transfer to reserve fund	-	-	-	-	-	1,875	-	(1,875)	-	-	-
Repurchase of shares	(802)	(1,774)	(2,808)	-	-	-	-	-	(5,384)	-	(5,384)
Cancellation of shares repurchased in 2012	(1,062)	(1,559)	2,631	-	-	-	-	-	-	-	-
At 30 June 2013 (unaudited)	464,276	170,183*	(2,808)*	5,193*	224,989*	7,154*	54,367*	1,088,604*	2,011,956	5,370	2,017,328

* These reserve accounts comprise the consolidated reserves of HK\$1,547,682,000 in the condensed consolidated statement of financial position as at 30 June 2013.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

	Attributable to equity holders of the parent										
	Issued capital	Share premium account	Treasury shares reserve	Share option reserve	Available-for-sale investment revaluation reserve	Reserve fund	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012	468,085	176,238	-	5,100	715,078	-	23,356	763,050	2,150,907	4,173	2,155,080
Profit/(Loss) for the period	-	-	-	-	-	-	-	371,489	371,489	(300)	371,189
Other comprehensive income for the period:											
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	(273,552)	-	-	-	(273,552)	-	(273,552)
Share of other comprehensive income of a jointly-controlled entity	-	-	-	-	(295,323)	-	-	-	(295,323)	-	(295,323)
Share of other comprehensive income of an associate	-	-	-	93	-	-	(255)	-	(162)	-	(162)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	278	-	278	-	278
Total comprehensive income for the period	-	-	-	93	(568,875)	-	23	371,489	(197,270)	(300)	(197,570)
Transfer to reserve fund	-	-	-	-	5,214	-	-	(5,214)	-	-	-
Repurchase of shares	-	-	(4,657)	-	-	-	-	-	(4,657)	-	(4,657)
At 30 June 2012 (unaudited)	468,085	176,238	(4,657)	5,193	146,203	5,214	23,379	1,129,325	1,948,980	3,873	1,952,853



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net cash flows used in operating activities	(99,802)	(233,304)
Net cash flows from investing activities	36,352	176,929
Net cash flows from/(used in) financing activities	19,768	(2,001)
Net decrease in cash and cash equivalents	(43,682)	(58,376)
Cash and cash equivalents at 1 January	1,024,789	631,308
Effect of foreign exchange rate changes, net	8,017	–
Cash and cash equivalents at 30 June	989,124	572,932
Analysis of balances of cash and cash equivalents		
Cash and bank balances	378,412	273,373
Non-pledged time deposits with original maturity of less than three months when acquired	610,712	299,559
	989,124	572,932



NOTES TO INTERIM FINANCIAL STATEMENTS

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 2012, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) for the first time in the current period as disclosed in note 2 below.

2. Changes in accounting policy and disclosures

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

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



2. Changes in accounting policy and disclosures *(cont'd)*

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

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

3. Operating segment information

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

- (a) the knitting and textile business segment engages in the production and distribution of knitting and textile products, knitted fabrics and clothing; and
- (b) the aero-technology related business segment engages in the share of profit from the development, manufacture and distribution of helicopters.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) for the period. The adjusted profit/(loss) for the period is measured consistently with the Group's profit/(loss) for the period except that head office's other income, loss on deemed disposal of an interest in an associate, gain on disposal of associates, share of profits and losses of the jointly-controlled entity and associates, gain on disposal of available-for-sale investments, fair value gain/(loss) on derivative financial instrument, gain on disposal of subsidiaries as well as head office and corporate expenses and unallocated income tax are excluded from such measurement.



3. Operating segment information (cont'd)

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

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



4. Other income

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

5. Finance costs

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



6. Profit/(Loss) before tax

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

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

7. Income tax

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

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

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

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

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

9. Dividend

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

10. Trade and bills receivables

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

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



10. Trade and bills receivables (cont'd)

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

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

11. Trade and bills payables

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

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

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



12. Commitments

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Contracted, but not provided for:		
Establishment of a joint venture (<i>note</i>)	50,633	50,000
Acquisition of a property	–	4,070
	50,633	54,070

Note:

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 International"), 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 aircrafts, and provision of related technical services. According to the JV Agreement, the total registered capital of the joint venture is RMB100 million (equivalent to approximately HK\$127 million), of which 40%, 15% and 45% respectively, will be contributed by Sino-Aviation Investments, AVIC International and Chengdu Aircraft. The JV Agreement is conditional upon (i) the internal approval obtained by each of the three parties; and (ii) the approval from the relevant PRC authorities. As at 30 June 2013, the JV Agreement has not become effective as the conditions stated above have not been fulfilled.



13. Financial guarantees

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

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

14. Related party transactions

- (a) In addition to the transactions described elsewhere in the interim report, the Group had the following material transactions with related parties during the period:

		For the six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
	<i>Notes</i>		
Net loss from Project EC120	<i>(i)</i>	–	(1,468)
Interest income on a loan to a related company		566	–
Associates:			
Interest income on convertible bonds issued by an associate	<i>(ii)</i>	518	332
Interest income on loans to associates		598	1,435



14. Related party transactions (cont'd)

(a) (cont'd)

Notes:

- (i) During the period, a breakeven was recorded by AVIC International from the operations of Project EC120. During the six months ended 30 June 2012, the balance represented the Group's share of 80% of net loss of AVIC International from the operations of Project EC120.
- (ii) The interest income represented interest income on convertible bonds issued by China Environmental Investment Holdings Limited ("CEIH") on 6 March 2012 with an aggregate principal amount of HK\$51,776,000. The convertible bonds bear interest at 2% per annum and will be matured in three years from their date of issuance.

(b) Other transactions with related parties:

- (i) During the six months ended 30 June 2012, the Group subscribed for 343,865,000 new shares issued by CEIH at par pursuant to an open offer for a total consideration, before expense, of HK\$68,773,000.
- (ii) 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 CEIH, 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 was recorded by the Group.



14. Related party transactions (cont'd)

- (c) Outstanding balances with related parties:
- (i) As at 30 June 2013, the Group had loans to an associate included in the Group's current assets amounting to HK\$12,405,000 (31 December 2012: HK\$12,250,000) which are unsecured, bear interest at 6% (31 December 2012: 6%) per annum and are repayable within one year; and a loan to an associate included in the Group's non-current assets amounting to HK\$18,987,000 (31 December 2012: Nil) which is unsecured, bears interest at 4.5% (31 December 2012: Nil) per annum and is not repayable within one year.
 - (ii) As at 30 June 2013, the Group had a loan to a related company, Peace Map Co., Ltd., an associate of a jointly-controlled entity of the Group, included in the Group's current assets amounting to HK\$18,987,000 (31 December 2012: HK\$18,750,000) which is unsecured, bears interest at 6% (31 December 2012: 6%) per annum and is repayable within one year.
 - (iii) The amount due to a non-controlling shareholder of a subsidiary is unsecured, interest-free and has no fixed term of repayment.
- (d) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Short term employee benefits	2,407	2,891
Post-employment benefits	156	192
Total compensation paid to key management personnel	2,563	3,083

15. Fair value and fair value hierarchy

The carrying amounts and fair values of the financial instruments are as follows:

	30 June 2013	
	Carrying amounts (Unaudited) HK\$'000	Fair values (Unaudited) HK\$'000
Financial assets		
Available-for-sale investments	259,930	259,930
Trade and bills receivables	9,508	9,508
Loans to associates	31,392	31,392
Loan to a related company	18,987	18,987
Financial assets included in prepayments, deposits and other receivables	59,106	59,106
Derivative financial instrument	16,811	16,811
Pledged time deposits	380	380
Cash and cash equivalents	989,124	989,124
	1,385,238	1,385,238
Financial liabilities		
Due to a non-controlling shareholder of a subsidiary	160	160
Trade and bills payables	7,878	7,878
Financial liabilities included in other payables and accruals	11,057	11,057
Interest-bearing bank borrowings	40,126	40,126
	59,221	59,221

The fair values of the financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:



15. Fair value and fair value hierarchy (cont'd)

The fair values of trade and bills receivables, loans to associates, a loan to a related company, financial assets included in prepayments, deposits and other receivables, pledged time deposits, cash and cash equivalents, the amount due to a non-controlling shareholder of a subsidiary, trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted available-for-sale investments and derivative financial instrument have been estimated using a valuation technique based on assumptions that are supported by observable market prices or rates. The valuation was based on the expected future cash flows discounted at current rates applicable for items with similar terms and risk characteristics. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)



15. Fair value and fair value hierarchy (cont'd)

Assets measured at fair value:

	As at 30 June 2013 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale investments:				
Equity investments	209,303	–	–	209,303
Debt investments	5,101	45,526	–	50,627
Derivative financial instrument	–	16,811	–	16,811
	214,404	62,337	–	276,741

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The Group did not have any financial liabilities measured at fair value as at 30 June 2013.

16. Events after the reporting period

As disclosed in the announcement and circular of the Company dated 10 April 2013 and 6 May 2013, respectively, the Group and all other shareholders of Sinbo Investment Limited (“Sinbo”) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) on 8 April 2013 with Mongolia Investment Group Limited (“MIG”) and its directly wholly-owned subsidiary, Jichang Investments Limited (“Jichang”), to dispose of their entire equity interests in Sinbo to Jichang (the “Disposal”). The Group held 22.66% equity interest in Sinbo which was classified as asset held for sale at its net carrying value of HK\$60,000,000 as at 30 June 2013. Pursuant to the Sale and Purchase Agreement, the Group will receive an aggregate consideration of HK\$339,900,000 (subject to adjustment) which shall be satisfied as to (i) HK\$135,960,000 by way of cash; and (ii) HK\$203,940,000 (subject to adjustment) by way of convertible notes issued by MIG.



16. Events after the reporting period *(cont'd)*

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



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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TO THE BOARD OF DIRECTORS OF AVIC INTERNATIONAL HOLDING (HK) LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 14 to 36 which comprises the condensed consolidated statement of financial position of AVIC International Holding (HK) Limited (the “Company”) and its subsidiaries as at 30 June 2013 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



Scope of review

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2013 is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

23 August 2013