



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)

2015 Interim Report



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CORPORATE INFORMATION

DIRECTORS

Wu Guangquan (*Chairman*)

Pan Linwu (*Deputy Chairman*)

Lai Weixuan

(*appointed on 23 June 2015*)

Xu Hongge (*Chief Executive Officer*)

(*appointed on 23 June 2015*)

Xiao Nan

(*appointed on 23 June 2015*)

You Lei

(*resigned on 23 June 2015*)

Ji Guirong (*deputy Chairman and
the Chief Executive Officer*)

(*resigned on 23 June 2015*)

Zhang Chuanjun

(*resigned on 23 June 2015*)

Chow Wai Kam*

(*appointed on 23 June 2015*)

Ip Tak Chuen, Edmond*

(*resigned on 23 June 2015*)

Chu Yu Lin, David**

Li Ka Fai, David**

Li Zhaoxi**

* *Non-executive Director*

** *Independent Non-executive Directors*

AUDIT COMMITTEE

Chu Yu Lin, David (*Chairman*)

Li Ka Fai, David

Li Zhaoxi

REMUNERATION COMMITTEE

Chu Yu Lin, David (*Chairman*)

Wu Guangquan

Li Ka Fai, David

COMPANY SECRETARY

Tsui Choi Yee, Connie

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit B, 15th Floor, United Centre
95 Queensway, Hong Kong

SHARE REGISTRARS

Principal registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08, Bermuda

Hong Kong registrar

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

WEBSITE

www.avic.com.hk

STOCK CODE

232

CHAIRMAN'S STATEMENT

RESULTS

The board (the "Board") of directors (the "Directors") of AVIC International Holding (HK) Limited (the "Company") presents the interim report for the six months ended 30 June 2015 which includes the unaudited interim financial statements of the Company and its subsidiaries (the "Group").

BUSINESS REVIEW

Overall review

For the first half of 2015, the Group recorded turnover of HK\$18,843,000 (2014: HK\$34,886,000). The drop in turnover was mainly attributable to the drop in turnover of the knitting and textile business segment. Nevertheless, the Group recorded profit attributable to owners of the parent of HK\$517,802,000 (2014: loss attributable to owners of the parent of HK\$134,836,000), which arose mainly from a one-off gain on deemed disposal of an associate of HK\$433,380,000, as well as the fair value gain on derivative financial instruments and equity investment at fair value through profit or loss in an aggregate of HK\$192,687,000 recorded for the period as compared to the fair value loss of HK\$92,327,000 for the corresponding period in 2014. Basic earnings per share amounted to HK¢9.38 (2014: Basic losses per share amounted to HK¢2.92).

Knitting and textile business

For the first half of 2015, the operating condition of 浙江東陽金牛針織製衣有限公司 (“Zhejiang Dongyang Jinniu”), a 51%-owned subsidiary, was unfavourable. Its turnover was only HK\$11,546,000, a drop of 56% from HK\$26,422,000 for the corresponding period in 2014. The sales volume was approximately 880 tonnes (2014: 1,193 tonnes). It was mainly attributable to a significant drop in orders from a large customer in 2015. In addition, orders from other customers also dropped in light of the weak economic condition as a result of the influence of macro economy. In addition, the average selling price dropped by 10%-20%. The gross profit rate was 9% (2014: 10%). A provision for impairment of property, plant and equipment of HK\$6,924,000 (2014: Nil) was made due to a reduced future cash inflow estimated. Moreover, a provision for impairment of trade and bills receivables of HK\$6,572,000 (2014: Nil) was also made. The knitting and textile business segment recorded loss of HK\$15,271,000 (2014: HK\$1,051,000) for the period.

Trading business

During the period, the Group continued to engage in the trading of raw materials and auxiliary materials such as electronic components, electronic products and metal materials in Zhejiang Province. The turnover and gross profit rate for the period was HK\$7,297,000 (2014: HK\$8,464,000) and 2% (2014: 1%) respectively. The trading business segment recorded loss of HK\$868,000 (2014: profit of HK\$62,000) for the period.

Property development and sale business

During the period, the property development and sale business acquired on 30 December 2014 became one of the Group’s principal activities. Currently, two projects are in progress. One is located at the Southern side of Zhongshan Road of the Shahekou District of the Dalian City (“Dalian Project”), and another is situated in a newly developed residential area with communal facilities in the Liangjiangxin District of Chongqing (“Chongqing Project”).

Property development and sale business (cont'd)

Dalian Project comprises four parcels of land having a total site area of approximately 46,938 square meter (excluding communal site area). A large scale development project, the International Square, is being constructed comprising offices, retail shops and residential buildings. The total planned gross floor area of the development upon completion is approximately 434,461 square meter. Dalian Project is currently in the normal development and construction phase, and pre-sale of certain residential and office space of the International Square has commenced since June 2013. For the first half of 2015, gross floor area of 6,012 square meter was pre-sold. As at 30 June 2015, the customer deposits, which represented the proceeds of the pre-sale of properties, amounted to HK\$1,928,882,000 (31 December 2014: HK\$1,757,152,000).

Chongqing Project comprises twelve parcels of land with a total site area of approximately 375,252 square meter. As at 31 December 2014, payment of HK\$1,025,000,000 had been made for the acquisition of land for Chongqing Project which was included in prepayments, deposits and other receivables in current assets. During the period, the certificate of real estate ownership relating to the site have been obtained and thus the prepayment was reclassified to properties under development. Chongqing Project is currently in the early planning and design phase.

As at 30 June 2015, the properties under development and completed properties held for sale amounted to HK\$6,209,782,000 (31 December 2014: HK\$4,950,000,000). For the first half of 2015, as Dalian Project and Chongqing Project were still under development, no turnover was yet recorded by the property development and sale business segment. A loss for the period of HK\$46,746,000 was recorded which arose mainly from the administrative expenses of HK\$13,908,000 and the finance costs of HK\$43,379,000.

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. 2 EC120 helicopters were sold in the first half of 2015. No turnover was recorded by the Group for both 2015 and 2014 as a breakeven was recorded by AVIC International from the operations of Project EC120 which was because AVIC International agreed that its indirect expenses allocated to Project EC120, if any, shall not exceed its share of income net of direct costs and expenses from the operations of Project EC120. As a result, the aero-technology related business segment did not contribute any profit to the Group for the period (2014: Nil).

Others

Joint venture and associates

As at 31 December 2014, the carrying amount of the Group's interest in an associate, AVIC Joy Holdings (HK) Limited (“AVIC Joy”), a listed company in Hong Kong, was approximately HK\$231,292,000. During the six months ended 30 June 2015, the Group's percentage of ownership interest in AVIC Joy was diluted and the Group no longer had significant influence over it. As such, the Group's investment in AVIC Joy was reclassified from an investment in an associate to an available-for-sale investment, and the Group discontinued to apply the equity method to share the results and other comprehensive income of AVIC Joy. This reclassification was accounted for as a disposal of the entire interest in AVIC Joy and a re-acquisition of the retained interest at its fair value. As a result, a gain on deemed disposal of an associate of HK\$433,380,000 (2014: Nil) was recorded and the Group's interest in AVIC Joy was stated at its fair value of HK\$567,377,000 as at 30 June 2015 as an available-for-sale investment.

In addition, the Group recorded share of losses of the joint venture and associates in an aggregate of HK\$61,331,000 (2014: HK\$19,513,000) for the period, and made provision for impairment of investment in an associate of HK\$3,613,000 (2014: HK\$765,000).

Convertible bonds

The Group held convertible bonds issued by Peace Map Holding Limited (“PMH”) and AVIC Joy, respectively, both are listed companies in Hong Kong. These convertible bonds are hybrid instruments that include non-derivative host contracts and the embedded derivatives. The non-derivative host contracts, representing the bond components, have been designated as available-for-sale investments. The embedded derivatives, representing the conversion options, have been designated as derivative financial instruments.

During the period, the Group converted certain of the convertible bonds issued by PMH (“PMH Convertible Bonds”) with a principal amount of HK\$66,000,000 into 264,000,000 shares of PMH at the conversion price of HK\$0.25 per share. The number of shares of PMH held by the Group increased from 497,900,000 shares as at 31 December 2014 to 761,900,000 shares as at 30 June 2015. A loss on derecognition of HK\$3,760,000 was calculated which was the difference between the fair value of the shares of PMH received and that of PMH Convertible Bonds converted. At the same time, the corresponding fair value gain of HK\$8,573,000 previously recorded in the statement of other comprehensive income was released from the available-for-sale investment revaluation reserve. As a result, a net gain on derecognition of an available-for-sale investment of HK\$4,813,000 in respect of PMH Convertible Bonds was recorded in the condensed consolidated statement of profit or loss for the period.

Furthermore, during the period, the maturity date of the convertible bond issued by AVIC Joy (“AVIC Joy Convertible Bond”) was extended from 6 March 2015 to 6 March 2018 as agreed by the Group and AVIC Joy. A gain on derecognition of the original AVIC Joy Convertible Bond of HK\$3,984,000 was calculated which was the difference between the fair values of the original and the new AVIC Joy Convertible Bonds. At the same time, the corresponding fair value gain of HK\$10,518,000 previously recorded in the statement of other comprehensive income was released from the available-for-sale investment revaluation reserve. As a result, a net gain on derecognition of an available-for-sale investment of HK\$14,502,000 in respect of AVIC Joy Convertible Bond was recorded in the condensed consolidated statement of profit or loss for the period.

Convertible bonds (cont'd)

The Group's derivative financial instruments are managed and their performance is evaluated on a fair value basis. Any fair value gain or loss is recognised in profit or loss. Fair values are stated based on valuations performed by independent professionally qualified valuers, which are mainly influenced by the prices of the underlying securities and the time value of the derivative financial instruments.

The Group's portfolio of derivative financial instruments as at 30 June 2015 consisted of the derivatives at fair values of HK\$124,031,000 (31 December 2014: HK\$125,373,000) and HK\$89,229,000 (31 December 2014: HK\$25,497,000) embedded in PMH Convertible Bonds and AVIC Joy Convertible Bond, respectively. During the six months ended 30 June 2015, a fair value gain of HK\$121,510,000 (2014: fair value loss of HK\$91,191,000) was recognised in respect of the embedded derivatives, which was mainly due to the rise in the share prices of both PMH and AVIC Joy.

Equity investment at fair value through profit or loss

During the period, the Group recorded a fair value gain on equity investment at fair value through profit or loss of HK\$71,177,000 (2014: fair value loss of HK\$1,136,000) due to the rise in share price of the investment.

PROSPECTS

The Group, as an investment holding company, is committed to invest in the property development and sale business, 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. The newly acquired property development and sale business has a potential for return in the long run and will provide the Group with a source of revenue and profit and thus asset growth. The aero-technology related business will have a good opportunity for development in the future in view of the encouragement of the development of aviation industry made by China. The degree of prosperity of the knitting and textile business declined significantly as a result of the condition of the macro economy, and such that the prospect of the business is not cheerful. Trading business did not record further growth, and the Group has a cautious attitude to its subsequent development. The Group will identify projects with a bright development prospect, and will continue to review and optimise its business portfolio.

FINANCIAL REVIEW

Liquidity, capital structure and financial resources

The Group has consistently maintained sufficient working capital. As at 30 June 2015, the Group had current assets of HK\$7,621,065,000 (31 December 2014: HK\$7,810,267,000), including cash and bank balances and time deposits in an aggregate of HK\$701,273,000 (31 December 2014: HK\$1,249,324,000). The Group's current liabilities as at 30 June 2015 were HK\$4,141,051,000 (31 December 2014: HK\$4,176,488,000).

As at 30 June 2015, the Group's equity attributable to owners of the parent amounted to HK\$3,234,112,000 (31 December 2014: HK\$2,783,371,000), comprising issued capital of HK\$551,959,000 (31 December 2014: HK\$551,959,000) and reserves of HK\$2,682,153,000 (31 December 2014: HK\$2,231,412,000). The Group's outstanding bank borrowings as at 30 June 2015 amounted to HK\$704,578,000 (31 December 2014: HK\$704,686,000). The Group's gearing ratio, calculated on the basis of total bank borrowings as a percentage of equity attributable to owners of the parent, was 22% (31 December 2014: 25%).

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

Charges on the Group's assets

As at 30 June 2015, the following Group's assets were pledged to secure the Group's banking facilities:

- (a) the Group's buildings in Mainland China with net book value of approximately HK\$3,398,000 (31 December 2014: HK\$3,542,000);
- (b) the Group's leasehold land in Mainland China with net book value of approximately HK\$2,995,000 (31 December 2014: HK\$3,032,000);
- (c) certain of the Group's properties under development and completed properties held for sale with an aggregate carrying value of approximately HK\$2,510,062,000 (31 December 2014: HK\$2,450,000,000); and
- (d) certain of the Group's short term time deposits amounting to approximately HK\$625,000 (31 December 2014: HK\$375,000).

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.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, there were 170 (31 December 2014: 179) 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, 28 August 2015

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Except for certain Directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company, as at 30 June 2015, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (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").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above and in the section headed "SHARE OPTION SCHEME" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of 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 28 May 2014, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants to contribute to the business development and growth of the Group and to enable the Group to recruit high-calibre employees and attract or retain human resources that are valuable to the Group. Since the adoption of the Scheme, no options have been granted, exercised, lapsed, cancelled or outstanding thereunder as at 30 June 2015

SHARE OPTION SCHEME (cont'd)

As at 25 March 2015, being the date of the Company's 2014 annual report, the total number of securities available for issue under the Scheme is 461,959,100 shares, representing 8.37% of the total number of the shares of the Company in issue as at the date of the Company's 2014 annual report.

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

As at 30 June 2015, 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 2015
Speed Profit Enterprises Limited ("Speed Profit")	(1)	Beneficial owner	508,616,000	9.21
Tacko International Limited ("Tacko")	(1)	Beneficial owner	1,386,943,000	25.13
		Interest of controlled corporation	508,616,000	9.21
AVIC International (HK) Group Limited ("AVIC International (HK) Group")	(1)	Interest of controlled corporation	1,895,559,000	34.34
AVIC International	(1)	Interest of controlled corporation	1,895,559,000	34.34
Aviation Industry Corporation of China ("AVIC")	(1)	Interest of controlled corporation	1,895,559,000	34.34
Cheung Kong (Holdings) Limited ("CKH")	(2)	Interest of controlled corporations	450,000,000	8.15
CK Hutchison Holdings Limited ("CKHH")	(2)	Interest of controlled corporations	450,000,000	8.15

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES *(cont'd)*

Note:

- (1) 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 (62.52% interest controlled by AVIC as at 30 June 2015). 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.
- (2) According to notices of disclosure of interests filed with the Company, 225,000,000 shares are held by Worsdale Investments Limited ("Worsdale") and 225,000,000 shares are held by Hutchison International Limited ("HIL").

Worsdale is a wholly-owned subsidiary of Arra International Limited, which in turn is a wholly-owned subsidiary of Cheung Kong Investment Company Limited ("CKIV"). CKIV is a wholly-owned subsidiary of CKH. CKH is deemed to be interested in 225,000,000 shares held by Worsdale. Meanwhile, HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited ("HWL"). HWL is deemed to be interested in 225,000,000 shares held by HIL. CKH is entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL. Accordingly, CKH is also deemed to be interested in 225,000,000 shares held by HIL. In addition, CKH is a wholly-owned subsidiary of CKHH and accordingly, CKHH is deemed to be interested in the aggregate shares directly held by Worsdale and HIL.

Save as disclosed above, as at 30 June 2015, 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, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

CHANGE AND UPDATED INFORMATION REGARDING DIRECTOR'S BIOGRAPHICAL DETAILS

The following sets out the changes and updates to the Directors' information since it was last disclosed in the 2014 annual report of the Company or, as to any Director appointed thereafter, in the relevant appointment announcement:

Mr. Chow Wai Kam – Mr. Chow, appointed as a non-executive director of the Company on 23 June 2015, was the Group Managing Director of the property and hotels divisions of the Hutchison Group since 2000. He is now the Group Managing Director of Hutchison Property Group Limited, a wholly-owned subsidiary of Cheung Kong Property Holdings Limited. He has over 40 years of experience in project management and architectural design for various developments, including hotel, residential, commercial, industrial and school projects in Hong Kong, the Mainland China and overseas.

Mr. Li Ka Fai, David – Mr. Li is an independent non-executive director of China-Hongkong Photo Products Holdings Limited, a company listed on the Stock Exchange. Mr. Li was appointed with effect from 21 August 2015 as a member of the nomination committee and remuneration committee of the board of directors of the said company.

Save as disclosed above, there is no other change or update to the Directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE

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

Throughout the six months ended 30 June 2015, the Company applied the principles of, and complied with all the code provisions and, where applicable, the recommended best practices of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except as noted hereunder.

CORPORATE GOVERNANCE *(cont'd)*

Except for the Non-executive Director appointed on 23 June 2015, all Non-executive Directors (including Independent Non-executive Directors) are appointed without specific terms as provided for in code provision A.4.1 of the CG Code. In accordance with the Bye-laws of the Company, one-third of the directors (including non-executive directors) for the time being shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at least once every three years. The retiring directors shall be eligible for re-election. Therefore, the Company is of the view that it has adopted adequate measures to ensure the corporate governance of the Company complies with the same level to that required under the CG Code.

The Company does not have a nomination committee as provided for in code provisions A.5.1 to A.5.4 of the CG Code. At present, the Company does not consider it necessary to have a nomination committee as the Board is responsible for reviewing the structure, size, diversity and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board is also responsible for assessing the independence of each Independent Non-executive Director and reviewing the succession plan for the Directors, in particular the Chairman and the Chief Executive Officer.

Mr. Wu Guangquan, the Chairman of the Board, was unable to attend the annual general meeting of the Company held in May 2015 as provided for in code provision E.1.2 of the CG Code as he was on an overseas engagement.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all the Directors, all of them confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2015.

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 2015 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 2015 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 (the "HKICPA").

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
REVENUE	3	18,843	34,886
Cost of sales		(17,636)	(32,159)
Gross profit		1,207	2,727
Other income	4	12,248	17,312
Selling and marketing expenses		(7,967)	–
Administrative expenses		(25,300)	(20,168)
Other operating expenses, net	6	(17,156)	(765)
Finance costs	5	(44,827)	(1,367)
Gain on deemed disposal of an associate		433,380	–
Share of profits and losses of:			
Joint venture		(13,129)	(8,796)
Associates		(48,202)	(10,717)
Gain/(loss) on derecognition of available-for-sale investments		224	(24,678)
Fair value gain of available-for-sale investments (transfer from equity on derecognition)		19,091	5,268
Fair value gain/(loss) on derivative financial instruments		121,510	(91,191)
Fair value gain/(loss) on equity investment at fair value through profit or loss		71,177	(1,136)
PROFIT/(LOSS) BEFORE TAX	6	502,256	(133,511)
Income tax credit/(expense)	7	5,906	(1,840)
PROFIT/(LOSS) FOR THE PERIOD		508,162	(135,351)
ATTRIBUTABLE TO:			
Owners of the parent		517,802	(134,836)
Non-controlling interests		(9,640)	(515)
		508,162	(135,351)
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic and diluted		HK9.38 cents	(HK2.92 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	508,162	(135,351)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair value	(25,757)	9,793
Reclassification adjustment for gains included in the condensed consolidated statement of profit or loss – Gain on derecognition	(19,091)	(5,268)
	(44,848)	4,525
Share of other comprehensive income of associates	16,028	–
Exchange differences on translation of foreign operations	–	(23,744)
Release of share of an associate's other comprehensive income upon deemed disposal of the associate	(38,241)	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods and other comprehensive income for the period, net of tax	(67,061)	(19,219)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	441,101	(154,570)
ATTRIBUTABLE TO:		
Owners of the parent	450,741	(153,981)
Non-controlling interests	(9,640)	(589)
	441,101	(154,570)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
<i>Note</i>		
NON-CURRENT ASSETS		
Property, plant and equipment	33,659	41,297
Prepaid land lease payments	2,921	2,958
Intangible asset	476	570
Investment in a joint venture	304,770	317,899
Investments in associates	3,488	237,963
Financial asset under Project EC120	–	–
Available-for-sale investments	681,954	121,771
Derivative financial instruments	213,260	125,373
Loan to a related company	–	18,750
Prepayments	2,027	3,765
Deferred tax assets	9,250	–
Total non-current assets	1,251,805	870,346
CURRENT ASSETS		
Properties under development and completed properties held for sale	6,209,782	4,950,000
Inventories	5,018	2,855
Trade and bills receivables	15,154	19,379
Loans to related companies	38,500	19,750
Prepayments, deposits and other receivables	168,093	1,204,613
Available-for-sale investments	–	51,071
Equity investment at fair value through profit or loss	358,093	166,797
Derivative financial instruments	–	25,497
Prepaid taxes	125,152	120,981
Time deposit with original maturity of more than three months when acquired	–	155,588
Pledged time deposits	625	375
Cash and cash equivalents	700,648	1,093,361
Total current assets	7,621,065	7,810,267

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

	Note	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
CURRENT LIABILITIES			
Due to fellow subsidiaries		172,390	123,400
Due to non-controlling shareholders of subsidiaries		55,984	49,734
Loans from fellow subsidiaries		1,818,875	2,103,087
Trade and bills payables	11	9,376	8,495
Tax payable		38,149	38,912
Other payables and accruals		77,770	56,083
Customer deposits		1,928,882	1,757,152
Interest-bearing bank borrowings		39,625	39,625
Total current liabilities		4,141,051	4,176,488
NET CURRENT ASSETS		3,480,014	3,633,779
TOTAL ASSETS LESS CURRENT LIABILITIES		4,731,819	4,504,125
NON-CURRENT LIABILITIES			
Loans from a fellow subsidiary		43,750	258,750
Interest-bearing bank borrowings		664,953	665,061
Deferred tax liabilities		220,254	218,553
Total non-current liabilities		928,957	1,142,364
Net assets		3,802,862	3,361,761
EQUITY			
Equity attributable to owners of the parent			
Issued capital		551,959	551,959
Reserves		2,682,153	2,231,412
Non-controlling interests		3,234,112	2,783,371
		568,750	578,390
Total equity		3,802,862	3,361,761

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent							Total equity HK\$'000	
	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Reserve fund HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000		Non-controlling interests HK\$'000
At 1 January 2015	551,959	609,080	5,193	31,546	7,882	38,384	1,539,327	578,390	3,361,761
Profit for the period	-	-	-	-	-	-	517,802	(9,640)	508,162
Other comprehensive income for the period:									
Changes in fair value of available-for-sale investments, net of tax	-	-	-	(44,848)	-	-	-	-	(44,848)
Share of other comprehensive income of associates	-	-	-	17,211	-	(1,183)	-	-	16,028
Release of share of an associate's other comprehensive income upon deemed disposal of the associate	-	-	(5,193)	(22,948)	-	(10,100)	-	-	(38,241)
Total comprehensive income for the period	-	-	(5,193)	(60,585)	-	(11,283)	517,802	(9,640)	441,101
At 30 June 2015 (unaudited)	551,959	609,080*	-*	(19,039)*	7,882*	27,101*	2,057,129*	568,750	3,802,862

* These reserve accounts comprise the consolidated reserves of HK\$2,682,153,000 in the condensed consolidated statement of financial position as at 30 June 2015.

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

	Attributable to owners of the parent							Total equity HK\$'000	
	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Reserve fund HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000		Non-controlling interests HK\$'000
At 1 January 2014	461,959	164,476	5,193	11,331	7,618	62,328	1,512,325	5,082	2,230,312
Loss for the period	-	-	-	-	-	-	(134,836)	(515)	(135,351)
Other comprehensive income for the period:									
Changes in fair value of available-for-sale investments, net of tax	-	-	-	4,525	-	-	-	-	4,525
Exchange differences on translation of foreign operations	-	-	-	-	-	(23,670)	-	(74)	(23,744)
Total comprehensive income for the period	-	-	-	4,525	-	(23,670)	(134,836)	(569)	(154,570)
At 30 June 2014 (unaudited)	461,959	164,476	5,193	15,856	7,618	38,658	1,377,489	4,493	2,075,742

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	502,256	(133,511)
Adjustments for:		
Finance costs	44,827	1,367
Share of profits and losses of a joint venture and associates	61,331	19,513
Impairment of investment in an associate	3,613	765
Bank interest income	(7,320)	(13,490)
Interest income on a convertible bond issued by an associate	(518)	(332)
Interest income on loans to associates	(350)	(2,373)
Interest income on other receivables	-	(500)
Interest income on loans to a related company	(1,144)	(579)
Gain on deemed disposal of an associate	(433,380)	-
Loss on disposal of items of property, plant and equipment	104	-
Provision for impairment of trade and bills receivables	6,572	-
Provision for impairment of prepayments and other receivables	47	-
Depreciation	2,369	2,567
Provision for impairment of property, plant and equipment	6,924	-
Recognition of prepaid land lease payments	37	37
Amortisation of customer relationship	95	95
Loss/(gain) on derecognition of available-for-sale investments	(224)	24,678
Fair value gain of available-for-sale investments (transfer from equity on derecognition)	(19,091)	(5,268)
Fair value loss/(gain) on derivative financial instruments	(121,510)	91,191
Fair value loss/(gain) on equity investment at fair value through profit or loss	(71,177)	1,136
	(26,539)	(14,704)
Increase in properties under development and completed properties held for sale	(190,768)	-
Increase in inventories	(2,163)	(2,748)
Increase in trade and bills receivables	(2,345)	(13,393)
Decrease/(increase) in prepayments, deposits and other receivables	9,390	(18,873)
Increase in amounts due to fellow subsidiaries	4	-
Increase/(decrease) in trade and bills payables	881	(212)
Increase in other payables and accruals	21,687	4,655
Increase in customer deposits	171,730	-

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Cash used in operations	(18,123)	(45,275)
Interest paid	(39,854)	(1,367)
Overseas tax paid	(6,578)	(20,194)
Net cash flows used in operating activities	(64,555)	(66,836)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(1,932)	(1,962)
Proceeds from disposal of items of property, plant and equipment	173	–
Proceeds from disposal of an available-for-sale investment	2,680	–
Additional investment in an associate	(4,500)	(8,599)
Advance of a loan to an associate	–	(19,108)
Advance of a loan to a related company	–	(18,633)
Bank interest received	10,249	12,811
Interest received on a convertible bond issued by an associate	518	332
Interest received on loans to associates	–	76
Interest received on other receivables	2,528	–
Interest received on loans to related companies	(142)	11
Refunds of a deposit paid for acquisition of a property	–	6,879
Increase in pledged time deposits	(250)	–
Decrease in a time deposit with original maturity of more than three months when acquired	155,588	–
Net cash flows from/(used in) investing activities	164,912	(28,193)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	28,875	–
Repayment of bank loans	(28,982)	–
Repayment of loans from fellow subsidiaries	(499,213)	–
Advance from non-controlling shareholders of subsidiaries	6,250	961
Net cash flows from/(used in) financing activities	(493,070)	961
NET DECREASE IN CASH AND CASH EQUIVALENTS	(392,713)	(94,068)
Cash and cash equivalents at 1 January	1,093,361	1,079,008
Effect of foreign exchange rate changes, net	–	(18,315)
CASH AND CASH EQUIVALENTS AT 30 JUNE	700,648	966,625
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	164,643	64,733
Non-pledged time deposits with original maturity of less than three months when acquired	536,005	901,892
	700,648	966,625

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 Listing Rules and are in compliance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by 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 2014, except for the adoption of certain revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) for the first time in the current period as disclosed in note 2 below.

2. Changes in accounting policies and disclosures

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

Amendments to HKAS 19 <i>Annual Improvements</i> <i>2010-2012 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements</i> <i>2011-2013 Cycle</i>	Amendments to a number of HKFRSs
	Amendments to a number of HKFRSs

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

3. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has four (2014: three) reportable operating segments as follows:

- (a) the knitting and textile business segment engages in the production and distribution of knitting and textile products, knitted fabrics and clothing;
- (b) the trading business segment engages in the trading of raw materials and auxiliary materials;
- (c) the property development and sale business segment engages in the property development of residential and commercial projects (new in 2015); and
- (d) 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 certain income and gains or losses relating to investments in a joint venture and associates and financial instruments, 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 For the six months ended 30 June		Results	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Knitting and textile business	11,546	26,422	(15,271)	(1,051)
Trading business	7,297	8,464	(868)	62
Property development and sale business	–	–	(46,746)	–
Aero-technology related business	–	–	–	–
Segment revenue and results	18,843	34,886	(62,885)	(989)
<i>Reconciliation:</i>				
Unallocated other income			2,913	17,270
Corporate and other unallocated expenses			(15,917)	(18,525)
Gain on deemed disposal of an associate			433,380	–
Share of profits and losses of:				
Joint venture			(13,129)	(8,796)
Associates			(48,202)	(10,717)
Gain/(loss) on derecognition of available-for-sale investments			224	(24,678)
Fair value gain of available-for- sale investments (transfer from equity on derecognition)			19,091	5,268
Fair value gain/(loss) on derivative financial instruments			121,510	(91,191)
Fair value gain/(loss) on equity investment at fair value through profit or loss			71,177	(1,136)
Unallocated income tax expense			–	(1,857)
Profit/(loss) for the period			508,162	(135,351)

4. Other income

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Bank interest income	7,320	13,490
Rental income	2,424	–
Interest income on a convertible bond issued by an associate	518	332
Interest income on loans to associates	350	2,373
Interest income on other receivables	–	500
Interest income on loans to related companies	1,144	579
Others	492	38
	12,248	17,312

5. Finance costs

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on bank loans	39,851	1,367
Interest on loans from fellow subsidiaries	48,990	–
	88,841	1,367
Less: Interest capitalised under property development projects	(44,014)	–
	44,827	1,367

6. Profit/(loss) before tax

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

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Cost of goods sold	17,636	32,159
Loss on disposal of items of property, plant and equipment	104	–
Depreciation	2,369	2,567
Recognition of prepaid land lease payments	37	37
Amortisation of customer relationship	95	95
Other operating expenses, net:		
Provision for impairment of property, plant and equipment	6,924	–
Impairment of investment in an associate	3,613	765
Provision for impairment of trade and bills receivables	6,572	–
Provision for impairment of prepayments and other receivables	47	–
	17,156	765

7. Income tax

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2015 and 2014 as the Group did not generate any assessable profits arising in Hong Kong during those periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current – Elsewhere	1,644	1,902
Deferred	(7,550)	(62)
Total tax charge/(credit) for the period	(5,906)	1,840

The deferred tax credited to profit or loss during the six months ended 30 June 2015 arose mainly from the tax losses available for offsetting against future taxable profits.

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

The calculation of the basic earnings/(losses) per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$517,802,000 (2014: loss of HK\$134,836,000) and the weighted average number of ordinary shares of 5,519,591,000 (2014: 4,619,591,000) in issue during the period.

No adjustment has been made to the basic earnings/(losses) per share amounts presented for the six months ended 30 June 2015 and 2014 in respect of a dilution as 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 2015 (2014: Nil).

10. Trade and bills receivables

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Trade and bills receivables	27,019	24,740
Impairment	(11,865)	(5,361)
	15,154	19,379

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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Current	6,130	13,973
31 to 60 days	2,022	1,535
61 to 90 days	1,812	561
Over 90 days	5,190	3,310
	15,154	19,379

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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Current	2,108	3,016
31 to 60 days	1,915	1,620
61 to 90 days	640	1,000
Over 90 days	4,713	2,859
	9,376	8,495

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

12. Commitments

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Contracted, but not provided for:		
Establishment of a joint venture (<i>note</i>)	50,000	50,000
Property development expenditure	415,070	586,159
	465,070	636,159

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, 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\$125 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 2015, the JV Agreement has not become effective as the conditions stated above have not been fulfilled.

13. Contingent liabilities

As at 30 June 2015, the Group has given guarantees of HK\$58,060,000 (31 December 2014: HK\$56,975,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date of loans being granted to the purchasers up to the date of issuance of property title certificates to the purchasers.

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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest income on loans to related companies	1,144	579
Fellow subsidiaries:		
Interest expense on loans from fellow subsidiaries	(48,990)	–
Management fee paid to a fellow subsidiary	(2,743)	–
Agency fee paid to a fellow subsidiary	(126)	–
Purchase of materials	(87)	–
Associates:		
Interest income on a convertible bond issued by an associate	518	332
Interest income on loans to associates	350	2,373

These related party transactions were conducted in accordance with the terms as disclosed in the last annual report.

14. Related party transactions (cont'd)

(b) Outstanding balances with related parties:

(i) The loans to associates as at the end of the reporting period are as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Loans to an associate – non-current	31,250	18,750
Less: Impairment	(31,250)	(18,750)
	–	–
Loans to associates – current	55,500	68,000
Less: Impairment	(55,500)	(68,000)
	–	–

As at 30 June 2015, the current loans to associates are unsecured, bear interest at 6% to 6.15% (31 December 2014: 4.5% to 6.15%) per annum and are repayable within one year. The non-current loans to an associate are unsecured, bear interest at 4.5% (31 December 2014: 6.15%) per annum and are not repayable within one year.

(ii) As at 30 June 2015, the current loans to related companies are unsecured, bear interest at 6.15% (31 December 2014: 6.15%) per annum and are repayable within one year. As at 31 December 2014, the non-current loan to a related company was unsecured, bore interest at 6.15% per annum and was not repayable within one year.

(iii) The amounts due to fellow subsidiaries are unsecured, non-interest-bearing and have no fixed terms of repayment.

14. Related party transactions (cont'd)

- (b) Outstanding balances with related parties: (cont'd)
- (iv) The amounts due to non-controlling shareholders of subsidiaries are unsecured, non-interest-bearing and have no fixed terms of repayment.
- (v) The current loans from fellow subsidiaries are unsecured (31 December 2014: HK\$975,000,000 of which are secured by a 100% equity interest in a non-controlling shareholder of a subsidiary), bear interest at 8% to 10% (31 December 2014: 8% to 10%) per annum and are repayable within one year. The non-current loans from a fellow subsidiary are unsecured, bear interest at 10% (31 December 2014: 10%) per annum and are not repayable within one year.
- (c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Short term employee benefits	6,240	2,420
Post-employment benefits	137	155
Total compensation paid to key management personnel	6,377	2,575

15. Fair value and fair value hierarchy of financial instruments

The carrying amounts and fair values of the financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Financial assets				
Loans to related companies (non-current portion)	–	18,750	–	18,788
Available-for-sale investments	681,954	172,842	681,954	172,842
Equity investment at fair value through profit or loss	358,093	166,797	358,093	166,797
Derivative financial instruments	213,260	150,870	213,260	150,870
	1,253,307	509,259	1,253,307	509,297
Financial liabilities				
Loans from a fellow subsidiary (non-current portion)	43,750	258,750	41,687	249,831
Interest-bearing bank borrowings (non-current portion)	664,953	665,061	619,088	605,280
	708,703	923,811	660,775	855,111

Management has assessed that the fair values of trade and bills receivables, loans to associates (current portion), loans to related companies (current portion), financial assets included in prepayments, deposits and other receivables, time deposit, pledged time deposits, cash and cash equivalents, amounts due to non-controlling shareholders of subsidiaries, amounts due to fellow subsidiaries, loans from fellow subsidiaries (current portion), trade and bills payables, other payables and accruals, and interest-bearing bank borrowings (current portion) approximate to their carrying amounts largely due to the short term maturities of these instruments.

15. Fair value and fair value hierarchy of financial instruments *(cont'd)*

The Group's finance department headed by the deputy chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The deputy chief financial officer reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer and then reported to the chief executive officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at 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:

The fair values of the non-current portion of loans to associates, loans to related companies, loans from a fellow subsidiary and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for loans from a fellow subsidiary and interest-bearing bank borrowings as at 30 June 2015 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of the unlisted available-for-sale investments and derivative financial instruments have been estimated using a valuation technique based on assumptions that are supported by observable market prices or rates. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income and the condensed consolidated statement of profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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

The Group enters into derivative financial instruments with various counterparties. Derivative financial instruments were measured using valuation models which incorporate various market observable inputs including the credit quality of counterparties and interest rate curves. The carrying amounts of these derivative financial instruments were the same as their fair values. As at 30 June 2015, the marked to market value of the above derivative asset position was net of a credit valuation adjustment attributable to derivative counterparty default risk.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 30 June 2015 (Unaudited)				
Available-for-sale investments:				
Equity investments	567,377	-	-	567,377
Debt investments	2,390	112,187	-	114,577
Equity investment at fair value through profit or loss	358,093	-	-	358,093
Derivative financial instruments	-	213,260	-	213,260
	927,860	325,447	-	1,253,307
As at 31 December 2014 (Audited)				
Available-for-sale investments:				
Debt investments	5,070	167,772	-	172,842
Equity investment at fair value through profit or loss	166,797	-	-	166,797
Derivative financial instruments	-	150,870	-	150,870
	171,867	318,642	-	490,509

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

The Group did not have any financial liabilities measured at fair value as at 30 June 2015 and 31 December 2014.

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 for both financial assets and financial liabilities (2014: Nil).

Assets for which fair values are disclosed:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 31 December 2014 (Audited)				
Loans to related companies (non-current portion)	-	18,788	-	18,788

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

Liabilities for which fair values are disclosed:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 30 June 2015 (Unaudited)				
Loans from a fellow subsidiary (non-current portion)	-	41,687	-	41,687
Interest-bearing bank borrowings (non-current portion)	-	619,088	-	619,088
	-	660,775	-	660,775
As at 31 December 2014 (Audited)				
Loans from a fellow subsidiary (non-current portion)	-	249,831	-	249,831
Interest-bearing bank borrowings (non-current portion)	-	605,280	-	605,280
	-	855,111	-	855,111

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 18 to 44 which comprises the condensed consolidated statement of financial position of AVIC International Holding (HK) Limited (the “Company”) and its subsidiaries as at 30 June 2015 and the related condensed consolidated statement of profit or loss, 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 “HKICPA”).

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 HKICPA. 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 2015 is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

28 August 2015