



**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)**



Interim Report  
**2016**



# CONTENTS

Corporate Information	2
Chairman's Statement and Management Discussion and Analysis	3
Other Information	10
Interim Financial Information	14
Report on Review of Interim Financial Information	45

## CORPORATE INFORMATION

### DIRECTORS

Wu Guangquan (*Chairman*)  
Pan Linwu (*Deputy Chairman*)  
Lai Weixuan  
Xu Hongge (*Chief Executive Officer*)  
Xiao Nan  
Chow Wai Kam\*  
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](http://www.avic.com.hk)

### STOCK CODE

232



## CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board (the "Board") of directors (the "Directors") of AVIC International Holding (HK) Limited (the "Company"), I am pleased to present the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016.

### OVERALL REVIEW

On 29 June 2016, the Group signed an agreement with an independent third party to dispose of 浙江東陽金牛針織製衣有限公司 ("Zhejiang Dongyang Jinniu"), a 51%-owned subsidiary. Zhejiang Dongyang Jinniu engages in the production and distribution of knitting and textile products, knitted fabrics and clothing. The Group has decided to cease its knitting and textile business because it has been loss-making in recent years. The disposal of Zhejiang Dongyang Jinniu is due to be completed not later than 30 November 2016. As at 30 June 2016, Zhejiang Dongyang Jinniu was classified as a disposal group held for sale and as a discontinued operation.

For the first half of 2016, the Group recorded revenue and gross profit from continuing operations of HK\$64,587,000 (2015: HK\$9,721,000) and HK\$28,559,000 (2015: HK\$2,552,000), respectively. The rise in revenue and gross profit was because the property development and investment business segment has started to sell properties since the second half of 2015. Nevertheless, the Group recorded loss for the period from continuing operations of HK\$348,668,000 (2015: profit of HK\$523,433,000), which arose mainly from the fair value losses on derivative financial instruments and equity investment at fair value through profit or loss in an aggregate of HK\$209,931,000 (2015: gain of HK\$192,687,000), as well as an impairment of an available-for-sale investment of HK\$94,907,000 (2015: Nil) and share of losses of the joint venture and associates in an aggregate of HK\$45,855,000 (2015: HK\$61,331,000). Loss for the period from a discontinued operation amounted to HK\$5,091,000 (2015: HK\$15,271,000). Loss attributable to owners of the parent was HK\$353,498,000 (2015: profit of HK\$517,802,000) and basic loss per share was HK¢6.40 (2015: basic earnings per share of HK¢9.38). The return on equity, calculated on the basis of profit attributable to owners of the parent as a percentage of equity attributable to owners of the parent, was -15% (2015: 19%).

## BUSINESS REVIEW

### *Property development and investment business*

Currently, two projects are in progress for the property development and investment business. 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").

For the first half of 2016, the overall keynote of the regulation and control policy of the Chinese government for the real estate industry insisted on promoting consumption and destocking, with frequent launch of supply and demand easing policies to push ahead with the steady rally of market volumes and prices. Despite the steady release of demand volume in the second and third tier cities as stimulated by such policies, the impetus was inadequate to push up the house prices due to the high inventory of real estate. Remarkably increasing prices and volumes have not yet turned up in the market of Dalian City where the Dalian Project is located.

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 saleable area of Dalian Project upon completion is approximately 350,488 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. Saleable area of 142,311 square meter has been completed as at 30 June 2016, of which 88,791 square meter was sold, 18,299 square meter was leased out and included in investment properties, and the remaining was included in completed properties held for sale. As at 30 June 2016, the total saleable area of properties under development was approximately 208,177 square meter.

Chongqing Project comprises twelve parcels of land with a total site area of approximately 375,252 square meter and is currently in the early development phase.



#### *Property development and investment business (continued)*

As at 30 June 2016, the properties under development and completed properties held for sale amounted to HK\$4,172,883,000 (31 December 2015: HK\$4,070,648,000) and investment properties amounted to HK\$363,425,000 (31 December 2015: HK\$373,425,000). The customer deposits, which represent the proceeds of the pre-sale of properties, amounted to HK\$510,830,000 (31 December 2015: HK\$248,310,000). Dalian Project recorded revenue of HK\$64,587,000 (2015: HK\$2,424,000) and gross profit of HK\$28,559,000 (2015: HK\$2,424,000) for the period. The property development and investment business segment recorded profit of HK\$2,288,000 (2015: loss of HK\$46,746,000) for the period.

#### *Trading business*

The trading business segment recorded no revenue (2015: HK\$7,297,000) and no profit or loss (2015: loss of HK\$868,000) for the period.

### **FINANCIAL REVIEW**

#### *Convertible bonds*

The Group held convertible bonds issued by Peace Map Holding Limited ("PMH") and AVIC Joy Holdings (HK) Limited ("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.

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 2016 consisted of the derivatives at fair values of HK\$32,158,000 (31 December 2015: HK\$90,444,000) and HK\$15,711,000 (31 December 2015: HK\$29,452,000) embedded in the convertible bonds issued by PMH and AVIC Joy, respectively. During the period, a fair value loss of HK\$72,027,000 (2015: gain of HK\$121,510,000) was recognised in respect of the embedded derivatives, which was mainly due to the drop in the share prices of both PMH and AVIC Joy.



*Equity investment at fair value through profit or loss*

The Group held shares issued by PMH and classified as an equity investment at fair value through profit or loss. During the period, the Group recorded a fair value loss on equity investment at fair value through profit or loss of HK\$137,904,000 (2015: gain of HK\$71,177,000) due to the drop in the share price of PMH.

*Impairment of an available-for-sale investment*

The Group held shares issued by AVIC Joy and classified as an available-for-sale investment. Due to the continuous drop in the share price of AVIC Joy since the second half of 2015, an impairment of an available-for-sale investment of HK\$94,907,000 (2015: Nil) was recorded for the period.

*Joint venture and associates*

During the period, the Group recorded share of losses of the joint venture and associates in an aggregate of HK\$45,855,000 (2015: HK\$61,331,000).

**LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES**

The Group has consistently maintained sufficient working capital. As at 30 June 2016, the Group had current assets of HK\$5,257,308,000 (31 December 2015: HK\$5,127,503,000), including cash and bank balances and time deposits in an aggregate of HK\$664,261,000 (31 December 2015: HK\$473,689,000). The Group's current liabilities as at 30 June 2016 were HK\$1,681,407,000 (31 December 2015: HK\$763,972,000).

As at 30 June 2016, the Group's equity attributable to owners of the parent amounted to HK\$2,367,142,000 (31 December 2015: HK\$2,737,534,000), comprising issued capital of HK\$551,959,000 (31 December 2015: HK\$551,959,000) and reserves of HK\$1,815,183,000 (31 December 2015: HK\$2,185,575,000). The Group's interest-bearing debts, including loans from fellow subsidiaries of HK\$1,557,802,000 (31 December 2015: HK\$1,864,671,000), interest-bearing bank borrowings of HK\$345,455,000 (31 December 2015: HK\$37,964,000) and loans from an intermediate holding company of HK\$496,581,000 (31 December 2015: HK\$509,581,000) are mainly denominated in Renminbi and arranged on a fixed rate basis. The Group's gearing ratio, calculated on the basis of the interest-bearing debts as a percentage of equity attributable to owners of the parent plus the interest-bearing debts, was 50% (31 December 2015: 47%).



**LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES** *(continued)*

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

**CHARGES ON THE GROUP'S ASSETS**

As at 30 June 2016, the following Group's assets were pledged to secure the Group's banking facilities:

- (a) the Group's building in Mainland China with net book value of HK\$3,004,000 (31 December 2015: HK\$3,148,000);
- (b) the Group's leasehold land in Mainland China with net book value of HK\$2,872,000 (31 December 2015: HK\$2,885,000);
- (c) certain of the Group's short term time deposits amounting to HK\$3,174,000 (31 December 2015: HK\$359,000); and
- (d) certain of the Group's properties under development and completed properties held for sale with an aggregate carrying value of HK\$1,290,868,000 (31 December 2015: Nil).

**EXPOSURE TO FOREIGN CURRENCY RISK**

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 14 to the interim financial statements.



## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, there were 149 (31 December 2015: 156) employees in the Group. The employee wages and salaries, excluding directors' remuneration, amounted to HK\$13,135,000 (2015: HK\$9,840,000) for the period. The Group recognises the importance of good relationship with employees. The Directors believe that the working environment and benefits offered to employees have contributed to building good staff relations and retention. The Group's remuneration policies are formulated based on the performance of individual employees and market conditions and are reviewed regularly. 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.

## OUTLOOK

In 2016, the launch of favorable real estate policies in China has effectively promoted the persistent rally of property sales. The overall inventory pressure in the market has been alleviated. The first tier cities and a part of the hot-spot second tier cities have experienced good economic development with persistent population influx. They have managed to make room for demand leading to the decrease of the inventory pressure and the impetus for increasing house prices. Some second tier cities and the majority of the third and fourth tier cities are still confronted with the greater pressure of destocking. Various approaches are required to help destocking. On the whole, the real estate market will keep on developing well with house prices remaining stable or on the gentle rise.

In 2016, the Group will endeavor to closely adhere to the market trend, expedite the development, sales and the destocking of existing projects, and on the basis of consolidating the advantages of having entered into the cities, will seek to seize the opportunities of entering into the first and second tier core cities so as to further expand the market layout of the Group.

Apart from being closely concerned with the public bid invitation, auction and listing markets, attention is also paid to the possibilities of merger and acquisition. We believe that more opportunities will emerge with the industry differentiation and integration.



## **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, 26 August 2016



## OTHER INFORMATION

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

Except for certain Directors who had non-beneficial interests in certain subsidiaries of the Company held for the benefits of the Company, as at 30 June 2016, none of the Directors and chief executive of the Company had an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (a) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"); or (b) 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, during the period no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company had been granted to any of the Directors or their respective spouses or minor children; no such rights had been exercised by them; and none of the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was 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 2016.



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

As at 30 June 2016, the following interests in 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 2016
Tacko International Limited ("Tacko")	(1)	Beneficial owner	1,895,559,000	34.34
AVIC International (HK) Group Limited ("AVIC International (HK) Group")	(1)	Interest of a controlled corporation	1,895,559,000	34.34
AVIC International Holding Corporation ("AVIC International")	(1)	Interest of a controlled corporation	1,895,559,000	34.34
Aviation Industry Corporation of China ("AVIC")	(1)	Interest of a 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** *(continued)*

Notes:

- (1) According to notices of disclosure of interests filed with the Company, Tacko is a wholly-owned subsidiary of AVIC International (HK) Group, which in turn is a wholly-owned subsidiary of AVIC International. AVIC International is a non-wholly-owned subsidiary of AVIC (62.52% interest controlled by AVIC as at 30 June 2016). Accordingly, each of AVIC International (HK) Group, AVIC International and AVIC is deemed to be interested in the shares held by 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 2016, no person had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under 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.

## **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 2016, 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** *(continued)*

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. 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.

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 2016.

**AUDIT COMMITTEE**

The Company has an Audit Committee 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, risk management and internal control systems and the effectiveness of the Company's internal audit function including the review of this 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 RESULTS**

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 has been reviewed by the Audit Committee, and has 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 INFORMATION****CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

		<b>For the six months ended 30 June</b>	
		<b>2016</b>	2015
	<i>Notes</i>	<b>(Unaudited) HK\$'000</b>	(Unaudited) HK\$'000
<b>CONTINUING OPERATIONS</b>			
Revenue	3	<b>64,587</b>	9,721
Cost of sales		<b>(36,028)</b>	(7,169)
Gross profit		<b>28,559</b>	2,552
Other income	4	<b>9,846</b>	9,643
Selling and distribution expenses		<b>(8,927)</b>	(7,967)
Administrative expenses		<b>(24,106)</b>	(23,608)
Other operating expenses, net	6	<b>(934)</b>	(3,613)
Finance costs	5	<b>(38)</b>	(43,379)
Gain on deemed disposal of an associate		-	433,380
Gain on deemed disposal of interest in an associate		<b>3,386</b>	-
Share of profits and losses of:			
Joint venture		<b>(43,232)</b>	(13,129)
Associates		<b>(2,623)</b>	(48,202)
Impairment of an available-for-sale investment (transfer from available-for-sale investment revaluation reserve)		<b>(94,907)</b>	-
Gain on derecognition of available-for-sale investments		-	224
Fair value gain of available-for-sale investments (transfer from equity on derecognition)		-	19,091
Fair value gain/(loss) on derivative financial instruments		<b>(72,027)</b>	121,510
Fair value gain/(loss) on equity investment at fair value through profit or loss		<b>(137,904)</b>	71,177



**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

(continued)

		<b>For the six months ended 30 June</b>	
		<b>2016</b>	2015
	<i>Notes</i>	<b>(Unaudited)</b> <b>HK\$'000</b>	(Unaudited) HK\$'000
Profit/(loss) before tax from continuing operations	6	<b>(342,907)</b>	517,679
Income tax credit/(expense)	7	<b>(5,761)</b>	5,754
Profit/(loss) for the period from continuing operations		<b>(348,668)</b>	523,433
<b>DISCONTINUED OPERATION</b>			
Loss for the period from a discontinued operation	8	<b>(5,091)</b>	(15,271)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(353,759)</b>	508,162
Attributable to:			
Owners of the parent		<b>(353,498)</b>	517,802
Non-controlling interests		<b>(261)</b>	(9,640)
		<b>(353,759)</b>	508,162
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
Basic and diluted			
– For profit/(loss) for the period		<b>(HK6.40 cents)</b>	HK9.38 cents
– For profit/(loss) from continuing operations		<b>(HK6.36 cents)</b>	HK9.52 cents

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>For the six months ended 30 June</b>	
	<b>2016 (Unaudited) HK\$'000</b>	2015 (Unaudited) HK\$'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>(353,759)</b>	508,162
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair value	<b>(89,224)</b>	(25,757)
Reclassification adjustment for losses/(gains) included in the condensed consolidated statement of profit or loss		
– Gain on derecognition	–	(19,091)
– Impairment loss	<b>94,907</b>	–
	<b>5,683</b>	(44,848)
Share of other comprehensive income of associates	–	16,028
Release of share of an associate's other comprehensive income upon deemed disposal of the associate	–	(38,241)
Exchange differences on translation of foreign operations	<b>(33,077)</b>	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods and other comprehensive income for the period, net of tax	<b>(27,394)</b>	(67,061)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(381,153)</b>	441,101
Attributable to:		
Owners of the parent	<b>(370,392)</b>	450,741
Non-controlling interests	<b>(10,761)</b>	(9,640)
	<b>(381,153)</b>	441,101



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Notes	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>26,707</b>	31,595
Investment properties		<b>363,425</b>	373,425
Prepaid land lease payments		-	2,814
Intangible asset		-	380
Investment in a joint venture		<b>247,389</b>	290,621
Investments in associates		<b>24,909</b>	24,146
Financial asset under Project EC120		-	-
Available-for-sale investments		<b>311,197</b>	400,421
Derivative financial instruments		<b>47,869</b>	119,896
Trade receivable	11	<b>21,075</b>	21,628
Due from a fellow subsidiary		-	3,178
Loan to a related company		<b>11,976</b>	11,976
Prepayments		-	278
Deferred tax assets		<b>10,491</b>	9,685
<b>Total non-current assets</b>		<b>1,065,038</b>	1,290,043
<b>CURRENT ASSETS</b>			
Properties under development and completed properties held for sale		<b>4,172,883</b>	4,070,648
Inventories		-	4,564
Trade and bills receivables	11	<b>125,379</b>	155,450
Due from fellow subsidiaries		<b>43,385</b>	46,016
Due from non-controlling shareholder of a subsidiary		-	323
Loans to related companies		<b>16,272</b>	17,230
Prepayments, deposits and other receivables		<b>58,445</b>	61,714
Equity investment at fair value through profit or loss		<b>147,809</b>	285,713
Prepaid taxes		<b>7,694</b>	12,156
Pledged time deposits		-	359
Cash and cash equivalents		<b>664,261</b>	473,330
		<b>5,236,128</b>	5,127,503
Assets of a disposal group classified as held for sale	8	<b>21,180</b>	-
<b>Total current assets</b>		<b>5,257,308</b>	5,127,503

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***(continued)*

	Notes	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
<b>CURRENT LIABILITIES</b>			
Due to non-controlling shareholders of subsidiaries		<b>122,496</b>	64,301
Due to an intermediate holding company		-	14,164
Due to fellow subsidiaries		<b>4,794</b>	4
Loans from fellow subsidiaries		<b>862,275</b>	205,988
Trade and bills payables	12	<b>55,961</b>	92,358
Other payables and accruals		<b>16,814</b>	32,744
Customer deposits		<b>510,830</b>	248,310
Interest-bearing bank borrowings		-	37,964
Tax payable		<b>36,899</b>	68,139
		<b>1,610,069</b>	763,972
Liabilities directly associated with the assets classified as held for sale	8	<b>71,338</b>	-
Total current liabilities		<b>1,681,407</b>	763,972
<b>NET CURRENT ASSETS</b>		<b>3,575,901</b>	4,363,531
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,640,939</b>	5,653,574
<b>NON-CURRENT LIABILITIES</b>			
Loans from an intermediate holding company		<b>496,581</b>	509,581
Loans from a fellow subsidiary		<b>695,527</b>	1,658,683
Interest-bearing bank borrowings		<b>345,455</b>	-
Deferred tax liabilities		<b>152,871</b>	153,652
Total non-current liabilities		<b>1,690,434</b>	2,321,916
Net assets		<b>2,950,505</b>	3,331,658
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital		<b>551,959</b>	551,959
Reserves		<b>1,815,183</b>	2,185,575
		<b>2,367,142</b>	2,737,534
Non-controlling interests		<b>583,363</b>	594,124
Total equity		<b>2,950,505</b>	3,331,658



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent								
	Issued capital HK\$'000	Share premium account HK\$'000	Available- for-sale 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	Total equity HK\$'000
At 1 January 2016	551,959	609,080	10,665	18,477	(23,199)	1,570,552	2,737,534	594,124	3,331,658
Loss for the period	-	-	-	-	-	(353,498)	(353,498)	(261)	(353,759)
Other comprehensive income for the period:									
Changes in fair value of available-for-sale investments, net of tax	-	-	5,683	-	-	-	5,683	-	5,683
Exchange differences on translation of foreign operations	-	-	-	-	(22,577)	-	(22,577)	(10,500)	(33,077)
Total comprehensive income for the period	-	-	5,683	-	(22,577)	(353,498)	(370,392)	(10,761)	(381,153)
At 30 June 2016 (Unaudited)	551,959	609,080*	16,348*	18,477*	(45,776)*	1,217,054*	2,367,142	583,363	2,950,505

\* These reserve accounts comprise the consolidated reserves of HK\$1,815,183,000 in the condensed consolidated statement of financial position as at 30 June 2016.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(continued)

	Attributable to owners of the parent									
	Issued capital	Share premium account	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
At 1 January 2015	551,959	609,080	5,193	31,546	7,882	38,384	1,539,327	2,783,371	578,390	3,361,761
Profit for the period	-	-	-	-	-	-	517,802	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)	-	(44,848)
Share of other comprehensive income of associates	-	-	-	17,211	-	(1,183)	-	16,028	-	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)	-	(38,241)
Total comprehensive income for the period	-	-	(5,193)	(50,585)	-	(11,283)	517,802	450,741	(9,640)	441,101
At 30 June 2015 (Unaudited)	551,959	609,080	-	(19,039)	7,882	27,101	2,057,129	3,234,112	568,750	3,802,862



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

		<b>For the six months ended 30 June</b>	
	Notes	<b>2016 (Unaudited) HK\$'000</b>	2015 (Unaudited) HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax:			
From continuing operations		<b>(342,907)</b>	517,679
From a discontinued operation	8	<b>(5,075)</b>	(15,423)
Adjustments for:			
Finance costs	5, 8	<b>1,226</b>	44,827
Share of profits and losses of a joint venture and associates		<b>45,855</b>	61,331
Impairment of investment in an associate		-	3,613
Bank interest income		<b>(818)</b>	(7,320)
Interest income on a convertible bond		<b>(518)</b>	(518)
Interest income on loans to associates		<b>(284)</b>	(350)
Interest income on loans to related companies		<b>(833)</b>	(1,144)
Gain on deemed disposal of an associate		-	(433,380)
Gain on deemed disposal of interest in an associate		<b>(3,386)</b>	-
Loss on disposal of items of property, plant and equipment		-	104
Provision for impairment of a loan to a related company		<b>934</b>	-
Provision for impairment of trade and bills receivables		-	6,572
Provision for impairment of prepayments and other receivables		<b>4,112</b>	47
Depreciation		<b>1,462</b>	2,369
Provision for impairment of property, plant and equipment		-	6,924
Recognition of prepaid land lease payments		<b>13</b>	37
Amortisation of customer relationship		<b>95</b>	95
Impairment of an available-for-sale investment		<b>94,907</b>	-
Gain on derecognition of available-for-sale investments		-	(224)
Fair value gain of available-for-sale investments (transfer from equity on derecognition)		-	(19,091)
Fair value loss/(gain) on derivative financial instruments		<b>72,027</b>	(121,510)
Fair value loss/(gain) on equity investment at fair value through profit or loss		<b>137,904</b>	(71,177)
		<b>4,714</b>	(26,539)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS** (continued)

	<b>For the six months ended 30 June</b>	
	<b>2016 (Unaudited) HK\$'000</b>	2015 (Unaudited) HK\$'000
Increase in properties under development and completed properties held for sale	<b>(98,302)</b>	(190,768)
Decrease/(increase) in inventories	<b>501</b>	(2,163)
Decrease/(increase) in trade and bills receivables	<b>27,472</b>	(2,345)
Decrease in prepayments, deposits and other receivables	<b>13,693</b>	9,390
Decrease in amounts due from fellow subsidiaries	<b>5,806</b>	-
Decrease in an amount due from non-controlling shareholder of a subsidiary	<b>323</b>	-
Increase in amounts due to fellow subsidiaries	<b>-</b>	4
Increase/(decrease) in trade and bills payables	<b>(22,974)</b>	881
Increase/(decrease) in other payables and accruals	<b>(12,480)</b>	21,687
Increase in customer deposits	<b>276,530</b>	171,730
Cash generated from/(used in) operations	<b>195,283</b>	(18,123)
Overseas tax paid	<b>(33,222)</b>	(6,578)
Net cash flows from/(used in) operating activities	<b>162,061</b>	(24,701)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	<b>(102)</b>	(1,932)
Proceeds from disposal of items of property, plant and equipment	<b>-</b>	173
Proceeds from disposal of an available-for-sale investment	<b>-</b>	2,680
Additional investment in an associate	<b>-</b>	(4,500)
Repayment of a loan from a related company	<b>24</b>	-
Bank interest received	<b>818</b>	10,249
Interest received on a convertible bond	<b>518</b>	518
Interest received on loans to associates	<b>344</b>	-
Interest received on other receivables	<b>-</b>	2,386
Increase in pledged time deposits	<b>(2,815)</b>	(250)
Decrease in a time deposit with original maturity of more than three months when acquired	<b>-</b>	155,588
Net cash flows from/(used in) investing activities	<b>(1,213)</b>	164,912



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS** *(continued)*

	<i>Note</i>	<b>For the six months ended 30 June 2016 (Unaudited) HK\$'000</b>	2015 (Unaudited) HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		<b>354,455</b>	28,875
Repayment of bank loans		-	(28,982)
Repayment of loans from fellow subsidiaries		<b>(265,792)</b>	(499,213)
Advance from non-controlling shareholders of subsidiaries		<b>58,216</b>	6,250
Decrease in an amount due to an intermediate holding company		<b>(14,163)</b>	-
Interest paid		<b>(93,535)</b>	(39,854)
Net cash flows from/(used in) financing activities		<b>39,181</b>	(532,924)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at 1 January		<b>200,029</b>	(392,713)
Effect of foreign exchange rate changes, net		<b>473,330</b>	1,093,361
		<b>(7,164)</b>	-
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>			
		<b>666,195</b>	700,648
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>643,902</b>	164,643
Non-pledged time deposits with original maturity of less than three months when acquired		<b>20,359</b>	536,005
Cash and cash equivalents as stated in the statement of financial position		<b>664,261</b>	700,648
Cash and bank balances attributable to a discontinued operation	8	<b>1,934</b>	-
Cash and cash equivalents as stated in the statement of cash flows		<b>666,195</b>	700,648

## 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 2015, 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 HKFRS 10,  
HKFRS 12 and HKAS 28 (2011)  
Amendments to HKFRS 11

Amendments to HKAS 1  
Amendments to HKAS 16 and HKAS 38

Amendments to HKAS 16 and HKAS 41  
Amendments to HKAS 27 (2011)

*Annual Improvements 2012-2014 Cycle*

*Investment Entities: Applying the  
Consolidation Exception  
Accounting for Acquisitions of Interests  
in Joint Operations*

*Disclosure Initiative  
Clarification of Acceptable Methods of  
Depreciation and Amortisation*

*Agriculture: Bearer Plants  
Equity Method in Separate Financial  
Statements*

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 two reportable operating segments as follows:

- (a) the property development and investment business segment engages in the property development of residential and commercial projects; and
- (b) the trading business segment engages in the trading of raw materials and auxiliary materials.

The knitting and textile business was classified as a disposal group held-for-sale and as a discontinued operation. Accordingly, the comparative segment information related to the knitting and textile business is reclassified as "loss for the period from a discontinued operation" in the condensed consolidated statement of profit or loss. Details of which is set out in note 8 to the interim financial statements.

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 from continuing operations. The adjusted profit/(loss) for the period from continuing operations is measured consistently with the Group's profit/(loss) for the period from continuing operations 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 (including impairment of loans to associates, impairment of investments in associates and recovery of other receivable) and unallocated income tax are excluded from such measurement.

The followings are analyses of the Group's revenue and results from continuing operations by reportable operating segments.



### 3. Operating segment information *(continued)* For the six months ended 30 June 2016

	<b>Property development and investment business (Unaudited) HK\$'000</b>	<b>Trading business (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
<b>Segment revenue:</b>			
Sales to external customers	<b>56,431</b>	-	<b>56,431</b>
Gross rental income	<b>8,156</b>	-	<b>8,156</b>
Revenue from continuing operations	<b>64,587</b>	-	<b>64,587</b>
<b>Segment results</b>	<b>2,288</b>	-	<b>2,288</b>
<i>Reconciliation:</i>			
Unallocated other income			<b>4,551</b>
Corporate and other unallocated expenses			<b>(8,195)</b>
Gain on deemed disposal of interest in an associate			<b>3,386</b>
Share of profits and losses of:			
Joint venture			<b>(43,232)</b>
Associates			<b>(2,623)</b>
Impairment of an available-for-sale investment			<b>(94,907)</b>
Fair value loss on derivative financial instruments			<b>(72,027)</b>
Fair value loss on equity investment at fair value through profit or loss			<b>(137,904)</b>
Unallocated income tax expense			<b>(5)</b>
Loss for the period from continuing operations			<b>(348,668)</b>



**3. Operating segment information** *(continued)*  
**For the six months ended 30 June 2015**

	Property development and investment business (Unaudited) HK\$'000	Trading business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment revenue:</b>			
Sales to external customers	–	7,297	7,297
Gross rental income	2,424	–	2,424
Revenue from continuing operations	2,424	7,297	9,721
<b>Segment results</b>	(46,746)	(868)	(47,614)
<i>Reconciliation:</i>			
Unallocated other income			2,913
Corporate and other unallocated expenses			(15,917)
Gain on deemed disposal of an associate			433,380
Share of profits and losses of:			
Joint venture			(13,129)
Associates			(48,202)
Gain on derecognition of available-for-sale investments			224
Fair value gain of available-for-sale investments (transfer from equity on derecognition)			19,091
Fair value gain on derivative financial instruments			121,510
Fair value gain on equity investment at fair value through profit or loss			71,177
Profit for the period from continuing operations			523,433

#### 4. Other income

An analysis of other income from continuing operations is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2016 (Unaudited) HK\$'000</b>	2015 (Unaudited) HK\$'000
Bank interest income	<b>816</b>	7,318
Interest income on a convertible bond	<b>518</b>	518
Interest income on loans to associates	<b>284</b>	350
Interest income on loans to related companies	<b>833</b>	1,144
Government grant*	<b>7,245</b>	–
Others	<b>150</b>	313
	<b>9,846</b>	9,643

\* This represents subsidies from municipal government in Mainland China. There are no unfulfilled conditions or contingencies relating to these subsidies.

#### 5. Finance costs

An analysis of finance costs from continuing operations is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2016 (Unaudited) HK\$'000</b>	2015 (Unaudited) HK\$'000
Interest on bank loans and other loans wholly repayable within five years	<b>97,139</b>	87,393
Less: Interest capitalised	<b>(97,101)</b>	(44,014)
	<b>38</b>	43,379



## 6. Profit/(loss) before tax

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

	<b>For the six months ended 30 June</b>	
	<b>2016 (Unaudited) HK\$'000</b>	<b>2015 (Unaudited) HK\$'000</b>
Cost of properties sold*	<b>36,028</b>	–
Cost of goods sold*	–	7,169
Depreciation	<b>1,150</b>	1,237
Other operating expenses, net:		
Impairment of investment in an associate	–	3,613
Provision for impairment of a loan to a related company	<b>934</b>	–
	<b>934</b>	3,613

\* Included in "cost of sales" in the condensed consolidated statement of profit or loss.

## 7. Income tax

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2016 and 2015 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.

	<b>For the six months ended 30 June</b>	
	<b>2016 (Unaudited) HK\$'000</b>	<b>2015 (Unaudited) HK\$'000</b>
Current – Elsewhere:		
Charge for the period	<b>1,471</b>	1,586
Deferred	<b>(989)</b>	(7,340)
Land Appreciation Tax in Mainland China	<b>5,279</b>	–
Total tax charge/(credit) for the period	<b>5,761</b>	(5,754)

## 8. Discontinued operation

On 29 June 2016, the Group signed an agreement with an independent third party to dispose of Zhejiang Dongyang Jinniu, a 51%-owned subsidiary. Zhejiang Dongyang Jinniu engages in the production and distribution of knitting and textile products, knitted fabrics and clothing. The Group has decided to cease its knitting and textile business because it has been loss-making in recent years. The disposal of Zhejiang Dongyang Jinniu is due to be completed not later than 30 November 2016. As at 30 June 2016, Zhejiang Dongyang Jinniu was classified as a disposal group held for sale and as a discontinued operation. With Zhejiang Dongyang Jinniu being classified as a discontinued operation, the knitting and textile business is no longer included in the note for operating segment information.

The results of Zhejiang Dongyang Jinniu for the period are presented below:

	<b>For the six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Revenue	<b>18,616</b>	11,546
Cost of sales	<b>(17,621)</b>	(10,467)
Gross profit	<b>995</b>	1,079
Other income	<b>112</b>	181
Administrative expenses	<b>(882)</b>	(1,692)
Other operating expenses, net	<b>(4,112)</b>	(13,543)
Finance costs	<b>(1,188)</b>	(1,448)
Loss before tax from the discontinued operation	<b>(5,075)</b>	(15,423)
Income tax credit/(expense) related to pre-tax profit/loss	<b>(16)</b>	152
Loss for the period from the discontinued operation	<b>(5,091)</b>	(15,271)
Attributable to:		
Owners of the parent	<b>(2,596)</b>	(7,788)
Non-controlling interests	<b>(2,495)</b>	(7,483)
	<b>(5,091)</b>	(15,271)



## 8. Discontinued operation *(continued)*

The major classes of assets and liabilities of Zhejiang Dongyang Jinniu classified as held for sale as at 30 June 2016 are as follows:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
<b>Assets</b>		
Property, plant and equipment	<b>3,528</b>	–
Prepaid land lease payments	<b>2,800</b>	–
Intangible asset	<b>285</b>	–
Inventories	<b>4,062</b>	–
Trade receivables	<b>3,151</b>	–
Prepayments, deposits and other receivables	<b>2,246</b>	–
Pledged time deposits	<b>3,174</b>	–
Cash and cash equivalents	<b>1,934</b>	–
Assets classified as held for sale	<b>21,180</b>	–
<b>Liabilities</b>		
Due to a non-controlling shareholder of a subsidiary	<b>(18)</b>	–
Trade and bills payables	<b>(13,420)</b>	–
Other payables and accruals	<b>(19,017)</b>	–
Interest-bearing bank borrowings	<b>(37,964)</b>	–
Tax payable	<b>(371)</b>	–
Deferred tax liabilities	<b>(548)</b>	–
Liabilities directly associated with the assets classified as held for sale	<b>(71,338)</b>	–
Net liabilities directly associated with the disposal group	<b>(50,158)</b>	–

**8. Discontinued operation** *(continued)*

The net cash flows incurred by Zhejiang Dongyang Jinniu are as follows:

	<b>For the six months ended 30 June</b>	
	<b>2016 (Unaudited) HK\$'000</b>	2015 (Unaudited) HK\$'000
Operating activities	<b>5,354</b>	(141)
Investing activities	<b>(2,814)</b>	(248)
Financing activities	<b>(962)</b>	–
Net cash inflow/(outflow)	<b>1,578</b>	(389)

Loss per share:

	<b>For the six months ended 30 June</b>	
	<b>2016 (Unaudited)</b>	2015 (Unaudited)
Basic and diluted, from the discontinued operation	<b>(HK0.04 cent)</b>	(HK0.14 cent)

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	<b>For the six months ended 30 June</b>	
	<b>2016 (Unaudited)</b>	2015 (Unaudited)
Loss attributable to ordinary equity holders of the parent from the discontinued operation	<b>(HK\$2,596,000)</b>	(HK\$7,788,000)
Weighted average number of ordinary shares in issue during the period	<b>5,519,591,000</b>	5,519,591,000



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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 5,519,591,000 (2015: 5,519,591,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

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

	<b>For the six months ended 30 June</b>	
	<b>2016 (Unaudited) HK\$'000</b>	2015 (Unaudited) HK\$'000
<b>Earnings/(loss)</b>		
Profit/(loss) attributable to ordinary equity holders of the parent:		
From continuing operations	<b>(350,902)</b>	525,590
From a discontinued operation	<b>(2,596)</b>	(7,788)
	<b>(353,498)</b>	517,802
	<b>For the six months ended 30 June</b>	
	<b>2016 (Unaudited)</b>	2015 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period	<b>5,519,591,000</b>	5,519,591,000

## 10. Dividend

The Directors do not declare an interim dividend for the six months ended 30 June 2016 (2015: Nil).

## 11. Trade and bills receivables

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Trade and bills receivables	<b>146,454</b>	188,763
Impairment	-	(11,685)
	<b>146,454</b>	177,078
Less: Trade receivable, non-current portion	<b>(21,075)</b>	(21,628)
Current portion	<b>125,379</b>	155,450

The Group has different credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Trade receivables from sale of properties in respect of the property development and investment business are payable pursuant to the terms of sale and purchase agreements. The Group's trading terms with its customers in other businesses 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.



## 11. Trade and bills receivables *(continued)*

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:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Within 1 month	-	168,800
1 to 2 months	<b>15,795</b>	1,184
2 to 3 months	-	2,858
Over 3 months	<b>130,659</b>	4,236
	<b>146,454</b>	177,078

## 12. 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:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Within 1 month	<b>46,184</b>	80,197
1 to 2 months	<b>5,876</b>	2,307
2 to 3 months	-	1,841
Over 3 months	<b>3,901</b>	8,013
	<b>55,961</b>	92,358

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

### 13. Commitments

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Contracted, but not provided for:		
Establishment of a joint venture (Note)	<b>47,904</b>	47,904
Property development expenditure	<b>327,562</b>	338,402
	<b>375,466</b>	386,306

*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\$120 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 2016, the JV Agreement has not become effective as the conditions stated above have not been fulfilled.

### 14. Contingent liabilities

As at 30 June 2016, the Group has given guarantees of HK\$74,686,000 (31 December 2015: HK\$36,489,000) 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.



## 15. 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:

	<b>For the six months ended 30 June 2016 (Unaudited) HK\$'000</b>	2015 (Unaudited) HK\$'000
Interest income on loans to related companies	<b>833</b>	1,144
Interest income on loans to associates	<b>284</b>	350
Fellow subsidiaries:		
Interest expense on loans from fellow subsidiaries	<b>(87,622)</b>	(48,990)
Management fee paid to a fellow subsidiary	<b>(4,566)</b>	(2,743)
Agency fee paid to a fellow subsidiary	<b>(93)</b>	(126)
Interest expenses on loans from an intermediate holding company	<b>(5,449)</b>	–

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

**15. Related party transactions** *(continued)*

- (b) Outstanding balances with related parties:
- (i) The loans to associates are unsecured and bear interest at 6% (31 December 2015: 4.5% to 6%) per annum.
  - (ii) The loans to related companies are unsecured, bear interest at 5.25% to 6.15% (31 December 2015: 5.25% to 6.15%) per annum and are repayable within one year.
  - (iii) The balances with non-controlling shareholders of subsidiaries are unsecured, non-interest-bearing and have no fixed terms of repayment.
  - (iv) The amount due to an intermediate holding company is unsecured, non-interest-bearing and has no fixed terms of repayment. The loans from an intermediate holding company are unsecured, bear interest at 10% (31 December 2015: 10%) per annum and are not repayable within one year.
  - (v) The amounts due from/to fellow subsidiaries are unsecured and non-interest-bearing. The loans from fellow subsidiaries are unsecured and bear interest at 10% (31 December 2015: 10%) per annum.
- (c) Compensation of key management personnel of the Group:

	<b>For the six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>280</b>	6,240
Post-employment benefits	<b>14</b>	137
<b>Total compensation paid to key management personnel</b>	<b>294</b>	6,377



## 16. 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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
<b>Financial assets</b>				
Trade receivable (non-current portion)	21,075	21,628	19,775	19,356
Due from a fellow subsidiary (non-current portion)	-	3,178	-	3,022
Loans to associates	10,180	10,180	10,317	10,373
Loan to a related company (non-current portion)	11,976	11,976	12,039	12,065
Available-for-sale investments	311,197	400,421	311,197	400,421
Equity investment at fair value through profit or loss	147,809	285,713	147,809	285,713
Derivative financial instruments	47,869	119,896	47,869	119,896
	<b>550,106</b>	852,992	<b>549,006</b>	850,846
<b>Financial liabilities</b>				
Loans from a fellow subsidiary (non-current portion)	695,527	1,658,683	766,433	1,791,586
Interest-bearing bank borrowings (non-current portion)	345,455	-	341,145	-
Loans from an intermediate holding company	496,581	509,581	561,789	607,026
	<b>1,537,563</b>	2,168,264	<b>1,669,367</b>	2,398,612

**16. Fair value and fair value hierarchy of financial instruments** *(continued)*

Management has assessed that the fair values of trade and bills receivables, balances with fellow subsidiaries (current portion), an intermediate holding company, non-controlling shareholders of subsidiaries and related companies (current portion), financial assets included in prepayments, deposits and other receivables, pledged time deposits, cash and cash equivalents, 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.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. 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 related companies, loans from a fellow subsidiary, interest-bearing bank borrowings and loans from an intermediate holding company 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, interest-bearing bank borrowings and loans from an intermediate holding company as at 30 June 2016 was assessed to be insignificant.



**16. Fair value and fair value hierarchy of financial instruments** *(continued)*

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.

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 2016, the marked to market value of the above derivative asset position was net of a credit valuation adjustment attributable to derivative counterparty default risk.



**16. Fair value and fair value hierarchy of financial instruments** *(continued)*

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	
<b>As at 30 June 2016 (Unaudited)</b>				
Available-for-sale investments:				
Equity investments	188,782	-	-	188,782
Debt investments	2,290	120,125	-	122,415
Equity investment at fair value through profit or loss	147,809	-	-	147,809
Derivative financial instruments	-	47,869	-	47,869
	<b>338,881</b>	<b>167,994</b>	<b>-</b>	<b>506,875</b>
<b>As at 31 December 2015 (Audited)</b>				
Available-for-sale investments:				
Equity investments	283,688	-	-	283,688
Debt investments	2,290	114,443	-	116,733
Equity investment at fair value through profit or loss	285,713	-	-	285,713
Derivative financial instruments	-	119,896	-	119,896
	571,691	234,339	-	806,030

The Group did not have any financial liabilities measured at fair value as at 30 June 2016 and 31 December 2015.



**16. Fair value and fair value hierarchy of financial instruments** *(continued)*

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 (2015: 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	
<b>As at 30 June 2016 (Unaudited)</b>				
Trade receivable (non-current portion)	-	19,775	-	19,775
Loans to associates	-	10,317	-	10,317
Loan to a related company (non-current portion)	-	12,039	-	12,039
	-	42,131	-	42,131
<b>As at 31 December 2015 (Audited)</b>				
Trade receivable (non-current portion)	-	19,356	-	19,356
Due from a fellow subsidiary (non-current portion)	-	3,022	-	3,022
Loans to associates	-	10,373	-	10,373
Loan to a related company (non-current portion)	-	12,065	-	12,065
	-	44,816	-	44,816

## 16. Fair value and fair value hierarchy of financial instruments *(continued)*

### 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	
<b>As at 30 June 2016 (Unaudited)</b>				
Loans from a fellow subsidiary (non-current portion)	-	766,433	-	766,433
Interest-bearing bank borrowings (non-current portion)	-	341,145	-	341,145
Loans from an intermediate holding company	-	561,789	-	561,789
	-	1,669,367	-	1,669,367
<b>As at 31 December 2015 (Audited)</b>				
Loans from a fellow subsidiary (non-current portion)	-	1,791,586	-	1,791,586
Loans from an intermediate holding company	-	607,026	-	607,026
	-	2,398,612	-	2,398,612



## 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 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 2016 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 2016 is not prepared, in all material respects, in accordance with HKAS 34.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

26 August 2016

