深圳中航集團股份有限公司
CATIC SHENZHEN HOLDINGS LIMITED
(Stock Code: 0161)

Interim Report 2008

CORPORATE INFORMATION

Listing stock exchange	:	The Stock Exchange of Hong Kong Limited
Stock short name	:	CATIC Shenzhen
Stock Code	:	00161
Website	:	www.sch161.com

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Guang Quan *Chairman*
Mr. Lai Wei Xuan
Mr. Sui Yong
Mr. Cheng Bao Zhong
Mr. Liu Rui Lin
Mr. Xu Dong Sheng
Mr. You Lei
Mr. Wang Bao Ying

Independent non-executive Directors

Mr. Poon Chiu Kwok
Ms. Wong Wai Ling (appointed on 19th March 2008)
Mr. Liu Xian Fa
Mr. Eugene Liu (resigned on 17th March 2008)

Non-executive Directors

Mr. Wang Bin Bin
Mr. Li Cheng Ning

COMPANY SECRETARY

Mr. Zeng Jun

REGISTERED ADDRESS

Level 25, Hangdu Building
CATIC Zone, Shennan Road Central
Futian District, Shenzhen, PRC

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

Suites 2201-2203, 22nd Floor
Jardine House, 1 Connaught Place
Central, Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE (FOR SHARES TRANSFER)

Hong Kong Registrars Limited
Rooms 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISER

Loong & Yeung

PRINCIPAL BANKERS

Bank of China
China Construction Bank
Shenzhen Development Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
Industrial Bank Co., Ltd.

The Board ("Board") of directors ("Directors") of CATIC Shenzhen Holdings Limited ("the Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively "the Group") for the six months ended 30th June 2008 prepared in accordance with the International Financial Reporting Standards as follows:

BALANCE SHEET

	Note	30 June 2008 Unaudited RMB'000	31 December 2007 Restated RMB'000
ASSETS			
Non-current assets	7		
Leasehold land and land use rights		695,397	190,007
Mining right		294,902	306,826
Goodwill		5,240	5,240
Property, plant and equipment		2,778,750	956,464
Investment properties		771,122	193,873
Construction-in-progress		2,104,729	2,654,651
Investments in associates		549,473	576,852
Available-for-sale financial assets		99,796	231,282
Deferred income tax assets		122,898	117,617
Other non-current assets		145,252	545,681
Total non-current assets		7,567,559	5,778,493
Current assets			
Inventories		1,299,101	829,829
Trade and other receivables	8	1,390,477	1,141,900
Financial assets at fair value through profit or loss		41,802	74,008
Cash and cash equivalents		1,305,034	1,306,698
Total current assets		4,036,414	3,352,435
Total assets		11,603,973	9,130,928

	Note	30 June 2008 Unaudited RMB'000	31 December 2007 Restated RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		678,909	678,909
Share premium		357,849	357,849
Other reserves		420,633	587,093
Retained earnings		380,414	337,903
		1,837,805	1,961,754
Minority interest in equity		1,807,658	1,938,298
Total equity		3,645,463	3,900,052
LIABILITIES			
Non-current liabilities			
Borrowings		2,918,797	1,945,636
Deferred income tax liabilities		303,783	102,882
Deferred income on government grants		27,415	19,407
Other non-current liability		15,140	–
Total non-current liabilities		3,265,135	2,067,925
Current liabilities			
Trade and other payables	9	1,811,113	1,367,550
Borrowings		2,828,965	1,780,208
Current income tax liabilities		53,297	15,193
Total current liabilities		4,693,375	3,162,951
Total liabilities		7,958,510	5,230,876
Total equity and liabilities		11,603,973	9,130,928
Net current (liabilities)/assets		(656,961)	189,484
Total assets less current liabilities		6,910,598	5,967,977

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited Six months ended 30th June	
		2008	2007 Restated
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**1,937,955**	1,508,039
Cost of sales		**(1,374,623)**	(1,152,187)
Gross profit		**563,332**	355,852
Distribution costs		**(105,517)**	(76,882)
Administrative expenses		**(203,623)**	(134,254)
Other (losses)/gains – net		**(15,924)**	32,315
Operating profit	*5*	**238,268**	177,031
Excess of the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of the investment		**104**	–
Finance income		**7,782**	3,291
Finance costs		**(106,017)**	(36,211)
Share of post-tax loss of associates		**(11,158)**	(1,525)
Profit before income tax		**128,979**	142,586
Income tax expense	*6*	**(49,762)**	(21,257)
Profit for the period		**79,217**	121,329
Attributable to:			
– equity holders of the Company		**42,511**	89,206
– minority interest		**36,706**	32,123
		79,217	121,329
		RMB per share	*RMB per share* Restated
Earnings per share for profit attributable to the equity holders of the Company	*10*		
– basic		**0.0626**	0.1402
– diluted		**0.0626**	0.1402
Dividends		**–**	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Attributable to equity holders of the Company						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2007	636,000	161,105	313,346	186,903	1,297,354	997,943	2,295,297
Fair value gains from available-for-sale financial assets, gross of tax	–	–	193,015	–	193,015	28,758	221,773
Tax on fair value gains from available-for-sale financial assets	–	–	(28,952)	–	(28,952)	(4,314)	(33,266)
Net income recognised directly in equity	–	–	164,063	–	164,063	24,444	188,507
Profit for the period	–	–	–	89,206	89,206	32,123	121,329
Total recognised income and expense for the period ended 30 June 2007	–	–	164,063	89,206	253,269	56,567	309,836
Capital contributed by minority interest	–	–	–	–	–	360,526	360,526
Acquisition of minority interest	–	–	–	–	–	(5,945)	(5,945)
Dividends relating to 2006	–	–	–	–	–	(32,455)	(32,455)
Balance at 30 June 2007	636,000	161,105	477,409	276,109	1,550,623	1,376,636	2,927,259
Balance as at 1 January 2008 restated	678,909	357,849	587,093	337,903	1,961,754	1,938,298	3,900,052
Fair value loss from available-for-sale financial assets, gross of tax	–	–	(41,302)	–	(41,302)	(49,438)	(90,740)
Tax on fair value loss from available-for-sale financial assets	–	–	5,155	–	5,155	6,181	11,336
Reversal of fair value change of disposed of available-for-sale financial assets, gross of tax	–	–	(18,080)	–	(18,080)	(21,552)	(39,632)
Reversal of tax on fair value change of disposed of available-for-sale financial assets	–	–	2,712	–	2,712	3,233	5,945
Net loss recognised directly in equity	–	–	(51,515)	–	(51,515)	(61,576)	(113,091)
Profit for the period	–	–	–	42,511	42,511	36,706	79,217
Total recognised income and expense for the period ended 30 June 2008	–	–	(51,515)	42,511	(9,004)	(24,870)	(33,874)
Capital contributed by minority interest	–	–	–	–	–	135,190	135,190
Acquisition of minority interest	–	–	(111,148)	–	(111,148)	(206,352)	(317,500)
Share of fair value loss from available-for-sale financial assets of associates	–	–	(3,797)	–	(3,797)	–	(3,797)
Dividends relating to 2007	–	–	–	–	–	(34,608)	(34,608)
Balance at 30 June 2008	678,909	357,849	420,633	380,414	1,837,805	1,807,658	3,645,463

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited Six months ended 30th June 2008	2007 Restated
	RMB'000	RMB'000
Cash flows from operating activities:		
Cash used in operations	(57,147)	(33,016)
Interest paid	(105,910)	(31,850)
Income tax paid	(23,178)	(27,011)
Cash flows used in operating activities	(186,235)	(91,877)
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	(306,289)	–
Purchase of property, plant and equipment	(231,583)	(31,804)
Purchase of leasehold land and land use rights	(10,354)	(7,223)
Additions to construction-in-progress	(536,722)	(380,743)
Acquisition of minority interest	(192,500)	(4,547)
Proceeds from disposal of property, plant and equipment	468	188
Deemed disposals of subsidiaries	–	(2,973)
Proceeds from disposals of financial assets at fair value through profit or loss	6,354	29
Proceeds from disposals of available-for-sale financial assets	40,661	–
Purchase of financial assets at fair value through profit or loss	(12,140)	–
Government grants received	8,008	1,300
Interest received	7,782	3,139
Additions to other non-current assets	(96,425)	(252,950)
Cash flows used in investing activities	(1,322,740)	(675,584)
Cash flows from financing activities:		
Proceeds from borrowings	1,541,919	1,920,100
Capital contribution to subsidiaries from minority shareholders	–	151,410
Dividends paid to minority shareholders of subsidiaries	(34,608)	(32,455)
Cash flows from financing activities	1,507,311	2,039,055
Net (decrease)/increase in cash and cash equivalents	(1,664)	1,271,594
Cash and cash equivalent at start of period	1,306,698	740,912
Cash and cash equivalents at end of period	1,305,034	2,012,506

NOTES:

1. General information

CATIC Shenzhen Holdings Limited (the "Company") was established as a joint stock limited company in the People's Republic of China (the "PRC") and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the agriculture-related resources business, design, manufacture and chain-sales of luxurious timepieces, design, manufacture and sales of industrial and consumer electronics (including liquid crystal displays and printed circuit boards) in the PRC. Furthermore, the Company acquired Guangdong International Building Industrial Company Limited ("Guangdong International Building") and increased its equity interest in CATIC Real Estate's Co., Ltd. ("CATIC Real Estate") in a view to consolidate and develop the commercial property business.

2. Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30th June 2008 has been prepared in accordance with International Accounting Standards (the "IAS") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2007, which have been prepared in accordance with International Financial Reporting Standards (the "IFRS").

The Group reported net current liabilities of approximately RMB657 million as at 30th June 2008. The directors of the Company made an assessment and concluded that there is no going concern issue of the Group based on the facts that the total equity of the Group at 30th June 2008 amounted to approximately RMB3,645 million. The Group had unutilised banking facilities of approximately RMB110 million at 30th June 2008 in order to meet its obligations and commitments. The Group has not experienced any difficulties in renewing its banking facilities and there is no evidence indicating that the banks will not renew the facilities. Consequently, the interim financial information has been prepared by the directors of the Company on a going concern basis.

Application of merger accounting

On 21st January 2008, Shenzhen CATIC Resources Company Limited (the "CATIC Resources Company"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Shenzhen CATIC Investment Management Company Limited (the "CATIC Investment Company") which is wholly owned by China National Aero-Technology Import and Export Shenzhen Company (the "Shenzhen CATIC"), the controlling shareholder of the Company, to acquire 60% equity interest in Haixi CATIC Sanjiaguiye Company Limited (the "CATIC Sanjia"), a company engaged in the mining business and production of potash fertilizer, from CATIC Investment Company at a consideration of RMB330,000,000. The acquisition was completed on 23rd May 2008, and consequently the CATIC Resources Company has obtained control over the CATIC Sanjia.

Subsequent acquisition of further equity interests in CATIC Sanjia by the CATIC Resources Company in 2008 is detailed in Note 13.

As both the combining entity or the combined entity are ultimately controlled by the Shenzhen CATIC, both before and after the combination, this transaction is business combination involving entities under common control, which is outside the scope of IFRS 3, 'Business combinations'. According to guidance of IAS 8, 'Accounting policies, changes in accounting estimates and errors', the Group accounted for this acquisition using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5, 'Merger Accounting for Common Control Combinations', issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

According to the principle of merger accounting, this condensed consolidated interim financial information should include the information about the financial position, results and cash flows of CATIC Sanjia as if it had been owned by the Group since it first came under the control of the Shenzhen CATIC.

Accordingly, the financial information of the comparative period presented in this condensed consolidated interim financial information has been restated.

3. Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

(a) *Business combination involving entities under common control*

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealized gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

(b) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(c) *Mining rights*

Mining rights are stated at cost less accumulated amortization and accumulated impairment losses and are amortized on a straight-line basis over the shorter of their useful life based on the total proven and probable reserves of the mines or contractual period from the date of available for use.

(d) *Standards, amendments and interpretations in 2008 but not relevant*

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group:

- IFRIC – Int 11, 'IFRS 2 – Group and treasury share transactions'
- IFRIC – Int 12, 'Service concession arrangements'
- IFRIC – Int 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail.
- IAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs.
- IFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group.

- IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.

- IAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.

- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group as the Group does not have any puttable instruments.

- IFRIC – Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. Management is evaluating the effect of this interpretation on its revenue recognition.

- IFRS 1 and IAS 27 (amendment) 'Cost of an investment in a subsidiary, jointly controlled entity or associate', and consequential amendments to IAS 18 'Revenue', IAS 21 'The Effects of Changes in Foreign Exchange Rates' and IAS 36 'Impairment of Assets', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group is not a first-time adopter of IFRS.

4. Segment reporting

The revenue and profit/ (loss) after taxation of the Group for the six months ended 30th June 2008 by activities are classified as follows:

	Revenue		Profit/(loss) after taxation	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Resources	**231,228**	–	**88,731**	(2,493)
LCD	**680,888**	765,553	**45,885**	37,979
PCB	**440,615**	372,350	**38,520**	64,958
Timepieces	**469,363**	328,601	**16,144**	5,564
Hotel	**45,082**	–	**(34,019)**	–
Lease	**54,141**	26,572	**38,651**	20,845
Others	**14,601**	14,963	**(82)**	(1,564)
Unallocated items*	**2,037**	–	**(114,613)**	(3,960)
Total	**1,937,955**	1,508,039	**79,217**	121,329

* *The amount represented unallocated interest expenses, administrative expenses and investment losses of the Company.*

5. Operating profit

The following items of unusual nature, size or incidence have been charged/(credited) the operating profit during the period:

	Six months ended 30 June 2008 RMB'000	2007 RMB'000
Financial assets at fair value through profit or loss:		
– fair value losses	34,471	–
– fair value gains	–	(26,043)
Loss on disposal of financial assets at fair value through profit or loss	3,552	–
Gain on disposal of available-for-sales financial assets	(39,632)	–
Amortisation of leasehold land and land use rights	7,294	3,157
Amortisation of other non-current assets	1,556	2,316
Depreciation		
– property, plant and equipment	96,996	55,700
– investment properties	8,179	3,646
Loss on disposal of property, plant and equipment	33	934

6. Taxation

Pursuant to the relevant income tax laws of the PRC, the subsidiaries and associates established by the Group in the Shenzhen Special Economic Zone are subject to income tax at a rate of 18% while those established in other areas in the PRC are subject to income tax at a rate of 25%. For the six months ended 30th June 2008, the tax charge of the Group amounted to approximately RMB49,762,000 (the corresponding period of 2007: RMB21,257,000).

7. Non-current Assets

For the six months ended 30th June 2008, the Group has incurred a capital expenditure of approximately RMB1,128,762,000 (as at 31st December 2007: RMB2,473,590,000). The Group did not have any substantial disposal of fixed assets during the period.

8. Trade and other receivables

	30th June 2008 RMB'000	31st December 2007 RMB'000
Trade receivables, net	735,915	668,561
Notes receivables	326,415	282,854
Prepayments	119,676	28,965
Prepayments of value added tax	73,278	29,614
Other current assets	135,193	131,906
	1,390,477	1,141,900

The Group's credit terms on sale of goods ranged from 30 to 90 days. The aging analysis of trade receivables is as follows:

	30th June 2008	31st December 2007
	RMB'000	*RMB'000*
Trade Receivables		
Current	**325,300**	267,126
30-60 days	**160,956**	178,199
60-90 days	**113,357**	128,024
Over 90 days	**201,855**	163,257
	801,468	736,606
Less: provision for impairment losses	**(65,553)**	(68,045)
	735,915	668,561

9. Trade and other payables

	As at 30th June 2008	31st December 2007
	RMB'000	*RMB'000*
Trade payables	**1,135,238**	617,587
Salary and staff welfare payable	**65,124**	78,466
Assumed consideration payable for acquisition of equity interest in CATIC Sanjia	**–**	330,000
Payables for purchase of minority interest of CATIC Sanjia	**125,000**	–
Accruals and other payables	**485,751**	341,497
	1,811,113	1,367,550

At 30th June 2008, the aging analysis of the trade payables is as follows:

	30th June 2008	31st December 2007
	RMB'000	*RMB'000*
Trade Payables		
Current	**697,608**	489,925
30-60 days	**217,757**	44,310
60-90 days	**141,784**	51,731
Over 90 days	**78,089**	31,621
	1,135,238	617,587

10. Earnings per share

Earnings per share is calculated by dividing the net profit attributable to equity shareholders of the Company for the period of approximately RMB42,511,000 (the corresponding period of 2007: approximately RMB89,206,000) by the total number of ordinary shares in issue of 678,909,090 shares (2007: 636,000,000 shares) of the Company.

11. Statutory reserve movements

Details of the movements of the Group's statutory reserve for the six months ended 30th June 2008 are set out in the condensed consolidated interim statement of changes in equity.

12. Business combinations

(a) Business combination under common control

As detailed in Note 2, the acquisition of the 60% equity interest in CATIC Sanjia has been accounted for using the principles of merger accounting.

(b) Acquisition of Guangdong International Building Industrial Company Limited

On 31st January 2008, the Group acquired 75% equity interest in Guangdong International Building at a consideration of RMB300,000,000. Principal business activities of Guangdong International Building include leasing and management of the Guangdong International Building and the management and operation of the Guangdong International Hotel.

13. Transactions with minority interest

On 21st January 2008, the CATIC Resources Company entered into various agreements with minority shareholders of CATIC Sanjia, Mr Yang Yong Gang and Qinghai Province Leng Hu Tiantian Potash Company Limited ("Tiantian Potash Company") for acquiring their shareholdings in CATIC Sanjia of 30% and 5%, respectively. The consideration was satisfied in cash of RMB165,000,000 and RMB27,500,000 respectively. The acquisitions were completed on 7th April 2008. The differences between the consideration paid and the carrying value of net assets owned by Mr Yang Yong Gang and Tiantian Potash Company in CATIC Sanjia at the time of acquisition, was recorded as a debit to other reserves in the consolidated interim financial statements.

On 20th June 2008, the CATIC Resources Company entered into an agreement with the minority shareholder of CATIC Sanjia, Tiantian Potash Company. According to the agreement, CATIC Resources Company acquired 5% interest in CATIC Sanjia. The consideration was satisfied in cash of RMB125,000,000. The acquisition was completed on 24th June 2008. The difference between the consideration paid and the carrying value of net assets owned by Tiantian Potash Company in CATIC Sanjia at the time of acquisition, was recorded as a credit to other reserves in the consolidated interim financial statements.

DIVIDENDS

The Board did not recommend an interim dividend for the six months ended 30th June 2008 (interim dividend of 2007: RMB6 cents per share, totaling RMB38,160,000, which was proposed by the Board on 20th August 2007 and approved by the shareholders of the Company on 30th October 2007, and paid to the shareholders of the Company on 9th November 2007).

BUSINESS REVIEW

The consolidated revenue and profit of the Company for the six months ended 30th June 2008 were primarily derived from the following subsidiaries:

Name of subsidiary	Percentage of equity held by the Company	Principal activities
CATIC Resources Company Limited ("CATIC Resources Company")	100%	Agriculture-related resources business
Shenzhen Shennan Circuit Corp. ("Shennan Circuit")	95.00%	Manufacture and sale of printed circuit boards (PCB)
Tian Ma Microelectionics Co., Ltd. ("Shen Tian Ma")	45.62%	Manufacture and sale of liquid crystal displays (LCD) and modules (LCM)
Shenzhen Fiyta Holdings Limited ("Fiyta")	44.69%	Manufacture of mid-to-high-end timepieces and chain-sale of luxurious timepieces

In the six months ended 30th June 2008, the Group recorded a consolidated revenue of approximately RMB1,937,955,000 (the corresponding period of last year: RMB1,508,039,000), representing an increase of approximately 28.5% over the corresponding period of last year. The gross profit posted approximately RMB563,332,000 (the corresponding period of last year: RMB355,852,000), representing an increase of approximately 58.3% over the corresponding period of last year. The Group's profit attributable to shareholders (after minority interests) amounted to approximately RMB42,511,000 (the corresponding period of last year: RMB89,206,000). The earnings per share amounted to RMB0.0626 (the corresponding period of last year: RMB0.1402). Excluding profit and loss of financial assets, the Group's consolidated profit attributable to shareholders in the first half of the year amounted to approximately RMB62,454,000 (the corresponding period of last year: approximately RMB63,163,000), representing a decrease of 1% over the corresponding period of last year.

In the first half of 2008, facing the State's macroeconomic adjustment, the Group continued to strengthen its business development and strategic management and increase its investments in the resources business which has growth potential and will generate a long-term stable income for the Company. During the reporting period, the Group has completed the acquisition of 100% equity interests in CATIC Sanjia, which enables the Company to successfully enter into the agriculture-related resources sector. The solid performance of the agriculture-related resources business has offset the influence on the existing business of Group from the economic cyclical fluctuation, and is becoming more and more important in the strategic system of the Group.

Potash Fertilizers

On 21st January 2008, the Group entered various agreements to acquire 95% equity interests in CATIC Sanjia and formally moved forward in agriculture-related resources market based on this move. During the reporting period, the Group further acquired the remaining 5% equity interests in CATIC Sanjia and the Group's combined interest in CATIC Sanjia achieved 100%. As at 30th June 2008, CATIC Sanjia produced and sold potassium chloride of 72,120 tons, recording a turnover of approximately RMB231,228,000 and a profit after taxation of approximately RMB95,156,000.

In the first half of 2008, increasing demand for food supplies, changes in consumption structure and the emerging of bio-energy significantly stimulated the demand for potash fertilizers. As a result, the global demand for potash fertilizers continued to rise. Under the limited supply of international potash fertilizers market due to the production restriction policy of international potash fertilizers oligarchs, the price of potash fertilizers increased sharply in the first half of 2008. In April, the import contract price of potash fertilizers in China increased by US$400/ton and the CIF price achieved more than US$700/ton. Since domestic potash fertilizers are priced by reference to imported potash fertilizers, its price also increased significantly in the first half of 2008. Accordingly, the potash fertilizers business of the Group grew remarkably.

While actively consolidating the resources business by acquisition, the Group made its best efforts to facilitate the production and operation of CATIC Sanjia's mining area with annual production goal as the core. CATIC Sanjia formally started the trial production on early March 2008. The productivity of the mining area gradually improved after the test and maintenance from then on. Currently, the production capability was stabilized above 36,000 tons per month. As at 30th June 2008, CATIC Sanjia produced and sold potassium chloride over 70,000 tons and the record for daily production achieved 1,307 tons. All of these have laid down a solid foundation for the annual production target of 250,000 tons.

For infrastructure, CATIC Sanjia has basically completed the construction work of 78km long transmission line of 35KV and supporting facilities in mid June 2008. The project ended the long history of diesel power generation of Mahai mining area and significantly reduced the production costs. At the same time, CATIC Sanjia actively improved the salt-pans by brine transportation system deepening and dyke heightening, so as to settle the bottleneck for future expansion. In addition, mining area's transportation, telecommunication and office and living facilities also achieved ideal progress. For technology research and development and management, CATIC Sanjia continued to increase its effort in technology research and development, accelerate technology reform projects and introduce advanced management philosophy such as specific management. Through these works, CATIC Sanjia effectively streamlined management process and improved productivity, providing a solid support for the Group's long-term development in agriculture-related resources business.

LCD

In the first half of the year, the revenue of the LCD business of the Group was approximately RMB680,888,000, representing a decrease of approximately 11% over RMB765,553,000 for the corresponding period of last year. The profit after taxation for the year was approximately RMB45,885,000, representing an increase of approximately 21% over RMB37,979,000 for the corresponding period of last year.

While consolidating the mobile phone display module and high end STN products, the Group's LCD business has swiftly entered into the color cordless phone and color MP3 markets and accelerated the production of TFT module. The global panel monitors market started to slow down with product price continued to decrease due to the macroeconomic factors such as sub-prime crisis, global inflation and rapid appreciation of Renminbi. As a result, our profit growth did not meet the expectation. In order to mitigate exterior pressures, the Group has sought solutions from various aspects: for the TFT products, strengthen the marketing of standard products and emphasize fast growing; continue to maintain the advantage in the CSTN market, optimize the structure of customers and obtain orders from international large-scale factories; insist to the high-end route for developing black-and-white products; control costs and fees to mitigate pressures from external environment by internal operations.

The project of the 4.5 generation of TFT-LCD of our joint venture Shanghai Tianma Microelectronic Company Limited was basically completed in the end of March 2008 and started the trial production. As at the end of June, we have finished the product designs for 9 panels and over 100 modules, and already applied for 25 technology invention patents in PRC.

PCB

During the reporting period, the revenue of the PCB business of the Group was approximately RMB440,615,000, representing an increase of approximately 18.3% over RMB372,350,000 for the corresponding period of last year. The profit after taxation for the year was approximately RMB38,520,000, representing a decrease of approximately 40.7% over RMB64,958,000 for the corresponding period of last year.

In the first half of 2008, driven by the completion of production of the high-end PCB project and the increasing orders for key product lines, which was achieved by strengthening the development of strategic and key customers, the output value and sales volume of the Group's PCB business had recorded rapid increase. However, there is higher pressure on fixed cost allocation due to the gradual release of output in the new plants. This factor, together with the price hike of raw materials, has affected the overall profit of the PCB business as compared with the corresponding period last year. According to above challenges, Shennan Circuit further increased the sales proportion of high-end PCB, among which the sales revenue of high-end products with more than ten layers grew by 18%, representing an increase of 2% over the same period last year. In addition, the Group achieved the rapid expansion of business through actively acquiring orders from customers, lowering cost and intensifying R&D of new products.

The Group's high-end PCB project was completed and had commenced trial production at the end of 2007. In the first half of 2008, all inspection and testing work of the facilities had been completed and the Group recorded an output value of RMB128,000,000. This project is now equipped with a comprehensive set of engineering and manufacturing capability and has achieved the ability of the mass production of multi-layer backboard, with the most sophisticated backboard up to 40 layers. After the project being put into operation, we will soon be able to tackle the capacity bottleneck which has been restricting the PCB business from realizing rapid expansion.

During the reporting period, "the application of energy conservation technology in the printing of multi-layer circuit board" (《高多層電路板印製過程節能技術應用》) developed by Shennan Circuit has been included in the procurement list of Ministry of Information Industry for energy-saving electronic information technology, product and application plan. Shennan Circuit was awarded the title of "Shenzhen's leading enterprise in reduction of waste" for the year 2007 by Environmental Protection Bureau of Shenzhen Municipality and "Shenzhen's advanced unit in energy conservation".

Luxurious Timepieces

In the first half of the year, the revenue of the timepiece business of the Group was approximately RMB469,363,000, representing an increase of approximately 42.8% over RMB328,601,000 for the corresponding period of last year. The profit after taxation for the year was approximately RMB16,144,000, representing an increase of approximately 190% over RMB5,564,000 for the corresponding period of last year.

The Group's "FIYTA" watch business maintained the momentum of rapid and steady growth and the average retail price was on an upward trend. Adhere to its brand strategy, "FIYTA" accelerated the serialization and standardization of products and successfully launched high-end Tourbillon watches, Straight Life series and The Heart of City series in the first half of 2008. All of these new products achieved good sales performance. New progress had been made in the construction of sales channels and by the end of June 2008, we have established 18 sales branches and 512 sales outlets (including 9 brand stores) in major cities nationwide.

Sticking to its organic growth strategy, Harmony World Watch Center ("Harmony") implemented its steady expansion in key cities by establishing direct sales outlets, strengthened optimization and upgrade of existing retail outlets and speeded up expansion of brand portfolio. In addition, Harmony also enhanced its communication and cooperation with international renowned watch groups and brands. By the end of June 2008, Harmony had established 76 chain stores in the medium and large cities nationwide. With the steady growth of revenue and net profit from its retail sales business, Harmony has become the major driving force of Company's timepiece business for the current stage.

During the reporting period, FIYTA won three CIDF awards, including Gold Prize for its Folding Tourbillon, Honorable Mention award for its Square Tourbillon and Best Design Team award for its Innovative Design Department. Besides, FIYTA FZK-601 Timepiece Control System was honored the Shenzhen City Technological Innovation Award. Furthermore, during the Tongbang Cup National Mechanical Watch Repairing Skill Competition, Harmony gave an outstanding performance and won several awards.

Commercial Property

Through several purchases of shares of CATIC Real Estate and acquisition of the controlling interest of Guangdong International Building, The Group has integrated the commercial property business into its business portfolio. In the first half of 2008, all relevant procedures concerning transfer of shares, registration of change with the Industrial and Commercial Administration and relevant real estate registration of Guangdong International Building had been completed. On 21st January 2008, the Group entered into an agreement with Shenzhen CATIC and its wholly-owned subsidiary Shenzhen CATIC City Development Limited ("CATIC City"), pursuant to which the Group agreed to acquire by means of share exchange, the aggregated 27.79% equity interests in CATIC Real Estate held by Shenzhen CATIC and CATIC City. Upon the completion of this acquisition, the equity in CATIC Real Estate held by the Company will increase from 22.35% to 50.14% and the Company will become CATIC Real Estate's absolute controlling shareholder. This transaction has obtained the approval from the extraordinary general meeting and class meetings held on 27th May 2008 and the State-owned Assets Supervision and Administration Commission of the State Council ("State Assets Commission").

PROSPECT

Into the second half of 2008, facing inflation and adjustments to the world economy, the macro environment remains rather uncertain. However, given the substantial growth of the resources business and timepieces business and the smooth development of other businesses, the Group is highly confident in the overall prospect of our business development. Facing the new situation of the macro economy, the Group will act according to the established development strategy. An excellent operation would be achieved through strengthening existing businesses, enhancing core competitiveness, formulating a strategic thinking model, and increasing overall operational efficiency and profit level. Meanwhile, we will strengthen merger and acquisition in the agriculture-related resources domain, and increase the deposits and output of potash mines. By utilizing the anti-cycle feature and high profitability of potash mines, we would be able to smooth away the economic cycle of the existing business portfolio, resist volatility risks and achieve sustainable growth.

Potash Fertilizers

During the first half of 2008, the skyrocketing world prices of potash fertilizers pushed the CIF price of potash fertilizers imported into China to over US$700/ton. At present, the CIF price of potash fertilizers imported into neighboring Southeast Asian countries has exceeded US$1,000/ton. It is expected that in the next six months the domestic prices of potash fertilizers still have the momentum and room to rise. On the demand side, in the first six months the quantity of potash fertilizers imported into China fell by 51% year-on-year. Nonetheless, demands on potash fertilizers for the entire year remain strong. In the next six months, the domestic potash fertilizers market will see a rather big gap. In the long run, intensive investment and long construction cycles mean that the future output of domestic potash fertilizers will be limited. Since the demand and supply of domestic potash fertilizers will continue to be tight, we still hold a positive view on the prospect of the potash fertilizers sector.

In the second half of 2008, CATIC Sanjia will arrange the use of all existing production workshops properly, fully foster the refined management concept, enhance output efficiency, and strive to ensure the successful realization of the annual target of producing 250,000 tons of potassium chloride. In order to significantly enhance output capability, CATIC Sanjia has started to provide for the output capability expansion project. We will endeavor to finalize the project's overall plan and design scheme by the end of the year, along with all kinds of preparation prior to project approval application and construction. Moreover, we will continue fostering water supply and improving output techniques constantly so as to lay a solid foundation for output enhancement in the future.

The Group will further develop the agriculture-related resources business. With CATIC Sanjia being the core, we will continue integrating neighboring small to medium potash mine resources. Through the way of merger and acquisition to acquire several existing enterprises that possess output capability, the Group's resource deposits and productivity will be enhanced rapidly. By building the advantage of economics of scale, our resources business could achieve an extensive expansion in its development. In the next six months, the Group will strive to make a breakthrough in integrating the resources of small to medium potash mines.

LCD

Affected together by the macro economic environment and the industry cycle of the LCD sector, the Group's LCD business will be under greater pressure during the second half of 2008. The Group will continue fostering the implementation of various targeting measures in a proactive manner. While consolidating existing customers, in the next six months we will also modify the customer structure and increase the number of big customers. Meanwhile, we will adjust the MONO sales strategy utilize the output capability of the automobile displays plant as a priority, and increase our market share gradually in high-end markets such as industrial control and automobile. Aiming to secure more orders, the TFT customer structure will be rebuilt. With the increasingly growing demand on portable and personal mobile terminal products, customized products and personalized services will provide the LCD business with ample room for development.

PCB

During the second half of 2008, in order to enhance the output and reduce unit cost, as well as improve the operational scale and performance level of the business, the Group will expedite output enhancement of the high-end PBC project, ensuring the full production by the end of the year. Facing the domestic market, the Group will capture the favorable timing and opportunity of the reform of the telecommunication industry. We will fully utilize existing customer resources to increase sales, expedite the development process of big international customers, and endeavor to secure orders. Facing the challenge of the constant rise of PPI, the Group will continue furthering the refined production, perfecting skills and techniques, lowering wear and tear, and absorbing cost increases to the highest degree. Meanwhile, we will enhance our technological ability, further foster customer verification, and strengthen our effort in the R&D of new businesses and new products.

Luxurious Timepieces

Currently, the wealthy and high-income population in China continues to grow. The trend and concept of luxury goods consumption are becoming popular gradually. Since the consumption of luxury goods has entered the explosively growing stage, the potential demand in the prestigious timepiece market would be huge. Fiyta timepieces will persist in enhancing its brand image, continue with R&D investment, perfect the network structure, enhance the performance of each outlet, further the standardization and professionalism in the areas of markets, logistics, sales, procurement, information, collective purchase and big customers management, etc. Sales and marketing management will also be strengthened to be more systematic and effective. "Harmony" will continue to expand its networks rapidly in important and potential cities in a healthy manner. Communication and interaction between the brand and suppliers will be strengthened, the implementation of the "three-level" principle will be deepened, and the customer satisfaction level and loyalty level will be enhanced. We will nurture and look for talents proactively, and build an outstanding and professional management team and sales team. The promotion of the "Harmony" brand will be further strengthened, and the connotation of the "Harmony" brand will be enhanced, enriched and strengthened on a constant basis.

Commercial Property

In the next six months, the Group will continue furthering the integration of the commercial property business. On one hand, we will complete the equity acquisition in CATIC Real Estate in accordance with legal procedures, on the other hand we will further improve and enhance the overall image of Guangdong International Building, including replacement of facilities and equipment, completion of auxiliary structure, refurbishment of the business area of the hotel, and reasonable adjustments to the functional design of the building group. It is also considered to invite an internationally famed hotel management company to maximize the commercial value of Guangdong International Building.

LIQUIDITY AND CAPITAL RESOURCES

As at 30th June 2008, the Group had cash and cash equivalents totaling approximately RMB1,305,034,000. The Group's bank loans included short-term loans approximately RMB2,828,965,000 with annual interest rates ranging from 2.5% to 8.75% and approximately RMB2,918,797,000 long-term loans with annual interest rates ranging from 7.08% to 7.9%. The Group has been strengthened and perfected the regulations in respect of the management of tradable financial assets, defining the procedures of decision-making, implementation and risk control.

LOAN-TO-EQUITY RATIO

As at 30th June 2008, the Group's loan-to-equity ratio (bank loans to shareholders' equity ratio) was 157.67% (31st December 2007: 95.53%).

PLEDGED ASSETS

As at 30th June 2008, certain subsidiaries of the Group has pledged current bank loan approximately RMB725,000,000 (31st December 2007: RMB45,000,000). The loan is secured by plants and buildings of the Group. The premise of one manufacturing plant building has been pledged for short-term bank loans of RMB3,000,000 made available to Shenzhen Maiwei Cable TV Equipments Co., Ltd, a subsidiary. Another two plants had been pledged for a long-term bank loan of RMB42,000,000 made available to Shen Tian Ma, another subsidiary of the Group. One building, investment properties and land use rights have been pledged for long-term bank loan of RMB680,000,000 made available to Guangdong International Building Industrial Company Limited, a subsidiary of the Company.

ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSIT

During the six months ended 30th June 2008, the Company did not have any entrusted deposit and overdue term deposit in any form.

MANAGEMENT CONTRACT

During the six months ended 30th June 2008, the Company did not enter into any contract nor had any existing contract in relation to the management or administration of its general business or any major business.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June 2008.

SUBSTANTIAL SHAREHOLDER

As at 30th June 2008, as far as was known to the Directors or the chief executive of the Company, the following are the details of the persons (other than the Directors, supervisors or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or had otherwise notified to the Company:

Long position in the Shares:

Name of Shareholder	Capacity	Number and class of securities	Approximate percentage of the same class of securities	Approximate percentage of total registered share capital
Substantial Shareholder				
China Aviation Industry Corporation I *(Note 1)*	Interest of controlled corporation	395,709,091 domestic legal person shares	100%	58.29%
		197,618,198 domestic legal person shares *(Note 5)*	49.94%	29.10%
China Aviation Industry Corporation II *(Note 2)*	Interest of controlled corporation	395,709,091 domestic legal person shares	100%	58.29%
		197,618,198 domestic legal person shares *(Note 5)*	49.94%	29.10%
China National Aero-Technology Import and Export Corporation *(Note 3)*	Interest of controlled corporation	395,709,091 domestic legal person shares	100%	58.29%
		197,618,198 domestic legal person shares *(Note 5)*	49.94%	29.10%

Name of Shareholder	Capacity	Number and class of securities	Approximate percentage of the same class of securities	Approximate percentage of total registered share capital
Shenzhen CATIC *(Note 4)*	Beneficial owner	395,709,091 domestic legal person shares	100%	58.29%
		197,618,198 domestic legal person shares *(Note 5)*	49.94%	29.10%
Other Shareholders				
Li Ka-Shing	Interest of controlled corporations and founder of discretionary trusts	15,156,000 H shares *(Note 6)*	5.35%	2.23%
Cheung Kong (Holdings) Limited	Interest of controlled corporation	15,156,000 H shares *(Note 6)*	5.35%	2.23%
Li Ka-Shing Unity Trustee Corporation Limited	Trustee and beneficiary of a trust	15,156,000 H shares *(Note 6)*	5.35%	2.23%
Li Ka-Shing Unity Trustcorp Limited	Trustee and beneficiary of a trust	15,156,000 H shares *(Note 6)*	5.35%	2.23%
Li Ka-Shing Unity Trustee Company Limited	Trustee and beneficiary of a trust	15,156,000 H shares *(Note 6)*	5.35%	2.23%
華銀集團投資發展有限公司	Beneficial owner	24,160,000 H shares	8.53%	3.56%
Jiang Jian Jun *(Note 7)*	Interest of controlled corporation	24,160,000 H shares	8.53%	3.56%

Notes:

(1) China Aviation Industry Corporation I (中國航空工業第一集團公司) owns 50% interest in China National Aero-Technology Import and Export Corporation (中國航空技術進出口總公司) which in turn owns 100% interest in Shenzhen CATIC. Hence, it is deemed to be interested in the Shares owned by CATIC Shenzhen.

(2) China Aviation Industry Corporation II (中國航空工業第二集團公司) owns 50% interest in China National Aero-Technology Import and Export Corporation (中國航空技術進出口總公司) which in turn owns 100% interest in Shenzhen CATIC. Hence, it is deemed to be interested in the Shares owned by Shenzhen CATIC.

(3) China National Aero-Technology Import and Export Corporation (中國航空技術進出口總公司) owns 100% interest in Shenzhen CATIC. Hence, it is deemed to be interested in the Shares owned by Shenzhen CATIC.

(4) Mr. Wu Guang Quan is the president of Shenzhen CATIC, Mr. Sui Yong is the chief accountant of Shenzhen CATIC, and Mr. Cheng Bao Zhong is the vice-president of Shenzhen CATIC. They do not own any Shares in the Company, and have no equity interest in Shenzhen CATIC.

(5) As at 30 June 2008, Shenzhen CATIC is beneficially interested in 395,709,091 domestic legal person shares, representing approximately 58.29% of the total registered share capital of the Company. Further, according to a share transfer agreement entered into between the Company, Shenzhen CATIC and CATIC City dated 21st January 2008 ("Share Transfer Agreement"), upon completion of the transaction under the Share Transfer Agreement, the Company will allot and issue 146,620,034 and 50,998,164 domestic legal person shares (being 197,618,198 domestic legal person shares in aggregate) to Shenzhen CATIC and CATIC City at a price of HK$6.725 per share to satisfy the considerations for acquisition of the A shares in CATIC Real Estate held by Shenzhen CATIC and CATIC City. CATIC City is a wholly subsidiary of Shenzhen CATIC. Pursuant to the Securities and Futures Ordinance, Shenzhen CATIC, China Aviation Industry Corporation I, China Aviation Industry Corporation II and China National Aero-Technology Import and Export Corporation are deemed to be interested in the 50,998,164 domestic legal person shares that may be allotted and issued to CATIC City. As at 30 June 2008, the above transaction had not yet completed.

(6) The above five references to 15,156,000 H Shares in the Company refer to the same equity interest comprising of:

(A) The 7,578,000 H shares held by Empire Grand Limited ("Empire Grand"), a wholly-owned subsidiary of Cheung Kong Investment Company Limited, which in turn is a wholly-owned subsidiary of Cheung Kong (Holdings) Limited ("CKH"); and

(B) The 7,578,000 H shares held by Hutchison International Limited ("HIL") which is a wholly-owned subsidiary of Hutchison Whampoa Limited ("HWL").

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited ("TUT1"). TUT1 as trustee of the Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH. Certain subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 holds units in The Li Ka-Shing Unity Trust.

By virtue of the Securities and Futures Ordinance, each of Mr. Li Ka-shing, being the settler and may being regarded as a founder of each of DT1 and DT2 for the purpose of the Securities and Futures Ordinance, TUT1, TDT1, TDT2 and CKH is deemed to be interested in the aggregate 15,156,000 H Shares of the Company held by Empire Grand and HIL.

(7) Jiang Jian Jun was interested by virtue of his 100% beneficial interest in 華銀集團投資發展有限公司.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30th June 2008, so far as is known to the Directors and the chief executive of the Company, none of the Directors or supervisors or chief executive of the Company is interested in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which the Directors or supervisors or chief executives of the Company were taken or deemed to have under such provisions of the Securities and Futures Ordinance) or which are required to be entered into the register maintained by the Company under section 352 of the Securities and Futures Ordinance or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Eugene Liu resigned as an independent non-executive Director and a member of the audit committee and the remuneration committee of the Company with effect from 17th March 2008 due to a potential conflict of interest. Ms. Wong Wai Ling has been appointed as an independent non-executive director and a member of the audit committee and the remuneration committee of the Company by the Board on 19th March 2008. Ms. Wong Wai Ling's term of appointment is effective from 19th March 2008 to the conclusion of the 2007 annual general meeting of the Company held on 16th June 2008. The appointment of Ms. Wong Wai Ling by the Board was ratified in the 2007 annual general meeting. The Board of the Company also proposed to extend Ms. Wong Wai Ling's term of appointment to the conclusion of the 2008 annual general meeting to be held in 2009. Such resolution was approved in the 2007 annual general meeting.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30th June 2008 was the Company and its subsidiaries or its holding company a party to any arrangement to enable any directors, supervisors or management members to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No director or supervisor had any significant interest, either direct or indirect, in any contract or arrangement of significance to the business of the Company as at 30th June 2008 or at any time during the period.

EMPLOYEES AND SALARIES

As at 30th June 2008, the Group had a total of approximately 12,704 employees (the same period of 2007: 9,212 employees), with employee related costs of approximately RMB295,140,000 (the same period of 2007: RMB174,986,000). The additional staff members were mainly employed to meet the business development demands of the Group. The Group formulated its competitive salary policy based on the reference of market condition and individual employee's performance.

FOREIGN CURRENCY RISK

The Group has no significant foreign currency risk due to that the Group's most products are distributed in domestic market and its export is mainly settled by US$ and HK$.

CONTINGENT LIABILITIES

The Company provided a one-year guarantee for a loan of RMB510,000,000 and a long-term guarantee for a loan of RMB70,000,000 in favour of Fiyta, a subsidiary of the Company, and a long-term guarantee for a syndicated loan of RMB433,860,000 in favour of Shanghai Tianma, a subsidiary of the Company, respectively.

Shen Tian Ma, a subsidiary of the Company, provided a long-term guarantee for a syndicated loan of RMB619,800,000 in favour of Shanghai Tianma.

OTHER SIGNIFICANT EVENTS

1. Acquisition of CATIC Real Estate Shares

On 21st January 2008, the Company entered into a share transfer agreement with Shenzhen CATIC and CATIC City, pursuant to which the Company agreed to acquire 45,835,127 and 15,942,619 A shares in CATIC Real Estate respectively from Shenzhen CATIC and CATIC City at the price of RMB20 per share, representing approximately 20.62% and 7.17% of the issued share capital of CATIC Real Estate respectively (the "Proposed Share Transfers"). The total consideration was RMB1,235,554,920. The Company will allot and issue 146,620,034 and 50,998,164 domestic legal person shares (being 197,618,198 domestic legal person shares in aggregate) to Shenzhen CATIC and CATIC City at a price of HK$6.725 per share to satisfy the above considerations. It constitutes a major and connected transaction of the Company according to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Further details please refer to the announcement and the circular of the Company dated 22nd January 2008 and 9th April 2008 respectively.

The Company has passed resolutions in the extraordinary general meeting and the class meetings held on 27th May 2008 respectively to approve the Proposed Share Transfers. As at the date of this report, the Proposed Share Transfers has obtained the approval of State Assets Commission but has not yet been approved by China Securities Regulatory Commission (the "CSRC").

2. Acquisition of 95% equity interests in CATIC Sanjia

On 21st January 2008, CATIC Resources Company entered into acquisition agreements with CATIC Investment, Mr. Yang Yong Gang and Tiantian Potash Company, pursuant to which CATIC Resources Company has agreed to acquire 60%, 30% and 5% equity interest in the CATIC Sanjia from CATIC Investment, Mr. Yang Yong Gang and Tiantian Potash Company respectively at a consideration of RMB330,000,000, RMB165,000,000 and RMB27,500,000, being RMB522,500,000 in aggregate (the "Acquisition of 95% equity interests in CATIC Sanjia"). The Acquisition of 95% equity interests in CATIC Sanjia constitute discloseable and connected transactions of the Company according to the Listing Rules. Further details please refer to the announcement and the circular of the Company dated 21st January 2008 and 3rd April 2008 respectively. The resolution approving the Acquisition of 95% equity interests in CATIC Sanjia was formally passed in the extraordinary general meeting held on 19th May 2008 and the Acquisition of 95% equity interests in CATIC Sanjia was completed on 23rd May 2008.

3. Issue of shares by Fiyta

On 2nd June 2008, the board of directors of Fiyta, a wholly owned subsidiary of the Company, proposes to issue not less than 30,000,000 and not more than 50,000,000 Fiyta new shares to a limited number (not more than 10) of institutional or individual investors (the "Fiyta Issue Proposal"). The Fiyta Issue Proposal constitutes a material dilution in the percentage equity interest of the Company in Fiyta and a deemed disposal as well as a discloseable transaction of the Company. Further details please refer to the announcement and the circular of the Company dated 3rd June 2008 and 10th June 2008 respectively. The Company has passed the special resolutions in respect of the Fiyta Issue Proposal in the extraordinary general meeting, H Shares class meeting and domestic shares class meeting held on 25th July 2008, respectively, to approve the issue proposal of Fiyta.

4. Acquisition of 5% equity interests in CATIC Sanjia

On 20th June 2008, CATIC Resources Company entered into an acquisition agreement with Tiantian Potash Company, pursuant to which CATIC Resources Company has conditionally agreed to acquire 5% equity interest in CATIC Sanjia from Tiantian Potash Company at a consideration of RMB125,000,000 (the "Acquisition of 5% equity interests in CATIC Sanjia"). The Acquisition of 95% equity interests in CATIC Sanjia and the Acquisition of 5% equity interests in CATIC Sanjia, when aggregated pursuant to the Listing Rules, constitute a discloseable transaction. Tiantian Potash Company is wholly owned by Mr. Yang Yong Gang, a director of CATIC Sanjia, which is a non-wholly owned subsidiary of the Company. Hence Tiantian Potash Company is a connected person of the Company under the Listing Rules. The Acquisition of 5% equity interests in CATIC Sanjia also constitutes a connected transaction of the Company. Further details please refer to the announcement and the circular of the Company dated 20th June 2008 and 15th July 2008 respectively.

SUBSEQUENT EVENTS

1. **Extension of mandate to issue New H Shares**

   The Company passed resolutions to grant to the Board the specific mandate to issue not more than 200,000,000 new H Shares and not more than 150,000,000 new Domestic Shares in the extraordinary general meeting and the class meetings held on 10th September 2007. The specific mandate has not been exercised and will be expired on 9th September 2008. Therefore, on 8th July 2008, the Board resolved to convene the extraordinary general meeting and the class meetings to seek the approval from shareholders to grant the specific mandate to the Board to issue not more than 200,000,000 new H Shares, representing not more than 29.46% of the total issued share capital of the Company as at 9th July 2008. As at the date of this report, the Company has not yet made any issue plan.

   Further details please refer to the announcement and the circular of the Company dated 9th July 2008 and 24th July 2008 respectively.

2. **Formation of a joint venture by Shen Tian Ma**

   On 22 July 2008, Shen Tian Ma, a non-wholly owned subsidiary of the Company, entered into a joint venture agreement (the "Joint Venture Agreement") with Chengdu Hi-Tech Investment Group Co., Ltd. and Chengdu Industrial Investment Group Co., Ltd., pursuant to which the parties conditionally agreed to establish the Joint Venture Company to engage in the investment, construction and operation of production line in 4.5 generation tube size thin film crystal liquid-crystal display ("TFT-LCD Business") in Chengdu Hi-Tech Industries Development Zone. The registered capital of the Joint Venture Company is RMB1.2 billion. Shen Tian Ma will contribute RMB360 million and will hold 30% equity interest of the Joint Venture Company. After duly incorporated pursuant to the Joint Venture Agreement, the Joint Venture Company will be considered as a subsidiary of the Company. On the same day, Shen Tian Ma entered into a supplemental agreement, pursuant to which Shen Tian Ma will enter into share transfer agreement(s) to acquire in aggregate 70% equity interest of the Joint Venture Company from Chengdu Industrial Investment Group Co., Ltd. and Chengdu Hi-Tech Investment Group Co., Ltd. within 5 years from the date of incorporation of the Joint Venture Company on certain conditions. The Joint Venture Agreement and supplemental agreement constitute a very substantial acquisition of the Company. Further details please refer to the announcement of the Company dated 25th July 2008.

COMPLIANCE WITH THE CODE

The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June 2008.

CONDUCT ON SHARE DEALINGS

The Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules has been adopted as a code of securities transactions for Directors and supervisors of the Company (the "Code"). The Company, having made specific enquiries with its Directors and supervisors, confirms that, during the six months ended 30th June 2008, all the directors and supervisors of the Company set out in the Code met the standards regarding securities transactions by Directors and supervisors.

AUDIT COMMITTEE

The Board has formed an audit committee in accordance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company. The Audit Committee members currently comprise all the independent non-executive Directors, namely Mr. Poon Chiu Kwok, Ms. Wong Wai Ling and Mr. Liu Xian Fa. The Audit Committee has reviewed and confirmed the Company's interim results report for the six months ended 30th June 2008.

PUBLIC FLOAT

Based on the publicly available information and to the best knowledge of the Board, the Company has maintained sufficient public float as at the latest practicable date of this interim report.

As at the date of this report, the Board comprises of a total of 13 Directors: Mr. Wu Guang Quan, Mr. Lai Wei Xuan, Mr. Sui Yong, Mr. Cheng Bao Zhong, Mr. Liu Rui Lin, Mr. Xu Dong Sheng, Mr. You Lei and Mr. Wang Bao Ying as executive Directors, Mr. Wang Bin Bin and Mr. Li Cheng Ning as non-executive Directors, and Mr. Poon Chiu Kwok, Ms. Wong Wai Ling and Mr. Liu Xian Fa as independent non-executive Directors.

By Order of the Board
Wu Guang Quan
Chairman

Shenzhen, the PRC, 28 August 2008