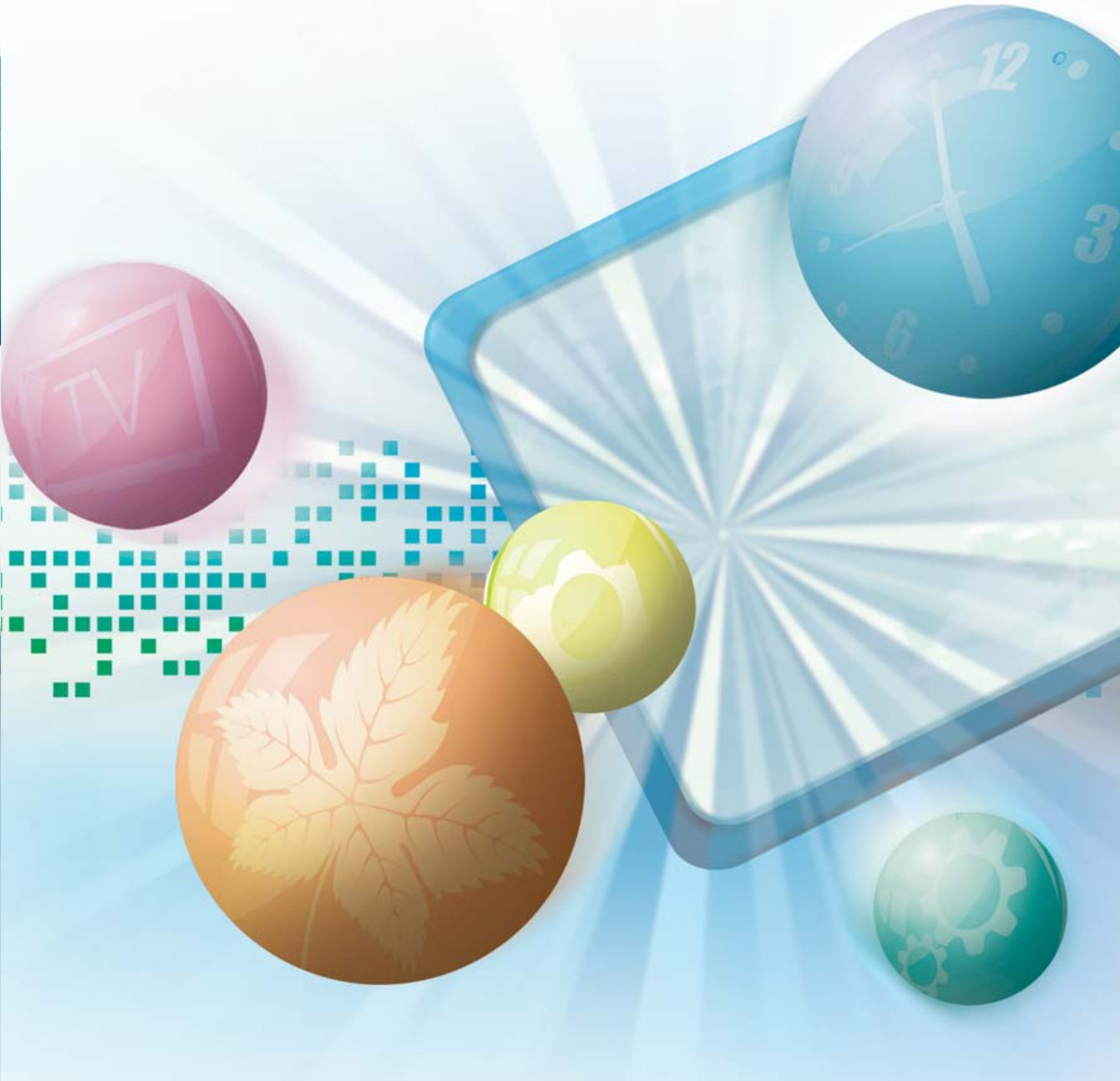
深圳中航集團股份有限公司
CATIC SHENZHEN HOLDINGS LIMITED

(Stock Code : 0161)



Interim Report 2010

CORPORATE INFORMATION

Listing stock exchange	:	The Stock Exchange of Hong Kong Limited
Stock short name	:	CATIC Shenzhen
Stock Code	:	00161
Website	:	www.avic161.com

BOARD OF DIRECTORS

Executive Directors
Mr. Wu Guang Quan *Chairman*
Mr. You Lei
Mr. Lai Wei Xuan
Mr. Sui Yong
Mr. Liu Rui Lin
Mr. Xu Dong Sheng

Independent non-executive Directors
Ms. Wong Wai Ling
Mr. Wu Wei
Mr. Liu Xian Fa

Non-executive Directors
Mr. Cheng Bao Zhong
Mr. Qiu Shen Qian
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 2001-2005, 20th 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.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
ASSETS			
Non-current assets			
Land use rights		697,698	700,246
Mining rights		465,944	541,154
Goodwill		11,481	5,240
Property, plant and equipment	5	4,813,309	5,014,841
Investment properties		1,037,843	1,022,221
Construction-in-progress		1,731,680	1,005,292
Investments in associates		570,711	568,917
Available-for-sale financial assets		103,079	35,998
Deferred income tax assets		177,374	177,551
Other non-current assets		198,621	197,008
		9,807,740	9,268,468
Current assets			
Inventories		1,511,474	1,173,143
Trade and other receivables	6	1,863,565	1,552,101
Pledged bank deposits		426,649	575,831
Cash and cash equivalents		1,564,510	1,056,811
Assets classified as held for sale	7	199,044	–
		5,565,242	4,357,886
Total assets		15,372,982	13,626,354
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		673,367	673,367
Share premium		354,513	354,513
Other reserves		353,612	353,612
Retained earnings		336,475	317,021
		1,717,967	1,698,513
Non-controlling interest in equity		2,475,237	2,125,824
Total equity		4,193,204	3,824,337

	Note	**Unaudited 30 June 2010** ***RMB'000***	Audited 31 December 2009 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		5,668,445	4,792,476
Deferred income tax liabilities		338,852	335,839
Deferred income on government grants		318,425	241,037
Other non-current liabilities		118,486	135,164
		6,444,208	5,504,516
Current liabilities			
Trade and other payables	*8*	2,243,071	1,940,799
Borrowings		2,345,324	2,310,325
Current income tax liabilities		56,203	46,377
Liabilities directly associated with assets classified as held for sale	*7*	90,972	–
		4,735,570	4,297,501
Total liabilities		11,179,778	9,802,017
Total equity and liabilities		15,372,982	13,626,354
Net current assets		829,672	60,385
Total assets less current liabilities		10,637,412	9,328,853

The notes on pages 8 to 15 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2010	2009 (Restated)
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**2,925,394**	2,191,026
Cost of sales		**(2,306,000)**	(1,890,770)
Gross profit		**619,394**	300,256
Distribution costs		**(178,091)**	(150,359)
Administrative expenses		**(284,632)**	(252,834)
Other gains – net		**95,736**	20,463
Operating profit/(loss)	*9*	**252,407**	(82,474)
Finance income		**6,873**	7,078
Finance costs		**(168,203)**	(190,035)
Share of post-tax profit/(loss) of associates		**1,795**	(5,901)
Profit/(loss) before income tax		**92,872**	(271,332)
Income tax (expense)/credit	*10*	**(22,634)**	23,575
Profit/(loss) for the period		**70,238**	(247,757)
Profit/(loss) attributable to:			
– equity holders of the Company		**19,454**	(127,846)
– Non-controlling interest		**50,784**	(119,911)
		70,238	(247,757)

		RMB per share	*RMB per share*
Earnings/(losses) per share for profit/(loss) attributable to the equity holders of the Company	*11*		
– basic		**0.0289**	(0.1898)
– diluted		**0.0289**	(0.1898)
Dividends	*12*	**–**	–

The notes on pages 8 to 15 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June 2010 RMB'000	2009 (Restated) RMB'000
Profit/(loss) for the period		70,238	(247,757)
Other comprehensive income			
Fair value gains on available-for-sale financial assets, gross of tax		–	4,192
Tax on fair value change of available-for-sale financial assets		–	(838)
Total comprehensive income/(loss) for the period		70,238	(244,403)
Total comprehensive income/(loss) attributable to:			
– equity holders of the Company		19,454	(127,846)
– Non-controlling interest		50,784	(119,911)
		70,238	(247,757)

The notes on pages 8 to 15 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2009	678,909	357,849	(6,026)	359,464	341,886	1,732,082	1,739,112	3,471,194
Loss for the period	–	–	–	–	(132,576)	(132,576)	(119,911)	(252,487)
Fair value gains from available-for-sale financial assets, gross of tax	–	–	–	1,874	–	1,874	2,318	4,192
Tax on fair value gains from available-for-sale financial assets	–	–	–	(375)	–	(375)	(463)	(838)
Total comprehensive income/(loss) for the period ended 30 June 2009	–	–	–	1,499	(132,576)	(131,077)	(118,056)	(249,133)
Capital contributed by non-controlling interest	–	–	–	–	–	–	178,299	178,299
Repurchase of H shares	–	–	(2,852)	–	–	(2,852)	–	(2,852)
Reversal of revaluation surplus on the disposal of assets of the associate	–	–	–	(2,956)	–	(2,956)	–	(2,956)
Share of fair value gains from available-for-sale assets of associates	–	–	–	71	–	71	–	71
Dividends relating to 2008	–	–	–	–	–	–	(14,185)	(14,185)
Balance at 30 June 2009	678,909	357,849	(8,878)	358,078	209,310	1,595,268	1,785,170	3,380,438
Balance as at 1 January 2010	673,367	354,513	–	353,612	317,021	1,698,513	2,125,824	3,824,337
Profit and total comprehensive income for the period ended 30 June 2010	–	–	–	–	19,454	19,454	50,784	70,238
Capital contributed by non-controlling interest	–	–	–	–	–	–	300,314	300,314
Dividends relating to 2009	–	–	–	–	–	–	(1,685)	(1,685)
Balance at 30 June 2010	673,367	354,513	–	353,612	336,475	1,717,967	2,475,237	4,193,204

The notes on pages 8 to 15 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited Six months ended 30 June 2010 RMB'000	2009 RMB'000
Cash flows from operating activities:		
– Cash generated from operations	668,834	168,234
– Interest paid	(115,352)	(182,810)
– Income tax paid	(10,547)	(19,582)
Cash flows used in operating activities	542,935	(34,158)
Cash flows from investing activities:		
– acquisition of subsidiaries, net of cash acquired	59	–
– purchase of property, plant and equipment	(90,177)	(152,949)
– purchase of mining rights	–	(44,469)
– purchase of leasehold land and land use rights	(36,111)	(29,851)
– additions to construction-in-progress	(1,324,077)	(222,962)
– additions to assets classified for sale	(41,805)	–
– proceeds from disposal of property, plant and equipment	30,397	1,151
– increase of available-for-sale financial assets	(67,080)	(29,600)
– government grants received	108,655	–
– interest received	6,873	7,078
– additions to other non-current assets	(8,505)	–
– decrease of pledged bank deposits	14,939	30,000
– additions to pledged bank deposits	–	(33,962)
Cash flows from investing activities – net	(1,406,832)	(475,564)
Cash flows from financing activities:		
– repurchase of H shares	–	(2,852)
– proceeds from borrowings	1,202,118	3,973,257
– repayments of borrowings	(284,530)	(2,791,704)
– capital contribution to subsidiaries from minority shareholders	300,314	178,299
– Dividends paid to minority shareholders of subsidiaries	(1,685)	–
– Government subsidy	21,136	–
– Decrease of pledged bank deposits	134,243	–
Cash flows from financing activities – net	1,371,596	1,357,000
Net increase in cash and cash equivalents	507,699	847,278
Cash and cash equivalents at start of period	1,056,811	874,373
Cash and cash equivalents at end of period	1,564,510	1,721,651

The notes on pages 8 to 15 form an integral part of this condensed interim financial information.

Notes to the condensed consolidated interim financial information

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 manufacture and sales of watches and clocks, liquid crystal displays, printed circuit boards, mining resources, cable television equipment, hotel operation business and property development in the PRC.

The office address of the Company is 25/F, Hangdu Building, CATIC Zone, Shennan Road Central, Futian District, Shenzhen, PRC.

These unaudited consolidated interim financial information have been approved for issue by the Board of Directors on 19 August 2010.

2. Basis of preparation

This unaudited condensed consolidated interim financial information for the half year ended 30 June 2010 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 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards (the "IFRS").

3. Accounting polices

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the rate that would be applicable to expected total annual earnings.

(a) *New and amended standards adopted by the Group*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group have applied IAS 27 (revised) prospectively to transactions with non-controlling interest from 1 January 2010.

- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group have applied IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- IAS 38 (amendment), 'Intangible Assets' (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in April 2009 and the Group have applied IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group have applied IFRS 5 (amendment) from 1 January 2010.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group have applied IAS 1 (amendment) from 1 January 2010.

- IAS 24 (Revised), "Related party disclosures" (effective beginning on or after 1 January 2011) The amendment introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose:

  – the name of the government and the nature of their relationship; and

  – the nature and amount of any individually-significant transactions; and

  – the extent of any collectively-significant transactions qualitatively or quantitatively.

  The Group have elected to early adopt IAS 24 (Revised) since 1 January 2010.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group:

- IFRIC-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

- IAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.

- IFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.

- First improvements to International Financial Reporting Standards (2008) were issued in May 2008 by the IASB. The improvement related to IFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.

- Second improvements to International Financial Reporting Standards (2009) were issued in April 2009 by IASB. All improvements are effective in the financial year of 2010.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- IFRS 9, 'Financial instruments' (effective from 1 January 2013). Management is in the process of assessing the impact on the financial statements of the Group.

- IFRIC 19 'Extinguishing financial liabilities with equity instruments' (effective from 1 July 2010). The new guidance is not expected to have a material impact on the Group's financial statements.

- Under 'Classification of rights issues' (Amendment to IAS 32). The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.

- Amendments to IFRIC Int-14 'Prepayments of a minimum funding requirement'. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group.

- 'Limited exemption from comparative IFRS 7 disclosures for first-time adopters' (Amendment to IFRS 1). This is not relevant to the Group, as it is an existing IFRS preparer.

- Third improvements to International Financial Reporting Standards (2010) were issued in May 2010, by both IASB. All improvements are effective in the financial year of 2011.

4. Segment information

The chief operating decision-maker has been identified as the board of directors. The board of directors considers the business from produce perspective and reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The revenue and profit/(loss) after taxation of the Group for the six months ended 30 June 2010 by activities are classified as follows:

	Revenue		**Profit/(loss) after taxation**	
	2010	2009	**2010**	2009 (Restated)
	RMB'000	RMB'000	***RMB'000***	*RMB'000*
Resources	**4,632**	130,507	**(42,115)**	(13,242)
LCD	**1,419,791**	876,604	**57,881**	(209,502)
PCB	**664,925**	584,248	**72,630**	25,775
Timepieces	**759,025**	522,809	**32,295**	16,403
Hotel	**–**	6,481	**(156)**	(13,179)
Lease	**54,326**	55,549	**(9,705)**	(4,287)
Others	**22,695**	14,828	**243**	95
Unallocated items*	**–**	–	**(40,835)**	(49,820)
Total	**2,925,394**	2,191,026	**70,238**	(247,757)

* *The amount represented various expenses incurred by the head office mainly including unallocated interest expenses, administrative expenses and investment losses of the Company.*

5. Property, plant and equipment

For the six months ended 30 June 2010, the Group has incurred a capital expenditure of approximately RMB751,726,000 mainly for the construction and installation of production machinery of Chengdu Tianma Microelectronics Co., Ltd and Shenzhen Shennan Circuit Co., Ltd (as at 31 December 2009: RMB1,227,342,000). The Group did not have any substantial disposal of fixed assets during the period.

6. Trade and other receivables

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Trade receivables	**1,265,264**	1,014,270
Less: provision for impairment of receivables	**(163,394)**	(160,447)
Trade receivables – net	**1,101,870**	853,823
Notes receivables	**276,252**	324,514
Prepayments	**32,116**	46,157
Value added tax receivables	**–**	26,661
Excess of input over output value added tax	**253,001**	156,937
Others	**200,326**	144,009
	1,863,565	1,552,101

The Group's credit terms on sale of goods ranged from 30 to 90 days. At 30 June 2010 and 31 December 2009, the aging analyses of the trade receivables are as follows:

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Trade receivables		
Current	**539,063**	338,266
30-60 days	**241,269**	145,102
60-90 days	**147,466**	58,456
Over 90 days	**337,466**	472,446
	1,265,264	1,014,270
Less: provision for impairment losses	**(163,394)**	(160,447)
	1,101,870	853,823

7. Assets classified as held for sale

The assets and liabilities related to two subsidiaries of Shenzhen CATIC Resources Co Ltd, Guizhou Pu Ding Xiao Jia Wan Coal Company Limited ("Xiao Jia Wan Company") and Guizhou Liu Zhi An Jia Zhai Coal Company Limited ("An Jia Zhai Company"), have been presented as held for sale following shareholders' approval of the decision to dispose of these operations. The completion date for the transaction is expected to be before September 2010. An Jia Zhai Company and Xiao Jia Wan Company's assets and liabilities are classified as disposal group. These companies are not part of the Group's major operating segment and has not been classified as discontinued business at 30 June 2010.

The assets and liabilities of Xiao Jia Wan Company and An Jia Zhai Company were remeasured at the lower of carrying amount and fair value less cost to sell at the date of held for sale classification.

The major classes of assets and liabilities of the An Jia Zhai Company and Xiao Jia Wan Company in the disposal group are as follows:

Assets classified as held for sale:	**As at 30 June 2010** ***RMB'000***
Land use rights	19,753
Mining rights	75,530
Property, plant and equipment	18,853
Construction-in-progress	32,414
Deferred income tax assets	929
Other non-current assets	592
Trade and other receivables	9,168
Cash and cash equivalents	41,805
Total assets of the disposal group	199,044
Liabilities directly associated with assets classified as held for sale:	
Other non-current liabilities	19,860
Trade and other payables	64,492
Borrowings	6,620
Total liabilities of the disposal group	90,972
Total net assets of the disposal group	108,072

8. Trade and other payables

	As at	
	30 June 2010 ***RMB'000***	31 December 2009 *RMB'000*
Trade payables	1,192,236	763,746
Salary and staff welfare payable	79,339	112,088
Accruals and other payables	971,496	1,064,965
	2,243,071	1,940,799

At 30 June 2010, the ageing analyses of the trade payables are as follows:

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Trade payables		
Current	**625,471**	456,462
30 – 60 days	**255,590**	189,375
60 – 90 days	**170,012**	75,049
Over 90 days	**141,163**	42,860
	1,192,236	763,746

9. Operating (profit)/loss

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

	Six months ended 30 June 2010 RMB'000	Six months ended 30 June 2009 (Restated) RMB'000
Provision for impairment of inventory	**2,939**	2,177
Provision for impairment of trade receivables	**1,974**	19,944
Amortisation of land use rights	**4,527**	8,715
Amortisation of mining rights	**10,156**	11,904
Amortisation of other non-current assets	**24,717**	15,690
Depreciation – fixed assets	**215,053**	216,888
Fair value gain on investment property	**–**	(9,459)
Loss on disposal of property, plant and equipment	**145**	3,637

10. Income tax expense/(credit)

Pursuant to the relevant income tax law of PRC, the subsidiaries of the Group established in the PRC were subject to income tax at a rate of 25% unless preferential rates were applicable.

For the Company and certain subsidiaries established in Shenzhen special economic zone, the original enterprise income tax rate is 15%. Accordance with the relevant provision of the Corporate Income Tax law, the corporate income tax rate of the Company and certain subsidiaries will transit to 25% in five years from 2008 to 2012. The corporate income tax rate for current period was 22%.

For certain subsidiaries of the Group, which were qualified us High and New Technology Enterprises in the PRC, were entitled to a preferential income tax rate of 15% in 2010.

	Six months ended	
	30 June 2010	30 June 2009 (Restated)
	RMB'000	*RMB'000*
Current income tax	**20,373**	5,251
Deferred income tax expense/(credit)	**2,261**	(28,826)
	22,634	(23,575)

11. Earnings/(losses) per share

Basic and diluted earnings/(losses) per share are calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended	
	30 June 2010	30 June 2009 (Restated)
	RMB'000	*RMB'000*
Profits/(losses) attributable to equity holders of the Company *(RMB'000)*	**19,454**	(127,846)
Weighted average number of ordinary shares in issue *(thousands)*	**673,367**	673,761
Basic and diluted earnings/(losses) per share *(RMB per share)*	**0.0289**	(0.1898)

There were no potential dilutive shares as at 30 June 2010 and 2009.

12. Dividends

The directors did not propose an interim dividend for the period ended 30 June 2010.

13. Restatement

In previous years, the Group adopted the cost model in the subsequent measurement of its investment properties under IAS 40, 'Investment property', to account for its investment properties. In 2009, the Group changed to adopt fair value model. The condensed consolidated income statement for the period ended 30 June 2009 has been restated for comparative purpose.

BUSINESS REVIEW

The consolidated revenue and profit contributions of the Company in its consolidated results for the six months ended 30 June 2010 were primarily derived from the following subsidiaries:

Name of subsidiary	Percentage of equity held by the Company	Principal activities
Shenzhen CATIC Resources Co., Ltd. ("CATIC Resources")	100%	Agriculture-related resources business
Shennan Circuit Co., Ltd. ("Shennan Circuit")	88.35%	Manufacture and sales of printed circuit boards ("PCB")
Tianma Microelectronics Co., Ltd. ("Tianma Company")	45.62%	Manufacture and sales of liquid crystal displays ("LCD") and modules
Shenzhen Fiyta Holdings Limited ("Fiyta")	44.69%	Manufacture of middle to high-end wrist watches
Guangdong International Building Industrial Co., Ltd. ("GIB Company")	75%	Hotel and property operations

During the six months ended 30 June 2010, the Group recorded consolidated revenue (continued and discontinued operations) of approximately RMB2,925,394,000, representing an increase of approximately 33.5% over the figure of the corresponding period of last year of RMB2,191,026,000. The gross profit grew by about 106.3% from the figure of the corresponding period of approximately RMB300,256,000 to approximately RMB619,394,000. The Group registered profit attributable to shareholders (excluding minority interests) of approximately RMB19,454,000, representing an improvement of about RMB147,300,000 from the consolidated loss attributable to shareholders (excluding minority interests) of the previous corresponding period of approximately RMB127,846,000. The earnings per share amounted to RMB0.0289, contrasting to the loss per share of RMB0.1898 for the corresponding period of last year.

Summary of Performance

Given that the global economy revitalized and the industry gradually picked up in the first half of 2010, the Group actively seized the favourable opportunity to promptly keep abreast of the market demand and continuously advance to operational excellence. The product mix of liquid crystal displays (LCD) improved remarkably. With notable success of the aggressive marketing strategy adopted for expanding the customer coverage of the printed circuit boards, coupled with continued improvement in the overall cost control, the performance of the electronic manufacturing business showed an astounding growth on a year-on-year basis. Riding on active brand building and chain development of the luxurious timepieces business, the performance of such business demonstrated a significant year-on-year growth. Hampered by weak demand for potassium fertilizers and impacts resulting from technological transformation of production facilities, the performance of the resources business declined sharply as compared with that of the previous year. The continued closure of Guangdong International Building for carrying out the planned renovation had resulted in a loss. From an overall perspective, the Group's operating results for the first half of 2010 recorded an immense growth over the previous year.

Resources Business

The Group, through CATIC Resources, one of its subsidiaries, made great steps in the development of the agriculture-related resources business by exploring into resources of increasing scarcity in supply, which were embedded with sustainable growing potentials. In the first half of the year, the turnover of the agriculture-related resources business of the Group shrank by about 96.45% to approximately RMB4,632,000 when compared with the turnover of the corresponding period of last year of RMB130,507,000. The loss after taxation amounted to approximately RMB42,115,000, contrasting to the loss after taxation of RMB13,242,000 for the corresponding period of the previous year.

In the first half of 2010, hindered by a number of nationwide natural disasters and low sales seasons, the potassium fertilizers market continued to show a downturn trend since 2009, while both the market demand and prices remained low. Faced with the severe external environment, the Group timely changed its business strategy, and put into place technical reform and rationalization for its workshops. In the first half of the year, the production volume of the potassium fertilizers dropped to 30,250 tonnes, with the majority of which retained as inventory accumulation and only 2,836 tonnes of which used for sales purpose. Accordingly, the sales revenue from the potassium fertilizers posted a relatively larger decrease in the first half of the year as compared with last year. Starting from June, the potassium fertilizers market has revived. The management is optimistic about the outlook of the potassium fertilizers market in the second half of the year, and plans to increase the production and sales volume in the second half of the year while clearing the inventory. The sales performance of the potassium fertilizers is expected to improve in the second half of the year.

Phosphate business is still in active preparation stage, and the exploitation has not yet been started in the first half of the year. In addition, the Group decided to strategically adjust its coal business, and to list and sell its equity interest in An Jia Zhai and Xiao Jia Wan coal mines on the Shanghai United Assets and Equity Exchange.

LCD

The Group engaged in the research and development, design, production, sale and servicing of liquid crystal displays (LCD) and liquid crystal modules (LCM) products through Tianma Company. In the first half of the year, the Group's turnover from LCD business surged by approximately 61.96% over the previous corresponding figure of RMB876,604,000 to approximately RMB1,419,791,000. The profit after taxation was approximately RMB57,881,000, representing an increase of approximately RMB267,383,000 when compared with the loss after taxation of the corresponding period of the previous year of approximately RMB209,502,000.

In the first half of 2010, with the global economic recovery, the incipient market upbeat and the steady boom of the atmosphere of the liquid crystal display industry, a greater growth in shipment volume was recorded as compared with the same period of last year. The world's major manufacturers have started to expand production capacity and market share in order to grasp their foothold in hot markets of emerging technologies, including new smart phones, tablet PCs, electronic paper, 3D products and O-LED. Meanwhile, due to the tight supply of upstream resources of liquid crystal display industry, the shortage of workers at the beginning of the year and the adjustment of the Taiwan enterprises, the supply and production of the entire industry were exposed to a certain degree of negative impacts. Tianma Company, by reacting to prevailing market changes, has timely adjusted the product structure, optimized the customer structure and increased the sales proportion of large customers. It adopted the strategy of customized products, strengthened the operations in target market segments and increased the market share. It also optimized the supply chain, increased the capacity utilization and reduced costs. More efforts were made to conduct a proactive study so as to accurately grasp the fast growing pace of new products, to achieve high-volume delivery of new products, and hence to fetch a higher contribution of profit margins. Benefited from these measures, the gross margin of the Group's liquid crystal display business in the first half of the year increased to 17.8%, which was a growth of 22.03 percentage points over the same period of last year. This marked a success in achieving a turnaround in profitability.

During the period under review, Shanghai Tianma has completed the product design for 17 types of boards and applied for technology patents for 27 types of products. The production lines of 4.5 generation TFT-LCD of Chengdu Tianma made stable progress. On 18 June 2010, all of the construction works were finished. The project was then successfully completed and commenced production. Smooth progress was made in the production lines of 4.5 generation TFT-LCD and CF of Wuhan Tianma in line with the expected schedule. Construction of engineering structures, factory systems, equipment installation and trial production of some products were completed in the first half of the year.

PCB

The Group, through Shennan Circuit, engages in the production of mid to high end multi-layer PCB products, which are widely used in high technology fields such as telecommunication, medical services, automobile and industrial control. The turnover of the PCB business of the Group in the first half of the year rose by about 13.81% to approximately RMB664,925,000 when compared with the figure for the corresponding period of the previous year of approximately RMB584,248,000. The profit after taxation amounted to approximately RMB72,630,000, which represented an increase of approximately 181.78% when compared to that of the corresponding period of the previous year of RMB25,775,000.

In the first half of 2010, driven by the global economic revival and the favourable turnover of the overall economic situations, the PCB market began to gradually thrive from the setback in 2009. Globally, Asia (excluding Japan) grew strongly. China, as the country with the largest PCB output value and the most dynamic technology in the world, demonstrated a strong vitality of recovery. In 2010, the industry growth rate will remain at the world's leading level. Shennan Circuit captured many opportunities arising from the industry recovery to foster its development, and actively explored the market by targeting on "strategic" and "key" customers. The value of purchase orders in the first half of the year attained 51.5% of the annual target. The value of purchase orders in June and the second quarter of the year reached a record high. The expansion of overseas markets had reaped very fruitful achievements. The value of overseas orders had soared massively. In connection with business strategy, Shennan Circuit endeavoured to expand its capacity to meet the market demand on the one hand. It actively exercised energy-saving and consumption-reducing initiatives on the other hand in order to intensify efforts on cost control. Invigorated by growth in operating revenue and reduction in cost, Shennan Circuit achieved a bigger increase in its profit after tax in the first half of 2010 as compared with the same period of the previous year.

Shennan Circuit, being recognized as one of the first batch of national "high-tech enterprises", has applied for a total of 129 patents as at June 2010. The operations of Shennan Circuit are also unanimously recognised by the society, customers and higher units: Shennan Circuit was named as one of the "Top 100 Shenzhen Enterprises" ("深圳市百強企業") for three consecutive years. It was recognized as a "Pengcheng Waste Reduction" advanced enterprise in Shenzhen in the first half of the year. It was also renowned as a "water-saving enterprise" and a "work safety" advanced enterprise. With regard to customers, it was awarded Huawei (華為) "2009 Best Technical Support Prize" ("2009年度最佳技術支持獎"), Mindray (邁瑞) "2009 Best Contribution Award" ("2009年度最佳貢獻獎") and ZTE (中興通訊) "2009 Best Global Partner" ("2009年度全球最佳合作夥伴").

Luxurious Timepieces

The Group carries out the manufacture and chain sale of middle to high end self-branded luxurious timepieces through Fiyta, including R&D, design, production and sale of timepieces, and the operation of a chain sale network of prestigiously branded timepieces. In the first half of the year, the revenue of the watch business of the Group amounted to approximately RMB759,025,000, representing a growth of approximately 45.18% when compared with the figure of the corresponding period of the previous year of RMB522,809,000. The profit after taxation amounted to approximately RMB32,295,000, representing a surge of 96.88% when compared with the corresponding period of the previous year of RMB16,403,000.

In 2010, given strongly recovering economy and increasing consumption sentiment, China became the world's second largest consumer of luxury goods after Japan, and was the world's major growth area of luxury goods industry. In this light, the Group's timepiece business will be adhered to brand tactics for performing various works. By upholding a corporate philosophy of creating stable growth, the Group will make active leaps in pursuing for business expansion by closely responding to market changes and increasing investments in Harmony channels and FIYTA watch business.

Fiyta branded timepieces of the Group were adhered to our brand tactics to accelerate product serialization and standardization. During the reporting period, new products under "Triumph" series were successfully rolled out. Through spokesperson advertising, regional promotion and sale competition, the series made another success since its launch following the accomplishment of the new products under "The Heart of City" and "Photographer" series. The sales volume of "Emile Chouriet" watches, a high-end brand under FIYTA, rose substantially and achieved rapid growth, with a year-on-year growth of 116% in sales revenue as compared with last year. Additional 25 new sales network points were added for FIYTA watches in the first half of the year, making the sales network points reach 85. As for fashion brands, the main task was to speed up channel construction in the first half of the year. The initial installation of the channels of COSMO and JEEP in the Southeast Asian markets has been completed, while 13 watch counters have also been established in the PRC. In the first half of 2010, the watch business of FIYTA recorded a turnover growth of 25.14% compared to the same period of the previous year.

In the first half of 2010, the Group's Shenzhen Harmony World Watch Center ("Harmony") was in sound operation while continuing to optimize and expand network as well as strengthen store management. A total of nine stores were opened in the first half of the year. The sales network of Harmony watches had reached 139 outlets (30 of which were Henglianda shops). Communication and cooperation with international watch groups and independent watch brands will be continuously fortified and reinforced. "Three-tier marketing" theory will be actively fostered and deepened, whereas terminal implementation and ongoing refinement will be strengthened. Through combination of advertising and terminal brand building, Henglianda brand will be proactively promoted so as to uplift the brand value within the industry and in the minds of consumers. In the first half of 2010, the turnover of Harmony increased by 49.32% over the same period of last year.

During the reporting period, the honours under the German Red Dot Creative Design Award which was reputed as the "Global Industrial Design Oscar" ("全球工業設計界奧斯卡") were announced. FIYTA "Shenzhou VII" extra-vehicular Aerospace Services Watch (the Spacemaster Collectors' Limited Edition) stood out from all other participants and won the "Red Dot Product Design Award" ("紅點產品設計大獎"). FIYTA became the first watch brand that has won such award in China.

PROSPECTS

In the second half of 2010, it is probable that the global economy may hit the bottom for the second time. As the domestic economy is facing slowdown in growth, inflation and appreciation pressure of the Renminbi, there is increasing uncertainty for the overall economic situations. The Group will continue to expand markets and tap potential synergies for its electronics manufacturing business and luxurious timepieces business, and hence to advance its results performance. For resources business, we are dedicated to boost the sales and profitability of potassium fertilizers. The Group will continue to focus on the annual strategic themes relating to the "management of growth, management of profitability, improvement in governance, enhancement of personnel system and remodeling of thinking". We will step up various operation and management efforts in all business units at a full gear. We will also continue to pursue for operational excellence, and constantly solidify our foundation in order to elevate operational efficiency and core competitiveness. The Group will strive for the realization of the year-round business objectives, and lay a good foundation for the long-term sustainable development in the future.

Resources Business

In the second half of 2010, with the approach of the peak seasons for chemical fertilizers and the further reduction in the raw materials inventory of downstream manufactures, the management expects that the prices of potassium fertilizers will necessarily rebound. The Company will seize this favourable opportunity to expand the production and sale volume of potassium fertilizers. In respect of coal operations, as a result of the successful disposal of the equity interest in An Jia Zhai and Xiao Jia Wan coal mines in Guizhou, the Group expects to determine the return on investment in the second half of the year. In addition, the Group continued to steadily expand and integrate mineral resources in surrounding areas. At the same time, the Group expanded resource reserves through mergers and acquisitions.

LCD

With the worldwide economic recovery, the gradual boom of market conditions and the advent of the traditional peak seasons for the industry, the consumer demand for electronic products in the second half of 2010 is expected to realize a new round of sales peak. Benefit from these factors, the sales of electronic products will be blessed with new growth. However, the sluggishness in the European market continued to negatively weigh down the overall market of electronic products to a certain extent, and brought about direct impacts on the sales of some of middle-sized products. Given this scenario, the Group will unwaveringly adhere to the strategy of customized products, develop large customers in target market segments and enhance income from high value-added products. We will focus on enhancing the capacity utilization of our LCD plants, and make endeavours to fulfill full use of production capacity through active organization of orders. By making use of our scale advantages, and actively promoting the introduction of new materials and new technologies, we will quickly reduce the costs of materials. We will tap the Company's internal potentials, reduce inventory, improve operational efficiency and lean operations in order to raise profitability.

PCB

The market is expected to keep reviving in the second half of 2010. According to professional institutions, it is predicted that the global PCB industry will post an annual growth rate of more than 12.4%. The expected growth rate of China's PCB industry will exceed 13.8%. By taking advantage of the existing favorable conditions, Shennan Circuit will focus its efforts on sharpening its capacity in order to meet the rapidly growing market demand. Meanwhile, the Company will continue to adhere to the concept of optimizing customer management, and uphold an "extensive" market strategy to enlarge market share. We will increase R&D investment, improve market-oriented R&D, and strengthen the Company's capability of continuous innovation. We will continue to advance the ERP project, so as to improve the Company's capabilities of regulatory operations and rapid responses. We will continue to advocate energy efficiency, emission reduction and cleaner production, as well as fulfill and perform our social responsibility.

Luxurious Timepieces

Since the end of 2009, China's economy displayed a V-shaped recovery. The luxurious consumer goods market continued to gradually pick up as the economic recovered. In the second half of 2010, the Company remained optimistic about the development of China's luxurious goods market and increased investment in core business. We steadily accelerated the construction of Harmony channels. Through brand development strategies, we enriched FIYTA watches, high-end brands and fashion brands, as well as upgraded our channel and terminal image. Efforts were delivered to achieve the annual goals and make breakthroughs in the front of financial returns and brand building.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2010, the Group had cash and cash equivalents totaling approximately RMB1,564,510,000. The Group's bank loans included short-term loans of approximately RMB2,345,324,000 with annual interest rates ranging from 1.3% to 5.31% and approximately RMB5,668,445,000 long-term loans with annual interest rates ranging from 3.48% to 5.94%. The Group has 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 30 June 2010, the Group's loan-to-equity ratio (bank loans to shareholders' equity ratio) was 466.47% (30 June 2009: 442.81%).

PLEDGED ASSETS

As at 30 June 2010, certain subsidiaries of the Group have pledged bank loans totaling approximately RMB804,097,972.67 (30 June 2009: RMB723,100,000). The loans are secured by plants and buildings of the Group. In particular, a factory premise and a dormitory building have been pledged by Tianma Company, a subsidiary of the Company, to obtain an one-year bank loan of RMB48,000,000. Import equipment invoices, packing lists and bills of lading other security have been pledged by Chengdu Tianma, another subsidiary of the Company, to obtain a six-month bank loan of RMB76,097,972.67. One building, investment properties and land use rights have been pledged for a long-term bank loan of RMB680,000,000 made available to GIB Company, a subsidiary of the Company.

ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSIT

During the six months ended 30 June 2010, the Company did not have any entrusted deposit and overdue term deposit in any form.

MANAGEMENT CONTRACT

During the six months ended 30 June 2010, 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 had issued, purchased or sold any of the Company's shares during the six-month period ended 30 June 2010.

SUBSTANTIAL SHAREHOLDER

As at 30 June 2010, 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 capital
Substantial shareholders				
China Aviation Industry Corporation ("Aviation Industry") (中國航空工業集團公司) *(Note 1)*	Interest of controlled corporation	395,709,091 domestic legal person shares	67.38%	58.77%
CATIC International Holdings Limited ("CATIC International") (中國航空技術國際控股有限公司) *(Note 2)*	Interest of controlled corporation	395,709,091 domestic legal person shares	100%	58.77%
CATIC Shenzhen Company Limited ("CATIC Shenzhen") (中國航空技術深圳有限公司) *(Note 3)*	Beneficial owner	395,709,091 domestic legal person shares	100%	58.77%
Other shareholders				
Li Ka-Shing	Interest of controlled corporation and founder of discretionary trusts	15,156,000 H shares *(Note 4)*	5.46%	2.25%
Cheung Kong (Holdings) Limited	Interest of controlled corporation	15,156,000 H shares *(Note 4)*	5.46%	2.25%
Li Ka-Shing Unity Trustee Corporation Limited	Trustee and beneficiary of a trust	15,156,000 H shares *(Note 4)*	5.46%	2.25%
Li Ka-Shing Unity Trustcorp Limited	Trustee and beneficiary of a trust	15,156,000 H shares *(Note 4)*	5.46%	2.25%

Name of Shareholder	Capacity	Number and class of securities	Approximate percentage of the same class of securities	Approximate percentage of total registered capital
Li Ka-Shing Unity Trustee Company Limited	Trustee and beneficiary of a trust	15,156,000 H shares *(Note 4)*	5.46%	2.25%
華銀集團投資發展有限公司	Beneficial owner	20,306,000 H shares	7.31%	3%
Jiang Jian Jun *(Note 5)*	Interest of controlled corporation	4,676,000 H shares	1.68%	0.69%

Notes:

(1) Aviation Industry owns 67.38% interest in CATIC International which in turn owns 100% interest in CATIC Shenzhen. Hence, Aviation Industry is deemed to be interested in the Shares owned by CATIC Shenzhen.

(2) CATIC International owns 100% interest in CATIC Shenzhen. Hence, it is deemed to be interested in the Shares owned by CATIC Shenzhen.

(3) As at 30 June 2010, CATIC Shenzhen is beneficially interested in 395,709,091 domestic legal person shares, representing approximately 58.77% of the total registered share capital of the Company.

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

The 7,578,000 H shares were held by Empire Grand Limited ("Empire Grand"), which is 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

The 7,578,000 H shares were 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, Mr. Li Ka-shing, being the settler of DT1 and DT2 and may being regarded as a founder of each of these two discretionary trusts 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.

(5) 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

For the six-month period ended 30 June 2010, 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 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the six-month period ended 30 June 2010, there was no change in any Directors, supervisors and senior management.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2010 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 30 June 2010 or at any time during the period.

EMPLOYEES AND SALARIES

As at 30 June 2010, the Group had a total of approximately 15,099 employees (the same period of 2009: 13,354 employees), with employee related costs of approximately RMB379,169,000 (the same period of 2009: RMB353,584,000). 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 guarantees for a one-year loan of RMB528,000,000 and a long-term loan of RMB90,000,000 in favour of Fiyta, a subsidiary of the Company, provided a guarantee for a long-term loan of RMB433,000,000 in favour of CATIC Resources, provided guarantees for a one-year loan of RMB20,000,000 and a long-term loan of RMB250,000,000 in favour of Qinghai CATIC, provided a guarantee for a long-term loan of RMB120,000,000 in favour of GIB Company, provided a guarantee for a long-term loan of RMB202,000,000 in favour of Tianma Company, and provided guarantees for a one-year loan of RMB82,000,000 and a long-term syndicated load of RMB433,860,000 in favour of Shanghai Tianma.

The Company's subsidiary, namely Tianma company, also provided guarantees for a one-year loan of RMB118,000,000 and a long term syndicated loan of RMB531,245,000 in favour of Shanghai Tianma.

SIGNIFICANT EVENTS

1. Issuance of Shares and Acquisition of Assets by Tianma Company

On 18 November 2009, Tianma Company, a non-wholly owned subsidiary of the Company, entered into various framework agreements with the Company, Shanghai Zhang Jiang (Group) Co., Ltd. ("Shanghai Zhang Jiang Group"), Shanghai State-owned Assets Operation Co., Ltd. ("Shanghai State Assets Company") and Shanghai Industrial Investment (Group) Co., Ltd. ("Industrial Investment Group"), and accordingly entered into formal agreements on 18 January 2010. According to the agreements, Tianma Company has conditionally agreed to acquire 21%, 20%, 19% and 10% of the total equity interest in Shanghai Tianma from the Company, Shanghai Zhang Jiang Group, Shanghai State Assets Company and Industrial Investment Group, respectively, in consideration of Tianma Company issuing not exceeding 44,709,007, 42,580,018, 40,451,011 and 21,290,000 new A shares (i.e. a total of 149,030,036 new A shares) at a price of RMB5.34 per A Share (i.e. at an aggregate consideration not exceeding RMB795,820,400) to the Company, Shanghai Zhang Jiang Group, Shanghai State Assets Company and Industrial Investment Group, respectively. Upon the completion of the acquisitions and the issuance of A shares, Shanghai Tianma will be wholly owned by Tianma Company, while the aggregate shareholding of Tianma Company held by the Company will be diluted from approximately 45.62% to approximately 42.40% of the enlarged issued share capital of Tianma Company.

Pursuant to the Listing Rules, the acquisitions and the issuance of A shares constitute a very substantial acquisition, connected transaction and very substantial disposal. For further details, please refer to the announcement of the Company dated 27 November 2009, the supplemental announcement dated 18 January 2010 and the circular dated 1 February 2010. The resolutions approving the acquisitions and the issuance of A shares were duly passed at the extraordinary general meeting held on 19 March 2010.

2. Increase of Share Capital and Issuance of Shares by Shennan Circuit

On 30 November 2009, the Company, CATIC Shenzhen and 41 management members and staff of Shennan Circuit entered into a capital increase agreement, pursuant to which the management members and staff of Shennan Circuit had conditionally agreed to make a capital contribution in total of RMB48,314,000 in cash to the registered capital and the capital reserve of Shennan Circuit. Upon the completion of the capital increase, the shareholding of the Company in Shennan Circuit will be diluted from 95% to approximately 88.35% of the enlarged registered capital of Shennan Circuit, while 4.65% and 7% of the shareholding will be held by CATIC Shenzhen and the management members and staff respectively.

Pursuant to the Listing Rules, the capital increase constitutes a very substantial disposal and connected transaction. For further details, please refer to the announcement of the Company dated 4 December 2009 and the circular dated 1 February 2010. The resolution approving the capital increase was duly passed at the extraordinary general meeting held on 19 March 2010. For further details, please refer to the announcement of the Company dated 19 March 2010 concerning the results of the shareholders meeting.

The change of business registration in relation to the increase of share capital was completed on 8 June 2010.

3. The Seventh Renovation Contract for the Modernization and Renovation of Guangdong International Building

In accordance with the modernization and renovation project of Guangdong International Building, GIB Company entered into the seventh renovation contract with CATIC Building Facilities Company ("CATIC Building") on 25 February 2010, pursuant to which CATIC Building Facilities Company carried out reconstruction works on the heating system, intelligentized sub-cable system and its operation room equipment, and drainage system of the hotel rooms of Guangdong International Building for a total contract price not exceeding RMB30,000,000.

Pursuant to the Listing Rules, the seventh renovation contract constituted a connected transaction, and was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules as the applicable percentage ratios of the seventh renovation contract when aggregated with the applicable percentage ratios of the renovation contract, the second renovation contract, the third renovation contract, the fourth renovation contract, the fifth renovation contract and the sixth renovation contract entered into in 2009 exceeded 2.5%.

The Company complied with the reporting and announcement requirements under the Listing Rules and the transaction was approved at the extraordinary general meeting held on 5 May 2010. For further details, please refer to the announcement of the Company dated 25 February 2010 and the circular dated 17 March 2010.

4. The entrusted management agreement entered into by Shanghai Tianma and CATIC Opto-electronics

On 5 February 2010, Shanghai Tianma and Shanghai CATIC Opto-electronics Limited ("CATIC Opto-electronics") entered into an entrusted management agreement, pursuant to which Shanghai Tianma agreed to provide management services of the relevant assets under the fifth generation TFT-LCD production lines to CATIC Opto-electronics for a term commencing from 1 February 2010 to 31 December 2011. The service charge under the entrusted management agreement was calculated at 0.5% of the sales revenue of CATIC Opto-electronics for the period of service and it was expected that the basic management fees payable for each of 2010 and 2011 would not exceed RMB15,000,000 and RMB25,000,000, respectively.

Shanghai Tianma is a non-wholly owned subsidiary of the Company. CATIC Optoelectronics is a non-wholly owned subsidiary of CATIC Shenzhen. CATIC Shenzhen is the promoter and the controlling shareholder of the Company. Pursuant to Chapter 14A of the Listing Rules, this transaction constituted a continuing connected transaction. The Company complied with the reporting and announcement requirements under the Listing Rules. For further details, please refer to the announcement of the Company dated 5 February 2010.

5. Non-public offering of shares by Fiyta

On 12 April 2010, the Board of Directors of Fiyta, a subsidiary of the Company, proposed to raise not more than RMB500,000,000 by issuing not more than 50,000,000 A Shares to not more than 10 institutional investors and the Group at a subscription price of not less than RMB12.45 per Fiyta share. As such, the Group signed the CNAC Subscription Agreement with FIYTA to subscribe for new shares with a total subscription amount of not more than RMB80,000,000.

Pursuant to the Listing Rules, the transaction constitutes a discloseable transaction. In addition, as FIYTA is a non-wholly owned subsidiary of the Company, the transaction also constitutes a connected transaction of the Company. The Company has complied with the reporting and announcement requirements under the Listing Rules. For further details, please refer to the announcement of the Company dated 12 April 2010.

6. Disposal of equity interest in An Jia Zhai and Xiao Jia Wan coal mines in Guizhou by CATIC Resources

On 8 April 2010, CATIC Resources put the An Jia Zhai Interest and the Xiao Jia Wan Interest together to open tender on the Shanghai United Assets and Equity Exchange. On 2 June 2010, after the tender process has been concluded, CATIC Resources has entered into the Share Transfer Agreements with Guodian Guizhou Electric Company ("Guizhou Guodian"), the Purchaser, for a consideration of RMB124,504,600 and RMB50,095,200 respectively.

Under the Listing Rules, the equity transfer transaction constitutes a discloseable transaction. In addition, as the major shareholders of An Jia Zhai and Xiao Jia Wan were concurrently the Directors of the Company, the transaction also constitutes a connected transaction of the Company and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has complied with the reporting and announcement requirements under the Listing Rules. On 31 May 2010, a written approval was received from the major shareholder, CATIC Shenzhen, for the Share Transfer Agreements and an approval was granted by the Stock Exchange on 1 June 2010 for accepting the written approval in lieu of holding an extraordinary general meeting. For further details, please refer to the announcements of the Company dated 27 May and 2 June 2010 and the circular dated 12 July 2010. Currently, the change of business registration for the interest in An Jia Zhai and Xiao Jia Wan has not been completed.

SUBSEQUENT EVENTS

1. **Proposed Amendment to the budget for the Modernization and Renovation of Guangdong International Building**

   On 21 January 2009, the Board of the Company resolved to conduct a modernization and renovation project of the properties of a subsidiary, GIB Company. According to budget, the expected cost of such project will not exceed RMB250,000,000. In December 2009, GIB Company re-evaluates the project budget after the implementation of the design plan. GIB Company has also invited experts to evaluate the renovation budget based on the design project. A broader range of more sophisticated renovation of the hotel has been proposed in order to achieve the required level of the hotel. Accordingly, on 5 August 2010, the Board of the Company resolved and recommended that the project budget for the modernization and renovation of Guangdong International Building would be increased to RMB451,000,000.

   Under the Listing Rules, the amendment to the budget for the modernization and renovation of Guangdong International Building constituted a discloseable transaction. For further details, please refer to the announcement of the Company dated 5 August 2010.

2. **Set up of AM-OLED production lines**

   On 13 August 2010, the Board of the Company resolved that Shanghai Tianma, a non-wholly owned subsidiary of the Company, would construct 4.5 generation AM-OLED test assembly lines. According to an internal feasibility study, the total investment for the construction of the assembly lines will be no more than RMB491,600,000, of which, RMB210,000,000 will be borne and contributed by Shanghai Tianma, while the balance of RMB281,600,000 will be financed by government subsidies.

   Under the Listing Rules, the above construction of the assembly lines constituted a discloseable transaction. For further details, please refer to the announcement of the Company dated 13 August 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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 30 June 2010.

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 30 June 2010, all the Directors and supervisors of the Company have complied with the above standards regarding securities transactions by Directors and supervisors set out in the Code.

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 Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Liu Xian Fa. The Audit Committee has reviewed and confirmed the Company's interim results report for the six months ended 30 June 2010.

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 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. You Lei, Mr. Lai Wei Xuan, Mr. Sui Yong, Mr. Liu Rui Lin and Mr. Xu Dong Sheng as executive Directors. Mr. Cheng Bao Zhong, Mr. Qiu Shen Qian, Mr. Wang Bin Bin and Mr. Li Cheng Ning as non-executive Directors. and Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Liu Xian Fa as independent non-executive Directors.

By Order of the Board
Wu Guang Quan
Chairman

Shenzhen, the PRC, 19 August 2010