深圳中航集團股份有限公司

CATIC SHENZHEN HOLDINGS LIMITED

(Stock Code : 0161)

INTERIM REPORT 2011

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.

The Board (the "Board") of directors (the "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 30 June 2011 prepared in accordance with the International Financial Reporting Standards as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
ASSETS			
Non-current assets			
Land use rights		707,706	719,271
Mining rights		529,779	534,029
Goodwill		5,240	5,240
Property, plant and equipment		7,215,504	6,697,911
Investment properties		1,105,319	1,129,129
Construction-in-progress		556,890	893,546
Investments in associates		795,569	794,349
Available-for-sale financial assets		28,079	27,579
Deferred income tax assets		115,175	105,751
Other non-current assets		114,534	82,458
		11,173,795	10,989,263
Current assets			
Inventories		2,577,537	1,976,667
Trade and other receivables	7	2,688,104	2,414,513
Pledged bank deposits		202,165	158,725
Cash and cash equivalents		1,408,640	1,728,245
		6,876,446	6,278,150
Total assets		18,050,241	17,267,413

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
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		**439,109**	439,020
Retained earnings		**531,442**	510,582
		1,998,431	1,977,482
Non-controlling interests		**3,192,530**	2,970,967
Total equity		**5,190,961**	4,948,449
LIABILITIES			
Non-current liabilities			
Borrowings		**5,824,596**	5,671,172
Deferred income tax liabilities		**346,283**	346,143
Deferred income on government grants		**568,250**	535,359
Other non-current liabilities		**114,327**	114,327
		6,853,456	6,667,001
Current liabilities			
Trade and other payables	8	**3,233,156**	3,267,087
Borrowings		**2,755,018**	2,350,486
Current income tax liabilities		**17,650**	34,390
		6,005,824	5,651,963
Total liabilities		**12,859,280**	12,318,964
Total equity and liabilities		**18,050,241**	17,267,413
Net current assets		**870,622**	626,187
Total assets less current liabilities		**12,044,417**	11,615,450

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Revenue	*6*	**4,588,143**	2,925,394
Cost of sales		**(3,646,252)**	(2,306,000)
Gross profit		**941,891**	619,394
Distribution costs		**(275,852)**	(178,091)
Administrative expenses		**(427,754)**	(284,632)
Other gains – net		**94,837**	95,736
Operating profit		**333,122**	252,407
Finance income		**10,094**	6,873
Finance costs		**(202,756)**	(168,203)
Share of post-tax profit of associates		**9,305**	1,795
Profit before income tax		**149,765**	92,872
Income tax expense	*10*	**(34,786)**	(22,634)
Profit for the period	*6*	**114,979**	70,238
Profit attributable to:			
– equity holders of the Company		**20,860**	19,454
– non-controlling interests		**94,119**	50,784
		114,979	70,238
		RMB per share	*RMB per share*
Earnings per share for profit attributable to the equity holders of the Company			
– basic	*11*	**0.0310**	0.0289
– diluted	*11*	**0.0310**	0.0289
Dividends	*12*	**0.03**	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Profit for the period		**114,979**	70,238
Other comprehensive income			
Currency translation differences		**648**	–
Total comprehensive income for the period		**115,627**	70,238
Total comprehensive income attributable to:			
– equity holders of the Company		**21,508**	19,454
– non-controlling interests		**94,119**	50,784
		115,627	70,238

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Attributable to equity holders of the Company						
	Share capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance as at 1 January 2010	673,367	354,513	353,612	317,021	1,698,513	2,125,824	3,824,337
Profit for the period ended 30 June 2010	–	–	–	19,454	19,454	50,784	70,238
Capital contribution by non-controlling interests	–	–	–	–	–	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

	Unaudited						
	Attributable to equity holders of the Company						
	Share capital ***RMB'000***	**Share premium** ***RMB'000***	**Other reserves** ***RMB'000***	**Retained earnings** ***RMB'000***	**Total** ***RMB'000***	**Non-controlling interests** ***RMB'000***	**Total equity** ***RMB'000***
Balance as at 1 January 2011	**673,367**	**354,513**	**439,020**	**510,582**	**1,977,482**	**2,970,967**	**4,948,449**
Profit for the period ended 30 June 2011	**–**	**–**	**–**	**20,860**	**20,860**	**94,119**	**114,979**
Other comprehensive income for the period ended 30 June 2011	**–**	**–**	**648**	**–**	**648**	**–**	**648**
Capital contributed by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**168,000**	**168,000**
Transactions with non-controlling interests	**–**	**–**	**(559)**	**–**	**(559)**	**(18,443)**	**(19,002)**
Dividends relating to 2010	**–**	**–**	**–**	**–**	**–**	**(22,115)**	**(22,115)**
Balance at 30 June 2011	**673,367**	**354,513**	**439,109**	**531,442**	**1,998,431**	**3,192,530**	**5,190,961**

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Cash flows from operating activities:		
– Cash (used in)/generated from operations	**(184,654)**	668,834
– Interest paid	**(197,939)**	(115,352)
– Income tax paid	**(46,474)**	(10,547)
Cash flows (used in)/generated from operating activities	**(429,067)**	542,935
Cash flows from investing activities:		
– acquisition of subsidiaries, net of cash acquired	**–**	59
– additions to property, plant and equipment and construction in progress	**(512,589)**	(1,414,254)
– additions to leasehold land and land use rights	**(823)**	(36,111)
– additions to assets classified for sale	**–**	(41,805)
– proceeds from disposal of property, plant and equipment	**510**	30,397
– additions to available-for-sale financial assets	**(500)**	(67,080)
– government grants received	**–**	108,655
– interest received	**10,094**	6,873
– dividends received	**685**	–
– additions to other non-current assets	**(32,076)**	(8,505)
– decrease in pledged bank deposits	**16,560**	14,939
Cash flows from investing activities	**(518,139)**	(1,406,832)
Cash flows from financing activities:		
– proceeds from borrowings	**2,069,055**	1,202,118
– repayments of borrowings	**(1,508,313)**	(284,530)
– capital contribution to subsidiaries from non-controlling interests	**168,000**	300,314
– dividends paid to non-controlling interests of subsidiaries	**(22,115)**	(1,685)
– government subsidy received	**–**	21,136
– transaction with non-controlling interests	**(19,107)**	–
– (increase)/decrease in pledged bank deposits	**(60,000)**	134,243
Cash flows from financing activities	**627,520**	1,371,596
Net (decrease)/increase in cash and cash equivalents	**(319,686)**	507,699
Cash and cash equivalents at start of period	**1,728,245**	1,056,811
Exchange gains on cash and bank overdrafts	**81**	–
Cash and cash equivalents at end of period	**1,408,640**	1,564,510

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 liquid crystal displays, printed circuit boards, watches and clocks, 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.

This condensed consolidated interim financial information is presented in RMB thousands, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 19 August 2011.

This condensed consolidated interim financial information has not been audited.

Key events

In July 2011, the Company has received written approval from the Administration Commission of the State Council stating its consent in principle to the acquisition whereby the Company has conditionally agreed to acquire certain equity interests in 12 companies from AVIC International Holding Co., Ltd., CATIC Shenzhen Co., Ltd. and Beijing Raise Science Co., Ltd..

On 25 February 2011, Tianma Microelectronics Co., Ltd. ("Tianma") and Shenzhen CATIC Opto-electronics Co., Ltd. entered into an entrusted management agreement.

On 17 May 2011, Shanghai Tianma Microelectronics Co., Ltd. and Xiamen Tianma Microelectronics Co., Ltd. entered into an entrusted management agreement.

The board of Tianma decided to continue to proceed with the substantial asset restructuring at a board meeting, and therefore resubmitted the amended and perfected application materials to China Securities Regulatory Commission for review.

2. Basis of preparation

This unaudited condensed consolidated interim financial information for the half year ended 30 June 2011 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 2010, which have been prepared in accordance with International Financial Reporting Standards (the "IFRS").

3. Accounting polices

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax 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 2011.

- Amendment to IAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in IAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group:

- Amendment to IAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

- Amendment to IFRIC – Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

- IFRIC – Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

- Third improvements to International Financial Reporting Standards (2010) were issued in May 2010 by IASB, except for amendment to IAS 34 'Interim financial reporting' as disclosed in note 3(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

- IFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 'Financial instruments: Recognition and measurement' and have not been changed.

- IAS 12 (Amendment) 'Deferred tax: Recovery of underlying assets' introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

- IFRS 7 (Amendment) 'Disclosures – Transfers of financial assets' introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

5. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

There have been no changes in the risk management policies since year end.

6. Segment information

The chief operating decision-maker has been identified as the board of directors. The board of directors considers the business from product 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 2011 by activities are classified as follows:

	Revenue		**Profit/(loss) after taxation**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
LCD	**2,076,773**	1,419,791	**67,952**	57,881
PCB	**997,799**	664,925	**90,962**	72,630
Timepieces	**1,189,052**	759,025	**68,250**	32,295
Resources	**216,796**	4,632	**(38,568)**	(42,115)
Hotel	**23,830**	–	**(57,681)**	(156)
Investment properties	**60,226**	54,326	**17,917**	(9,705)
Others	**23,667**	22,695	**337**	243
Unallocated items*	**–**	–	**(34,190)**	(40,835)
Total	**4,588,143**	2,925,394	**114,979**	70,238

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

7. Trade and other receivables

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Trade receivables	**1,984,843**	1,638,015
Less: provision for impairment of receivables	**(173,800)**	(167,337)
Trade receivables – net	**1,811,043**	1,470,678
Notes receivables	**154,595**	185,820
Prepayments	**255,050**	290,981
Excess of input over output value added tax	**297,206**	273,238
Others	**170,210**	193,796
	2,688,104	2,414,513

The Group's credit terms on sale of goods ranged from 30 to 90 days. At 30 June 2011 and 31 December 2010, the ageing analyses of the trade receivables are as follows:

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Trade receivables		
Current	**767,567**	659,756
30 – 60 days	**356,775**	357,255
60 – 90 days	**241,942**	148,332
Over 90 days	**618,559**	472,672
	1,984,843	1,638,015
Less: provision for impairment losses	**(173,800)**	(167,337)
	1,811,043	1,470,678

8. Trade and other payables

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Trade payables	**2,031,358**	1,500,742
Salary and staff welfare payable	**93,570**	117,851
Accruals and other payables	**1,108,228**	1,648,494
	3,233,156	3,267,087

At 30 June 2011, the ageing analyses of the trade payables are as follows:

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Trade payables		
Current	**1,148,927**	903,608
30 – 60 days	**492,080**	267,785
60 – 90 days	**195,109**	143,637
Over 90 days	**195,242**	185,712
	2,031,358	1,500,742

9. Operating profit

The following items have been charged the operating profit during the period:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Provision for impairment of inventory	**9,764**	2,939
Provision for impairment of trade receivables	**2,290**	1,974
Amortisation of land use rights	**8,526**	4,527
Amortisation of mining rights	**4,250**	10,156
Amortisation of other non-current assets	**36,279**	24,717
Depreciation of fixed assets	**328,390**	215,053
Loss on disposal of property, plant and equipment	**320**	145

10. Income tax expense

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

For the Company and certain subsidiaries established in Shenzhen Special Economic Zone, the original enterprise income tax rate was 15%. In 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 2009 to 2012. The corporate income tax rate for current period was 22%.

For certain subsidiaries of the Group, which were qualified as High and New Technology Enterprises in the PRC, were entitled to a preferential income tax rate of 15% in 2011.

	Six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
Current income tax	**44,070**	20,373
Deferred income tax (credit)/expense	**(9,284)**	2,261
	34,786	22,634

11. Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit 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 2011	30 June 2010
Profit attributable to equity holders of the Company (RMB'000)	**20,860**	19,454
Weighted average number of ordinary shares in issue (thousands)	**673,367**	673,367
Basic and diluted earnings per share (RMB per share)	**0.0310**	0.0289

There were no potential dilutive shares as at 30 June 2011 and 2010.

12. Dividends

The directors proposed an interim dividend of RMB3 cents per share, amounting to RMB20,201,000, for the period ended 30 June 2011.The proposal will come to effect after it is passed by the extraordinary general meeting (date to be decided). The Company will further announce the date of the extraordinary general meeting and suspension share transfer registration.

13. Commitments

(a) *Capital commitments*

Capital commitments at the balance sheet date but not yet incurred are as follows:

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Contracted but not provided for		
Purchase of property, plant and equipment	**756,713**	621,130
Investment in subsidiaries:		
– Chengdu Tianma	**–**	72,000
	756,713	693,130

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Authorised but not contracted for		
Property, plant and equipment	**477,380**	1,509,970
Hotel modernisation and renovation	**22,060**	60,000
	499,440	1,569,970

(b) *Operating lease commitments*

The Group has commitments under non-cancellable operating leases in respect of office premises as follows:

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Not later than one year	**26,504**	42,122
Later than one year and not later than five years	**140,995**	137,140
	167,499	179,262

14. Related party transactions

The Group is controlled by CATIC Shenzhen Company, a state-controlled company established in the PRC which owns 58.77% of the Company's shares. The remaining 41.23% of the shares are widely held. The directors regard CATIC Shenzhen Company and Aviation Industry Corporation of China as the holding company and ultimate holding company of the Group respectively.

Related parties include the Company's holding company, ultimate holding company, its subsidiaries, other state-controlled enterprises and their subsidiaries directly or indirectly controlled by the PRC government, corporations in which the Company is able to control or exercise significant influence, key management personnel of the Company, holding company and its ultimate holding company and their close family members.

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions:

(a) *Transactions with related parties*

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Transactions with the holding company and fellow subsidiaries		
Revenue:		
Sales of goods	**209,967**	114,193
Rendering of services	**21,001**	13,823
	230,968	128,016
Purchases of goods and services	**138,380**	14,269

Transactions with government related entities

The Company is a state-owned enterprise ultimately controlled by the PRC government. The PRC government controls a significant portion of the productive assets and entities in the PRC. The transactions between the Company and other PRC government controlled entities are related party transactions. These transactions mainly include depositing cash in and obtaining borrowings from certain stated-owned banks. Nearly all of the Company's cash were deposited in and all of the borrowings were borrowed from state-owned banks during the year.

(b) *Balances with related parties*

The balances with related parties companies are non-interest bearing and repayable on demand.

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Balances with fellow subsidiaries		
Accrual and other payables	**361,833**	443,783
Trade and other receivables	**181,434**	262,421

(b) Balances with related parties (Continued)

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Amount due to the holding company	**283,200**	296,500

BUSINESS REVIEW

The revenue and profit of the Company in its consolidated results for the six months ended 30 June 2011 (the "Reporting Period") were primarily derived from the following subsidiaries:

Name of subsidiary	Percentage of equity held by the Company	Principal activities
Tianma Microelectronics Co., Ltd. ("Tianma")	45.62%	Manufacture and sales of liquid crystal displays ("LCD") and modules
Shennan Circuit Co., Ltd. ("Shennan Circuit")	88.35%	Manufacture and sales of printed circuit boards ("PCB")
Fiyta Holdings Limited ("Fiyta")	41.49%	Manufacture and sales of middle to high-end wrist watches
Shenzhen CATIC Resources Co., Ltd. ("CATIC Resources")	100%	Agriculture-related resources business
Guangdong International Building Industrial Co., Ltd. ("GIB Company")	75%	Hotel and property operations

During the six months ended 30 June 2011, the Group recorded a consolidated revenue of approximately RMB4,588,143,000, representing an increase of approximately 56.84% over RMB2,925,394,000 for the same period last year. The gross profit was approximately RMB941,891,000, grew by approximately 52.07% from RMB619,394,000 for the same period last year. The Group recorded consolidated profit attributable to shareholders (excluding minority interests) of approximately RMB20,860,000, representing an improvement of approximately 7.23% from the consolidated profit attributable to shareholders (excluding minority interests) of RMB19,454,000 for the same period last year. The earnings per share amounted to approximately RMB0.0310, as compared to earnings per share of RMB0.0289 for the same period last year.

SUMMARY OF PERFORMANCE

In the first half of 2011, China maintained a fast growing economy though there were signs of slowing down and inflation. Faced with a complex and volatile world market and emerging circumstances in domestic economy, the Group strived to ensure growth in core business through seizing development opportunities actively, focusing on the mission of maintaining fast growth, and implementing strategic measures. Our LCD business recorded steady growth by capturing the opportunities of increase in market demands and restructuring product and customer structures; the "aggressive marketing" strategy adopted in the PCB business achieved notable success in promoting stable progresses across multiple business fields; as for luxurious wrist watch business, the overall improvements in our market competitiveness and profitability have resulted in impressive growth. The resources business recorded significant growth in operating revenue as a result of the upward trend of potassium fertilizer prices and the growth of operation of the fertilizer business department; Guangdong International Building has completed the renovation and modernization project, and the "Crowne Plaza Hotel Guangzhou City Centre" has opened for business in June.

LCD

The Group engages in the Research and Development (R&D), design, production, sales and servicing of liquid crystal displays (LCD) and liquid crystal modules (LCM) products through its subsidiary, Tianma. In the first half of 2011, the Group's turnover from LCD business was approximately RMB2,076,773,000, surged by approximately 46.27% over RMB1,419,791,000 for the same period last year. The profit after taxation was approximately RMB67,952,000, representing an increase of approximately 17.40% over the profit after taxation of approximately RMB57,881,000 for the same period last year.

With the active demand for smart phones and tablet Personal Computers (PCs), demands for small to middle size panels grew in a steady pace during the first half of 2011. Tianma took advantage of this opportunity, and implemented the strategies of "leading technology, speedy win and customized services". Through proactively adjusting both product and customer structures, and focusing on the market of small to middle size panels, Tianma managed to increase its orders and gradually release the production capacity of Chengdu Tianma, with revenue increasing over the same period last year. However, due to increasing labor costs, higher R&D expenses and the fact that Chengdu Tianma was still in the process of gradual output release, Tianma's operating profit was to some degree under the adverse impact.

In addition to the existing 4.5 generation TFT-LCD in normal operation, the R&D project of OLED test assembly line by Shanghai Tianma also proceeded smoothly during the Reporting Period. With the first colour AMOLED product has been lighted up successfully, and most of the equipment installation and commissioning work has been done, the project entered into the stage of technology and equipment optimization and refinement. Chengdu Tianma has been in normal operation and the new production line expansion project invested in the first quarter is currently at the preliminary stage of equipment specification design and mass production delivery. Wuhan Tianma has completed the construction of production site, and the equipment for 4.5 generation TFT-LCD production line has been moved in and installed. It is prepared to commence normal operation in July. During the Reporting Period, Tianma have been entrusted with the management of Shenzhen CATIC Opto-electronics, and Shanghai Tianma have been entrusted with the management of Xiamen Tianma, after being entrusted with the management at shanghai CATIC Opto-electromics. This will not only enable Tianma to share its successful management experience to achieve operation synergy, but also bring Tianma a new business model and income source.

PCB

The Group, through its subsidiary, Shennan Circuit, engages in the production of middle to high-end multi-layer PCB products, which are widely used in high technology fields such as telecommunication, medical services, automobile and industrial control. In the first half of the year, the turnover from the PCB business of the Group was approximately RMB997,799,000, rose by approximately 50.06% over RMB664,925,000 for the same period last year. The profit after taxation amounted to approximately RMB90,962,000, representing an increase of approximately 25.24% over RMB72,630,000 for the same period last year.

Global PCB industry has begun to recover since 2010. Driven by increased market demand and global industrial shifts, PCB companies in China have achieved rapid development in recent years. The PCB market remained active in low seasons since the first half of 2011, and the effect of order transfers resulting from Japan's earthquake proved beneficial for PCB companies in South Korea, Taiwan and Mainland China. Driven by increasing demand from the core markets such as communications, medical industrial control and aerospace & aviation, and under the guidance of clear market strategies, Shennan Circuit achieved outstanding results in its market expansion during the Reporting Period, making the year-on-year growth in order value of 35%.

In order to control the risk of fluctuation in upstream materials, optimise product structure, and strengthen core competitiveness, Shennan Circuit started packaging substrate business and electronics assembly businesses (in the upstream and downstream of PCB industry chain respectively) in 2010. During the Reporting Period, the packaging substrate business witnessed a steady increase in production capacity, propelled by continuous improvement in technology. However, order and delivery volumes were affected by a shortage in global raw material supply caused by Japan's earthquake. The electronics assembly businesses has launched the production lines in new electronics assembly building, further releasing its production capacity; although there is still room for improvement in respect of capacity utilization rate and delivery rate.

In the first half of 2011, Shennan Circuit continued to implement the strategy of management innovation and operational excellence throughout the company. By building strategic partnership with its suppliers and implementing lean manufacturing to improve efficiency of the staffs, Shennan Circuit has managed to control the impacts of increasing raw material and labor costs on the company's profits. In addition, Shennan Circuit has also gained effective control over its costs by ways of optimizing production process, improving technologies, saving energy and lowering consumption and other measures.

Luxurious wrist watches

The Group engages in the manufacture and chain sales of middle to high-end watches through its subsidiary, Fiyta, including R&D, design, manufacture and sales of watches under its owned brand name and chain sales network operation of prestigious watches. In the first half of 2011, the turnover from the watch business of the Group amounted to approximately RMB1,189,052,000, representing a growth of approximately 56.66% over RMB759,025,000 for the same period last year. The profit after taxation amounted to approximately RMB68,250,000, representing an increase of approximately 111.33% over RMB32,295,000 for the same period last year.

The Group focused on two base lines of operation in its watch business, namely, building its own watch brands and the world prestigious watch sales channel of Harmony, endeavored to improve overall market competitiveness and profitability by continuously optimizing and integrating internal resources, improving work standards and exploring broader markets.

In the first half of 2011, Fiyta adhered to the "VIOLA TRICLOR" multi-brand strategy, i.e., the "FIYTA" brand, the high-end brand "Emile Chouriet" and the fashion brand series, continued to improve the "4P+C" brand building pattern, and committed to expand sales channels, through which sales revenue from all brands recorded rapid growth. During the Reporting Period, 177 new sales points were added to the FIYTA channel, with sales revenue recorded a year-on-year growth of 67.31%. 31 new sales outlets were opened for high-end brand "Emile Chouriet" (145 in total), and the sales revenue recorded a year-on-year growth of 93.75%. As for fashion brands, 33 new sales outlets were opened, and the sales revenue recorded a year-on-year growth of 202.74%. In the first half of 2011, Fiyta's owned-brand watch business recorded a turnover of RMB203,830,000, representing a growth of 73.86% as compared to the same period last year.

The Group's Shenzhen Harmony World Watch Center ("Harmony") was in sound operation while continuing to expand sales network rapidly. The number of Harmony's sales outlets reached 207. Communication and cooperation with international watch groups and independent watch brands was continuously fortified and reinforced; "Three-tier marketing" theory was actively fostered and deepened in order, whereas sales terminals were further strengthened to proactively promote the Harmony brand, and boost its brand reputation and enhance its brand value. In the first half of 2011, the turnover from Harmony business amounted to approximately RMB1,003,180,000, representing a growth of 50.64% as compared to the same period last year.

Resources business

The Group, through CATIC Resources, one of its subsidiaries, made great steps in the development of certain agriculture-related resources business. In the first half of 2011, the turnover from the agriculture-related resources business of the Group was approximately RMB216,796,000 representing an increase of 4,580.40% over RMB4,632,000 of the same period last year. The loss after taxation amounted to approximately RMB38,568,000, as compared to loss after taxation of RMB42,115,000 for the same period last year.

In terms of potassium fertilizer business, the price of potassium fertilizer in the international market maintained its upward trend since the fourth quarter of last year and continued to move up during the first half of 2011, helping to boost a steady growth in domestic potassium fertilizers prices and generate higher operating rates in most domestic potassium fertilizer factories. Qinghai CATIC completed its salt field conversion project in early May, with daily production capacity increasing by approximately 6% to 8% as compared to that before the technology innovation (i.e. production capacity increased about 20 to 30 tons per day). In the first half of the year, the total production volume of the potassium fertilizers was 44,600 tons, increasing by about 48% over the same period last year, and the sales volume reached 20,000 tons. In order to further explore the market and promote added value of the products, the Company has established a fertilizer business department to take charge of fertilizer trading and customizing business, which has generated remarkable contribution to the revenue for the first half of the year.

In terms of phosphate fertilizer business, Kunming CATIC Phosphorus Chemical Industry Co., Ltd. has completed the alteration of mining warrants and work safety license, and the formulation of mining plan. However, as relevant work for forestry land requisition and compensation has not been completed, the company was not able to start operation in the first half of 2011. The Group has completed 90% of the main structure construction for the first stage equipment installation in Yunnan Hongfu Chemical Fertilizer Co., Ltd., which was acquired in October 2010, and has received all relevant government approvals.

Hotel business

The Group is committed to hotel and property operations through its subsidiary, GIB Company.

Guangdong International Building has been in operation for 16 years before the Group's acquisition and has never been renovated or modernized. Its facilities were aging or obsolete, and its operating income was decreasing year by year. For the purpose of improving the building's overall image, enhancing operating income and commercial value, as well as lowering operating costs, GIB Company announced to suspend the hotel business and to implement renovation and modernization project on the hotel and commercial podium from January 2009. By the end of March 2011, the renovation and modernization project of the hotel and the podium has been substantially completed and the building has passed the acceptance and inspection procedures carried out by relevant authorities. During the renovation and modernization period, GIB Company entered into a contract with Crown Plaza Hotel Management Company (皇冠假日酒店管理公司), appointing the latter to be responsible for the operation and management of the new hotel up to five-star standard, and to improve hotel operation and management and make more contribution to the revenue of the Company. According to the podium's commercial positioning, GIB Company has completed the majority work of enlisting business operators, and many new tenants have already opened for business. In June 2011, the new "Crown Plaza Hotel Guangzhou City Centre"(廣州中心皇冠假日酒店) formally opened and the Company held a press conference and a grand opening ceremony.

PROSPECTS

Looking into the second half of 2011, there are still substantial uncertainties in the global economy. China's economy is losing momentum. Although it currently shows no signs of a hard landing, there are many uncertainties in economic policies and macro regulations and control measures. Rigid increases in costs for materials, labour and financing will impose significant pressures on corporate operation. Facing uncertainties in the economy and policies, the Group will tackle external and internal difficulties and problems specifically, to actively improve profitability, and optimise product and client portfolio while growing.

In addition, pursuant to the strategy of continuous injection of high-quality assets by the controlling shareholders into the Company, the Company has entered into an equity acquisition agreement with its controlling shareholders and related parties on 30 November 2010, to acquire equity interests in 12 of their subsidiaries. The transaction has mostly been completed currently, and the procedures for related asset delivery and industrial and commercial registration are expected to be completed in the second half of 2011. Upon completion, the Group's businesses would be further expanded into trade and logistics as well as real estate operations. Details of the business operation will be disclosed in the 2011 annual report.

LCD

In the second half of 2011, the active demand for smart phones and tablet PCs will directly boost the market demand for upstream small to middle size LCD panels. In the future, the small to middle size LCD panel market will become the major growth engine in the panel markets. Display search has predicted that the output value of flat panel displays (FPD) in the world will reach US$148 billion by 2015, with output area representing 98% of all the display devices. The growth of TFT-LCD is expected to reach 8% between 2009 and 2015. The output value of the panels shall reach US$133.7 billion, representing 91% of the FPD industry.

In the second half of 2011, Tianma will continue to promote the integration of the LCD business, to build strategic partnership with core suppliers and try to participate in the R&D and manufacture of upstream materials through various ways. The Company will improve its core competitiveness continuously by making plans for strategic resources deployment in the medium and long term, and building a steady, speedy and competitive supply chain management system.

PCB

Driven by the active demand for smart phones and tablet PCs, most companies in the PCB industry are optimistic about the growth of the industry in the second half of 2011. Demand in the telecommunication market, which Shennan Circuit principally engages in, is expected to expand in the second half of 2011 due to the continuing investments in domestic 3G business in recent years and the gradual popularization and application of TD-LTE technology in the country. As a result, the value of purchase order of Shennan Circuit in the whole year is expected to meet our target.

In terms of the packaging substrate businesses, Shennan Circuit will intensify the exploration of customers in need of packaging substrate testing in the second half of 2011. We will concentrate on technical design improvement, production line process optimization and product delivery rate enhancement, and effectively minimize the impact of key constraints in respects such as technology and talents on new business development of the Company. The product and customer structures of electronics assembly businesses are expected to be further centralized in the second half of the year. Output will be promoted significantly as well. In the meantime, with the introduction of some major customers, the capability in internal management and whole-process service of electronics assembly businesses will also improve remarkably.

In the future, Shennan Circuit will continue to adhere to the key strategies of "customer orientation, effective implementation, leapfrog development, and growing together", and realize a sustainable rapid growth.

Luxurious wrist watches

For the second half of 2011, the Group remains optimistic about the development of China's luxury goods market, especially the luxurious wrist watches market. We will increase investment in the core business, so as to promote market awareness of our brands, while actively expanding our sales network. In terms of FIYTA watch business, we will promote market awareness and recognition of our high-end "Emile Chouriet" wrist watches through continuous brand marketing efforts, strengthen market presence and influence of "FIYTA" watches through effective allocation of advertisement resources, and enrich the intrinsic value of our fashion brands through speeding up the establishment of domestic sales network. As for the Harmony business, we will steadily expand the sales network and enhance our communication and interaction with the brands and suppliers to gain more support from strategic and significant brands. With the upcoming consumption upgrade and gradually expanding sales channels, it is expected that the revenue from watch business of the Group will continue to grow rapidly.

Resources business

After two dismal years, the international potassium fertilizer prices rebounded steadily since the fourth quarter of last year. As a result of the tight supply and demand situation in the international market beginning in the first half of 2011 and the significant rise in the prices of agricultural products since last year, the international potassium fertilizer prices has been moving up steadily this year. The management of the Company expects that the domestic potassium fertilizer prices will continue to rise in the second half of 2011. Meanwhile, the demand in domestic market will recover as autumn will be a peak season for chemical fertilizers. The Company will seize this favourable opportunity to expand the production and sale volume of potassium fertilizers so as to earn profit. In terms of phosphate fertilizers, Kunming CATIC Phosphorus Chemical Industry Co., Ltd. will strive to commence production as soon as possible and Yunnan Hongfu Chemical Fertilizer Co., Ltd. will strive to complete the construction of its first phase project and commence trial operation during the second half of 2011.

Hotel business

GIB Company will complete the rest of the modernization and renovation project. With improvement in the surrounding environment of the office, the Company will consider the synergy of office and podium properties leasing operations and the five-star hotel operations, further optimize tenant quality of the offices and podium properties, and increase unit rentals to effectively combine the two business lines and achieve synergic effect. The Company will continue to explore a new approach that can create a win-win situation for both hotel operations and property leasing operations which is suitable to GIB Company, so as to remarkably enhance the value of the Company as a whole.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2011, the Group had cash and cash equivalents totaling approximately RMB1,408,640,000. The Group's bank loans included short-term loans of approximately RMB2,755,018,000 with annual interest rates ranging from 2.27% to 6.06% and long-term loans of approximately RMB5,824,596,000 with annual interest rates ranging from 3.96% to 6.40%. 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 2011, the Group's loan-to-equity ratio (bank loans to shareholders' equity ratio) was 429.32% (30 June 2010: 466.47%).

PLEDGED ASSETS

As at 30 June 2011, certain subsidiaries of the Group had pledged bank loans totaling RMB2,398,468,800 (30 June 2010: RMB2,204,279,200). The loans were secured by plants and buildings of the Group.

ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSIT

During the six months ended 30 June 2011, the Company did not have any entrusted deposit and overdue term deposit in any form.

MANAGEMENT CONTRACT

During the six months ended 30 June 2011, 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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries had issued, purchased or sold any of the Company's shares.

SUBSTANTIAL SHAREHOLDER

As at 30 June 2011, as far as was known to the Directors or chief executives of the Company, the following persons (other than the Directors, supervisors or chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company 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 (中國航空工業集團公司) *(Note 1)*	Interest of controlled corporation	395,709,091 domestic legal person shares	67.36%	58.77%
CATIC International Holdings Limited (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 (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%

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 Trustcorp Limited	Trustee and beneficiary of a trust	15,156,000 H shares *(Note 4)*	5.46%	2.25%
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	18,210,000 H shares	6.56%	2.7%

Notes:

(1) China Aviation Industry Corporation owns 62.52% interest in CATIC International Holdings Limited ("CATIC International"), which in turn owns 100% interest in CATIC Shenzhen Company Limited ("CATIC Shenzhen"). Hence, China Aviation Industry Corporation is deemed to be interested in the Shares owned by CATIC Shenzhen.

(2) CATIC International Holdings Limited 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 2011, 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 represent the same equity interest comprising of:

7,578,000 H shares 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

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, holds 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 are deemed to be interested in the aggregate 15,156,000 H Shares of the Company held by Empire Grand and HIL.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

For the six months ended 30 June 2011, so far as is known to the Directors and chief executives of the Company, none of the Directors or supervisors or chief executives 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 Issuers.

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the six months ended 30 June 2011, there was no change in any Directors, supervisors and senior management of the Company.

On 31 July 2011, Ms. Lin Mei resigned as the qualified accountant of the Company for personal reasons.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2011 was the Company and its subsidiaries or its holding company a party to any arrangement to enable any Directors, supervisors or management members of the Company 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

As at 30 June 2011 or at any time during the Reporting Period, no Director or supervisor of the Company had any significant interest, either direct or indirect, in any contract or arrangement of significance to the business of the Company.

EMPLOYEES AND SALARIES

As at 30 June 2011, the Group had a total of approximately 20,545 employees (the same period of 2010: 15,099 employees), with employee related costs of approximately RMB515,114,000 (the same period of 2010: RMB379,169,000). 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 market conditions and individual employee's performance.

FOREIGN EXCHANGE RISK

The Group has no material foreign exchange risk as the Group's products are mainly distributed in domestic market and its export business is mainly settled in US dollar or HK dollar.

CONTINGENT LIABILITIES

The Company provided guarantees for a one-year loan of RMB622,311,000 and a long-term loan of RMB181,232,820 in favour of Fiyta, a subsidiary of the Company; provided guarantees for a one-year loan of RMB335,000,000 and a long-term loan of RMB535,000,000 in favour of CATIC Resources; provided a guarantee for a long-term loan of RMB1,100,000,000 in favour of GIB Company; provided a guarantee for a one-year loan of RMB202,000,000 in favour of Tianma; and provided a guarantee for a long-term syndicated load of RMB309,050,000 in favour of Shanghai Tianma.

SIGNIFICANT EVENTS

1. **Very substantial acquisition and connected transaction – Issuance of domestic legal person shares and perpetual subordinated convertible securities for acquiring related assets of the parent company and related parties**

   On 30 November 2010, the Company entered into equity interest acquisition agreements with CATIC International, CATIC Shenzhen and Beijing Raise Science Co., Ltd ("Beijing Raise"), respectively. Pursuant to the agreements, the Company has conditionally agreed to acquire certain equity interests in 12 companies from CATIC International, CATIC Shenzhen and Beijing Raise respectively, for an aggregate consideration not more than RMB4,566,250,247, which shall be satisfied by issuance of domestic shares of the Company and perpetual subordinated convertible securities (PSCS). The resolutions approving the acquisitions were duly passed at the extraordinary general meeting held on 16 February 2011 and the class meeting for holders of H Shares held on the same date. For further details, please refer to the announcement of the Company dated 3 December 2010 and the circular dated 31 December 2010.

   The Company has received written approval from the SASAC stating its consent in principle to the acquisition in July 2011. For further details on the update of the acquisition, please refer to the announcement of the Company dated 15 July 2011.

2. **Entrusted management agreement between Tianma and Shenzhen CATIC Opto-electronics**

On 25 February 2011, Tianma and Shenzhen CATIC Opto-electronics Limited ("Shenzhen CATIC Opto-electronics") entered into the Shenzhen CATIC Opto-electronics entrusted management agreement, pursuant to which Shenzhen CATIC Opto-electronics has entrusted Tianma to manage shareholder's rights during the transitional period of the share acquisition of NEC LCD Technologies, Ltd. from 25 February 2011 to 24 February 2012. The service charge under the entrusted management agreement payable by Shenzhen CATIC Opto-electronics to Tianma is RMB1,000,000.

Tianma is a non-wholly owned subsidiary of the Company. Shenzhen CATIC Opto-electronics is owned as to 51% by CATIC Shenzhen and as to 49% by CATIC International. CATIC Shenzhen is the promoter and the controlling shareholder of the Company. CATIC International owns 100% interest in CATIC Shenzhen. Pursuant to Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the entrusted management agreement constituted a continuing connected transaction of the Company. For further details, please refer to the announcement of the Company dated 25 February 2011.

3. **Entrusted management agreement between Shanghai Tianma and Xiamen Tianma**

On 17 May 2011, Shanghai Tianma Microelectronics Co., Ltd. ("Shanghai Tianma") and Xiamen Tianma Microelectronics Co., Ltd. ("Xiamen Tianma") entered into the Xiamen Tianma entrusted management agreement, pursuant to which Shanghai Tianma provides management services to Xiamen Tianma during the period from 17 May 2011 to 28 February 2014. Under the entrusted management agreement, Shanghai Tianma has the right to charge Xiamen Tianma for an aggregate management fee of no more than RMB30,000,000 during the above period.

Tianma is a non-wholly owned subsidiary of the Company, and Xiamen Tianma is owned as to 15.3%, 14.7%, 6% and 64% by CATIC Shenzhen, CATIC International, CATIC Xiamen Company Limited ("Xiamen CATIC") and Xiamen Jincai Investment Co., Ltd. (廈門市金財投資有限公司) respectively. CATIC Shenzhen is the promoter and the controlling shareholder of the Company, holding approximately 58.77% of the issued share capital of the Company, and CATIC International holds 100% interest in CATIC Shenzhen and Xiamen CATIC respectively. Therefore, the entrusted management agreement constituted a continuing connected transaction of the Company. For further details, please refer to the announcement of the Company dated 17 May 2011.

4. **Issuance of Shares and Acquisition of Assets by Tianma**

On 18 January 2010, Tianma, a non-wholly owned subsidiary of the Company, entered into formal 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"). According to the agreements, Tianma 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. The resolutions approving the acquisitions and the issuance of A shares were duly passed at the extraordinary general meeting held on 19 March 2010. For further details, please refer to the circular of the Company dated 1 February 2010.

The transaction was not approved by the Review Committee of Merger, Acquisition and Reorganisation of Listed Companies of China Securities Regulatory Commission ("CSRC") on 30 December 2010. Thereafter, the board of Tianma decided to continue to proceed with this substantial asset restructuring at a board meeting, and therefore re-submitted the amended and perfected application materials to CSRC for review.

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 2011.

SHARE TRADING

The Model Code for Securities Transactions by Directors of Listed Issuers 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 2011, all the Directors and supervisors of the Company have complied with the required standards set out in the Code for securities transaction by the Directors and supervisors.

AUDIT COMMITTEE

The Board of the Company has established an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The Audit Committee members currently comprise all the independent non-executive directors, namely Ms. Huang Huiling, Mr. Wu Wei and Mr. Liu Xianfa. The Audit Committee has reviewed and confirmed the Company's interim results report for the six months ended 30 June 2011.

PUBLIC FLOAT

Based on the publicly available information to the Board, the Company has maintained sufficient public float as at the date of this report.

By order of the Board
CATIC Shenzhen Holdings Limited
Wu Guang Quan
Chairman

Shenzhen, the PRC, 19 August 2011

As of the date of this report, the Board of the Company comprises 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.