深圳中航集團股份有限公司

CATIC SHENZHEN HOLDINGS LIMITED

(Stock Code : 0161)

Interim Report 2012

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. Pan Lin Wu
Mr. Chen Hong Liang
Mr. Liu Jun

Independent non-executive Directors

Ms. Wong Wai Ling
Mr. Wu Wei
Mr. Zhang Ping

COMPANY SECRETARY

Mr. Huang Yong Feng

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
Shops 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
Agricultural Bank of China
China Zheshang Bank

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 2012 prepared in accordance with the International Financial Reporting Standards as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**Unaudited 30 June 2012** ***RMB'000***	Audited 31 December 2011 *RMB'000* (Restated)
ASSETS			
Non-current assets			
Land use rights		**673,293**	682,264
Mining rights		**515,656**	519,906
Goodwill		**5,240**	5,240
Capitalised development costs		**64,114**	57,973
Property, plant and equipment		**7,193,566**	7,205,608
Investment properties		**1,441,239**	1,426,399
Construction-in-progress		**820,064**	944,689
Investments in associates		**956,191**	916,944
Available-for-sale financial assets		**34,947**	35,158
Deferred income tax assets		**160,314**	152,885
Other non-current assets		**181,331**	183,418
		12,045,955	12,130,484
Current assets			
Inventories		**2,818,021**	2,527,418
Trade and other receivables	*6*	**4,587,425**	3,138,720
Pledged bank deposits		**92,208**	114,931
Cash and cash equivalents		**1,141,297**	1,050,423
		8,638,951	6,831,492
Total assets		**20,684,906**	18,961,976

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000 (Restated)
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**673,367**	673,367
Share premium		**354,513**	354,513
Other reserves		**534,691**	588,563
Retained earnings		**659,948**	696,153
		2,222,519	2,312,596
Non-controlling interests		**3,372,496**	3,338,229
Total equity		**5,595,015**	5,650,825
LIABILITIES			
Non-current liabilities			
Borrowings		**3,917,471**	4,139,991
Deferred income tax liabilities		**380,187**	379,505
Deferred income on government grants		**558,539**	569,609
Other non-current liabilities		**113,618**	113,632
		4,969,815	5,202,737
Current liabilities			
Trade and other payables	*7*	**3,083,771**	2,987,246
Borrowings		**6,975,917**	5,045,004
Current income tax liabilities		**60,388**	76,164
		10,120,076	8,108,414
Total liabilities		**15,089,891**	13,311,151
Total equity and liabilities		**20,684,906**	18,961,976
Net current liabilities		**(1,481,125)**	(1,276,922)
Total assets less current liabilities		**10,564,830**	10,853,562

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited Six months ended 30 June	
	Note	**2012** *RMB'000*	2011 *RMB'000* (Restated)
Revenue	5	**5,055,907**	4,589,083
Cost of sales		**(3,914,648)**	(3,646,417)
Gross profit		**1,141,259**	942,666
Distribution costs		**(371,327)**	(277,591)
Administrative expenses		**(527,820)**	(427,790)
Other gains – net		**111,463**	94,837
Operating profit	8	**353,575**	332,122
Finance income		**30,986**	10,094
Finance costs		**(338,321)**	(208,572)
Share of post-tax profit/(loss) of associates		**(141)**	9,305
Profit before income tax		**46,099**	142,949
Income tax charge	9	**(22,355)**	(34,786)
Profit for the period		**23,744**	108,163
Profit/(loss) attributable to:			
– Equity holders of the Company		**(36,205)**	18,032
– Non-controlling interests		**59,949**	90,131
		23,744	108,163
		RMB per share	*RMB per share*
Earnings per share for profit/(loss) attributable to the equity holders of the Company			
– basic	10	**(0.0538)**	0.0268
– diluted		**(0.0538)**	0.0268
Dividends	11	**–**	0.03

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2012	2011
	Note	*RMB'000*	*RMB'000*
			(Restated)
Profit for the period		23,744	108,163
Other comprehensive income			
Fair value losses on available-for-sale financial assets		(180)	–
Currency translation differences		(2,012)	648
Share of equity movement of associates		3,187	–
Total comprehensive income for the period		24,739	108,811
Total comprehensive income attributable to:			
– Equity holders of the Company		(33,977)	18,680
– Non-controlling interests		58,716	90,131
		24,739	108,811

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*
Group							
Balance at 1 January 2011 (Restated)	673,367	354,513	490,020	510,582	2,028,482	2,970,967	4,999,449
Profit for the period ended 30 June 2011 (Restated)	–	–	–	18,032	18,032	90,131	108,163
Other comprehensive income for the period ended 30 June 2011	–	–	648	–	648	–	648
Capital contributed by non-controlling interest	–	–	–	–	–	168,000	168,000
Transactions with non-controlling interest	–	–	(559)	–	(559)	(18,441)	(19,000)
Dividends for 2010	–	–	–	–	–	(22,115)	(22,115)
Balance at 30 June 2011 (Restated)	673,367	354,513	490,109	528,614	2,046,603	3,188,542	5,235,145

	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 2012 (Restated)	673,367	354,513	588,563	696,153	2,312,596	3,338,229	5,650,825
Profit/(loss) for the period ended 30 June 2012	–	–	–	(36,205)	(36,205)	59,949	23,744
Other comprehensive income for the period ended 30 June 2012	–	–	2,228	–	2,228	(1,233)	995
Consideration of business combination under common control	–	–	(56,100)	–	(56,100)	–	(56,100)
Dividends for 2011	–	–	–	–	–	(24,449)	(24,449)
Balance at 30 June 2012	673,367	354,513	534,691	659,948	2,222,519	3,372,496	5,595,015

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Cash flows from operating activities:		
– Cash generated/(used in) from operations	**298,355**	(187,876)
– Interest paid	**(332,605)**	(199,078)
– Income tax paid	**(53,543)**	(46,474)
Cash flows used in operating activities – net	**(87,793)**	(433,428)
Cash flows from investing activities:		
– Acquisition of subsidiaries, net of cash acquired	**(146,156)**	–
– Contribution to associates	**(39,050)**	–
– Additions to property, plant and equipment and construction in process	**(464,404)**	(669,301)
– Additions to leasehold land and land use rights	**–**	(823)
– Proceeds from disposal of property, plant and equipment	**213**	510
– Additions to available-for-sale financial assets	**–**	(500)
– Government grants received	**50,656**	–
– Interest received	**30,986**	10,094
– Dividends received	**14,909**	685
– Additions to other non-current assets	**(43,717)**	(32,076)
– (Increase)/decrease in pledged bank deposits	**(493)**	16,560
Cash flows from investing activities – net	**(597,056)**	(674,851)
Cash flows from financing activities:		
– Proceeds from borrowings	**3,706,750**	2,188,055
– Repayments of borrowings	**(2,930,650)**	(1,508,313)
– Capital contribution to subsidiaries from non-controlling interests	**–**	168,000
– Capital contribution from the then shareholder	**–**	51,000
– Dividends paid to non-controlling interests of subsidiaries	**(24,449)**	(22,115)
– Government subsidy received	**–**	(19,107)
– Decrease/(increase) in pledged bank deposits	**23,216**	(60,000)
Cash flows from financing activities – net	**774,867**	797,520
Net increase/(decrease) in cash and cash equivalents	**90,018**	(310,759)
Cash and cash equivalents at beginning of period	**1,050,423**	1,728,245
Currency translation differences	**856**	81
Cash and cash equivalents at end of period	**1,141,297**	1,417,567

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, 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 24 August 2012.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRS.

For the first half of the year ended 30 June 2012, the Group had a net operating cash outflow of approximately RMB87,793,000. As at the same date, the Group's current liabilities exceeded its current assets by approximately RMB1,481,125,000. The Group's ability to continue as a going concern and to fulfil its financial obligations depends on the continuous effort of management to improve the Group's profitability and operating cash flow and the continuing supports of its lending banks to provide financing.

The Group has been servicing its debt and interest payment obligations according to the terms and schedules of the respective loan agreements and it has maintained good credit history. As a result, the directors of the Company are confident that the Group will be able to roll over its outstanding bank loans when they are due for repayment in 2012.The directors are continuing their efforts to arrange additional bank financing to meet the funding requirements of the Group.

Furthermore, the directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring daily operating expenses and controlling capital expenditures to be incurred only when specific bank financing could be arranged. They will also arrange with bankers to convert certain short term loans into long term loans whenever possible. The board of directors consider that it is appropriate to prepare the financial statements under the going concern basis.

On 5 January 2012, Shenzhen Harmony World Watch Centre Company Limited ("Harmony Company"), an indirect non wholly-owned subsidiary of the Company, entered into an acquisition agreement with AVIC Trust Co., Ltd, which was directly and indirectly owned as to 51% by Aviation Industry Corporation of China ("AVIC") and 21.47% by AVIC International Shenzhen Company Limited ("AVIC Shenzhen"). Harmony Company acquired the 100% equity interest in Liaoning Heng Da Rui Commerce & Trade Co., Ltd ("Heng Da Rui Company") at a consideration of RMB56,100,000. The acquisition was completed on 28 February 2012, and consequently Harmony Company obtained control over the Heng Da Rui Company.

As both the combining entity and the combined entity are ultimately controlled by AVIC, both before and after the combination, this transaction is a business combination involving entities under common control. The Group accounted for this acquisition using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5, 'Merger Accounting for Common Control Combinations', issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

According to the principle of merger accounting, this consolidated financial statement should include the information about the financial position, results and cash flows of Heng Da Rui Company as if it had been owned by the Group since it first came under the control of the AVIC Shenzhen.

Accordingly, the financial information of the comparative period presented in this consolidated financial information has been restated. The following is a reconciliation of the effect arising from the combination under common control on the comparative figures:

	Originally stated in 2011 annual report	Heng Da Rui Company	Adjustments	Restated
Net assets	5,615,965	34,860	–	5,650,825

	Originally stated in 2011 interim report	Heng Da Rui Company	Adjustments	Restated
Revenue	4,588,143	940	–	4,589,083
Profit/(loss) for the period	114,979	(6,816)	–	108,163
Net cash (outflow)/inflow from operating activities	(429,067)	(4,361)	–	(433,428)
Net cash outflow from investing activities	(518,139)	(156,712)	–	(674,851)
Net cash inflow from financing activities	627,520	170,000	–	797,520

3 Accounting polices

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

Exceptional items are disclosed and described separately in the financial information where it is necessary to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

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*
None of the new amendments to standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2012 have impact on the Group.

(b) *New and amended standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted*

		Effective for accounting periods beginning on or after
IAS 1 (amendment)	Presentation of Financial Statements	1 January 2013
IAS 19 (revised 2011)	Employee Benefits	1 January 2013
IAS 27 (revised 2011)	Separate Financial Statements	1 January 2013
IAS 28 (revised 2011)	Associates and Joint Ventures	1 January 2013
IAS 32 (amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 7 (amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 9	Financial instruments	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IFRIC-Int. 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

Fourth 2011 annual improvement issued in June 2012

The Group did not early adopt any of these new or revised IAS and IFRS, amendments and interpretation to existing IAS and IFRS. Management is currently assessing the financial impact of these revisions to the Group's financial position and performance.

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 2011.

5 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 2012 by activities are classified as follows:

	Revenue		Profit/(loss) after taxation	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
LCD	**2,194,022**	2,076,773	**35,884**	67,952
PCB	**1,026,311**	997,799	**68,877**	90,962
Watches (Restated)	**1,406,742**	1,189,992	**40,848**	61,434
Resources	**249,756**	216,796	**(43,169)**	(38,568)
Hotel	**78,094**	23,830	**(34,912)**	(57,681)
Investment properties	**68,277**	60,226	**20,612**	17,917
Others	**32,705**	23,667	**466**	337
Unallocated items*	**–**	–	**(64,862)**	(34,190)
Total	**5,055,907**	4,589,083	**23,744**	108,163

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

6 Trade and other receivables

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000 (Restated)
Trade receivables	**2,468,881**	2,069,562
Less: provision for impairment of receivables	**(185,929)**	(176,702)
Trade receivables – net	**2,282,952**	1,892,860
Notes receivables	**309,613**	422,570
Prepayments	**336,744**	298,794
Excess of input over output value added tax	**265,263**	351,403
Others	**1,392,853**	173,093
	4,587,425	3,138,720

The Group's credit terms on sale of goods ranged from 30 to 90 days. As at 30 June 2012 and 31 December 2011, the aging analyses of the trade receivables are as follows:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000 (Restated)
Trade receivables		
Current	**1,303,106**	884,823
30 – 60 days	**587,117**	441,348
61 – 90 days	**200,346**	234,844
Over 90 days	**378,312**	508,547
	2,468,881	2,069,562
Less: provision for impairment losses	**(185,929)**	(176,702)
	2,282,952	1,892,860

7 Trade and other payables

	As at	
	30 June 2012 *RMB'000*	31 December 2011 *RMB'000* (Restated)
Trade payables	**1,527,846**	1,289,590
Salary and staff welfare payable	**104,394**	167,553
Accruals and other payables	**1,451,531**	1,530,103
	3,083,771	2,987,246

As at 30 June 2012 and 31 December 2011, the ageing analyses of the trade payables are as follows:

	As at	
	30 June 2012 *RMB'000*	31 December 2011 *RMB'000* (Restated)
Trade payables		
Current	**229,534**	485,768
30 – 60 days	**671,860**	360,001
61 – 90 days	**295,935**	82,579
Over 90 days	**330,517**	361,242
	1,527,846	1,289,590

8 Operating profit

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

	Six months ended 30 June	
	2012 *RMB'000*	2011 *RMB'000*
Provision for impairment of inventory	**4,278**	9,764
Provision for impairment of trade receivables	**9,227**	2,290
Amortisation of land use rights and mining rights	**13,221**	12,776
Amortisation of other non-current assets	**36,665**	36,279
Depreciation of fixed assets	**341,826**	328,390
(Gain)/loss on disposal of property, plant and equipment	**(10)**	320

9 Income tax Charge

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.

In addition, certain Group's companies are sino-foreign joint ventures which are entitled to full exemption from PRC income tax for two years and a 50% reduction in the next three years starting from the first profit-making year after offsetting available tax losses carried forward from prior years.

Qinghai CATIC Resource Company Limited was established in Haixi Prefecture of Qinghai Province. It was eligible for preferential tax policies applicable for the development of western regions in the PRC, and entitled to a preferential income tax rate of 15% in 2012 (2011: 15%).

Tianma Microelectronics Co., Ltd, Shanghai Tianma Microelectronics Co., Ltd, Chengdu Tianma Micro electronics Co., Ltd and Shennan Circuit Co., Ltd were qualified as High and New Technology Enterprises in the PRC and were entitled to a preferential income tax rate of 15% in 2012 (2011: 15%).

	Six months ended	
	30 June 2012 *RMB'000*	30 June 2011 *RMB'000*
Current income tax	**29,102**	44,070
Deferred income tax credit	**(6,747)**	(9,284)
	22,355	34,786

10 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 2012 *RMB'000*	30 June 2011 *RMB'000* (Restated)
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(36,205)**	18,032
Weighted average number of ordinary shares in issue (thousands)	**673,367**	673,367
Basic and diluted earnings per share (RMB per share)	**(0.0538)**	0.0268

There were no potential dilutive shares as at 30 June 2012 and 31 December 2011.

11 Dividends

The directors did not propose an interim dividend for the period ended 30 June 2012.

12 Commitments

(a) *Capital commitments*

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

	As at	
	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
Contracted but not provided for		
Purchase of property, plant and equipment	**154,000**	216,715

	As at	
	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
Authorised but not contracted for		
Property, plant and equipment	**1,153,260**	1,761,934
Hotel modernisation and renovation	**–**	100,000
	1,153,260	1,861,934

(b) *Operating lease commitments*

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

	As at	
	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
Not later than one year	**16,991**	51,349
Later than one year and not later than five years	**111,671**	106,504
	128,662	157,853

13 Related Party Transactions

The Group is controlled by AVIC Shenzhen, 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 of the Company regard AVIC Shenzhen, AVIC International Holding Corporation and AVIC as the holding company, intermediate holding company and ultimate holding company of the Group respectively.

Related parties include the Company's holding company, intermediate 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, intermediate 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	
	2012	2011
	RMB'000	*RMB'000*
Transactions with the holding company and fellow subsidiaries		
Revenue:		
Sales of goods	**48,023**	46,587
Rendering of services	**27,792**	13,656
	75,815	60,243
Purchase of goods and services	**23,925**	18,491

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Transactions with the associates		
Revenue:		
Sales of goods	**172,316**	163,380
Rendering of services	**1,305**	7,345
	173,621	170,725
Purchase of goods and services:		
Purchases of goods	**439,445**	119,889

(b) *Balances with related parties*

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

	As at	
	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
Balances with fellow subsidiaries		
Accrual and other payables	**27,396**	390,069
Other receivables	**1,119,372**	68,420

	As at	
	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
Balances with holding company and intermediate holding company		
Borrowings from holding company	**200,000**	323,200
Borrowings from intermediate holding company	**1,050,000**	–

	As at	
	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
Balances with associates		
Amount due to associates	**137,193**	218,315
Amount due from associates	**262,332**	304,101

BUSINESS REVIEW

The revenue and profit contributions of the Company in its consolidated results for the six months ended 30 June 2012 (the "Reporting Period") were primarily derived from the following business sections and subsidiaries:

Name of business section and subsidiaries	Percentage of equity held by the Company	Principal activities
Electronics Technology Section		
Tianma Microelectronics Co., Ltd. ("Tianma")	45.62%	Manufacture and sales of liquid crystal displays ("LCD") and modules
Shennan Circuit Co., Ltd. ("Shennan Circuit")	93%	Manufacture and sales of printed circuit boards ("PCB")
Watch Section		
Fiyta Holdings Limited ("Fiyta")	41.49%	Manufacture and sales of middle to high-end wrist watches
Resources Investment and Development Section		
Shenzhen CATIC Resources Co., Ltd. ("CATIC Resources")	100%	Agriculture-related resources business
Hotel Section		
Guangdong International Building Industrial Co., Ltd. ("GIB Company")	75%	Hotel and property operations

During the six months ended 30 June 2012, the Group recorded a consolidated revenue of approximately RMB5,055,907,000, representing an increase of approximately 10.17% over RMB4,589,083,000 for the same period last year. The gross profit was approximately RMB1,141,259,000, up by approximately 21.07% from RMB942,666,000 for the same period last year. The Group recorded consolidated loss attributable to shareholders (excluding minority interests) of approximately RMB36,205,000, representing a decrease of RMB54,237,000 from the consolidated profit attributable to shareholders (excluding minority interests) of RMB18,032,000 for the same period last year. The losses per share amounted to approximately RMB0.0538, as compared to earnings per share of RMB0.0268 for the same period last year.

SUMMARY OF PERFORMANCE

As global economy remains sluggish in 2012 and the economic growth of China slows down, financing and salary cost soars, economic development faces severe challenges. The Group has stressed on profit and efficiency and gone on promoting the leading strategy. Following its yearly strategic theme of "Improving the efficiency, optimizing the structure and strengthening the capability", the Group has taken various measures to tackle with adverse external macro-environment. In the first half of the year, liquid crystal displays section has actively promoted technology research and development as well as product structure adjustment and expanded its share in the smart phone market; printed circuit board section has carried out technology marketing, increased its advantage in PCB product market and fostered fast development of the electronics assembly and packaging substrate business of PCB; watch section has involved in brand-building and chain development and the first Chinese female astronaut successfully travelled in space with the space watch "Shenzhou IX"; resources investment and development section has worked on technical innovation and production of potassium fertilizer, development of new sustained-release agents and promotion of new phosphate fertilizers trial production; while GIB Company in hotel section has gained steady growth in operation after upgrading the level of unit service and cost control. In general, the Group has maintained relatively stable pattern and momentum through initiative adjustment and effective counter-measures despite that it faces adverse external economic situation in the first half of 2012. However, as the Group has been influenced by the combination of falling external demand and rising rigid cost, a loss has been recorded for the consolidated profit attributable to shareholders for the period.

LCD Section

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 2012, the Group's turnover from LCD business was approximately RMB2,194,022,000, up by approximately 5.6% over RMB2,076,773,000 for the previous year. The profit after taxation was approximately RMB35,884,000, representing a decrease of approximately 47.2% over the profit after taxation of approximately RMB67,952,000 for the previous year.

In the first half of 2012, benefiting from the increase in the market of smart phones and tablet computers, the small-to-middle TFT-LCD industry increased slightly. As the production lines in the new generation have constantly shifted to the small-to-middle size products while new technologies have been put into bulk production which in turn fuel the market competition in a-Si TFT-LCD products, most of the firms of panel manufacturers has suffered loss after the price of small-to-middle display panel continued to fall. Facing difficult operating environment, Tianma made efforts on R&D of new technologies such as AMOLED, 3D and touch screen to accelerate bulk production of new technologies; adjusted application product structure, optimized production line formation for smart phones and niche market, carried out strategy for soliciting key account, and market share of smart phones recorded significant increase compared to the same period last year. Tianma optimized operation and management system, strengthen competitiveness on delivery chain and operating cost, promoted the process in which raw materials are produced domestically upon quality guarantee, and maintained steady development.

During the reporting period, the business of Shanghai Tianma Microelectronics Co., Ltd. ("Shanghai Tianma") has developed stably while consolidated acceptance rate has reached its highest level since its establishment. Chengdu Tianma Microelectronics Co., Ltd. has completed production capacity expansion and has gained certified qualification from Chengdu Science and Technology Bureau.

During the reporting period, Tianma has been entrusted with the management of Shenzhen CATIC Opto-electronics Limited, while Shanghai Tianma has been entrusted with the management of Shanghai CATIC Opto-electronics Limited and Xiamen Tianma Microelectronics Co., Ltd.. The entrustment services have been carried out smoothly as planned.

PCB Section

The Group, through its subsidiary, Shennan Circuit, is engaged in the production and sales of middle to high-end multi-layer PCB products, which are mainly 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 RMB1,026,311,000, representing an increase of approximately 2.9% over approximately RMB997,799,000 for the previous year. The profit after taxation amounted to approximately RMB68,877,000, representing a decrease of approximately 24.3% over approximately RMB90,962,000 for the previous year.

In the first half of 2012, as there has been an overall downturn in the electronics industry, and downstream demand for PCB was weak with tepid growth, PCB section is facing great pressure and challenges. Shennan Circuit has stressed on improvement of efficiency and profitability, carried out specific goal to "capture the opportunities, improve the efficiency and reduce the cost", has captured market opportunities and strategic key accounts through the combination of marketing, R&D and operation. Aiming at improving customer satisfaction, Shennan Circuit has enhanced to promote combination of marketing and technology, expanded pre-design and post-service, and provided the clients with personal technical support and added-value. After its short decline in the first quarter, PCB orders for the second quarter returned to stable track. Cost has been lowered to some degree by management innovation such as supply chain management. The electronics assembly and packaging substrate business of PCB went smoothly with stage progress achieved in business model optimization for electronics assembly and remarkable effect gained in new products and market expansion for packaging substrate business. Output value grew more than four times on a year-on-year basis.

During the reporting period, Shennan Circuit has further improved its advantage in high-tech and patent quality. In the first half of the year, 38 additional patent applications were made and 17 of which were granted. There were 279 patent authorizations granted in aggregate, of which 81 were invention patent authorizations. The R&D for key items of new products has achieved new progress. "High-density packaging substrate" and "multi-function PCB", for instance, have passed the identification and certification of scientific and technological achievements in Shenzhen; "multi-layer precise circuit boards with high-fidelity signals" has passed the national certification for key items of new products and gained national certificate for key items of new products in 2011; and "High-power wireless base stations PCB project" has gained the "progress award for science and technology" of Shenzhen in 2011.

Watch Section

The Group is engaged in the manufacture of middle and high-end watches and chain sales of such 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 the year, the turnover of the watch business of the Group amounted to approximately RMB1,406,742,000, representing a growth of approximately 18.21% when compared with RMB1,189,992,000 of the previous year. The profit after taxation amounted to approximately RMB40,848,000, representing a decrease of approximately 33.5% when compared with the previous year of RMB61,434,000.

In the first half of 2012, affected by the adverse condition of macro-economy, prestigious watches market has roughly followed the development trend of the second half of last year. As the customers lost their confidence, the growth of prestigious watches market has slowed down with remarkable geographical differences. Under such condition of falling external demands, Fiyta has focused on two operation themes of sales channels of Harmony and the branded products of Fiyta, taken responsive measures to enlarge its selling scale, and improved channel quality by strengthening revenue management of unit shops. The year-on-year profit for the period declined as overall gross profit of Harmony dropped and a number of new shops were still in the stage of cultivation.

During the reporting period, Fiyta under the Group has insisted on the brand strategy of regarding high value-added products as its main product, devoted itself in design and input. The first Chinese female astronaut successfully travelled in space with the space watch "Shenzhou IX". Brand products such as "Shenzhou VII" extravehicular watch Z070 and Golden Buddha Watch won the golden award and a merit award of design in the 12th National Patent Prize and gained rewards from Shenzhen government; the photographer concept version won a merit award of design in the 13th National Patent Prize, and was on display in Hall 1 of Basel International Watch Fair in Switzerland, and hence its brand image continued to be consolidated and enhanced.

During the reporting period, Harmony, a prestigious watch centre in Shenzhen ("Harmony") continued to implement the concept of "three-step marketing", conducted innovation of experience service, strengthened the ability of end-sale, held various theme promotion activities, intensified cooperation with international watch group and independent watch brand, optimized inventory structure and upgraded operating scale.

During the reporting period, the building planning and design for the watch production base of Fiyta in Guangming District, Shenzhen has been finished. Transformation of Swiss plant and its ancillary facilities purchased by Montres Chouriet SA ("MC") under Fiyta from Switzerland has been completed, while related structures and assembly lines have finished and put into use. The acquisition of 100% interest in Heng Da Rui Company by Harmony Company under Fiyta has been fully completed in February of this year.

Business of Resources Investment and Development

The Group is committed to develop agriculture-related resources businesses which are of rare nature and can be developed sustainably, through its subsidiary, CATIC Resources. In the first half of the year, the agriculture-related resources business of the Group recorded turnover of approximately RMB249,756,000, representing an increase of approximately 15.2% as compared with RMB216,796,000 in the previous year. The loss after taxation was approximately RMB43,169,000, as compared with the loss after taxation of RMB38,568,000 in the same period last year.

In the first half of 2012, due to the weak demand in global potassium fertilizer market, the high inventory level throughout the channels in the industry and slowdown in growth of potassium fertilizer production capacity, supply exceeded demand in domestic market and transaction price fell generally. Along with over-production in domestic phosphate fertilizer market and weak demand from downstream manufacturers of compound fertilizer, end users and export market, the transaction volume of domestic market declined, inventory pressure for the industry intensified and price of phosphate fertilizer fell generally.

During the reporting period, CATIC Resources strived to lift the competitiveness of its products through technological R&D and technical innovation. However, affected by negative impact from decrease of overall market demand and product price, the loss increased for the period accordingly.

During the reporting period, Qinghai CATIC Resources Company Limited ("Qinghai CATIC Resources") proactively commenced the technological reform projects in potassium fertilizer, and improved production efficiency and product quality through technical upgrade. Affected by technological reform and seasonal factors, accumulated volume of 25,000 tonnes of potassium fertilizer were produced. AVIC Chemical Fertilizers Company Limited focused on the industrialized production of self-developed products, namely new sustained-release agents and new phosphate fertilizers, and expansion of sales channels, accumulated volume of 72,000 tonnes of fertilizers was sold in the first half of the year. Kunming CATIC Phosphorus Chemical Industry Co., Ltd. actively commenced construction of production facilities and mining of phosphorous ore, and an accumulated volume of 103,000 tonnes of phosphorous ore have been explored in the first half of the year. Yunnan Hongfu Chemical Fertilizers Co., Ltd. completed the construction of production equipment of monoammonium phosphate and planned trial operation with input of raw materials, and preparation work before exploration of phosphorous ore progressed well.

Hotel Business

The Group is committed to hotel and property operations through its subsidiary, GIB Company. In the first half of the year, the turnover from the hotel business of the Group was approximately RMB78,094,000, representing an increase of 228% over the same period last year and as the new hotel was still in a preliminary stage of business development, the loss after taxation was approximately RMB34,912,000, as compared with the loss after taxation of RMB57,681,000 in the same period last year.

PROSPECT

Looking forward the second half of 2012, global economy is still in a state of great uncertainty, while the PRC Government will adopt financial and fiscal and industrial policies that will help the stability of domestic economy in order to cope with possible slowdown of economic growth. Given the solid fundamentals of domestic economy and favourable policies to promote economic growth, the Group will continue to promote the core business market and adjustment in product and customer structure and drive industrial transformation. By improving the competitiveness of its core business, the Group will promote the innovation of business model, strengthen its operational excellence in, among others, market development, research and development in technology and management in supply chain, and increase its efficiency in operation and assets. The Group will continue to promote management innovation, strengthen the strategic cost management, and reduce cost and increase efficiency. The Group will strive to safeguard and control systematic risks and operational risks. Meanwhile, the Group will strive to achieve the annual operational target and lay a solid foundation for its future long-term sustainable development.

In addition, pursuant to the strategy of continuous injection of high-quality assets by the Company's controlling shareholders into the Company, the Company entered into transactions with its controlling shareholders and their connected persons on 30 November 2010 to acquire equity interests in 12 of their subsidiaries in total. The transactions are expected to be completed in the second half of the year, by then the Group's businesses would be further expanded.

LCD Business

Despite that the second half is the traditional peak season of LCD industry with markets such as smart phones maintaining growth, it is expected that the increase of the market demand is limited under the influence of global economic environment and consumer confidence. The production lines of the industry in the new generation will be shifted to the small-to-middle size panel market and the pressure from penetration of new technologies will continue, and the competition in the small-to-middle size panel market will intensify. A new progress for the new technologies is expected such as AMOLED, Indium, Gallium, Zinc and Oxide Thin-Film Transistors (IGZO TFT) and In-Cell Touch Display, which will impose a significant effect on the competitive landscape of the industry. Under these circumstances, Tianma will actively undergo a structural adjustment in products, focus on promotion of the rapid research and development and bulk production of new product projects such as smart phone, strengthen its cooperation relationship with international and domestic customers, and capture the opportunities from rising demand to expand sales scale of niche product market. Tianma also lifts up the efficiency of supply chain management, enhances its cooperation with core suppliers, further speeds up the process in which raw materials are produced domestically and strives to reduce production cost to improve the overall profitability. Meanwhile, Tianma will continue to step up efforts on research and development in technology, strive to achieve a breakthrough in new technologies so as to lay a solid foundation for long-term development.

PCB Business

From a long-term perspective, with the rise of strategic emerging industries and popularity of internet and development progress of mobile terminals market, it will present PCB market, especially the packaging substrate business of PCB, with development opportunities, but the growth momentum of global PCB industry is diminishing. It is expected that market demand will recover in the second half of the year and the growth prospect of the industry will be cautiously optimistic. Shennan Circuit will continue to work on the theme of "Grasping Opportunities, Enhancing Efficiency and Saving Costs", to further promote the coverage of target market through marketing and technological sales, consolidate its market share in telecommunication industry, and put more efforts on development of new markets. With the purpose of lifting operational efficiency, Shennan Circuit will strengthen the management innovation, achieve its comprehensive operational excellence by innovative ideas, and further increase the corporate profitability. In order to continuously improve customer satisfaction, Shennan Circuit will continue to enhance its capability in supply chain management and procurement cost control, and provide full support to customers on quality, delivery and after-sale service.

Watch Business

Affected by sluggishness of overseas economies and slowdown of domestic economic growth, it is expected that demand for luxurious watches in domestic market will not be significantly improved. Fiyta commenced various types of sales competition and promotion activities for its branded watches under the themes of Shenzhou No. Nine Spaceship and Olympics Games. Fiyta will maintain the pace of expansion in sales channels and actively develop e-commerce business, explore overseas market, carry out R&D of new products and broaden the income sources while expanding outlets and dealership channels. Harmony will focus on the renovation of existing outlets, boost the images of the outlets and promote the sales of popular brands and sales growth; adopt specific measures to improve operational capability of new stores, develop new growth drivers and shorten the development cycle of nurture of new shops and recent shops. Meanwhile, Harmony will optimize its inventory structure, take bold measures to speed up the sales of inventories, especially for the aging inventories, to improve the cash flow.

Business of Resources Investment and Development

As the market condition of the potassium fertilizer industry deteriorates in the year, it is expected that the potassium fertilizer market will remain in a flat trend with weak momentum in the second half of the year, while the actual transaction price may decrease. It will be difficult to significantly rectify the over-supply of production capacity of phosphate fertilizers in domestic market and it is expected that the price of phosphate fertilizers will remain at a low level in the second half of the year. According to the domestic practice of provision for agricultural fertilizers, downstream business of potassium fertilizer and phosphate fertilizers will commence the first round of fertilizers procurement for autumn reserve at the beginning of July, which will provide support to domestic market accordingly. CATIC Resources will tap the demand from fertilizers reserve in peak seeding season in autumn to actively produce and sell agricultural products such as potassium fertilizer and phosphate fertilizers. CATIC Resources will speed up the production and sales of new sustained-release agents and new phosphate fertilizers. By adopting measures such as enhancing efforts in mining and acquisition and optimizing existing mining plans, CATIC Resources will increase mining efficiency and volume in phosphorous ore and increase overall profitability.

Hotel Business

The hotel business will mainly target at customers for business and conference purposes, focusing on the coming Autumn Fair and holidays such as Mid-Autumn Festival and New Year's Day, on which sales and marketing activities will be commenced, and capturing the opportunities from the peak season. Meanwhile, by establishing the characteristics of soft service, the hotel business will create sources of loyal customers and strive to reach the target of sales plan in off-season.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2012, the Group had cash and cash equivalents totaling approximately RMB1,141,297,000. The Group's bank loans included short-term loans totaling approximately RMB6,975,917,000 with annual interest rates ranging from 2.57% to 7.872% and long-term loans totaling approximately RMB3,917,471,000 with annual interest rates ranging from 2.54% to 7.05%. The Group has further 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 2012, the Group's loan-to-equity ratio (bank loans to shareholders' equity ratio) was 490.14% (30 June 2011: 429.32%).

PLEDGED ASSETS

As at 30 June 2012, certain subsidiaries of the Group had pledged bank loans totaling RMB1,980,373,300 (30 June 2011: RMB2,398,468,800). The loans were secured by plants and buildings of the Group. In particular, a factory premise and a dormitory building were pledged by Tianma, a subsidiary of the Company, to obtain an one-year bank loan of RMB48,000,000. Factory premises and land use rights were pledged by Shanghai Tianma for a long-term bank loan of RMB1,006,245,000. Buildings, investment properties and land use rights were pledged by GIB Company, a subsidiary of the Company for a long-term bank loan of RMB925,000,000. A self-owned flat was pledged by Fiyta for a long-term loan of HK$1,384,956 (equivalent to RMB1,128,324).

ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSIT

During the six months ended 30 June 2012, the Company did not have any entrusted deposit and overdue term deposit in any form.

MANAGEMENT CONTRACT

During the six months ended 30 June 2012, 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 LISTED SECURITIES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUBSTANTIAL SHAREHOLDER

As at 30 June 2012, 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 positions in the shares:

Name of shareholder	Capacity	Number and class of securities	Approximate percentage of the same class of securities	Approximate percentage of total registered share capital
Substantial Shareholders				
Aviation Industry Corporation of China ("AVIC") *(Note 1)*	Interest of controlled corporation	395,709,091 domestic legal person shares	100%	58.77%
AVIC International Holding Corporation ("AVIC International") *(Note 2)*	Interest of controlled corporation	395,709,091 domestic legal person shares	100%	58.77%
AVIC International Shenzhen Company Limited ("AVIC Shenzhen") *(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	29,644,000 H shares *(Note 4)*	10.67%	4.40%
Cheung Kong (Holdings) Limited	Interest of controlled corporation	29,644,000 H shares *(Note 4)*	10.67%	4.40%
Li Ka-Shing Unity Trustee Corporation Limited	Trustee and beneficiary of a trust	29,644,000 H shares *(Note 4)*	10.67%	4.40%
Li Ka-Shing Unity Trustcorp Limited	Trustee and beneficiary of a trust	29,644,000 H shares *(Note 4)*	10.67%	4.40%
Li Ka-Shing Unity Trustee Company Limited	Trustee	29,644,000 H shares *(Note 4)*	10.67%	4.40%
Cheung Kong Investment Company Limited	Interest of controlled corporation	14,823,000 H Shares *(Note 4)*	5.34%	2.20%
Empire Grand Limited	Beneficial owner	14,823,000 H Shares *(Note 4)*	5.34%	2.20%

Name of shareholder	Capacity	Number and class of securities	Approximate percentage of the same class of securities	Approximate percentage of total registered share capital
Hutchison International Limited	Beneficial owner	14,821,000 H Shares *(Note 4)*	5.34%	2.20%
Hutchison Whampoa Limited	Interest of controlled corporation	14,821,000 H Shares *(Note 4)*	5.34%	2.20%
Jiang Jian Jun *(Note 5)*	Interest of controlled corporation	18,262,000 H shares	6.57%	2.71%
Huayin Group Investment Development Co., Ltd.	Beneficial owner	18,262,000 H shares	6.57%	2.71%

Notes:

(1) AVIC owns 62.52% interest in AVIC International which in turn owns 100% interest in AVIC Shenzhen. Hence AVIC is deemed, or taken to be, interested in the all shares of the Company held by AVIC Shenzhen.

(2) AVIC International owns 100% interest in AVIC Shenzhen. Hence AVIC International is deemed, or taken to be interested in 100% of the all shares of the Company held by AVIC Shenzhen.

(3) As at 30 June 2012, AVIC Shenzhen beneficially owned 395,709,091 domestic legal person shares, representing 58.77% of total registered capital of the Company.

(4) The above references refer to the same equity interest of 29,644,000 H shares in the Company which comprises:

(A) Empire Grand Limited ("Empire Grand") holds 14,823,000 shares of H Share and Empire Grand 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

(B) Hutchison International Limited ("HIL") holds 14,821,000 shares of H Share and HIL 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 SFO, each of Mr. Li Ka-shing, being the settler and regarded as the founder of each of DT1 and DT2 for the purpose of the SFO, TUT 1, TDT1, TDT2 and CKH is deemed to be interested in the aggregate 29,644,000 H shares of the Company held by Empire Grand and HIL.

Note: Effective from 16th July, 2012, Mr. Li Tzar Kai, Richard ceased to have any interest in the issued share capital of Li Ka-Shing Unity Holdings Limited. Mr. Li Ka-Shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital of Li Ka-Shing Unity Holdings Limited.

(5) Jiang Jian Jun owned the interests by virtue of his 100% beneficial interest in Huayin Group Investment Development Co., Ltd.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

For the six months ended 30 June 2012, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which the Directors or supervisors or chief executives of the Company were taken or deemed to have under such provisions of the Securities and Futures Ordinance) or which are required to be entered into the register maintained by the Company under section 352 of the Securities and Futures Ordinance or which are required to be notified to the Company and Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company held the 2011 Annual General Meeting on 19 June 2012 for the re-election of Directors and supervisors of the Company following the expiration of their three-year terms as Directors or supervisors of the Company. Mr. Wu Guang Quan and Mr. You Lei were re-elected as executive Directors; Mr. Pan Lin Wu, Mr. Chen Hong Liang and Mr. Liu Jun were appointed as executive Directors. Ms. Wong Wai Ling and Mr. Wu Wei were re-elected as independent non-executive Directors; and Mr. Zhang Ping was appointed as an independent non-executive Director.

Mr. Huang Bin was appointed as a supervisor; Ms. Wang Xin and Mr. Deng Bo Song were re-elected as supervisors.

Please refer to the circular of the Company dated 4 May 2012 and the announcement of the Company dated 19 June 2012 for the updated biographical information of the Directors and supervisors of the Company.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2012 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 2012 or at any time during the six months ended 30 June 2012, 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 2012, the Group had approximately 19,976 employees (the same period of 2011: 20,545 employees), with employee related costs of approximately RMB530,060,000 (the same period of 2011: RMB515,114,000). The decline in staff was mainly due to meeting 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 bank loan of RMB202,000,000 in favour of Tianma, a subsidiary of the Company; provided guarantees in proportion to its share holding for a one-year bank loan of RMB42,000,000 as well as long-term syndicated loan of RMB211,311,450 in favour of Shanghai Tianma; provided guarantees for a one-year bank loan of RMB990,000,000 as well as long-term bank loan of RMB106,013,379 in favour of Fiyta; provided guarantees for long-term bank loan of RMB102,000,000 in favour of GIB Company; provided guarantees for a one-year bank loan of RMB566,000,000 in favour of CATIC Resources; provided guarantees for a one-year loan of RMB240,000,000 as well as long-term loan of RMB187,600,000 in favour of Qinghai CATIC.

Tianma, a subsidiary of the Company, provided guarantees for a one-year bank loan of RMB80,000,000 in favour of its subsidiary, Chengdu Tianma Microelectronics Co., Ltd.

SIGNIFICANT EVENTS

1. Re-election of members of the Board and members of Supervisory Committee; appointment of chairman of the Board and Supervisory Committee; change of company secretary and authorized representative; appointment of alternate authorized representative; and change of composition of Board committees

The Company held general meeting on 19 June 2012 in which Mr. Wu Guang Quan, Mr. You Lei, Mr. Pan Lin Wu, Mr. Chen Hong Liang and Mr. Liu Jun were re-elected or appointed as executive Directors; and Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Zhang Ping were re-elected or appointed as independent non-executive Directors. Mr. Huang Bin, Ms. Wang Xin and Mr. Deng Bo Song were appointed or re-elected as supervisors of the Company. On the same date, Mr. Wu Guang Quan was elected to remain his position as the chairman of the new Board, and Mr. Huang Bin was elected by the Supervisory Committee of the Company as its chairman.

On 19 June 2012, the Board resolved to appoint Mr. You Lei as the Authorized Representative of the Company in place of Mr. Sui Yong; appoint Mr. Huang Yong Feng as the Company Secretary and the Authorized Representative in place of Mr. Zeng Jun; appoint Mr. Zhong Si Jun as the alternate Authorized Representative of the Company with effect from 20 July 2012 upon the approval granted by Stock Exchange. The composition of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company has also changed accordingly.

For details please refer to the circular of the Company dated 4 May 2012 and the announcements of the Company dated 19 June 2012 and 20 July 2012.

2. Supplemental agreements in relation to the very substantial acquisitions and connected transactions involving issue of perpetual subordinated convertible securities

On 27 June 2012, the Company entered into a supplemental agreement with each of AVIC International and AVIC Shenzhen to amend certain terms of the Acquisition Agreement 1 (as defined in the circular of the Company dated 23 December 2011) and the Acquisition Agreement 2 (as defined in the circular of the Company dated 23 December 2011) respectively. Pursuant to the Acquisition Agreement 1 and the Acquisition Agreement 2, completion of the Acquisition Agreement 1 and the Acquisition Agreement 2 and the transactions contemplated there under are inter-conditional and shall take place simultaneously. Pursuant to the Supplemental Agreement 1 (as defined in the announcement of the Company dated 27 June 2012) and Supplemental Agreement 2 (as defined in the announcement of the Company dated 27 June 2012), the Company, AVIC International and AVIC Shenzhen agreed to cancel the requirement of being inter-conditional and simultaneous completion between the Acquisition Agreement 1 and the Acquisition Agreement 2. For details please refer to the announcement of the Company dated 27 June 2012.

3. Proposal of general mandate to issue debentures denominated in Renminbi by the Company

With a view of expanding financing channels, reducing finance costs and improving debt structure of the Company, a Board meeting was held on 19 June 2012 to consider and approve a resolution in relation to the General Mandate (as defined in the circular of the Company dated 29 June 2012). It was proposed that general mandate be granted to the Board to issue the maximum outstanding amount of the Debentures (as defined in the circular of the Company dated 29 June 2012) not exceeding RMB2 billion in aggregate. Each term of maturity for medium-term notes shall not exceed 5 years. Specific terms will be determined by the Board with reference to the market condition and the Company's funding needs. It is expected that the interest rate will not exceed the rate for the loans for the same tenure in the market at the time of issue. Actual interest rate will be determined by the Board with reference to the market condition at the time of issue. The general mandate to issue debentures denominated in Renminbi (as defined in the circular of the Company dated 29 June 2012) has been approved by the shareholders of the Company at the extraordinary general meeting held on 15 August 2012. For details please refer to the announcement of the Company dated 19 June 2012 and dated 15 August 2012 and the circular of the Company dated 29 June 2012.

4. Proposed issue of debentures by Fiyta, a non-wholly-owned subsidiary of the Company

On 19 June 2012, the board of directors of Fiyta, a non-wholly-owned subsidiary of the Company, proposed to issue the Debentures (as defined in the announcement of the Company dated 19 June 2012) on an underwritten basis. The debentures are denominated in RMB, and proposed to have a principal amount not exceeding RMB400 million and a maturity not exceeding 5 years. The interest rate and repayment terms will be fixed by Fiyta and the Principal Underwriter (as defined in the announcement of the Company dated 19 June 2012) according to the market condition. The principal amount and the maturity of the Debentures will be determined with reference to the market condition and capital needs of Fiyta. The Debentures Issue (as defined in the announcement of the Company dated 19 June 2012) may be guaranteed subject to the approvals of the shareholders and the board of directors of Fiyta after consideration of the market condition. The Debentures Issue is subject to the approvals of the shareholders of Fiyta, CSRC and the relevant PRC government authorities. At present, the Debentures of Fiyta is in the process of approval. For details please refer to the announcement of the Company dated 19 June 2012.

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 formerly set out in Appendix 14 of the Listing Rules for the period from 1 January 2012 to 31 March 2012, and all the code provisions of the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices which took effect on 1 April 2012) for the period from 1 April 2012 to 30 June 2012.

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 2012, 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 has established an audit committee (the "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. Wong Wai Ling, Mr. Wu Wei and Mr. Zhang Ping. The Audit Committee has reviewed and confirmed the Company's interim report for the six months ended 30 June 2012.

PUBLIC FLOAT

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

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

Shenzhen, the PRC, 24 August 2012

As at the date of this report, the Board comprises a total of 8 Directors, Mr. Wu Guang Quan, Mr. You Lei, Mr. Pan Lin Wu, Mr. Chen Hong Liang and Mr. Liu Jun as executive Directors; and Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Zhang Ping as independent non-executive Directors.