中航國際控股股份有限公司
AVIC INTERNATIONAL HOLDINGS LIMITED
(Stock Code : 0161)

INTERIM REPORT 2013

BASIC INFORMATION OF THE COMPANY

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

EXECUTIVE DIRECTORS

Mr. Wu Guang Quan, *Chairman*
Mr. You Lei, *Vice Chairman*
(Appointed as the vice chairman on 23 August 2013)
Mr. Pan Lin Wu
Mr. Liu Jun
Mr. Chen Hong Liang

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUPERVISORS

Mr. Huang Bin, *Chairman*
Ms. Wang Xin
Mr. Deng Bo Song

COMPANY SECRETARY

Mr. Huang Yong Feng

AUDIT COMMITTEE

Ms. Wong Wai Ling, *Chairman*
Mr. Wu Wei
Mr. Zhang Ping

REMUNERATION COMMITTEE

Mr. Zhang Ping, *Chairman*
Mr. Wu Guang Quan
Mr. Chen Hong Liang
Ms. Wong Wai Ling
Mr. Wu Wei

NOMINATION COMMITTEE

Mr. Wu Wei, *Chairman*
Mr. Wu Guang Quan
Mr. Chen Hong Liang
Ms. Wong Wai Ling
Mr. Zhang Ping

REGISTERED ADDRESS OF THE COMPANY

25/F, Hangdu Building, Catic Zone,
Shennan Road Central,
Futian Dist., Shenzhen, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2001–2005, 20/F,
Jardine House,
1 Connaught Place,
Central, Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE (FOR STOCK TRANSFER)

Hong Kong Registrars Limited
Shops 1712–1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

INDEPENDENT AUDITOR

PricewaterhouseCoopers

LEGAL ADVISER AS TO HONG KONG LAWS

LOONG & YEUNG

PRINCIPAL BANKS

Bank of China
Agricultural Bank of China
Ping An Bank
Industrial Bank Co., Ltd.

The board (the "Board") of directors (the "Directors") of AVIC International 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 2013 prepared in accordance with the International Financial Reporting Standards as follows:

INTERIM CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
ASSETS			
Non-current assets			
Land use rights		1,356,604	1,293,452
Mining rights		499,844	505,317
Goodwill	16	421,976	264,544
Intangible assets		153,576	156,286
Property, plant and equipment		8,293,059	8,673,372
Investment properties		2,111,253	2,099,314
Construction-in-progress		1,527,751	1,252,051
Investments in associates		1,888,749	1,887,517
Investments in jointly controlled entities		2,306,656	2,410,774
Trade and other receivables	7	442,539	388,600
Available-for-sale financial assets		269,969	259,819
Deferred income tax assets		269,802	264,331
Other non-current assets		368,627	309,916
		19,910,405	19,765,293
Current assets			
Inventories		4,081,235	3,825,057
Properties under development		1,326,267	1,256,078
Trade and other receivables	7	10,192,797	9,525,525
Amounts due from customers for contract work		1,144,166	1,161,194
Derivative financial instruments		4,264	3,110
Pledged bank deposits		337,676	510,563
Cash and cash equivalents		5,422,587	4,038,225
		22,508,992	20,319,752
Total assets		42,419,397	40,085,045

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**1,110,632**	1,110,632
Share premium		**1,294,633**	1,294,633
Perpetual subordinated convertible securities		**2,781,674**	2,781,674
Other reserves		**(414,217)**	(378,924)
Retained earnings		**2,983,567**	2,764,599
		7,756,289	7,572,614
Non-controlling interests		**4,098,778**	3,989,079
Total equity		**11,855,067**	11,561,693
LIABILITIES			
Non-current liabilities			
Borrowings		**5,463,194**	4,044,826
Deferred income tax liabilities		**538,915**	539,245
Deferred income on government grants		**502,103**	538,990
Debenture payables	*8*	**1,000,000**	–
Trade and other payables	*9*	**106,079**	46,128
Retirement and other supplemental benefit obligations		**47,941**	48,064
Other non-current liabilities		**851,251**	1,202,424
		8,509,483	6,419,677
Current liabilities			
Trade and other payables	*9*	**10,119,172**	11,232,783
Amounts due to customers for contract work		**702,468**	200,434
Borrowings		**11,135,222**	10,561,740
Current income tax liabilities		**95,472**	106,526
Retirement and other supplemental benefit obligations		**2,513**	2,192
		22,054,847	22,103,675
Total liabilities		**30,564,330**	28,523,352
Total equity and liabilities		**42,419,397**	40,085,045
Net current assets/(liabilities)		**454,145**	(1,783,923)
Total assets less current liabilities		**20,364,550**	17,981,370

INTERIM CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June 2013 RMB'000	2012 RMB'000 (Restated)
Revenue	6	**12,971,224**	14,394,882
Cost of sales		**(11,137,860)**	(12,759,181)
Gross profit		**1,833,364**	1,635,701
Distribution costs		**(580,539)**	(543,564)
Administrative expenses		**(908,288)**	(765,783)
Other income		**227,918**	364,331
Other gains – net		**82,882**	(9,853)
Operating profit	10	**655,337**	680,832
Finance income		**49,637**	75,662
Finance costs		**(445,696)**	(481,230)
Share of profit of associates		**18,678**	2,211
Share of profit of jointly controlled entities		**121,156**	86,550
Profit before income tax		**399,112**	364,025
Income tax charge	11	**(83,792)**	(66,161)
Profit for the period		**315,320**	297,864
Profit attributable to:			
Owners of the Company		**218,968**	206,588
Non-controlling interests		**96,352**	91,276
		315,320	297,864
Earnings per share attributable to the owners of the Company during the year *(RMB per share)*			
– basic	12	**0.1846**	0.1735
– diluted	12	**0.1145**	0.1080
Dividends	13	**–**	–

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2013 ***RMB'000***	2012 *RMB'000* (Restated)
Profit for the period	**315,320**	297,864
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Fair value (losses)/gains on available-for-sale financial assets, gross of tax	**(4,993)**	4,147
Fair value (losses)/gains on available-for-sale financial assets, tax	**1,248**	(1,037)
Currency translation differences	**(26,735)**	23,403
Other comprehensive income/(loss) for the period, net of tax	**(30,480)**	26,513
Total comprehensive income for the period, net of tax	**284,840**	324,377
Attributable to:		
– Owners of the Company	**187,424**	232,698
– Non-controlling interests	**97,416**	91,679
Total comprehensive income for the period	**284,840**	324,377

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	Perpetual subordinated convertible securities *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interest *RMB'000*	Total equity *RMB'000*
Balance as at 1 January 2012 (Restated)	673,367	354,513	–	3,816,137	1,794,760	6,638,777	4,078,716	10,717,493
Profit for the period ended 30 June 2012 (Restated)	–	–	–	–	206,588	206,588	91,276	297,864
Currency translation differences (Restated)	–	–	–	22,923	–	22,923	480	23,403
Fair value gains/(losses) on available-for-sale financial assets, net of tax (Restated)	–	–	–	3,187	–	3,187	(77)	3,110
Capital contributed by non-controlling interest (Restated)	–	–	–	–	–	–	2,135	2,135
Consideration of business combination under common control (Restated)	–	–	–	(56,100)	–	(56,100)	–	(56,100)
Transactions with non-controlling interest (Restated)	–	–	–	(793)	–	(793)	(10,661)	(11,454)
Share of reserve of an associate arising from its transactions with non-controlling interests (Restated)	–	–	–	3,187	–	3,187	–	3,187
Dividends relating to 2011 (Restated)	–	–	–	–	–	–	(28,043)	(28,043)
Balance at 30 June 2012 (Restated)	673,367	354,513	–	3,788,541	2,001,348	6,817,769	4,133,826	10,951,595

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	Perpetual subordinated convertible securities *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interest *RMB'000*	Total equity *RMB'000*
Balance as at 1 January 2013	1,110,632	1,294,633	2,781,674	(378,924)	2,764,599	7,572,614	3,989,079	11,561,693
Profit for the period ended 30 June 2013	-	-	-	-	218,968	218,968	96,352	315,320
Currency translation differences	-	-	-	(29,538)	-	(29,538)	2,803	(26,735)
Fair value losses on available-for-sale financial assets, net of tax	-	-	-	(2,006)	-	(2,006)	(1,739)	(3,745)
Capital contributed by non-controlling interest	-	-	-	-	-	-	56,023	56,023
Disposal of a subsidiary	-	-	-	-	-	-	396	396
Share of reserve of an associate arising from its transactions with non-controlling interests	-	-	-	(3,749)	-	(3,749)	-	(3,749)
Dividends relating to 2012	-	-	-	-	-	-	(44,136)	(44,136)
Balance at 30 June 2013	1,110,632	1,294,633	2,781,674	(414,217)	2,983,567	7,756,289	4,098,778	11,855,067

INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited Six months ended 30 June **2013** ***RMB'000***	 2012 *RMB'000* (Restated)
Cash flows from operating activities:			
Cash generated from operations		**392,690**	430,850
Interest paid		**(413,381)**	(481,230)
Income tax paid		**(103,987)**	(127,134)
Cash flows used in operating activities – net		**(124,678)**	(177,514)
Cash flows from investing activities:			
Net proceeds from disposal of available-for-sale financial assets		**20,000**	57,018
Net proceeds from disposal of associates		**74,612**	886
Net proceeds from disposal of property, plant and equipment and investment properties		**5,324**	39,654
Net proceeds from disposal of a subsidiary		**(47)**	–
Contribution to associates		**(8,890)**	(39,050)
Contribution to jointly controlled entities		**(14,649)**	–
Purchase of land use rights		**(100,230)**	–
Additions to property, plant and equipment and construction in process		**(678,888)**	(633,099)
Additions to available-for-sale financial assets		**(38,000)**	(171,330)
Acquisition of a subsidiary, net of cash acquired	*16*	**(170,519)**	(145,597)
Transactions with non-controlling interest		**–**	(9,380)
Guarantee deposits for acquisition of land use rights		**(17,728)**	(173,520)
Government grants received		**45,775**	50,656
Interest received		**49,637**	75,662
Dividends received		**246,824**	111,965
Cash flows from investing activities – net		**(586,779)**	(836,135)
Cash flows from financing activities:			
Proceeds from borrowings		**9,050,444**	7,097,023
Proceeds from issuing of debentures		**1,000,000**	–
Repayments of borrowings		**(7,057,607)**	(5,054,013)
Borrowings from related parties		**1,519,322**	1,951,483
Repayments of borrowings from related parties		**(2,328,833)**	(622,976)
Capital contribution to subsidiaries from non-controlling interests		**41,277**	2,135
Dividends paid to non-controlling interests of subsidiaries		**(44,136)**	(28,043)
Cash flows from financing activities – net		**2,180,467**	3,345,609
Net increase in cash and cash equivalents		**1,469,010**	2,331,960
Cash and cash equivalents at beginning of period		**4,038,225**	3,249,891
Exchange gains on cash and bank overdrafts		**(84,648)**	17,701
Cash and cash equivalents at end of period		**5,422,587**	5,599,552

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

AVIC International Holdings Limited (the "Company") was established as a joint stock limited company in the People's Republic of China (the "PRC") and its H 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 manufacturing and sales of liquid crystal displays, printed circuit boards and watches, property development, international engineering, trading and logistic services and mining resources development.

The office address of the Company is 25/F, Hangdu Building, CATIC Zone, Shennan Road Central, Futian District, Shenzhen, the 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 23 August 2013.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2013 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 2012, which have been prepared in accordance with IFRS.

On 30 November 2010, the Company entered into three acquisition agreements with AVIC International Holding Corporation ("AVIC International"), AVIC International Shenzhen Company Limited ("AVIC Shenzhen"), and Beijing Raise Technology Company Limited ("Beijing Raise") (collectively "the Vendors"), respectively in relation to the acquisition of equity interests (the "Sale Interest 1", "Sale Interest 2" and "Sale Interest 3") held by the respective vendors (the "2010 Acquisition"). The Company, AVIC International, AVIC Shenzhen and Beijing Raise are all controlled by Aviation Industry Corporation of China ("Aviation Industry").

Pursuant to acquisition agreement with AVIC International, the Company has conditionally agreed to acquire and AVIC International has conditionally agreed to sell the Sale Interest 1, which represents 100% equity interests in China National Aero-Technology Beijing Company Limited ("Beijing Company"), 100% equity interests in China National Aero-Technology Xiamen Corporation ("Xiamen Company"), 100% equity interests in China National Aero-Technology Guangzhou Company Limited ("Guangzhou Company"), 97.5% equity interests in China National Aero-Technology Trade and Economic Development Company Limited ("TED Company"), 100% equity interests in China National Aero-Technology International Engineering Company Limited ("Engineering Company") and 40% equity interests in AVIC International Vanke Company Limited ("AVIC Vanke").

Pursuant to acquisition agreement with AVIC Shenzhen, the Company has conditionally agreed to acquire and AVIC Shenzhen has conditionally agreed to sell the Sale Interest 2 held by AVIC Shenzhen, which represents 100% equity interests in Shenzhen Aero Fasteners MFG Company Limited ("AFM Company").

Pursuant to acquisition agreement with Beijing Raise, the Company has conditionally agreed to acquire and Beijing Raise has conditionally agreed to sell the Sale Interest 3 held by Beijing Raise, which represents 20% equity interests in AVIC Vanke, 90% equity interests in Beijing AVIC Ruixin Investment and Management Company Limited ("Beijing Ruixin"), 60% equity interests in Chengdu AVIC Raise Real Estate Company Limited ("Chengdu Raise"), 40% equity interests in Wuxi AVIC Raise Real Estate Company Limited ("Wuxi Raise"), 50% equity interests in Shenyang AVIC Raise Industry Company Limited ("Shenyang AVIC Industry") and 51% equity interests in Xi'an AVIC Raise Xikong Real Estate Company Limited ("Xi'an Raise").

The 2010 Acquisition was approved at the extraordinary general meeting and the H share class meeting of the Company held on 16 February 2011. In July 2011, the Company received the State-owned Assets Supervision and Administration Commission's approval in principle of the 2010 Acquisition and the 2010 Acquisition was completed in September 2012.

As both the combining entity and the combined entities are ultimately controlled by the Aviation Industry, 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 the combined entities as if they had been owned by the Group since it first came under the control of the Aviation Industry.

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 2012 interim report	Merger of companies under 2010 Acquisition	Adjustments	Restated
Revenue	5,055,907	9,338,975	–	14,394,882
Profit for the period	23,744	274,120	–	297,864
Net cash outflow from operating activities	(87,793)	(89,721)	–	(177,514)
Net cash outflow from investing activities	(597,056)	(239,079)	–	(836,135)
Net cash inflow from financing activities	774,867	2,570,742	–	3,345,609

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, 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 2013 have material impact on the Group.

- IFRS 11 'Joint arrangements' is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. This new standard did not have a material impact on the Group's consolidated financial statements.

- IAS 28 (revised 2011) 'Associates and joint ventures' includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. This revised standard did not have a material impact on the Group's consolidated financial statements.

- IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This new standard did not have a material impact on the Group's consolidated financial statements.

- Amendments to IFRSs 10, 11 and 12 on transition guidance. These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. These amendments did not have a material impact on the Group's consolidated financial statements.

- IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. This new standard did not have a material impact on the Group's consolidated financial statements.

- Amendment to IFRS 7, 'Financial instruments: Disclosures-Offsetting financial assets and financial liabilities'. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. This amendment did not have a material impact on the Group's consolidated financial statements.

- IAS 19 (revised) 'Employee benefits'. IAS 19 (revised) amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard and there are no material impact on the Group's consolidated financial statements.

(b) *New and amended standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted*

- Amendment to IAS 32 'Financial instruments: Presentation' on asset and liability offsetting. These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The above amendment will be effective for annual periods beginning on or after 1 January 2014 and the Group is yet to assess the impact of this amendment on the Group's consolidated financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 27, "Investment entities", provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. These amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of IFRS 10. The Group is yet to assess the impact of these amendments on the Group's consolidated financial statements.

- IFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. The above new standard will be effective for annual periods beginning on or after 1 January 2015 and the Group is yet to assess the impact of this new standard on the Group's consolidated financial statements.

- IFRS 7 and IFRS 9 (Amendments) "Mandatory effective date and transition disclosures" delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from IAS 39 to IFRS 9 are required. The above amendments will be effective for annual periods beginning on or after 1 January 2015 and the Group is yet to assess the impact of these amendments on the Group's consolidated financial statements.

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 2012.

5 Financial risk management

5.1 Financial risk factors

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 2012.

There have been no changes in the risk management department since 31 December 2012 or in any risk management policies.

5.2 Liquidity risk

Compared to 31 December 2012, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 30 June 2013.

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Assets				
Derivative financial instruments	–	4,264	–	4,264
Available-for-sale financial assets	37,960	–	232,009	269,969
Total assets	37,960	4,264	232,009	274,233

The following table presents the Group's assets that are measured at fair value at 31 December 2012.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Derivative financial instruments	–	3,110	–	3,110
Available-for-sale financial assets	23,449	–	236,370	259,819
Total assets	23,449	3,110	236,370	262,929

6 Segment information

The chief operating decision-makers have been identified as the board of directors of the Company. Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions.

The board considers the business from a product perspective. The Group is organised into five business segments:

- High-tech Electronic Products – manufacture and sales of liquid crystal displays, printed circuit boards and standard parts

- Retails and High-end Consumer Products – manufacture of middle to high-end wrist watches and chain store sales of luxury watches

- Real Estate and Hotel – providing construction services, real estate development and hotel operation

- Trading and Logistics – trading of commodities, ship building and providing logistic services

- Resources Investment and Development – investment and development of agriculture-related resources business

The board assesses the performance of the operating segments based on the profit.

The revenue and profit/(loss) after taxation of the Group for the six months ended 30 June 2013 by activities are classified as follows:

	Revenue		Profit/(loss) after taxation	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
High-tech Electronic Products	**3,408,970**	3,366,045	**124,631**	120,590
Retails and High-end Consumer Products	**1,493,828**	1,474,151	**73,781**	69,986
Real Estate and Hotel[(a)]	**1,798,792**	1,524,457	**144,997**	103,650
Trading and Logistics	**6,189,566**	7,780,473	**85,192**	123,558
Resources Investment and Development	**80,068**	249,756	**(57,609)**	(43,169)
Unallocated[(b)]	**–**	–	**(55,672)**	(76,751)
Total	**12,971,224**	14,394,882	**315,320**	297,864

(a) Profit after tax contains investment gain of AVIC Vanke amounting to RMB104,527,000 (2012: RMB87,436,000) and investment loss of AVIC Real Estate Holding Company Limited amounting to RMB7,338,000 (2012: investment gain RMB800,000).

(b) 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 2013 RMB'000	As at 31 December 2012 RMB'000
Trade receivables	**4,997,797**	4,843,417
Less: provision for impairment of receivables	**(82,083)**	(91,076)
Trade receivables – net	**4,915,714**	4,752,341
Notes receivables	**461,536**	384,993
Other receivables	**1,901,602**	2,195,818
Prepayments to suppliers	**2,518,641**	1,789,545
Excess of input over output value added tax	**388,833**	465,776
Interest receivables	**3,624**	7,365
Dividend receivables	**115,888**	85,578
Deposits	**329,498**	232,709
	10,635,336	9,914,125
Less: non-current portion		
– Excess of input over output value added tax	**(181,260)**	(205,860)
– Deposits	**(215,274)**	(133,036)
– Trade receivables	**(45,975)**	(45,975)
– Others	**(30)**	(3,729)
	(442,539)	(388,600)
Current portion	**10,192,797**	9,525,525

The Group's credit term on sale of goods is one year. The aging analysis of trade receivables is as follows:

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Trade receivables		
Within 1 year	**4,545,510**	4,642,022
Between 1 and 2 years	**376,982**	128,377
Between 2 and 3 years	**34,645**	30,101
Over 3 years	**40,660**	42,917
	4,997,797	4,843,417
Less: provision for impairment losses	**(82,083)**	(91,076)
	4,915,714	4,752,341

8 Debenture payables

The Company obtained the registration with China Government Securities Depository Trust & Clearing Co., Ltd on 17 April 2013 and issued 4.78% medium-term notes at a total nominal value of RMB600,000,000 to institutional investors in interbank market on 6 May 2013. The maturity date of the bonds shall be five years from the issue date at their nominal value. The fair value of the liability was determined at issuance of the bond and it was equal to the nominal value.

AVIC International provides a full unconditional irrevocable joint and several liability guarantee for the medium-term notes.

Fiyta Holdings Limited ("Fiyta"), a subsidiary of the Company, issued corporate debenture amounting to RMB400,000,000 on 27 February 2013. The corporate debenture will mature on 26 February 2018 and carries fixed annual interest rate of 5.04%. Fiyta may redeem the corporate debenture on 27 February 2016, in whole, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the redemption date.

Fiyta may, at its option, choose to increase the interest rate of the corporate debenture from 1 point basis to 100 point basis by notifying the corporate debenture holders 30 days before 27 February 2016. If Fiyata does not exercise the option, the interest rate of the corporate debenture will remain unchanged in the remaining period before maturity.

After the issuance of notification to corporate debenture holders on whether to increase the interest rate, the corporate debenture holders may choose to require Fiyta to redeem the corporate debenture, in whole or in part, at a redemption price equal to 100% of principal amount plus accrued and unpaid interest.

The corporate debenture of Fiyta is guaranteed by AVIC Shenzhen.

9 Trade and other payables

	As at	
	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
Trade payables	**3,785,601**	3,892,317
Salaries and staff welfare payable	**241,983**	291,591
Notes payable	**452,469**	755,930
Advance from customers	**3,258,942**	3,688,730
Interest payable	**67,073**	34,758
Dividend payable	**35,660**	10,699
Other taxes payable	**147,609**	154,711
Accruals and other payables	**2,109,509**	2,357,673
Borrowings from a third party	**18,000**	18,000
Deposits	**108,405**	74,502
	10,225,251	11,278,911
Less: non-current portion		
– Deposits	**(106,079)**	(46,128)
Current portion	**10,119,172**	11,232,783

As at 30 June 2013 and 31 December 2012, the ageing analyses of the trade payables are as follows:

	As at	
	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
Trade payables		
Within 1 year	**2,852,941**	3,380,058
Between 1 and 2 years	**677,447**	327,124
Between 2 and 3 years	**152,366**	120,647
Over 3 years	**102,847**	64,488
	3,785,601	3,892,317

10 Operating (profit)/loss

The following items have been charged/(credited) to the operating loss/(profit) during the period:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Provision for impairment of inventory	**17,940**	9,764
Provision for impairment of trade receivables	**4,530**	6,675
Amortisation of land use rights and mining rights	**37,078**	33,324
Amortisation of other non-current assets	**92,307**	46,862
Depreciation of fixed assets	**383,382**	403,681
Loss/(gain) on disposal of property, plant and equipment	**211**	(171)
Gain on disposal of investment properties	**(4,940)**	(9,153)

11 Income tax charge

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

For certain subsidiaries established in Shenzhen special economic zone, the original enterprise income tax rate was 15%. In accordance with the relevant provisions of the Corporate Income Tax law, the corporate income tax rate of certain subsidiaries will transit to 25% in five years from 2008 to 2012. The corporate income tax rate was 25% in 2013 (2012: 25%).

Xiamen Company was established in a special economic zone in Xiamen. Xiamen Company's original applicable income tax rate was 15%. In accordance with the relevant provisions of the Corporate Income Tax law, the corporate income tax rate of Xiamen Company will transit to 25% in five years from 2008 to 2012. The corporate income tax rate was 25% in 2013 (2012: 25%).

Qinghai CATIC Resources 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 was entitled to a preferential income tax rate of 15% in 2013 (2012: 15%).

Tianma Micro-electronics Co., Ltd, Shanghai Tianma Micro-electronics Co., Ltd, Chengdu Tianma Micro-electronics Co., Ltd, Shennan Circuit Co., Ltd and AVIC Wang Xin (Beijing) Science and Technology 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 2013 (2012: 15%).

	Six months ended	
	30 June 2013 *RMB'000*	30 June 2012 *RMB'000* (Restated)
Current income tax	**92,933**	68,617
Deferred income tax credit	**(9,141)**	(2,456)
	83,792	66,161

12 Earnings per share

(a) Basic

Basic and diluted earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended	
	30 June 2013	30 June 2012 (Restated)
Profit attributable to owners of the Company (RMB'000)	**218,968**	206,588
Less: Profit attributable to PSCS holders (RMB'000)	**(13,908)**	(13,908)
Profit attributable to ordinary shares holders of the Company (RMB'000)	**205,060**	192,680
Weighted average number of ordinary shares in issue (thousands)	**1,110,632**	1,110,632
Basic earnings per share (RMB per share)	**0.1846**	0.1735

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: perpetual subordinated convertible securities. The perpetual subordinated convertible securities are assumed to have been converted into ordinary shares.

	Six months ended	
	30 June 2013	30 June 2012 (Restated)
Profit attributable to owners of the Company (RMB'000)	**218,968**	206,588
Weighted average number of ordinary shares in issue (thousands)	**1,110,632**	1,110,632
Adjustments for:		
Perpetual subordinated convertible securities (thousands)	**801,635**	801,635
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,912,267**	1,912,267
Diluted earnings per share (RMB per share)	**0.1145**	0.1080

13 Dividends

The directors did not propose an interim dividend for the six months ended 30 June 2013.

14 Contingencies

As at 30 June 2013, the Group has the following financial guaranties outstanding:

Guarantor	Guarantor's relationship with the Group	Guarantee	Guarantee's relationship with the Group	Outstanding amounts guaranteed '000
AVIC Weihai Shipyard Co., Ltd.	Subsidiary of the Group	Weihai Port Group Co., Ltd. (威海港集團有限公司)	Under common control by PRC Government	RMB150,000
AVIC Weihai Shipyard Co., Ltd.	Subsidiary of the Group	Jinan Iron & Steel Group Weihai Qiyue Ship Materials Co. Ltd. (威海濟鋼啟躍船材有限公司)	Associate company of the guarantor	RMB55,000
Shandong New Shipbuilding Co., Ltd.	Subsidiary of the Group	Weihai Port Group Co., Ltd. (威海港集團有限公司)	Under common control by PRC Government	RMB55,000
Shandong New Shipbuilding Co., Ltd.	Subsidiary of the Group	Shandong Weihai Port Co., Ltd. (山東威海港股份有限公司)	Under common control by PRC Government	RMB55,000
Beijing Company	Subsidiary of the Group	Taizhou AVIC Shipbuilding Heavy Industry Limited (泰州中航船舶重工有限公司)	Associate company of the guarantor	RMB610,000
Xiamen Company	Subsidiary of the Group	廈門天馬微電子有限公司 (Xiamen Tianma Microelectronics Co., Ltd.)	The guarantor holds 6% equity interest in the guarantee	RMB140,000
Xiamen Company	Subsidiary of the Group	Xiamen Zijin CATIC Co., Ltd. (廈門紫金中航置業有限公司)	Associate company of the guarantor	RMB52,500
Xiamen Company	Subsidiary of the Group	Radiance Catico Offshore Pte. Ltd.	Associate company of the guarantor	USD26,413

15 Commitments

(a) *Capital commitments*

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

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Contracted but not provided for		
Property, plant and equipment	**605,004**	118,412
Properties under development	**–**	732,970
	605,004	851,382

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Authorised but not contracted for		
Property, plant and equipment	**1,213,458**	2,497,350

(b) *Operating lease commitments*

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

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Not later than one year	**51,417**	88,263
Later than one year and not later than five years	**138,968**	141,954
	190,385	230,217

16 Business combinations

On 4 January 2013, AVIC International Maritime Holdings Limited (formerly known as AVIC International Investments Limited), a non-wholly owned subsidiary of the Group, completed the acquisition of 100% of the equity interests of Deltamarin Oy ("Deltamarin") for an aggregated consideration satisfied as follows:

(a) Cash consideration of RMB214,866,000 (Euro25,980,000), and

(b) The allotment and issuance of an aggregate of 950 new shares of AVIC International Marine Engineering Pte. Ltd. ("AIME"), an indirect wholly-owned subsidiary of the Group, as share consideration to the shareholders of Deltamarin amounting to an aggregated issue price of RMB50,691,000 (Euro6,129,000).

Goodwill of RMB157,433,000 arising from the acquisition was attributable to economies of scale expected from combining the operations of the Group and Deltamarin.

By the date of release of this unaudited interim results of the Group, the initial accounting for the business combination is still incomplete, therefore the Company report in the condensed consolidated interim financial information the provisional amounts for items of which the accounting is incomplete and subject to change when the accounting for the business transaction is completed.

The following table summarises the consideration paid for Deltamarin, fair value of the assets acquired and liabilities assumed at the acquisition date.

Consideration: At 4 January 2013	*RMB'000*
Cash	**214,866**
Issuing new shares of AIME	**50,691**
	265,557

Recognised amounts of identifiable assets acquired and liabilities assumed	*RMB'000*
Cash and cash equivalents	44,347
Trade and other receivables	79,297
Intangible assets	28,501
Property, plant and equipment	13,856
Investments in jointly controlled entities and associates	3,321
Other non-current assets	568
Trade and other payables	(58,439)
Deferred tax liability	(2,314)
Other non-current liabilities	(1,013)
Total identifiable net assets	108,124
Goodwill	157,433
	265,557

Revenue of RMB150,940,000 included in the consolidated income statement from 4 January 2013 to 30 June 2013 was contributed by Deltamarin. Deltamarin contributed profit of RMB12,698,000 over the same period.

17 Related party transactions

The Group is controlled by AVIC International, a state-controlled company established in the PRC which directly and indirectly hold 75% of the Company's shares. The remaining 25% of the shares are widely held. The directors regard AVIC International and Aviation Industry 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	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Revenue:		
Sales of goods		
– Associates	**481,919**	172,316
– Fellow subsidiaries of Aviation Industry	**84,270**	48,023
– Ultimate holding company	**1,328**	–
– Holding company	**183**	74
	567,700	220,413
Service income		
– Jointly controlled entities	**54,900**	32,763
– Associates	**16,512**	1,305
– Fellow subsidiaries of Aviation Industry	**11,568**	76,725
– Holding company	**23**	8,478
	83,003	119,271
Rental income		
– Fellow subsidiaries of Aviation Industry	**1,120**	–
– Associates	**178**	–
	1,298	–
Interest income		
– Fellow subsidiaries of Aviation Industry	**30**	–
Purchase of goods and services:		
Purchases of goods		
– Associates	**284,285**	439,445
– Fellow subsidiaries of Aviation Industry	**148,053**	24,188
– Non-controlling interests	**5**	–
	432,343	463,633

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Service costs		
– Fellow subsidiaries of Aviation Industry	**22,832**	2,645
– Associates	**2,421**	–
– Jointly controlled entities	**314**	–
	25,567	2,645
Interest expenses		
– Fellow subsidiaries of Aviation Industry	**14,682**	13,804
– AVIC Shenzhen	**3,682**	–
– Associates	**1,360**	–
– Holding company	**312**	4,887
	20,036	18,691

(b) Balances with related parties

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

	As at	
	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Other receivables		
– Fellow subsidiaries of Aviation Industry	**372,338**	293,314
– Associates	**201,887**	492,435
– Holding company	**87,175**	134,265
– Jointly controlled entities	**5,875**	5,882
– AVIC Shenzhen	**2,500**	11,700
– Non-controlling interests	**–**	387,289
	669,775	1,324,885
Interest receivables		
– Associates	**7,739**	6,181
Prepayments		
– Associates	**6,021**	2,489
– Fellow subsidiaries of Aviation Industry	**3,814**	5,107
– Jointly controlled entities	**–**	169,024
	9,835	176,620
Accounts receivable		
– Associates	**577,403**	321,126
– Fellow subsidiaries of Aviation Industry	**140,658**	150,083
– Jointly controlled entities	**25,354**	31,816
– Holding company	**9,571**	17,737
– Ultimate holding company	**1,100**	511
– Non-controlling interests	**–**	285,496
	754,086	806,769
Accrual and other payables		
– Fellow subsidiaries of Aviation Industry	**433,122**	686,546
– Holding company	**195,553**	159,850
– AVIC Shenzhen	**127,027**	361,722
– Associates	**32,895**	7,326
– Jointly controlled entities	**2,094**	3,699
– Non-controlling interests	**–**	25,280
	790,691	1,244,423

	As at	
	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
Accounts payable		
– Fellow subsidiaries of Aviation Industry	**152,525**	38,161
– Associates	**136,549**	110,933
– Holding company	**468**	327
– Jointly controlled entities	**–**	1,963
– Non-controlling interests	**–**	209,561
	289,542	360,945
Advance from customers		
– Associates	**150,940**	152,302
– Fellow subsidiaries of Aviation Industry	**72,667**	142,193
– Holding company	**1,477**	3,864
– Jointly controlled entities	**–**	27,438
– Non-controlling interests	**–**	49,368
	225,084	375,165
Interest payables		
– Fellow subsidiaries of Aviation Industry	**–**	920
– AVIC Shenzhen	**–**	924
– Non-controlling interests	**–**	1,435
	–	3,279
Other non-current liabilities		
– Holding company	**800,000**	1,050,000
– AVIC Shenzhen	**–**	100,000
	800,000	1,150,000
Borrowings from related parties		
– Fellow subsidiaries of Aviation Industry	**522,118**	951,767

18 Subsequent events

In July 2013, Shenzhen AVIC Resources Co., Ltd. ("Resources Company") completed the acquisition of 70% equity interest of Shandong Luyuan Mining Investment Company ("Shandong Luyuan"), at a consideration of RMB96,690,000. Resources Company became the controlling party of Shandong Luyuan.

The main assets of Shandong Luyuan are potash mine located at Congo. Resources Company controls the potash mine indirectly through acquisition of Shandong Luyuan.

BUSINESS REVIEW

The consolidated revenue and profit contributions of the Company in its consolidated results for the six months ended 30 June 2013 (the "Reporting Period") were primarily derived from the following business sections and subsidiaries:

Business sections	Name of subsidiaries	Percentage of equity interests held by the Company	Principal activities
High-tech Electronic Products	Tianma Micro-electronics Co., Ltd. ("Tianma")	45.62%	Manufacture and sales of liquid crystal displays and modules ("LCD")
	Shennan Circuit Co., Ltd. ("SCC")	93%	Manufacture and sales of printed circuit boards and packaging substrate ("PCB")
	Shenzhen Aero-Fasteners MFG Co., Ltd. ("AFM Company")	100%	Manufacture and sales of high intensity bolts, precision screws and screw nuts, irregular parts
Retails and High-end Consumer Products	Fiyta Holdings Limited ("Fiyta")	41.49%	Manufacture of middle to high-end wrist watches and chain store sales of luxury watches
Real Estate and Hotel	Beijing AVIC Ruixin Investment and Management Company Limited ("Beijing Ruixin")	90%	Mainly engages in residential premises business, while also operating industrial property development
	Chengdu AVIC Raise Real Estate Company Limited ("Chengdu Raise")	60%	Mainly engages in residential premises business, while also operating industrial property development
	Xi'an AVIC Raise Xikong Real Estate Company Limited ("Xi'an Raise")	51%	Mainly engages in residential premises business, while also operating industrial property development

Business sections	Name of subsidiaries	Percentage of equity interests held by the Company	Principal activities
	China National Aero – Technology International Engineering Company Limited ("Engineering Company")	100%	Mainly engages in general contracting of international engineering construction, overseas property development and general contracting of domestic construction engineering
	Guangdong International Building Industrial Co., Ltd. ("GIB Company")	75%	Hotel operation
Trading and Logistics	China National Aero – Technology Beijing Company Limited ("Beijing Company")	100%	Trading and logistics of shipping, cement engineering, machinery vehicles and electric power facilities, etc.
	China National Aero – Technology Guangzhou Company Limited ("Guangzhou Company")	100%	Trading and logistics of machinery vehicles, bitumen and medical facilities
	China National Aero – Technology Xiamen Company Limited ("Xiamen Company")	100%	Trading and logistics of shipping, stone materials
	China National Aero – Technology Trade and Economic Development Company Limited ("TED Company")	97.5%	Tendering agency, information application service and trading
Resources Investment and Development	Shenzhen AVIC Resources Co., Ltd. ("Resources Company")	100%	Investment and development of agriculture-related resources business

During the Reporting Period, the Group recorded a consolidated revenue from continuing operations of approximately RMB12,971,224,000, representing a decrease of approximately 10% over the same period of previous year of approximately RMB14,394,882,000. Overall gross profit was approximately RMB1,833,364,000, representing an increase of approximately 12% over the same period of previous year of approximately RMB1,635,701,000. The profit attributable to shareholders of the Group (excluding minority interests) was approximately RMB218,968,000, representing an increase of approximately 6% over the same period of previous year of approximately RMB206,588,000.

SUMMARY OF PERFORMANCE

2013 is a year when global economy is still undergoing a profound restructuring after financial crisis and China's economy confronted pressures from structural slow-down. Amid the gloomy external market condition, the Group continues to affirm its strategy of "Supremacy • Surpass", actively implemented its yearly strategic theme of "Implementation • Efficiency • Effectiveness", promoted smooth progress of various key businesses and achieved sustainable development of each business section. Liquid crystal displays (LCD) business in high-technology electronics products section achieved substantial growth in profit, and quality and delivery capacity of production line of packaging substrate of PCB business had steady growth. Revenue and profit of watch business in retails and high-end customer product section, while it was impacted by macroeconomic environment, showed a slight growth compared to last year. Regarding real estate and hotel section, progress control of domestic real estate development projects was satisfactory; moreover, several overseas construction engineering general contracting projects were signed successfully. Management integration of ship engineering business in trading and logistics section was preliminarily completed and emphasis has been placed on enhancing the strategic transformation and cultivation of new business. Adjustment and construction of potassium and phosphate production in resources investment and development section was smoothly conducted as a result from the material impact from the demands of domestic market.

High-Tech Electronic Products

The Group engages in Research and Development (R&D), design, production, sales and service of liquid crystal displays (LCD) and PCB products mainly through its subsidiaries, such as Tianma and SCC. During the Reporting Period, due to the adverse impacts from on-going depression in global economy and slowdown in demands of the industry, the Group's revenue from high-tech electronic products section was approximately RMB3,408,970,000, representing an increase of approximately 1% over RMB3,366,045,000 for the same period of last year. The profit after taxation was approximately RMB124,631,000 representing an increase of approximately 3% over the profit of approximately RMB120,590,000 for the same period of last year.

LCD

The LCD products comprise small-to-medium size liquid crystal displays (LCD) and liquid crystal modules (LCM), which are mainly used in communication terminal and professional displays. During the Reporting Period, the recovery of global economy was still at a slow pace. Demands for functional phones and entertainment displays experienced rapid decline. Moreover, as the high generation production lines in the new generation have constantly shifted to the small-to-middle size products, price of smart phones terminal continued to fall, while at the same time, customers have increasing requirements on the performance of smart phones. Tianma proactively coped with such situation by comprehensively fine-tuning the business and enhancement of the product position, implementing business transformation and adjustment of the products structure. It also further enhanced its leading position in high-end smart phone panel, focused on the intensified development of professional displays, sought for opportunity of differentiation of tablet as well as streamlined comprehensive solutions. In accordance with market changes and demands from the customers, it actively responded to the market demands for high end smart phones and professional displays panels, repositioned and adjusted the production line, concentrated its advantageous resources to serve target customers by means of building customer category management system. It also cooperated with key clients to plan products that are adaptable to the consumer market and increased the penetration of the products into domestic and overseas market with huge client demand such as that of Samsung, LG, Huawei, Lenovo. Meanwhile, it was consistently seeking for differentiation market of professional displays, focused on target market and target customers as well as established methods and implementation strategy to enhance effective orders. Adhered to the leading technology, it accelerated the R&D of new technology and its application and the technological R&D of AM-OLED, Oxide-TFT achieved positive progress. During the Reporting Period, Shanghai AVIC Opto-electronics Limited, Shenzhen AVIC Opto-electronics Limited and Xiamen Tian Ma, for which the Group was entrusted to manage, were all progressing smoothly in terms of their business development with significant business synergic effects. During the Reporting Period, the profit of LCD business experienced remarkable growth, due to positive impacts from product structural adjustment and cost control.

PCB

PCB products comprise middle-to-high end multi-layer PCB products and packaging substrate, which are mainly used in high technology fields such as telecommunication, aeronautics and astronautics, medical services and industrial control. During the Reporting Period, due to the impact from the sluggish growth of global communication industry, global PCB industry scale only recorded slight increase of 3%. Amid the extremely challenging external environment, SCC focused on the enhancement of "efficiency and effectiveness" and carried out the works with the theme of "Grasping Opportunities, Bolstering Capacity and Enhancing Efficiency". By means of constantly optimizing the structure, SCC wanted to stabilize the profitability. During the Reporting Period, through intensifying its technological marketing models and forces, the PCB business achieved over 10% growth in orders in such adverse market condition compared to the same period of last year. R&D on the key techniques of packaging substrates and industrialization were undergoing smoothly, while the stability of new production line increased after production commenced. The operation capability of electronics assembly business were further enhanced, leading to historical high record of product margin and on-time delivery rate and recognition of performance of quality and delivery capability by the clients. However, due to adverse impacts from sluggish external demands, slow growth of production capacity of new production line and increase of fixed cost, PCB business recorded lower profits compared to the same period of last year.

Retails and High-end Consumer Products

The retails and high-end consumer products section of the Group engages in the brand operation of middle to high-end watches and chain sales of prestigious watches around the world through its subsidiary, Fiyta, including R&D, design, manufacturing and sales of watches under its self-own brand name and chain sales operation of prestigious watches. During the Reporting Period, the turnover of the retails and high-end consumer products section of the Group amounted to approximately RMB1,493,828,000, representing a growth of approximately 1.3% when compared with RMB1,474,151,000 of the same period of previous year. The profit after taxation was approximately RMB73,781,000 representing an increase of approximately 5% over the profit of approximately RMB69,986,000 for the same period of last year.

During the Reporting Period, the growth in consumer demands in the society slowed down, and overall brand watch market experienced downturn, particularly the high-end brand watch which was greatly impacted by macro-economy policies. Adhering to its yearly strategic theme of "Value, Effectiveness, Efficiency, Capacity" and by means of constantly optimizing business models of "Product + Channel", the Group promoted the implementation of integration of key value chain and vertical integration of oversea development strategies. During the Reporting Period, the product business mainly on Fiyta, enhanced its channels quality by means of increasing the quality of channel expansion, prioritizing the back end and regulating the dealership management. It diversified existing channel categories by means of actively developing e-commercial business and strengthening construction of oversea channels and accelerated the turnover of slow-moving inventory to increase the efficiency of asset. Female watch "Heart-touching Collection" and new product "Shenzhou X" from "Aeronautics Collection" were favored by the market during the Reporting Period. During the Reporting Period, by means of various sales competition and theme promotion, retail business of Harmony increased its output per unit shop. Meanwhile, the efficiency of unit shop was promoted to cope with the impacts from significant downturn in market demand by means of comprehensive management innovation, cost control and potential enhancement.

Real Estate and Hotel

The Group engages in real estate development and engineering construction business through its subsidiaries Chengdu Raise, Xi'an Raise, Beijing Ruixin, Engineering Company, and in hotel operation management through its subsidiary GIB Company. During the Reporting Period, the real estate and hotel business section of the Group recorded turnover of approximately RMB1,798,792,000 representing an increase of approximately 18% as compared with RMB1,524,457,000 in the same period of previous year. Affected by international contracting profit growth involving domestic real estate expenditure, the profit after tax was approximately RMB144,997,000, representing an increase of approximately 40% as compared with RMB103,650,000 in the same period of previous year. Profit after taxation contains investment gain from associate and jointly controlled entities, AVIC International Vanke Company Limited (the "AVIC Vanke") and AVIC Real Estate Holding Company Limited (the "AVIC Real Estate") of approximately RMB97,189,000.

1. *Real Estate Development*

   During the Reporting Period, the State further strengthened the regulation over the real estate industry and formulated regulating rules on the target responsibility of adjustment of real estate price and policies of restriction on purchase and loan granting. This resulted in certain curbs on the speculative demands on the real estate industry. The domestic real estate development projects of the Group are mainly located in cities such as the outskirts and surrounding areas of Beijing, as well as Chengdu and Xi'an. The quality of project construction, progress control and marketing payback were making good progress. As at the end of the reporting period, 305 units of "AVIC • International Exchange Centre (中航 • 國際交流中心)" of Chengdu Raise were signed, with sold area of approximately 27,000 square meters. Approximately 230 units with 9,000 square meters of Hancheng No.1 (漢城壹號) in Xi'an and "Eighteenth Neighbour" (十八街坊) of Xi'an Raise in total were signed. During the Reporting Period, major achievements were made in overseas projects and the Group has entered into the markets of Tanzania, Sri Lanka and Kenya with over six projects under development.

2. *Engineering Contracting*

   The engineering contracting business of the Group mainly comprises general contracting of international construction project and gradually expanded into overseas real estate development business and domestic construction project contracting business. In 2013, the development of international engineering business encountered difficulties due to the impacts of global economic situation, regional politics risks and trading protectionism. During the Reporting Period, the Group, adhering to the principle of "assembling resources and cooperative development", mainly focused on large and medium international engineering projects, and intensively explored the regional markets in Middle East, Africa, South Asia and Southeast Asia. During the Reporting Period, the engineering contracting business was generally running smoothly. Market expansion was satisfactory, with 12 new domestic and international engineering projects contracts with total contract value amounting to over RMB1.8 billion.

During the Reporting Period, despite that the five stars hotels in Guangzhou region experienced slowdown in operation, GIB Company recorded growth in revenue in such adverse business environment and decrease in operation loss was recorded as compared to the same period of last year.

Trading and Logistics

The Group mainly engages in ship engineering, mechatronics engineering, tendering agency and information application through its subsidiaries, namely Beijing Company, Guangzhou Company, Xiamen Company and TED Company. During the Reporting Period, the Group's turnover from trading and logistics section was approximately RMB6,189,566,000, decreased by approximately 20% over RMB7,780,473,000 for the same period of previous year. Influenced by sluggish market demand in ship engineering, the profit after taxation was approximately RMB85,192,000, representing a decrease of approximately 31% over RMB123,558,000 for the same period of previous year.

1. *Ship Engineering*
   The Group utilized its indirect subsidiary AVIC International Maritime Holdings Limited (formerly known as AVIC International Investments Limited) (the "AVIC International Maritime") as its platform for integration and operation of the shipping business. During the Reporting Period, demands in shipping market slowed down due to the depressed global economy, the production capacity of domestic shipbuilding industry was excessive. During the Reporting Period, the Group basically completed the shipping business management integration through AVIC International Maritime, enhanced the business synergy among shipping design, which was conducted by Deltamarin Oy, shipping manufacturing and shipping trading that were controlled by the Group, established an industry value chain model which integrated with shipping design, manufacturing and trading as a whole. At the same time, it devoted to promoting the technological upgrade and R&D on high value-added products in order to overcome the adverse impacts from the depressed market. During the Reporting Period, the engineering business of AVIC International Maritime achieved delivery of 6 ships and 7 newly signed shipping orders. Affected by the depression in the industry, the operation pressure of the ship engineering of the Group was relative high.

2. *Mechatronics Engineering*
   The mechatronics engineering business of the Group mainly comprises cement EPC, export of machinery vehicle, medical equipment and service. In recent years, developing countries and regions such as North Africa and East Africa accelerate the construction of infrastructure, in which demands for infrastructure projects such as cement, electrical engineering and construction of roads and bridges were strong. During the Reporting Period, the Group further strengthened its cooperation and integration with Germany Humboldt Cement Equipment Company (德國洪堡水泥設備公司) and intensified its development in key markets and major clients. It procured the signing of key project of cement EPC, and planned to implement the cement production line in Venezuela, Turkey and Malaysia as scheduled. The mobile hospital projects focused its development in new market such as South Asia, Middle East, Africa and South America and various achievements were made in countries like Nepal, Tanzania, Malawi, Cambodia and South Sudan. A contract for 165 ambulances was signed with Zambia. Power station EPC projects were contracted or commenced to construct in New Zealand, Romania, Brazil, Canada and United Kingdom.

During the Reporting Period, export of machinery vehicle underwent satisfactorily and scale and profit of bitumen engineering achieved rapid growth.

3. *Tendering Agency and Information Application Service*

The Group mainly engages in tendering agency and information application service through TED Company. Confronted with national declining demands of electrical products, TED Company leveraged with its high quality, professional and effective service to enhance its market expansion. During the Reporting Period, the completion of tendering on electrical equipment in avionic systems was satisfactory. Tendering business in engineering was progressing smoothly, with entrusted amount on tendering of over RMB12.5 billion in tendering agency and extended business, of which over RMB11.5 billion of open-bidding was completed, representing approximately 8% compared to the same period of last year. The information application service focused on the enhancement of top-tier design, resources integration and service guarantee capacity. During the Reporting Period, the information application business placed its emphasis on the R&D of simulation system, controlling system, IT system integration, sale and service of financial institution software of key expended institutions and achieved over 25% growth in business scale and profit.

Resources Investment and Development

The Group engages in investment and development of agricultural-related resources businesses through Resources Company, which is committed in building up core competitiveness based on resources occupation, while extending to fertilizer industry chain and focusing on resources and terminal agricultural and chemical technological service. During the Reporting Period, agricultural-related resources investment and development business of the Group recorded turnover of approximately RMB80,068,000, representing decrease of 68% as compared with RMB249,756,000 in the same period of previous year. Due to de-stocking in downstream industry and decline of product price, it recorded a loss after taxation of approximately RMB57,609,000, representing increase of RMB14,440,000 in loss as compared with previous year.

During the Reporting Period, the market of fertilizer still remained at the state of de-stocking with sluggish demands and declining prices. Amid such low point of the industry, the resources investment and development business of the Group adopted operational strategy of “cost-reduction, operation enforcement and efficiency enhancement” to carry out its business. Qinghai potassium fertilizer business underwent internal capability improvement; technological R&D and innovation were conducted to increase level of potassium and production capacity; at the same time, control was obtained over the potassium ore mine in north of Pointe Noire of Congo in Africa by means of acquisition of 70% equity of Shandong Luyuan Mining Investment Co., Ltd (山東魯源礦業投資有限公司); stable progress was achieved in R&D on the synergist and new phosphate fertilizers and construction of OEM system; preparation on the new mine and exploitation on phosphate mines were smoothly undergoing, an accumulated of approximately 0.38 million tons of phosphate was exploited during the Reporting Period.

BUSINESS PROSPECTS

Looking forward to the second half of the year, the recovery of global economy will remain slow and the objective of "stable growth, structural adjustment and reform enhancement" of the domestic economy still confronts immense pressure and challenges. The Group will continue to affirm its strategy of "Supremacy • Surpass" and adhere to the theme of "Implementation, Efficiency and Effectiveness" to reinforce the strategic transformation, in which it will accelerate the transformation and industry upgrade for high-tech electronic business, enhance research and development and industrialization of new technology, develop the market intensively and capture orders. It will build up good brand image in watch industry, strengthen brand-building, promote the vertical integration of watch business and enhance the operating efficiency of Harmony Watch chain business. It will increase the operating capability of real estate business, capture the development pace of real estate projects and recover the sales payments, actively procure orders of international construction business and expedite the strategic layout in key overseas regions. It will strengthen synergic effects in shipping business, explore reform in business model and promote high-end development of shipping products. It will enhance the focused development and transformation of the business model in trading and logistics business. It will grasp the demand of potassium and phosphate resources in peak season, accelerate the technical R&D and pace of production adjustment of resources investment and development.

HIGH-TECH ELECTRONIC PRODUCTS

LCD

It is expected that the annual demand for liquid crystal panel in 2013 will only increase by approximately 4% compared to same period of last year. Demands in smart phones and tablet computers market will continue to grow, professional display market also shows a sign of slight increase while mid-end and low-end products still suffer from oversupply. The LCD business of the Group will continue to implement strategy for soliciting key account, focus on smart phones and professional display, and work on adjustment of products and customer structure. It will actively explore business opportunities, and affirm the position of production line. It will seize the consumer electronics market, and explore the differentiated market of professional display. It will continue to promote vertical integration, enhance the strategic planning, operating capability and system management, strengthen production capability and R&D capability and improve leadership and execution forces.

PCB

It is expected that driven by the growth of smart mobile terminal, the global PCB industry in 2013 will slightly increase by around 3%. The PCB business of the Group will continue to implement its existing "3-IN-ONE" strategy and work on the theme of the year, being "Grasping Opportunities, Bolstering Capacity and Enhancing Efficiency". The business of PCB products of the Group will integrate internal resources, seize the growth opportunities of high-end server sector and certain segment products, further develop non-communication market and explore into intensified cooperation stage with clients in medical and aerospace industry with stronger anti-cyclical capability. The PCB products of the Group will continue to consolidate its operating foundation, stabilize the performance of delivery quality, build a solid foundation for the development of strategic key customers and enlarge the profit margin. Stabilization of product lines and breakthrough on processing techniques will be the main focus for substrates business, while efforts on client exploration will be enhanced, core business procedures will be further optimized and production automation and staff's efficiency will be promoted.

Retails and High-end Consumer Products

Being affected by the global economy trend and the slowdown of the growth of domestic high-end consumer products, it is expected that the demand for luxurious watch will remain sluggish in the second half of the year. The retails and high-end consumer products business of the Group will continue to adhere to its brand developing strategy, with the Harmony Watch retail brand business and self-own watches brand business as main line of development. It will focus on the upgrade of the brand and the optimization of resources allocation based on the principle of priority in effectiveness and efficiency. It will constantly improve cash flow by means of increasing revenue and reducing expenses, lowering cost and enhancing efficiency, so as to pursue scale growth in effective way. The self-own watches brand will continue to strive for the successful launching rate of new products, enhance sales performance and clear up obsolete inventories through the competition under the theme of "Travel Around the World". Harmony Watch chains will uphold the effective development principle, focus on the adjustment of store structure, prioritize the investment and output efficiency and support the internal resources. It will enhance prominent operation in multi-directions from customers, brand and channels, fully raise the output and staff efficiency in unit shops.

Real Estate and Hotel

1. *Real Estate Development*

   In the second half of 2013, under the influence of the macro adjustment and control by the State, the environment of domestic real estate market is not optimistic. The real estate development business of the Group will endeavor to adapt to the changes in the market trend, seize the existing project construction and sales progress and aim to realize expected sales target and return of capital. At the same time, it will also actively seek for exploration of new overseas and domestic projects, devote efforts to obtain land resources and capital support through various channels and accelerate the business layout in the key overseas regions.

2. *Engineering Contracting*

   In the second half of 2013, the engineering contracting business of the Group will explore the key market based on the regional office, develop and undertake overseas engineering construction contracting business in depth, continue to optimize the operating model of general contracting of engineering construction, enhance the operating scale of international construction and operating management standard for consolidating the foundation for future development. It will also continue to consider traditional areas such as housing engineering as main development target, raise the business proportion of aerospace facilities, transportation engineering and waterworks and intensify the core competitiveness with aerospace facilities.

Trading and Logistics

1. *Ship Engineering*

   With the slow recovery of the United States' economy, the oversupply in the global shipping market will gradually improve. However, the demand in shipping market is expected to remain weak in the second half of 2013. The ship engineering business of the Group will enhance the synergistic efficiency among design, manufacturing, trading of shipping, and explore reform of business model. It will strengthen the development of domestic and overseas shipping market, actively drive the contract of key projects into effect, actively develop energy-saving and environmental friendly ship types, ocean engineering products and special vessels projects, promote the development of high-end shipping products and continue to procure commercial shipping orders at the same time. It will also enhance the standard of shipyard management, establish target cost management system, promote and apply management tools such as Lean Six Sigma to enlarge the profit margins of shipyard.

2. *Mechatronics Engineering*

   The Group's cement EPC projects will continue to promote key projects in Venezuela and Turkey to sign contract into effect and commence preparation, strengthen the implementation and execution of contracted projects, formulate the management system and standardize work procedures in cement EPC business. It will actively expand overseas large scale complete equipment market; promote the signing and execution of contract of projects such as machinery vehicle and power stations in the third world countries with high demand. Mobile hospital projects will continue to execute the commercial model of "Products+Technology+Operation" to realize the main regional duplication in Africa, South Asia, Middle East, Southeast Asia, etc. Furthermore, it will also transform its business model from traditional trading to professional integrated service provider.

3. *Tendering Agency and Information Application Service*

   The tendering agency business will continue to enhance the development of the tendering business under the aviation industry system and consolidate position of the main channel. At the same time, it will also increase the scale and profit level in the machinery electrical engineering tendering business outside the aviation industry system. The information application service will develop informative service aiming at the large scale integrated IT platform with various businesses, products, channels and clients. Based on the simulation system with the interaction of human and computer, it will also actively develop software around the areas of system display, electric meters design and computer simulation, consolidate the advantageous position in the key institutional clients, so as to further optimize the business model, strengthen informative products and service quality.

Resources Investment and Development Business

Under the influence of de-stocking in domestic potassium and phosphate resources and continuously sluggish market condition, it is expected that the overall prices of potassium fertilizer, phosphate fertilizers and compound fertilizer will be lower for the second half of 2013. The Group's resources development segment will focus on the customer value, industry chain value analysis, key clients and key regional markets in order to seize the peak season demand for potassium and phosphate resources in the second half of the year and enhance market expansion and efforts on product sales. Based on the changes in market demand, it will accelerate the technology R&D and production adjustment pace of potassium fertilizer, phosphate fertilizers and compound fertilizer, increase the production efficiency, so as to further improve the product quality and output while reducing mineral consumption and increasing recovery rate. It will strengthen internal operating management capability, focus on key businesses and key working arrangement, and adopt effective measures to break through the bottleneck, aiming to reduce the unfavorable effects from sluggish industry.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2013, the Group had cash and cash equivalents amounting to approximately RMB5,422,587,000 (31 December 2012: RMB4,038,225,000), including cash in Hong Kong dollars, US dollars, Japanese Yen and Korean Won which have been converted into Renminbi. The Group's bank loans included short-term loans amounting to approximately RMB11,135,222,000 with an annual interest rates from 1.30% to 12.15% and long-term loans and debentures amounting to approximately RMB6,463,194,000 with an annual interest rates from 2.21% to 10.00%. The Group has strengthened and perfected its regulations in respect of the management of tradable financial assets, defining the procedures of decision-making, implementation and risk control.

As at 30 June 2013, the capital expenditure of the Group amounted to approximately RMB987,637,000, of which approximately RMB222,000,000 was applied to the SCC No. 8 Building investment project; approximately RMB63,980,000 was applied to the Aviation City Project in Yizhuang, Beijing; approximately RMB58,200,000 was applied to infrastructure projects of Shandong New Shipbuilding Heavy Industry Co., Ltd.; approximately RMB172,268,000 was applied to the acquisition of equity interest of Deltamarin; approximately RMB62,150,000 was applied to new display TFT project of Shanghai Tianma; approximately RMB28,710,000 was applied to HD Project of Chengdu Tianma; approximately RMB57,300,000 was applied to the acquisition of equipment and infrastructure construction of Yunnan Hongfu Chemical Fertilizers Co., Ltd.; approximately RMB58,490,000 was applied to the expansion and renovation of stores of Fiyta watch and luxurious watch; approximately RMB22,110,000 was applied to construction and maintenance project on bitumen base of AVIC Lutong Company Limited; approximately RMB15,760,000 was applied to invest in AVIC Laisi Union Project Ltd. Company by Guangzhou Company; approximately RMB14,450,000 was applied to infrastructure projects by Superior Metal Hardware Products (Shanghai) Company Limited; and approximately RMB4,540,000 was applied to the acquisition of machine and equipment of AFM Company.

LOAN-TO-EQUITY RATIO

As at 30 June 2013, the loan-to-equity ratio of the Group (bank loans to shareholders' equity ratio) was 148.55% (31 December 2012: 126.34%).

PLEDGED ASSETS

As at 30 June 2013, certain subsidiaries of the Group had pledged bank loans totaling RMB1,944,944,400 (31 December 2012: RMB1,904,343,000). The loans were secured by plants and buildings of the Group. In particular, an investment property with fair value of approximately RMB857,699,000 and land use rights with net value of RMB400,506,000(original value of RMB445,225,000) of GIB Company, a subsidiary of the Company were pledged for a long term borrowing of RMB850,000,000. An investment property of Beijing Company, a subsidiary of the Company with net value of approximately RMB110,093,000 was pledged for a certain part of short-term borrowing of RMB140,000,000. Fixed asset with net value of RMB251,885,000 was pledged for a certain part of long-term borrowing of RMB225,626,000. Land use right with net value of RMB113,161,000 (original value of RMB131,074,000) and building with net value of RMB616,397,000 (original value of RMB712,928,000) of Shanghai Tianma, a subsidiary of the Company were pledged for a certain part of long term borrowing of RMB279,702,000 and long term borrowing with due date within one year of RMB359,616,000; Land use right with net value of RMB12,898,000 (original value of RMB13,752,000) of Resources Company, a subsidiary of the Company, was pledged by it for a certain part of short-term borrowing of RMB30,000,000. Building with net value of RMB60,653,000 (original value of RMB85,696,000) of AFM Company, a subsidiary of the Company, was pledged for short-term borrowing of RMB60,000,000.

ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSIT

During the six months ended 30 June 2013, the Company did not have any entrusted deposit and overdue term deposit in any form.

MANAGEMENT CONTRACTS

During the six months ended 30 June 2013, the Company has not entered into nor maintained any contracts in respect of the management or administration of its overall business or any major business.

ISSUE, PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries had issued, purchased, sold or redeemed any of the Company's listed securities.

SUBSTANTIAL SHAREHOLDER

As at 30 June 2013, to the knowledge of the Directors or the chief executive of the Company, the following parties (other than the Directors, supervisors or chief executive of the Company) had interests, or short positions in the shares of the Company (the "Shares") and underlying shares of the Company which would fall to be disclosed to the Company or otherwise notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance:

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
Aviation Industry Corporation of China ("Aviation Industry")	Interest of controlled corporation	1,634,608,792 domestic shares *(Note 1)*	196.24%	147.18%
AVIC International Holding Corporation ("AVIC International")	Interest of controlled corporation	1,329,499,564 domestic shares *(Note 1)*	159.61%	119.71%
AVIC International Shenzhen Company Limited ("AVIC Shenzhen")	Beneficial owner	429,774,574 domestic shares *(Note 1)*	51.60%	38.70%
Beijing Raise Technology Company Limited ("Beijing Raise")	Beneficial owner	305,109,228 domestic shares *(Note 1)*	36.62%	27.47%
Other shareholders				
Li Ka-Shing	Interest of controlled corporation and founder of discretionary trusts	29,644,000 H shares *(Note 2)*	10.67%	2.67%
Cheung Kong (Holdings) Limited	Interest of controlled corporation	29,644,000 H shares *(Note 2)*	10.67%	2.67%
Li Ka-Shing Unity Trustee Corporation Limited	Trustee and beneficiary of a trust	29,644,000 H shares *(Note 2)*	10.67%	2.67%

Name of shareholder	Capacity	Number and class of securities	Approximate percentage of the same class of securities	Approximate percentage of total registered share capital
Li Ka-Shing Unity Trustcorp Limited	Trustee and beneficiary of a trust	29,644,000 H shares *(Note 2)*	10.67%	2.67%
Li Ka-Shing Unity Trustee Company Limited	Trustee	29,644,000 H shares *(Note 2)*	10.67%	2.67%
Cheung Kong Investment Company Limited	Interest of controlled corporation	14,823,000 H shares *(Note 2)*	5.34%	1.33%
Empire Grand Limited	Beneficial owner	14,823,000 H shares *(Note 2)*	5.34%	1.33%
Hutchison International Limited	Beneficial owner	14,821,000 H shares *(Note 2)*	5.33%	1.33%
Hutchison Whampoa Limited	Interest of controlled corporation	14,821,000 H shares *(Note 2)*	5.33%	1.33%
Jiang Jian Jun	Interest of controlled corporation	18,222,000 H shares *(Note 3)*	6.56%	1.64%
Huayin Group Investment Development Co., Ltd.	Beneficial owner	18,222,000 H shares *(Note 3)*	6.56%	1.64%

Notes:

1. Aviation Industry owns 76.83% of the equity interest in AVIC International which in turn owns 100% equity interest in AVIC Shenzhen. Hence, Aviation Industry is deemed, or taken to be, interested in all the Shares in which AVIC International and AVIC Shenzhen are interested in, respectively.

   Aviation Industry owns 60% of the equity interest in Beijing Raise. Hence, Aviation Industry is deemed, or taken to be, interested in all Shares in which Beijing Raise is interested in.

   AVIC International owns 100% of the equity interest in AVIC Shenzhen. Hence, AVIC International is deemed, or taken to be, interested in all the Shares in which AVIC Shenzhen is interested in.

As at 30 June 2013:

(1) AVIC International held: (A) 437,264,906 domestic shares, representing approximately 39.37% of the issued share capital of the Company; and (B) perpetual subordinated convertible securities in the outstanding amount of RMB1,604,736,493 which may be converted into 462,460,084 domestic shares at the initial conversion price of RMB3.47 (subject to the adjustment pursuant to the terms of perpetual subordinated convertible securities).

(2) AVIC Shenzhen held: (A) 395,709,091 domestic shares, representing approximately 35.63% of the issued share capital of the Company; and (B) perpetual subordinated convertible securities in the outstanding amount of RMB118,207,225 which may be converted into 34,065,483 domestic shares at the initial conversion price of RMB3.47 (subject to the adjustment pursuant to the terms of perpetual subordinated convertible securities).

(3) Beijing Raise held perpetual subordinated convertible securities in the amount of RMB1,058,729,021 which may be converted into 305,109,228 domestic shares at the initial conversion price of RMB3.47 (subject to the adjustment pursuant to the terms of perpetual subordinated convertible securities).

2. The same equity interest of the above 29,644,000 H Shares include:

(A) Empire Grand Limited ("Empire Grand") holds 14,823,000 H Shares 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 and Mr. Li Tzar Kuoi, Victor is interested in one-third and two-third respectively 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 settlor 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 held by Empire Grand and HIL.

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

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 30 June 2013, 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 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

During the six months ended 30 June 2013, there is no change in directors, supervisors and senior management members of the Company.

As disclosed in the circular of the Company dated 4 May 2012 and the announcement of the Company dated 19 June 2012, it was proposed that the executive Directors shall receive from the Company emoluments (subject to annual review) per annum and were eligible to receive discretionary bonus and the independent non-executive Directors shall receive from the Company emoluments (subject to annual review) per annum. Starting from 1 January 2013 and for the six months ended 30 June 2013, the executive Directors no longer received any emoluments from the Company and were no longer eligible to receive discretionary bonus. The arrangement for emoluments of the independent non-executive Directors had remained unchanged.

On 23 August 2013, Mr. You Lei, an executive Director, was appointed as the vice chairman of the Board.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2013 was the Company and its subsidiaries or its holding company a party to any arrangement to enable any Directors, supervisors or senior 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

During the six months ended 30 June 2013, 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 REMUNERATION

As at 30 June 2013, the Group had approximately 25,843 employees (the corresponding period of 2012: 23,348 employees), with employee related costs of approximately RMB928,830,000 (the corresponding period of 2012: RMB681,040,000). The Group formulated its competitive remuneration 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

AVIC Weihai Shipyard Co., Ltd. had provided a three-year guarantee of a loan of RMB150,000,000 in favour of Weihai Port Group Co., Ltd. (威海港集團有限公司), and a one-year guarantee of a loan of RMB55,000,000 in favour of Jinan Iron & Steel Group Weihai Qiyue Ship Materials Co. Ltd. (威海濟鋼啟躍船材有限公司); Shandong New Shipbuilding Co., Ltd. had provided a one-year guarantee of a loan of RMB55,000,000 in favour of Weihai Port Group Co., Ltd. and a one-year guarantee of a loan of RMB55,000,000 in favour of Weihai Port Co., Ltd. (山東威海港股份有限公司). Beijing Company had provided a full guarantee of RMB180,000,000 in favour of Taizhou AVIC Shipbuilding Heavy Industry Limited and another guarantee of RMB430,000,000 according to its share of equity in Taizhou AVIC Shipbuilding Heavy Industry Limited.

Xiamen Company had provided a five-year guarantee of a loan of RMB52,500,000 in favour of Xiamen Zijin CATIC Co., Ltd. (廈門紫金中航置業有限公司), provided a five-year guarantee of a loan of RMB162,967,100 in favour of Radiance Catico Offshore Pte. Ltd. and provided an eight-year guarantee of a loan of RMB140,000,000 in favour of Xiamen Tianma Microelectronics Co., Ltd..

MAJOR LITIGATION

1. On 4 December 2012, Xiamen Arbitration Commission (廈門仲裁委員會) accepted the application for arbitration hearing from Xiamen Company in relation to the performance of the sales and purchase agreement entered into by Xiamen Company and Beijing Nangang Jinyi Trade Ltd. (北京南鋼金易貿易有限公司) ("Nangang Jinyi"), requisition of the discharge of the sales and purchase agreement, and repayment of the purchase price of RMB21,480,000 by Nangang Jinyi with compensation for loss of interest, legal cost of RMB150,000 and arbitration costs incurred by Xiamen Company. The judgment was ruled in favour of Xiamen Company and the enforcement is currently in progress.

2. On 19 November 2012, Xiamen Arbitration Commission (廈門仲裁委員會) accepted the application for arbitration hearing from Xiamen Company in relation to a claim of approximately RMB25,370,000 for loss of goods, loss of interest and legal costs, maintenance costs against the counterparty for failure to deliver the goods stored; and the requisition on the confirmation of entitlement of the security rights and application for auction and sales of the pledged properties as well as the priority of compensation over proceeds. On 13 December 2012, the People's Court of Shanghai Baoshan District (上海市寶山區人民法院) accepted the application from Xiamen Company and made the ruling of property preservation. The judgment was ruled in favour of Xiamen Company and the enforcement is currently in progress.

   Except for the disclosure above, as at the date of this report, the Directors are not aware of any material litigation or claims which are pending or against any members of the Group.

OTHER SIGNIFICANT EVENTS

1. Very Substantial Disposal and Connected Transaction – Capital Increase Agreement and Deemed Disposal of Interest in AVIC Vanke

On 27 December 2012, the Company, Vanke Enterprise Company Limited, AVIC International and AVIC Vanke entered into the capital increase agreement, pursuant to which AVIC International and Vanke Enterprise have respectively conditionally agreed to make a capital contribution of RMB600,000,000 and RMB400,000,000 in cash to increase the registered capital and the capital reserve of AVIC Vanke (the "Capital Increase").

As at 27 December 2012, the Company held 60% interest in AVIC Vanke. Upon completion of the Capital Increase, the shareholding of the Company in AVIC Vanke will be diluted from 60% to 47.12% of the enlarged registered capital of AVIC Vanke. The dilution of the Company's interest in AVIC Vanke constitutes a deemed disposal of interest in AVIC Vanke under Rule 14.29 of the Listing Rules.

As the percentage ratios under the Listing Rules applicable to the Capital Increase are more than 75%, the Capital Increase constitutes a very substantial disposal of the Company and the Capital Increase is subject to, among other things, the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. As each of AVIC International and Vanke Enterprise is a connected person of the Company, the Capital Increase also constitutes a connected transaction of the Company. Accordingly, the Capital Increase is subject to, among other things, the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has held an extraordinary general meeting to consider and approve the Capital Increase on 12 April 2013 and the Capital Increase was approved by the independent shareholders of the Company in the extraordinary general meeting. As at the date of this report, AVIC Vanke has completed the Capital Increase and obtained the new business license issued by the local Administration for Industry and Commerce. For details, please refer to the announcements of the Company dated 27 December 2012 and 18 January 2013, circular dated 25 February 2013 and announcement of poll results of extraordinary general meeting held on 12 April 2013.

2. Change of Company Name and Change of Stock Short Name

On 5 February 2013, the Board announced that the name of the Company has been changed from "深圳中航集團股份有限公司 (CATIC Shenzhen Holdings Limited)" to "中航國際控股股份有限公司 (AVIC International Holdings Limited)". Following the change of name of the Company, the stock short name of the Company for trading in the H Shares on the Stock Exchange changed from "CATIC SHENZHEN" and "深圳中航集團股份" to "AVIC IHL" and "中航國際控股" with effect from 8 February 2013. The stock code of the Company remains unchanged.

The business license bearing the new Chinese name of the Company was issued by the Market Supervision Administration of Shenzhen Municipality on 4 January 2013. The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 1 February 2013 certifying that the new name of the Company has been registered in Hong Kong under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). For details, please refer to the announcements of the Company dated 5 September 2012 and 5 February 2013 and the circular of the Company dated 4 October 2012.

3. Issuance of Corporate Debentures by Fiyta

Fiyta, a subsidiary of the Company, with the approval by China Securities Regulatory Commission, issued corporate debentures (the "Fiyta Debentures") amounting to RMB400,000,000 carrying an annual interest rate of 5.04% on 27 February 2013. The maturity date of the Fiyta Debentures will be on 26 February 2018. Fiyta may redeem the Fiyta Debentures on 27 February 2016, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the redemption date. Fiyta may, at its option, choose to increase the annual interest rate of the Fiyta Debentures (0.01% to 1%) for the fourth and fifth years of the maturity period. If Fiyta does not exercise the option, the interest rate of the Fiyta Debenture will remain unchanged in the remaining period before maturity. The Fiyta Debenture is guaranteed by AVIC Shenzhen.

For details, please refer to the announcements of the Company dated 19 June 2012, 28 August 2012, 14 September 2012, 22 February 2013 and 25 February 2013.

4. Further Development in relation to Very Substantial Acquisition and Connected Transaction Involving Issue of Perpetual Subordinated Convertible Securities

On 16 May 2013, the Company and AVIC International entered into a supplemental agreement (the "Supplemental Agreement") to amend certain terms of the acquisition agreement (including equity interest purchase agreement and perpetual subordinated convertible securities ("PSCS") subscription agreement) entered into between the Company and AVIC International dated 16 November 2011 in relation to the acquisition of 100% equity interest in China National Aero-Technology Corporation Shanghai Company Limited (中國航空技術上海有限公司) ("Shanghai Company"), 50% equity interest in AVIC Lutong Company Limited (中航路通實業有限公司), 90% equity interest in AVIC-INTL Coal Logistics Company Limited (中航國際煤炭物流有限公司) (formerly known as Guizhou CATIC Resources Company Limited (貴州中航資源有限公司)), and 100% equity interest in AVIC-INTL Project Engineering Company (中航國際成套設備有限公司) at the original consideration of RMB1,311,110,000, to be satisfied by the issue of PSCS by the Company in the principal amount of RMB1,311,110,000 convertible into 368,289,325 new domestic shares at the initial conversion price of RMB3.56 per domestic share. Pursuant to the Supplemental Agreement, the parties conditionally agreed, among other things, that the 100% equity interest in Shanghai Company shall be excluded from the aforesaid sale interests, and the consideration for the revised sale interests shall be revised to RMB552,814,600 to be satisfied by issue of PSCS in the principal amount of RMB552,814,600 convertible into 155,285,000 new domestic shares at the initial conversion price of RMB3.56 per domestic share by the Company.

As certain applicable percentage ratios under the Listing Rules in relation to the Supplemental Agreement and the transactions contemplated thereunder are higher than 5% but less than 25%, the entering into of the Supplemental Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company; as AVIC International is a connected person of the Company, the entering into of the Supplemental Agreement and the transactions contemplated thereunder thus also constitute a connected transaction of the Company subject to, among other things, approval of the independent shareholders under Chapter 14A of the Listing Rules. An extraordinary general meeting will be convened by the Company on 26 August 2013 to consider the aforesaid transactions. For details, please refer to the announcement of the Company dated 16 May 2013 and the circular of the Company dated 5 July 2013.

SUBSEQUENT EVENTS

In July 2013, Shenzhen AVIC Resources Co., Ltd. ("Resources Company") completed the acquisition of 70% equity interest of Shandong Luyuan Mining Investment Company ("Shandong Luyuan") from an independent third party at consideration of RMB96,690,000. Resources Company became the controlling party of Shandong Luyuan.

The main assets of Shandong Luyuan are potash mine located at Congo. Resources Company controls the potash mine indirectly through acquisition of Shandong Luyuan.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In accordance with code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "Code"), roles of the chairman and the chief executive should be separated and should not be performed by the same individual. The responsibility of the chairman and the chief executive should be clearly established and set out in writing. During the six months ended 30 June 2013, the executive Directors exercise the function of the management of the Company and the Company did not appoint any chief executive. The executive Director and Chairman of the Company, Mr. Wu Guang Quan and the Board hold meeting regularly to consider major matters that influence the operation of the Group. The Board considers that the structure will not impair the balance of authority and power between the Board and the management of the Company. Each executive Director being assigned with different functions will complement the role of the Chairman. The Board believes that this structure is beneficial for establishing a stable and consistent leadership, which will enable effective operation of the Group. Except for the aforesaid, for the six months ended 30 June 2013, the Company has complied with all the code provisions of the Code.

SHARE TRADING

The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") has been adopted as a code of securities transactions for the Directors and supervisors. The Company, having made specific enquiries with all Directors and supervisors, confirmed that, during the Reporting Period, all Directors and supervisors had complied with the standards of dealing in securities specified in the Model Code.

AUDIT COMMITTEE

The Board 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 the independent non-executive Directors, namely Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Zhang Ping. The Audit Committee of the Company has reviewed and confirmed this report and the Company's interim report for the six months ended 30 June 2013.

PUBLIC FLOAT

Based on information that is publicly available and within the best knowledge of the Board, the Company has maintained sufficient public float as at the date of this report.

The figures in this report in relation to the Group's results for the Reporting Period have been agreed by the Company's auditor, PricewaterhouseCoopers.

APPOINTMENT OF VICE CHAIRMAN OF THE BOARD

On 23 August 2013, Mr. You Lei ("Mr. You") was appointed as the vice chairman of the Board for a term from 23 August 2013 to 18 June 2015. Mr. You and the Company had entered into a Director's service contract with a term of three years. Mr. You currently does not receive any emoluments and bonus from the Company.

AMENDMENTS TO THE TERMS OF REFERENCE OF THE NOMINATION COMMITTEE OF THE COMPANY

The terms of reference of the nomination committee of the Company was amended on 23 August 2013 to include the review of the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy as one of its duties.

By Order of the Board
AVIC International Holdings Limited
Wu Guang Quan
Chairman

Shenzhen, the PRC, 23 August 2013

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.