



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*

Mr. Lai Wei Xuan 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 Guana 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

Suites 2001-2006, 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,

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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

Industrial and Commercial Bank of China

Bank of Shanghai

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 2014 prepared in accordance with the International Financial Reporting Standards as follows:

INTERIM CONSOLIDATED BALANCE SHEET

ı	Note	Unaudited 30 June 2014 <i>RMB</i> '000	Audited 31 December 2013 RMB'000
ASSETS Non-current assets			
Land use rights		1,497,246	1,438,645
Exploration and extraction rights		846,868	836,543
Goodwill	15	744,963	385,435
Intangible assets	70	827,333	244,530
Property, plant and equipment		8,545,715	8,536,709
Investment properties		2,184,043	2,153,150
Construction-in-progress		2,258,295	1,879,385
Investments accounted for using the equity method		4,063,554	4,386,692
Trade and other receivables	7	235,700	248,040
Available-for-sale financial assets		275,144	291,090
Deferred income tax assets		457,484	311,635
Other non-current assets		351,985	2,046,166
		22,288,330	22,758,020
Current assets			
Inventories		5,032,611	4,614,870
Properties under development		2,058,491	2,317,086
Trade and other receivables	7	11,214,949	10,368,510
Amounts due from customers for contract work		3,129,516	1,493,175
Derivative financial instruments		4,421	5,405
Financial assets at fair value through profit or loss		9,307	_
Pledged bank deposits		485,478	641,426
Cash and cash equivalents		7,698,101	4,802,843
		29,632,874	24,243,315
Total assets		51,921,204	47,001,335

Note	Unaudited 30 June 2014 <i>RMB</i> ² 000	Audited 31 December 2013 RMB'000
EQUITY Capital and reserves attributable to owners of the Company		
Share capital Share premium Perpetual subordinated convertible securities Other reserves Retained earnings	1,110,632 1,294,633 2,781,674 (380,202) 3,700,292	1,110,632 1,294,633 2,781,674 (404,201) 3,535,079
	8,507,029	8,317,817
Non-controlling interests	4,806,859	4,399,803
Total equity	13,313,888	12,717,620
Non-current liabilities Borrowings Deferred income tax liabilities Deferred income on government grants Provision Trade and other payables Retirement and other supplemental benefit obligations Other non-current liabilities	7,557,685 859,173 562,274 19,940 36,492 34,622 951,506	6,182,333 624,760 570,576 – 44,871 42,869 956,152
	10,021,692	8,421,561
Current liabilities Trade and other payables 8 Amounts due to customers for contract work Borrowings Current income tax liabilities Retirement and other supplemental benefit obligations	14,748,001 342,623 13,317,635 173,718 3,647	12,697,401 194,180 12,751,554 214,355 4,664
	28,585,624	25,862,154
Total liabilities	38,607,316	34,283,715
Total equity and liabilities	51,921,204	47,001,335
Net current assets/(liabilities)	1,047,250	(1,618,839)
Total assets less current liabilities	23,335,580	21,139,181

INTERIM CONSOLIDATED INCOME STATEMENT

Unaudited Six months ended 30 June

	Note	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Revenue Cost of sales	6	13,875,964 (11,634,391)	12,971,224 (11,137,860)
Gross profit		2,241,573	1,833,364
Distribution costs Administrative expenses Other income Other gains – net		(671,172) (1,038,483) 98,873 46,509	(580,539) (908,288) 227,918 82,882
Operating profit	9	677,300	655,337
Finance income Finance costs		157,972 (529,116)	49,637 (445,696)
Finance costs – net		(371,144)	(396,059)
Share of profit of investments accounted for using the equity method		101,109	139,834
Profit before income tax		407,265	399,112
Income tax charge	10	(59,544)	(83,792)
Profit for the period		347,721	315,320
Profit attributable to: Owners of the Company Non-controlling interests		165,213 182,508	218,968 96,352
		347,721	315,320
Earnings per share attributable to the owners of the Company during the period (RMB per share)			
- basic	11	0.14	0.18
- diluted	11	0.09	0.11
Dividends	12	_	_

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited Six months ended 30 June

	2014 RMB'000	2013 RMB'000
Profit for the period	347,721	315,320
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Fair value losses on available-for-sale financial assets, gross of tax	(2,854)	(4,993)
Fair value losses on available-for-sale financial assets, tax Recycle of currency translation differences	714 (9,990)	1,248
Currency translation differences	37,792	(26,735)
Other comprehensive income/(loss) for the period, net of tax	25,662	(30,480)
Total comprehensive income for the period, net of tax	373,383	284,840
Attributable to:		
Owners of the CompanyNon-controlling interests	189,074 184,309	187,424 97,416
Total comprehensive income for the period	373,383	284,840

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

				Unau	dited			
		Attributab	le to owners of the	Company				
	0	O.	Perpetual subordinated	0"				
					Retained			
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
Comprehensive income								
Profit for the period ended 30 June 2013	-	-	-	-	218,968	218,968	96,352	315,320
Other comprehensive income	-	-	-	(31,544)	-	(31,544)	1,064	(30,480)
Total comprehensive income	-	-	-	(31,544)	218,968	187,424	97,416	284,840
Transactions with owners								
Acquisition of a subsidiary	-	-	-	-	-	-	14,746	14,746
Capital contributed by non-controlling interest	-	-	-	-	-	-	41,277	41,277
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 2013	-	-	-	-	-	-	(44,136)	(44,136)
Total transactions with owners	-	-	-	(3,749)	-	(3,749)	12,283	8,534
Balance as 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

	Unaudited							
		Attributabl	le to owners 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 <i>RMB</i> '000
Balance as at 1 January 2014	1,110,632	1,294,633	2,781,674	(404,201)	3,535,079	8,317,817	4,399,803	12,717,620
Comprehensive income								
Profit for the period ended 30 June 2014	_	_	_	_	165,213	165,213	182,508	347,721
Other comprehensive income	-	-	-	23,861	-	23,861	1,801	25,662
Total comprehensive income	-	-	-	23,861	165,213	189,074	184,309	373,383
Transactions with owners								
Acquisition of subsidiaries	_	_	_	_	_	_	261,320	261,320
Capital contributed by non-controlling interest	-	_	_	_	_	_	38,443	38,443
Transactions with non-controlling interest	-	_	_	397	_	397	(4,136)	(3,739)
Disposal of a subsidiary	-	-	-	-	-	-	(1,400)	(1,400)
Share of reserve of an associate arising								
from its transactions with non-controlling								
interests	-	-	-	(259)	-	(259)	-	(259)
Dividends relating to 2014	-	-	-	-	-	-	(71,480)	(71,480)
Total transactions with owners	-	-	-	138	_	138	222,747	222,885
Balance as at 30 June 2014	1,110,632	1,294,633	2,781,674	(380,202)	3,700,292	8,507,029	4,806,859	13,313,888

INTERIM CONSOLIDATED CASH FLOW STATEMENT

Unaudited Six months ended 30 June

,	Vote	2014 RMB'000	2013 RMB'000
Cash flows from operating activities: Cash generated from operations Interest paid Income tax paid		1,017,492 (539,602) (184,673)	392,690 (413,381) (103,987)
Cash flows used in operating activities - net		293,217	(124,678)
Cash flows from investing activities: Net proceeds from disposal of available-for-sale financial assets Net proceeds from disposal of associates Net proceeds from disposal of property, plant and equipment and investment properties		400 - 1,056	20,000 74,612 5,324
Net proceeds from disposal of a subsidiary Contribution to associates Contribution to a joint venture Purchase of land use rights Additions to property, plant and equipment and construction in process		(5,500) (42,722) (921,985)	(47) (8,890) (14,649) (100,230) (678,888)
Additions to available-for-sale financial assets Acquisition of subsidiaries, net of cash acquired Guarantee deposits for acquisition of land use rights Government grants received Interest received Dividends received	15	2,046,496 - 26,894 58,736 54,387	(38,000) (170,519) (17,728) 45,775 49,637 246,824
Cash flows from investing activities – net		1,217,762	(586,779)
Cash flows from financing activities: Proceeds from borrowings Proceeds from issuing of debentures Repayments of borrowings Borrowings from related parties Repayments of borrowings from related parties Transactions with non-controlling interest Capital contribution to subsidiaries from non-controlling interests Dividends paid to non-controlling interests of subsidiaries		12,292,372 - (10,350,939) 1,340,129 (1,896,965) (3,739) 38,443 (9,728)	9,050,444 1,000,000 (7,057,607) 1,519,322 (2,328,833) – 41,277 (44,136)
Cash flows from financing activities – net		1,409,573	2,180,467
Net increase in cash and cash equivalents Cash and cash equivalents at beginning of period Exchange losses on cash and bank overdrafts		2,920,552 4,802,843 (25,294)	1,469,010 4,038,225 (84,648)
Cash and cash equivalents at end of period	_	7,698,101	5,422,587

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 development mining resources in the PRC.

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 28 August 2014.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2014 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRS.

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 2013, 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 2014 have material impact on the Group.
 - Amendments to IAS 32 "Financial instruments: Presentation offsetting financial
 assets and financial liabilities". 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. These amendments did not have a material impact on the Group's
 consolidated financial statements.
 - Amendments to IFRS 10 and IFRS 12 (revised 2011) and IAS 27 (amendment) "Investment entities". These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make. These amendments did not have a material impact on the Group's consolidated financial statements.
 - Amendment to IAS 36 'Impairment of assets' on recoverable amount disclosures.
 This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This amendment did not have a material impact on the Group's consolidated financial statements.
 - Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting". This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. This amendment did not have a material impact on the Group's consolidated financial statements.
 - IFRIC Int 21 "Levies". This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This amendment did not have a 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 2014 and have not been early adopted by the Group. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

	Effective for annual periods beginning on or after
Amendment to IAS 19 'Employee Benefit' regarding defined	1 July 2014
benefit plans	
Amendments to IFRS 2 'Share-based payment'	1 July 2014
Amendments to IFRS 3, 'Business combinations' and	1 July 2014
consequential amendments to IFRS 9, 'Financial instruments',	
IAS 37, 'Provisions, contingent liabilities and contingent	
assets', and IAS 39, 'Financial instruments – Recognition and	
measurement' Amendment to IFRS 8, 'Operating segments'	1 July 2014
Amendments to IAS 16, 'Property, plant and equipment' and	1 July 2014
IAS 38, 'Intangible assets'	Todiy 2014
Amendment to IAS 24, 'Related Party Disclosures'	1 July 2014
Amendment to IFRS 13, 'Fair value measurement'	1 July 2014
Amendment to IAS 40, 'Investment property'	1 July 2014
IFRS 14 "Regulatory Deferral Accounts"	1 January 2016
Amendment to IFRS 11 on accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation	1 January 2016
IFRS 15 "Revenue from Contracts with Customers"	1 January 2017
IFRS 9 "Financial instruments"	Mandatory
	effective date
	not yet determined

4 Estimates

The preparation of interim financial information 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 information, 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 2013.

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 2013.

There have been no changes in the risk management department since 31 December 2013 or in any risk management policies.

5.2 Liquidity risk

Compared to 31 December 2013, 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 2014.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total <i>RMB'000</i>
Assets Derivative financial instruments	-	4,421	_	4,421
Financial assets at fair value through profit or loss Available-for-sale financial assets	9,307 24,504	-	- 250,640	9,307 275,144
Total assets	33,811	4,421	250,640	288,872

The following table presents the Group's assets that are measured at fair value at 31 December 2013.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total <i>RMB'000</i>
Assets				
Derivative financial instruments	_	5,405	_	5,405
Available-for-sale financial assets	26,958	-	264,132	291,090
Total assets	26,958	5,405	264,132	296,495

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 agriculturerelated 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 2014 by activities are classified as follows:

Revenue	Profit/(loss) after taxation
Six months ended 30 June	Six months ended 30 June

	2014 RMB'000	2013 <i>RMB'000</i>	2014 RMB'000	2013 RMB'000
High-tech Electronic Products Retails and High-end Consumer	4,271,194	3,408,970	245,949	124,631
Products	1,628,150	1,493,828	92,955	73,781
Real Estate and Hotel ^(a)	2,665,353	1,798,792	157,358	144,997
Trading and Logistics	5,153,905	6,189,566	25,242	85,192
Resources Investment and Development	157,362	80,068	(116,656)	(57,609)
Unallocated ^(b)	-	-	(57,127)	(55,672)
Total	13,875,964	12,971,224	347,721	315,320

Profit after tax contains investment gain of AVIC Vanke Company Limited amounting to RMB72,919,000 (2013: RMB104,527,000) and investment loss of AVIC Real Estate Holding Company Limited amounting to RMB6,652,000 (2013: investment loss RMB7,338,000).

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

7 Trade and other receivables

As at

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Trade receivables Less: provision for impairment of receivables	6,228,248 (202,296)	5,034,247 (158,970)
Trade receivables – net Other receivables Notes receivables Prepayments to suppliers Excess of input over output value added tax Interest receivables Dividend receivables Deposits Financial lease receivables	6,025,952 1,651,909 365,141 2,407,016 380,699 6,776 208,063 377,205 27,888	4,875,277 1,364,613 529,978 2,989,918 480,376 21,255 79,892 247,169 28,072
Less: non-current portion - Excess of input over output value added tax - Deposits - Trade receivables - Financial lease receivables - Others	11,450,649 (78,645) (103,162) (25,975) (27,888) (30)	10,616,550 (106,074) (84,942) (25,975) (28,072) (2,977)
Current portion	(235,700)	(248,040) 10,368,510

The Group's credit term on sale of goods is from 1 month to 12 months. The aging analysis of trade receivables is as follows:

As at

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Trade receivables Within 1 year Between 1 and 2 years Between 2 and 3 years Over 3 years	5,942,723 68,507 174,571 42,447	4,295,360 626,132 63,893 48,862
	6,228,248	5,034,247
Less: provision for impairment losses	(202,296) 6,025,952	(158,970) 4,875,277

8 Trade and other payables

As at

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Trade payables	5,602,990	5,359,733
Salaries and staff welfare payable	375,758	440,038
Notes payable	519,622	545,530
Advance from customers	5,374,717	4,295,782
Interest payable	71,503	81,989
Dividend payable	68,644	6,892
Other taxes payable	160,236	151,183
Accruals and other payables	2,552,650	1,732,908
Borrowings from a third party	18,000	18,000
Deposits	40,373	110,217
	14,784,493	12,742,272
Less: non-current portion		
- Deposits	(36,492)	(44,871)
Current portion	14,748,001	12,697,401

As at 30 June 2014 and 31 December 2013, the ageing analyses of the trade payables are as follows:

As at

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Trade payables		
Within 1 year	4,925,754	5,086,778
Between 1 and 2 years	433,342	151,089
Between 2 and 3 years	126,680	25,605
Over 3 years	117,214	96,261
	5,602,990	5,359,733

9 Operating (profit)/loss

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

Six months ended 30 June

	2014 RMB'000	2013 RMB'000
Provision for impairment of inventory	38,381	17,940
(Reversal of)/provision for impairment of trade receivables	(11,829)	4,530
Amortisation of land use rights and mining rights	15,879	13,078
Amortisation of other non-current assets	96,557	92,307
Depreciation of fixed assets	593,947	383,382
(Gain)/loss on disposals of property, plant and equipment	(2,520)	211
Gain on disposals of investment properties	_	(4,940)

10 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.

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 2014 (2013: 15%).

Tianma Micro-electronics Co., Ltd ("Tianma") and its subsidiaries Shanghai Tianma Micro-electronics Co., Ltd ("Shanghai Tianma") and Chengdu Tianma Micro-electronics Co., Ltd ("Chengdu Tianma"), Shennan Circuit Co., Ltd, AVIC Wang Xin (Beijing) Science and Technology Co., Ltd. and Shenzhen Fiyta Chronometer Manufacture 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 2014 (2013: 15%).

Six months ended

	30 June 2014 <i>RMB'000</i>	30 June 2013 <i>RMB'000</i>
Current income tax Deferred income tax credit	144,036 (84,492)	92,933 (9,141)
	59,544	83,792

11 Earnings per share

(a) Basic

Basic 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 2014	30 June 2013
Profit attributable to owners of the Company (RMB'000) Less: Profit attributable to PSCS holders (RMB'000)	165,213 (13,908)	218,968 (13,908)
Profit attributable to ordinary shares holders of the Company (RMB'000)	151,305	205,060
Weighted average number of ordinary shares in issue (thousands) Basic earnings per share (RMB per share)	1,110,632 0.14	1,110,632 0.18

(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 2014	30 June 2013
Profit attributable to owners of the Company		
(RMB'000)	165,213	218,968
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)	0.09	0.11

12 Dividends

The directors did not propose an interim dividend for the six months ended 30 June 2014.

13 Contingencies

As at 30 June 2014, the Group has the following financial guarantees outstanding:

Guarantor	Guarantor's relationship with the Group	Guarantee	Guarantee's relationship with the Group	Outstanding amounts guaranteed '000
China National Aero-Technology Beijing Company Limited ("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	RMB763,960
China National Aero-Technology Xiamen Company Limited ("Xiamen Company")	Subsidiary of the Group	Xiamen Tianma Microelectronics Co., Ltd. (廈門天馬微電子有限公司)	The guarantor holds 6% equity interest in the guarantee	RMB176,000
Xiamen Company	Subsidiary of the Group	Xiamen Zijing CATIC Co., Ltd. (廈門紫金中航置業有限公司)	Under common control by PRC Government	RMB60,000
Beijing Company	Subsidiary of the Group	Zhengli Ocean Engineering Company Limited (正力海洋工程有限公司)	Third party	RMB39,060
China National Aero-Technology International Engineering Company Limited ("Engineering Company")	Subsidiary of the Group	CATIC Construction Engineering Company Limited (中航建築工程有限公司)	Associate company of the guarantor	RMB36,750
Xiamen Company	Subsidiary of the Group	Radiance Catico Offshore Pte. Ltd	Associate company of the guarantor	USD26,413

As at 31 December 2013, the Group has the following financial guarantees outstanding:

Guarantor	Guarantor's relationship with the Group	Guarantee	Guarantee's relationship with the Group	Outstanding amounts guaranteed '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)	Associated Company	RMB607,960
Xiamen Company	Subsidiary of the Group	Xiamen Tianma Microelectronics Company Limited (廈門天馬徽電子有限公司)	The guarantor holds 6% equity interests in the guarantee	RMB176,000
Xiamen Company	Subsidiary of the Group	Radiance Catico Offshore Pte. Ltd	Associated Company	RMB162,022
Xiamen Company	Subsidiary of the Group	Xiamen Zijing CATIC Company Limited (廈門紫金中航置業有限公司)	Associated Company	RMB60,000
Beijing Company	Subsidiary of the Group	Zhengli Ocean Engineering Company Limited (正力海洋工程有限公司)	Third party	RMB44,530
Engineering Company	Subsidiary of the Group	CATIC Construction Engineering Company Limited (中航建築工程有限公司)	Associated Company	RMB19,600

14 Commitments

(a) Capital commitments

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

As at

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Contracted but not provided for		
Property, plant and equipment Properties under development	517,566 976,939	90,393 1,088,624
	1,494,505	1,179,017

As at

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Authorised but not contracted for		
Property, plant and equipment	2,511,078	4,005,583

(b) Operating lease commitments

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

As at

	30 June	31 December
	2014	2013
	RMB'000	RMB'000
Not later than one year	75,558	103,860
Later than one year and not later than five years	129,566	191,058
More than five years	17,208	_
	222,332	294,918

15 Business combinations

(a) On 1 April 2014, AVIC TED (Beijing) Automation Technology Co., Ltd. (中航泰德(北京)) 自控技術有限公司), a subsidiary of the Group, acquired 55% equity interests of Shenzhen Zhongchang Marine Engineering Co., Ltd. (深圳中昶海洋工程有限公司) ("Shenzhen Zhongchang") at a consideration of RMB8,250,000.

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

Consideration: At 1 April 2014	RMB'000
Cash	8,250

Recognised amounts of identifiable assets acquired and	
liabilities assumed	RMB'000
Cash and cash equivalents	4,847
Trade and other receivables	10,708
Inventory	2,907
Property, plant and equipment	1,138
Other non-current assets	3
Trade and other payables	(4,603)
Total identifiable net assets	15,000
Non-controlling interest	(6,750)
Goodwill	
	8,250

The revenue of RMB4,860,000 included in the consolidated income statement during the period from 1 April 2014 to 30 June 2014 was contributed by Shenzhen Zhongchang. Shenzhen Zhongchang contributed profit of RMB99,000 over the same period.

- (b) The Group originally held 20% equity interests in KHD Humboldt Wedag International AG ("KHD") since 2011. From October 2013 to April 2014, the Group increased its shareholding in KHD from 20% to 89.02% through a series of transactions (the "Transactions") as follows:
 - (i) On 11 October 2013, AVIC International Engineering Holdings Pte. Ltd. ("AVIC Engineering"), an indirectly wholly owned subsidiary of the Company, entered into twelve agreements separately with certain third parties to purchase approximately 19.03% equity interests in KHD for an aggregate consideration of approximately EUR60,993,000 (RMB518,645,000).
 - (ii) Concurrently, AVIC Engineering together with the Singapore Companies (essentially affiliated entities of the Company, namely Europe Engineering Holdings Pte. Ltd., Europe Project Management Pte. Ltd. and Europe Technology Investment Pte. Ltd.) launched a takeover offer to acquire shares of KHD from the then public shareholders. The takeover offer closed on 16 January 2014. By the closing of the takeover offer, the Group further acquired approximately 49.99% equity interests in KHD with aggregate consideration of approximately EUR160,263,000 (RMB1,362,768,000).

The Transactions were completed on 27 May 2014. The following table summarises the consideration paid for KHD, fair value of the assets acquired and liabilities assumed at the acquisition date.

Consideration: At 27 May 2014	RMB'000
Cash*	1,881,414
Fair value of the previously held 20% equity interest in KHD before the Transactions	482,660
Total consideration	2,364,074

Recognised amounts of identifiable assets acquired and	
liabilities assumed	RMB'000
	K
Cash and cash equivalents	2,049,899
Trade and other receivables	787,474
Financial assets at fair value through profit or loss	8,784
Inventory	483,464
Intangible assets	667,637
Property, plant and equipment	21,675
Deferred income tax assets	62,134
Trade and other payables	(1,517,321)
Provision	(20,204)
Current income tax liabilities	(9,541)
Retirement and other supplemental benefit obligations	(34,311)
Deferred income tax liabilities	(240,618)
Total identifiable net assets	2,259,072
Non-controlling interest	(254,526)
Goodwill	359,528
	2,364,074

^{*} Cash consideration has been prepaid in 2013

The revenue of RMB213,125,000 included in the consolidated income statement during the period from 27 May 2014 to 30 June 2014 was contributed by KHD. KHD contributed profit of RMB3,799,000 over the same period.

16 Related party transactions

The Group is controlled by AVIC International Holding Corporation ("AVIC International"), a state-controlled company established in the PRC which directly and indirectly holds 75% of the Company's shares. The remaining 25% of the shares of the Company are widely held by the public. The Directors regard AVIC International and Aviation Industry Corporation of China ("Aviation Industry") as the holding company and ultimate holding company of the Group respectively.

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

	2014 RMB'000	2013 <i>RMB'000</i>
Revenue:		
Sales of goods - Associates - Fellow subsidiaries of Aviation Industry - Holding company - Ultimate holding company	425,073 294,368 10,882 650	481,919 84,270 183 1,328
	730,973	567,700
Service income - Fellow subsidiaries of Aviation Industry - Joint ventures - Associates - AVIC International Shenzhen Company Limited ("AVIC Shenzhen", the Company's shareholder holding 35.63% of the equity interests of the Company)	97,927 45,643 10,091	11,568 54,900 16,512
- Holding company	60	23
	153,931	83,003
Rental income - Fellow subsidiaries of Aviation Industry - Associates	- -	1,120 178
	-	1,298
Interest income - Associates - Fellow subsidiaries of Aviation Industry	5,860 -	- 30
	5,860	30

Six months ended 30 June

	2014 RMB'000	2013 RMB'000
Purchase of goods and services:		
Purchases of goods – Fellow subsidiaries of Aviation Industry – Associates – Non-controlling interests	537,624 234,128 51	148,053 284,285 5
	771,803	432,343
Service costs - Fellow subsidiaries of Aviation Industry - Associates - Holding company - Joint ventures	17,827 2,763 408	22,832 2,421 - 314
	20,998	25,567
Interest expenses - Fellow subsidiaries of Aviation Industry - Holding company - AVIC Shenzhen - Associates	23,438 6,922 - 319	14,682 312 3,682 1,360
	30,679	20,036

(b) Balances with related parties

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

As at

	Asat	
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
Other receivables		
- Associates	201,340	217,345
		The state of the s
 Fellow subsidiaries of Aviation Industry 	150,863	214,317
 Holding company 	91,675	89,035
Joint ventures	25,000	5
 AVIC Shenzhen 	6,000	11,500
	-	
	474,878	532,202
Interest receivables		
		14041
- Associates		14,041
Prepayments		
Fellow subsidiaries of Aviation Industry	10,057	2,356
•		
- Associates	3,744	53,255
 Holding company 	2,633	1,969
	16,434	57,580
	10,101	01,000
Accounts receivable		
 Fellow subsidiaries of Aviation Industry 	536,853	254,986
- Associates	120,363	211,279
– Joint ventures	32,300	27,579
	631	
- Ultimate holding company	031	65
- Holding company	-	10,569
	690,147	504,478
Appropriate the payables		
Accrual and other payables	044.65=	40.000
 Holding company 	644,935	42,830
 AVIC Shenzhen 	518,280	8,280
 Fellow subsidiaries of Aviation Industry 	300,790	54,623
- Associates	28,877	437
	1 400 000	106 170
	1,492,882	106,170

As at

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB</i> '000
Accounts payable - Fellow subsidiaries of Aviation Industry - Associates - Holding company	508,198 104,264 -	51,733 457,829 468
	612,462	510,030
Advance from customers - Fellow subsidiaries of Aviation Industry - Joint ventures - Associates - Holding company	103,491 942 50	137,332 - 61,235 4,398
	104,483	202,965
Interest payables - Fellow subsidiaries of Aviation Industry - AVIC Shenzhen - Holding company	134 - -	1,666 845 10,479
	134	12,990
Other non-current liabilities – Holding company – AVIC Shenzhen	650,000 -	800,000 100,000
	650,000	900,000
Borrowings from related parties – Fellow subsidiaries of Aviation Industry	565,348	1,426,521

17 Events after the reporting period

On 1 November 2013, Tianma entered into five separate framework agreements with (a) the Company, Shanghai Zhangjiang (Group) Co., Ltd. (上海張江 (集團) 有限公司), Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司) and Shanghai Optical Communications Corporation (上海光通信公司) in relation to the acquisition of 70% equity interests in Shanghai Tianma; (b) Chengdu Gaoxin Investment Group Company Limited (成都高新投資集團有限公司) and Chengdu Industrial Group Company Limited (成都工業投資集團有限公司) in relation to the acquisition of 40% equity interests in Chengdu Tianma; (c) Hubei Province Technology Investment Group Company Limited (湖北省科技投資集團有限公司) in relation to the acquisition of 90% equity interests in Wuhan Tianma Microelectronics Co., Ltd.; (d) AVIC International and AVIC Shenzhen in relation to the acquisition of the entire equity interests in Shanghai AVIC Opto-electronics Limited; (e) AVIC International and AVIC Shenzhen in relation to the acquisition of the entire equity interests in Shenzhen AVIC Opto-electronics Limited; respectively (the "Tianma Transactions").

Also on 1 November 2013, the board of directors of Tianma proposed to issue not more than 149,771,631 A shares to not more than ten places in cash at a placing price of not lower than RMB12.69 per A shares after the completion of the Tianma Transactions for raising additional funds ancillary to the Tianma Transactions (the "Proposed A Shares Placing").

On 22 August 2014, Tianma has received the approval in writing from China Securities Regulatory Commission issued on 20 August 2014 on the overall proposal of the Tianma Transactions and the Proposed A Shares Placing for a validity period of twelve months from the date of issue.

BUSINESS REVIEW

The consolidated revenue and profit contributions of the Company in its consolidated results for the six months ended 30 June 2014 (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
			<u> </u>
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%	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 development business, while also operating industrial property development
	Chengdu AVIC Raise Real Estate Company Limited ("Chengdu Raise")	60%	Mainly engages in residential premises development business, while also operating industrial property development

Business sections	Name of subsidiaries	Percentage of equity interests held by the Company	Principal activities
	Xi'an AVIC Raise Xikong Real Estate Company Limited ("Xi'an Raise")	51%	Mainly engages in residential premises development business, while also operating industrial property development
	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, medical facilities and bitumen engineering

Business sections	Name of subsidiaries	Percentage of equity interests held by the Company	Principal activities
	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 and information application service
	AVIC International Renewable Energy Development Co., Ltd. ("RED Company")	100%	Technology development, transfer, consultation and services; engineering project management; research and development of energy equipment
Resources Investment and Development	Shenzhen AVIC Resources Co., Ltd. ("AVIC Resources")	100%	Investment and development of agriculture-related resources business

During the Reporting Period, the Group recorded a consolidated revenue from continuing operations of approximately RMB13,875,964,000, representing an increase of approximately 7% over the same period of previous year of approximately RMB12,971,224,000. The profit attributable to owners of the Group (excluding non-controlling interests) was approximately RMB165,213,000, representing a decrease of approximately 25% over the same period of previous year of approximately RMB218,968,000.

SUMMARY OF PERFORMANCE

In the first half year of 2014, the global economic showed a sign of moderate recovery. Alongside with the adjustment of economic structure and industry transformation, the economy confronted a greater downstream pressure. The Group adhered to its yearly strategic theme of "Development-infocus, Structural Adjustment, Effectiveness Enhancement and Risk Control". We firmly undertook the strategic transformation to overcome various adverse factors and were rewarded a sound overall operating results. The transformation and upgrade of high – tech electronic products section achieved remarkably. Economies of scale has significantly increased as compared with that of the same period last year, of which the products and customers structure of liquid crystal displays (LCD) business are continuously optimized and the profit has significantly increased as compared with the corresponding period of last year. The major asset restructuring was progressing smoothly. The PCB business grasped the market opportunities arising in the domestic 4G construction and the output kept hitting new records. The section of retails and high-end consumer products carried out the shop revamp exercise in line with the main theme of "Experience", which actively pushed the synergy of online and offline business. As a result, the self-owned brands achieved an outstanding performance. The real estate and hotel section steadily promoted the on-going projects. The Sri Lanka project received great appreciation. The ship engineering business in the trading and logistics section actively put forward the integration of business and management. By capturing the market recovery opportunity, it gained orders and secured large orders during Premier Mr. Li Kegiang's visit to Greece. Mechatronics engineering business completed the acquisition of further interests in KHD, Germany, paving the way for the cement EPC business to rank top positions in the world.

High-tech Electronic Products

As for the business of high-tech electronic products, the Group engages in research and development (R&D), design, production, sales and service of LCD and PCB products mainly through its subsidiaries, such as Tianma and SCC. During the Reporting Period, the Group's revenue generated from high-tech electronic products section was approximately RMB4,271,194,000, representing an increase of approximately 25% from RMB3,408,970,000 for the same period of last year. The profit was approximately RMB245,949,000, representing an increase of approximately 97% from RMB124,631,000 for the same period of last year.

(1) LCD

The LCD products of Tianma comprise small-to-medium size liquid crystal displays (LCD) and liquid crystal modules (LCM), which are mainly used in the display fields such as consumer electronics, industrial control and medical services.

During the Reporting Period, smartphones and tablets were still the main demand of small-to-medium size LCD. Tianma took an initiative to conform with the market demand, to get hold of the development and nurturing of key customers, to continue the optimization of product structure, and to broaden the proportion of high value-added products including middle-to-high-end smartphones, vehicle display, industrial control devices. As a result, the overall profits achieved a significant growth. The portion of key customers was continuously increased, and the customer structure was distinctly improved. With the optimization of the whole management process from orders planning to delivery of products, the internal operating efficiency was remarkably enhanced.

During the Reporting Period, the proposal of major asset restructuring and A Shares placing for financing of Tianma's acquisition of 70% equity interest in Shanghai Tianma Microelectronics Co., Ltd ("Shanghai Tianma"), 40% equity interest in Chengdu Tianma Microelectronics Co., Ltd ("Chengdu Tianma"), 90% equity interest in Wuhan Tianma Microelectronics Co., Ltd ("Wuhan Tianma"), the entire equity interest in Shanghai AVIC Optoelectronics Limited ("Shanghai Opto-electronics") and the entire equity interest in Shenzhen AVIC Opto-electronics Limited ("Shenzhen Opto-electronics") (collectively referred to as "Tianma Transactions and the Proposed A Shares Placing") was approved by the Stateowned Assets Supervision and Administration Commission ("SASAC") under the State Council, and on 22 August 2014, Tianma has received the approval in writing from China Securities Regulatory Commission ("CSRC") issued on 20 August 2014 on the overall proposal of the Tianma Transactions and the Proposed A Shares Placing for a validity period of twelve months from the date of issue. The execution of the major asset restructuring and complimentary financing proposal will further enhance Tianma's scope of business, products competitiveness and industry position.

(2) 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, the demand of the PCB market turned stable. The domestic PCB market displayed a upward trend driven by the domestic 4G establishment. With the customer value as its core, SSC established high efficiency and high speed one-stop solution of products and services through commencing services of design and testing, to provide customers with value added services. As a result, the revenue achieved a record high and the total profit increased significantly as compared with that of the same period last year. Leveraging on the opportunities of the 4G establishment, the output of PCB business kept hitting record highs. As the internal supply chain management and operation capability were enhanced, the quality of delivery of the products remained stable at the peak season. The electronics assembly business experienced a rapid development with a greater increase in orders and customer structure optimization. Its gross profit margin hit a record high. The packaging substrate business developed steadily, making a faster progress in major client exploration and with orders more than double as compared with the same period last year. The construction of the production base in Wuxi was in progress on schedule.

Retails and High-end Consumer Products

The retails and high-end consumer products section of the Group engages in the production and brand operation of middle to high-end watches and chain sales of prestigious watches through its subsidiary, Fiyta. During the Reporting Period, the turnover generated from the retails and high-end consumer products section of the Group for the first half of the year amounted to approximately RMB1,628,150,000, representing a growth of approximately 9% from approximately RMB1,493,828,000 for the same period of last year. The total profit amounted to approximately RMB92,955,000, representing an increase of approximately 26% from approximately RMB73,781,000 when compared with the same period of last year.

During the Reporting Period, the high-end luxury watch market remained sluggish as it was affected by the internal government policies and economic trend. By focusing on enhancing effectiveness which started from strengthening of internal operation and shop revamp as main approach, Fiyta achieved a positive result with a year-on-year growth on both revenue and profit. Fiyta watch brands optimized product development with customers' demand in mind. New products' popularity grew steadily and the e-commerce developed rapidly. Fiyta watch also gained the honor to exhibit in the fabulous exhibition in Basel International Watch for four consecutive years. The sales of the prestigious watch under Harmony continued to optimize brands and product structures. Through enhancing high value services and customer experience, Harmony improved customer loyalty, increased the single shop's revenue. Harmony also actively adjusted the channel expansion strategy so as to cope with the change of macro trends.

Real Estate and Hotel

The Group engages in real estate development business through its subsidiaries Chengdu Raise, Xi'an Raise and Beijing Ruixin, and engages in domestic and overseas engineering contracting and overseas development through Engineering Company. During the Reporting Period, the real estate and hotel business section of the Group recorded turnover of approximately RMB2,665,353,000, representing an increase of approximately 48% as compared with approximately RMB1,798,792,000 in the previous year. The profit after tax was approximately RMB157,358,000, representing an increase of approximately 9% as compared with approximately RMB144,997,000 in the previous year. Profit after taxation comprises investment gain from the joint venture and associate, AVIC Vanke Company Limited ("AVIC Vanke") and AVIC Real Estate Company Limited ("AVIC Real Estate") of approximately RMB66,267,000.

(1) Real Estate Development

The domestic real estate development projects of the Group are mainly commercial complex in small to medium cities. During the Reporting Period, the regional diversion intensified in the domestic real estate industry and investment in real estate market continued to slow down. Hancheng No. 1 (漢城一號) in Xi'an and innovation project of shanty towns under "Eighteenth Neighbour (十八街坊)" of the Group were under construction according to schedule and achieved remarkable sales results. It is expected to be delivered within this year. Overseas real estate development projects such as the development project of Kenya complex real estate, apartments in Tanzania, apartments in Sri Lanka also made smooth progress.

(2) Engineering Contracting

The engineering contracting business of the Group mainly comprises general contracting of international construction projects and gradually expands into domestic construction project contracting business. The Group focused on developing regional markets such as East Africa, South Asia and undertook numerous large and medium international engineering projects. During the Reporting Period, 5 new international and domestic engineering projects with contract value amounting to approximately RMB2 billion were signed by Engineering Company. Currently, Engineering Company has 82 projects in progress with contract value amounting to approximately RMB10 billion. The A09 Highway project in Sri Lanka had an early delivery, and won the award of 'Fine-product Project' granted by the government. The international projects in progress, including the reconstruction and expansion of Kenya Nairobi International Airport and the cement project in Rwanda, were running smoothly.

Trading and Logistics

The Group mainly engages in ship engineering, mechatronics engineering, tendering agency and information application service through its subsidiaries, namely Beijing Company, Guangzhou Company, Xiamen Company, RED Company and TED Company. During the Reporting Period, the Group's turnover generated from trading and logistics section was approximately RMB5,153,905,000, decreased by approximately 17% from approximately RMB6,189,566,000 of the previous year. The profit after taxation was approximately RMB25,242,000, representing a decrease as compared with approximately RMB85,192,000 in the same period of the last year.

(1) Ship Engineering

The Group utilized its indirect subsidiary AVIC International Maritime Holdings Limited (the "Maritime Holdings") as its platform for integration and operation of the shipping business. During the Reporting Period, the trend of international maritime market is not optimistic due to the effect of the on-going depression in the top 3 shipping markets in the world. The Group fully utilized synergies derived from shipbuilding management and consultation, shipping design, shipping manufacturing, shipping trading business of Maritime Holdings to provide clients with one-stop solutions for new shipping manufacturing projects. It devoted to the R&D on high value-added products, accelerated the construction of infrastructures of ship building base and technology improvement, and focused on target customer promotion. After organizing its first overseas showcase in Greece successfully, Maritime Holdings further gained orders of about US\$200 million during Premier Li Keqiang's visit to Greece. During the Reporting Period, the Group's shipping engineering section signed 32 new shipping orders. Orders on hand accumulated to 64 ships. Ships under construction were in good progress and delivery of 8 ships was achieved.

(2) Mechatronics Engineering

The mechatronics engineering business of the Group mainly comprises cement EPC, power station EPC. During the Reporting Period, Beijing Company completed the increase of shareholding in Germany Humboldt (KHD) and accumulated a shareholding of 89.02%. The Group's integral capability of cement EPC enhanced significantly and stood among the top ranking enterprises of the cement equipment design and supplier in the world. More efforts were put to expand the cement EPC projects in Venezuela, Malaysia and Turkey. Meanwhile, the execution and management of the projects on hand were strengthened. In the first half of the year, the power station projects of the Group focused on enhancing the development and exploration of emerging markets. The 12MW ground power plant project in Essex, United Kingdom achieved full on-grid connection for generating power in March 2014.

(3) Tendering Agency and Information Application Service

The Group mainly engages in tendering agency and information application service through TED Company. During the Reporting Period, the tendering agency business of TED Company set the footing on aviation systems, and proactively enhanced the exploration of projects beyond the systems, the amount of entrusted and winning bid was increased. The information application service focused on fostering the IT system integration business which is in line with market demand and bundled with high technology.

Resources Investment and Development

The Group engages in investment and development of agricultural-related resources investment and development businesses through AVIC Resources. During the Reporting Period, the turnover generated from the Group's resources development business was approximately RMB157,362,000, representing an increase of approximately 97% as compared with approximately RMB80,068,000 in the same period of previous year. Affected by the sharp decline of the price of industry product, a loss amounting to approximately RMB116,656,000 was recorded.

During the Reporting Period, the price continued to decline as a result of the pressure of low turnover due to the slowdown in demands of the domestic fertilizer market. In light of the factors including the decline of the product price and the increase of distribution and transportation costs, the potassium fertilizer business of AVIC Resources recorded a relatively greater loss as compared with that of the same period last year. Facing the adverse situation, the potassium fertilizer business endeavored to carry out the technology advancement of saltern and workshop in order to lower the cost and gain more sources of profit. The fertilizer business actively tapped into the market of agricultural application of new additives while the phosphate fertilizers-related business, including the exploitation of phosphate and the production of phosphorus, were progressing in an orderly manner.

BUSINESS PROSPECTS

Looking forward to the second half of the year, although the overall global economy shows a trend of recovery, the domestic macro-economy still faces a huge challenge. The Group will adhere to the yearly strategic theme, strive to intensify business transformation and escalation, explore innovative businesses model under the new trend, and boost the growth of the core businesses. The transformation of the current mechanisms will be further enhanced to improve business management structure and to promote the implementation of business and strategy transformation. The Group will continuously strengthen the internal operation excellence, reduce cost and increase efficiency, and optimize the structure of capital and debt. The Group will unwaveringly upgrade the level of efficiency and effectiveness and the capability of risk control.

High-Tech Electronic Products

(1) LCD

With the upgrade of consumer products and the acceleration of new technology application in the LCD industry, the competition is more vigorous. The LCD business of the Group will continue to maintain and expand the existing advantages, focus on middle-to-high end smartphones and professional display products, explore major international and domestic clients, enhance product quality and resource security so as to further improve the marginal contribution of existing businesses. In the second half of the year, Tianma will put forward the major asset restructuring and the A Shares placing for financing plan.

(2) PCB

Benefited from 4G construction in the communication industry, PCB industry will remain a growth trend. SCC's PCB business will grasp the market opportunities to explore the traditional core market and increase the market share, enlarge the proportion of profitable products and ensure the output and delivery. The electronics assembly business will consolidate the cooperation relationship with strategic key customers and continuously improve the internal operation capability and profitability. Packaging substrate business will strengthen the market exploration and accelerate the transformation towards the high value-added products. Meanwhile, the construction of new projects such as Wuxi production base will be implemented according to schedule.

Retails and High-end Consumer Products

It is expected that the domestic luxury watch market will remain sluggish in the second half of the year. The retails and high-end consumer products business of the Group will actively explore market opportunities and accelerate the promotion on business development and breakthrough. We persist in our brands development strategy to enhance the influence of our brands, and adhere to facilitate the upgrade of the single shop, accelerate the cash flow in order to enhance the efficiency and effectiveness. Fiyta watch focuses on upgrading the technological services and product innovation. With customer focus in mind, it ventures into multi-level and multi-form of cross marketing and continues to strengthen the development of e-commerce to explore online and offline integration. Harmony will strengthen the single shop promotion, accelerate the "Spark Program" (星火計劃), and improve the effectiveness of sales channel.

Real Estate and Hotel

(1) Real Estate Development

In the second half of the year, the domestic real estate market will still be under the stage of adjustment, under which policy control measures gradually become market regulation. The Group will strive to expedite the construction, delivery, sales and capital returns of the existing projects. In line with the market trends, the Group will capture the investment opportunities and seek quality projects. Meanwhile, the Group will capitalize on the showcase effect of the existing real estate projects overseas to further expand the property development business thereof.

(2) Engineering Contracting

In the second half of the year, the engineering contracting business of the Group will continue to focus on the overseas real estate business, to carry out the contracted key projects and commence construction. Meanwhile, by effectively integrating resources, the Group will actively explore the aviation facilities construction projects and optimize the structure of international general engineering contracting business.

Trading and Logistics

(1) Ship Engineering

In the second half of the year, it is expected that the global shipbuilding market will remain in the doldrums. The marine engineering business of the Group will actively tackle with the challenge of market conditions, further focus on the provision of commercial ship design, construction, procurement, trading, investment and financing services integration and comprehensive services, and accelerating the pace of transformation and upgrade of ship business. With the differentiation competition implemented through the best arrangement of the industrial resources in the world, the Group unleash a world-class R&D design of ships and international marketing strength, which enhance the export scale and level of products and supporting equipment. Development for technologies for ship and marine engineering equipment will be commenced so as to improve the technological innovation and the added value of the technologies.

(2) Mechatronics Engineering

Mechatronics engineering business of the Group will continue to optimize the business model, project management system and process. Efforts will be put to enhance the level of industrialization and the new market expansion capability. The contracted projects will also be carried out smoothly. The cement EPC business will further promote the synergy effect created from the combination of the Beijing Company and KHD business. Through integration of the brands, technology and market resources of both parties, the competitiveness of the Group in the global cement EPC market will be consolidated and strengthened. Businesses such as the power plant EPC will strive to duplicate and optimize the existing project mode, actively explore the domestic and overseas markets and gain more quality project resources.

Resources Investment and Development

The resource industry is expected to remain weak in the second half of the year. Potassium fertilizers business of AVIC Resources will focus on the strategy of "Productivity Enhancement, Cost Reduction". With the aims to increase the sales margins, process innovation and other measures will be applied to reduce product production costs, and sales radius and transportation fees will also be controlled. Fertilizer business will actively adjust the product structure and improve key customers exploration and orders placing.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2014, the Group had cash and cash equivalents amounting to approximately RMB7,698,101,000 (31 December 2013: approximately RMB4,802,843,000), including cash in Hong Kong dollars, US dollars, Japanese Yen and Korean Won which have been converted into Renminbi. The Group's bank loans including short-term loans amounted to approximately RMB13,317,635,000. Long-term loans and debentures amounted to approximately RMB7,557,685,000 with an annual interest rates from 1.69% to 12.15%. 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.

Capital expenditure of the Group as at 30 June 2014 amounted to approximately RMB2,405,734,000. The details are as follows:

Subsidiaries Name	Project Name	June 2014 RMB'000
Tianma	Equipment upgrade and plants repair projects of parent	20.654
Hallilla	company	20,054
	New demonstration project for Shanghai Tianma	84,958
	ONCELL project for Chengdu Tianma	2,813
SCC	Production line and machinery equipment investment	172,717
AFM Company	Heng Yang Factory Project	8,549
Fiyta	Timepiece Industrial Park in Guang Ming New District project	13,264
Engineering Company	Real estate projects in Tanzania and Nairobi, hotel projects in Sri Lanka, etc.	52,692
Beijing Company	Yizhuang Industrial Park Project	190,752
	Transformation of breakwater, docks and production facilities of the ship platforms in Weihai Shipyard	15,652
	Equipment procurement and upgrade for Venezuela Company	6,796
	Acquisition of Humboldt Company in Germany	1,745,417
Guangzhou Company	Construction and maintenance of bitumen base of Lutong Company	7,500
Xiamen Company	Exhibition office building project	46,360
AVIC Resources	Saltern expansion and pipeline maintenance, pressure brine, technical improvement project of machine workshops	15,860
	Metallic silicon project	3,500
	Livestock investment project	360
	Mine and monoammonium phosphate project	6,050
	600 thousands tons potassium fertilizer mining right project	11,840
Total		2,405,734

LOAN-TO-EQUITY RATIO

As at 30 June 2014, the loan-to-equity ratio of the Group (bank loans to shareholders' equity ratio) was approximately 156.79% (31 December 2013: approximately 148.88%).

PLEDGED ASSETS

As at 30 June 2014, certain subsidiaries of the Group had secured bank loans totaling approximately RMB3,005,097,000 (31 December 2013: approximately RMB2,083,307,000). The loans were secured by plants, buildings and land use right of the Group. In particular, the infrastructure with net value of RMB711,671,000 of GIB Company, a subsidiary of the Company was pledged for a long-term borrowing of RMB1,401,250,000. Construction-in-progresses with net value of RMB168,515,000 of Beijing Company, a subsidiary of the Company was pledged for a long-term borrowing of RMB630,000,000. Breakwater with net value of RMB234,859,000 was pledged for a long-term borrowing of RMB200,000,000. Sea permit and land use right with net value of RMB39,508,000 was pledged for a long-term borrowing of RMB40,000,000. Dock with net value of RMB286,067,000 was pledged for a long-term borrowing of RMB73,361,000. Fixed assets with net value of RMB372,877,000 was pledged for a long-term borrowing of RMB239,073,000. Construction-in-progresses with net value of RMB279,226,000 of Chengdu Raise, a subsidiary of the Company was pledged for a long-term borrowing with due date within one year of RMB40,000,000. Infrastructure with net value of RMB2,931,000 of Fiyta, a subsidiary of the Company was pledged for a long-term borrowing of RMB729,000. Infrastructure with net value of RMB20,335,000 was pledged for a long-term borrowing of RMB6,445,000. Infrastructure with net value of approximately RMB42,411,000 of AFM Company, a subsidiary of the Company was pledged for a short-term borrowing of RMB4,900,000. Infrastructure of TED Company with net value of RMB3,226,000, a subsidiary of the Company was pledged for a short-term borrowing of RMB40,000,000. Infrastructure and land use right of Tianma with net value of RMB597,158,000 and RMB110,540,000 respectively, a subsidiary of the Company were pledged for a long-term borrowing with due date within one year of RMB279,339,000. Exploration and extraction rights with net value of approximately RMB6,534,000 of AVIC Resources, a subsidiary of the Company was pledged for a long-term borrowing of RMB50,000,000.

ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSIT

During the six months ended 30 June 2014, the Company did not have any entrusted deposit and overdue term deposit in any form.

MANAGEMENT CONTRACTS

During the six months ended 30 June 2014, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, 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 (Chapter 571 of the Laws of Hong Kong) ("SFO"):

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)	5.33%	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	18,396,000 H shares (Note 3)	6.63%	1.64%
Huayin Group Investment Development Co., Ltd.	Beneficial owner	18,222,000 H shares (Note 3)	6.56%	1.64%

Notes:

 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 the 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 2014:

- (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, TUT1, TDT1, TDT2 and CKH is deemed to be interested in the aggregate 29,644,000 H shares held by Empire Grand and HIL.

 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 2014, 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 SFO) 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 SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed issuers.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The annual general meeting of the Company was convened on 6 June 2014 at which the appointment of Mr. Lai Wei Xuan as an executive Director of the Company for a term commencing from 6 June 2014 to the date of the 2014 annual general meeting of the Company to be convened in 2015 was approved. Other Directors, Supervisors and senior management remained unchanged.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2014 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 2014, 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 2014, the Group had 30,438 employees (the corresponding period of 2013: 25,843 employees), with employee-related costs of approximately RMB1,499,660,000 (the corresponding period of 2013: approximately RMB928,830,000). 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.

The Group currently does not have a foreign currency hedging policy and no significant instruments have been applied for foreign currency hedging purposes during the six months ended 30 June 2014. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange controls promulgated by the PRC government.

CONTINGENT LIABILITIES

As at 30 June 2014, the Group has the following financial guarantees outstanding:

Guarantor	Guarantor's relationship with the Group	Guarantee	Guarantee's relationship with the Group	Outstanding amounts guaranteed '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	RMB763,960
Xiamen Company	Subsidiary of the Group	Xiamen Tianma Microelectronics Co., Ltd. (廈門天馬微電子有限公司)	The guarantor holds 6% equity interest in the guarantee	RMB176,000
Xiamen Company	Subsidiary of the Group	Xiamen Zijing CATIC Co., Ltd. (廈門紫金中航置業有限公司)	Under common control by PRC Government	RMB60,000
Beijing Company	Subsidiary of the Group	Zhengli Ocean Engineering Company Limited (正力海洋工程有限公司)	Third party	RMB39,060
Engineering Company	Subsidiary of the Group	CATIC Construction Engineering Company Limited (中航建築工程有限公司)	Associate company of the guarantor	RMB36,750
Xiamen Company	Subsidiary of the Group	Radiance Catico Offshore Pte. Ltd	Associate company of the guarantor	USD26,413

OTHER SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS

1. Discloseable and Connected Transaction - Capital Increase Agreement

On 16 April 2013, Shanghai Tianma (a non-wholly owned subsidiary of the Company), Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司) ("Shanghai Zhangjiang Company") and Shanghai Industrial Investment (Group) Company Limited (上海工業投資(集團)有限公司) ("Shanghai Industrial Investment") (the "JV Partners") entered into a joint venture agreement ("JV Agreement"), pursuant to which the JV Partners established Shanghai Tian Ma Organic Light-Emitting Technology Company Limited (上海天馬有機發光顯示技術有限公司) ("JV Company") with a total registered capital of RMB5 million, the equity interests of which were held as to 40%, 20% and 40% by Shanghai Industrial Investment, Shanghai Zhangjiang Company and Shanghai Tianma, respectively.

On 4 March 2014, Shanghai Tianma entered into a capital increase agreement (the "Capital Increase Agreement") with Shanghai Zhangjiang Company and Shanghai Industrial Investment, pursuant to which Shanghai Industrial Investment, Shanghai Zhangjiang Company and Shanghai Tianma have conditionally agreed to make a capital contribution of RMB398 million, RMB199 million and RMB398 million to the registered capital of the JV Company, respectively, which are in proportion to their respective holding of equity interests of 40%, 20% and 40% in the JV Company ("Proposed Capital Increase"). The JV Partners shall make their capital contribution in proportion and simultaneously in two phases. In the first phase, Shanghai Industrial Investment, Shanghai Zhangjiang Company and Shanghai Tianma will contribute RMB120 million, RMB60 million and RMB120 million respectively in cash. In the second phase, Shanghai Industrial Investment and Shanghai Zhangjiang Company will contribute RMB278 million and RMB139 million in cash respectively while Shanghai Tianma will make contribution by way of injection of the injected construction in the amount of RMB278 million. The holding of equity interests in the JV Company by the respective JV Partners shall remain unchanged upon completion of the Proposed Capital Increase. The second capital contribution by Shanghai Tianma under the Capital Increase Agreement shall be made by way of injection of the injected construction, which refers to the construction by Shanghai Tianma of the factory buildings for the JV Company to an extent of completion for not less than 25%, together with the land use right of an industrial land located at Pudong New District Huiging Road in Shanghai with an aggregate area of approximately 120,000 m² to be contributed by Shanghai Tianma to the JV Company. Such capital contribution into the JV Company which involves injection of assets other than cash would constitute a disposal of assets by the Company under the Listing Rules.

Each of Shanghai Optical Communications Corporation (wholly-owned by Shanghai Industrial Investment) and Shanghai Zhangjiang Company is a substantial shareholder of Shanghai Tianma. The JV Company is owned as to 40% and 20%, respectively, by Shanghai Industrial Investment and Shanghai Zhangjiang Company. The JV Company is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Proposed Capital Increase and the transactions contemplated under the Capital Increase Agreement (including the contribution of the injected construction by Shanghai Tianma and the possible loan of a maximum amount of RMB100 million) constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and the percentage ratios applicable, when aggregate with the establishment of the JV Company pursuant to the JV Agreement are more than 5% but less than 25%, the contribution of the injected construction by Shanghai Tianma contemplated under the Capital Increase Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14.06 of the Listing Rules. Capital Increase Agreement has been approved by the independent shareholders of the Company at the extraordinary general meeting. For details, please refer to the announcement of the Company dated 4 March 2014, the circular of the Company dated 11 April 2014, and the announcement of the Company dated 6 June 2014 for the poll results of the general meeting.

2. Major and Connected Transaction – Acquisition of KHD in Germany

On 11 October 2013, AVIC International Engineering Holdings Pte. Ltd. (the "Purchaser") (an indirect subsidiary of the Company) entered into a total of twelve agreements (the "Agreements") each with certain independent third parties, pursuant to which the Purchaser conditionally agreed to acquire, in aggregate, 9,456,353 shares (the "Sale Shares") of KHD Humboldt Wedag International AG ("KHD") (the "KHD Shares") (representing approximately 19.03% of the then share capital of KHD) at an aggregate consideration of approximately EUR60,993,000.

Following the entering into of the Agreements, the Purchaser, together with the Europe Project Management Pte. Ltd., Europe Technology Investment Pte. Ltd. and Europe Engineering Holdings Pte. Ltd (the "Singapore Companies" (each indirectly wholly-owned by Mr. Yap Lian Seng ("Mr. Yap")), have launched the offer (the "Offer") jointly at the offer price of EUR6.45 per share to acquire the KHD Shares (save and except the Sale Shares and the KHD Shares held by Max Glory Industries Limited ("Max Glory", an indirect wholly-owned subsidiary of the Company).

On 11 October 2013, Max Glory, the Purchaser and the Singapore Companies (the Purchaser and the Singapore Companies, collectively the "Bidders") entered into a voting agreement (the "Voting Agreement"), pursuant to which, among other things, the parties agreed that the Bidders will launch the Offer jointly and to coordinate in respect of the Offer.

Golden Prosperity Group Limited ("Golden Prosperity", an indirect wholly-owned subsidiary of the Company) and Mr. Yap entered into three option agreements (the "Option Agreements") on the same date. Pursuant to the Option Agreements, Golden Prosperity and Mr. Yap irrevocably grant to each other option to purchase the entire issued share capital of the three BVI companies (the "BVI companies", the Singapore Companies being directly held by each of them) respectively.

The Offer was completed on 16 January 2014, the date of publication of final results of the Offer, under German law. Pursuant to the Voting Agreement, out of the 24,847,045 KHD Shares tendered for acceptance of the Offer, 1,500,000 KHD Shares (representing approximately 3.0% of the issued share capital of KHD) were taken up by the Purchaser (at the aggregate consideration of EUR9,675,000 (equivalent to approximately HK\$101,100,000), and the remaining 23,347,045 KHD Shares were taken by the Singapore Companies (at the aggregate consideration of EUR150,588,440.25 (equivalent to approximately HK\$1,573,600,000)).

As Mr. Yap had been a director of the Purchaser for the past 12 months at the relevant time, Mr. Yap, the BVI Companies and the Singapore Companies are connected persons of the Company for the purpose of the Listing Rules, and the transactions under the Agreements, the Offer, the Voting Agreements and the Option Agreements (the "Acquisition") constitute a connected transaction of the Company subject to, among other things, reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

As the relevant applicable percentage ratios calculated pursuant to the Listing Rules in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company for the purpose of the Listing Rules and is subject to, among other things, the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A written shareholders' approval has been obtained from AVIC International and AVIC Shenzhen for the approval of the Acquisition pursuant to Rules 14.44 and 14A.43 of the Listing Rules on 25 November 2013. As at the date of such approval, AVIC International holds 437,264,906 Shares, representing 39.37% of the issued share capital of the Company, and it owns the entire equity interest in AVIC Shenzhen, which in turns holds 395,709,091 Shares, representing 35.63% of the issued share capital of the Company. As a result, no general meeting is required to be convened by the Company to approve the Acquisition.

On 30 April 2014, Golden Prosperity exercised all of the options under the Option Agreements against a payment of S\$1,500,000, following which the Company indirectly holds 44,244,113 KHD Shares, representing approximately 89.02% of the issued share capital of KHD. At the annual general meeting of KHD held on 27 May 2014, the majority of the members of the supervisory board of KHD have been appointed by the Group. KHD is currently a subsidiary of the Company.

Further details please refer to the announcements of the Company dated 11 October 2013, 4 November 2013, 27 December 2013, 16 January 2014, 30 April 2014, 27 May 2014 and 14 July 2014 and the circular of the Company dated 26 March 2014.

3. Major and Connected Transaction and Very Substantial Disposal Transaction – Acquisition of 5 Subject Companies (including Shanghai Tianma) by Tianma and Proposed A Shares Placing of Tianma

On 1 November 2013, Tianma entered into five separate framework agreements ("Framework Agreements") with (A) the Company, Shanghai Zhangjiang Company, Shanghai Stateowned Assets Operation Co., Ltd. (上海國有資產經營有限公司) ("Shanghai State Assets Company") and Shanghai Optical Communications Corporation (上海光通信公司) in relation to the acquisition of 70% equity interest in Shanghai Tianma ("Shanghai Tianma Framework Agreement") ("Shanghai Tianma Transaction"); (B) Chengdu Industrial Group Company Limited (成都工業投資集團有限公司) ("Chengdu Industrial Group") and Chengdu Gaoxin Investment Group Company Limited (成都高新投資集團有限公司) ("Chengdu Gaoxin Investment") in relation to the acquisition of 40% equity interest in Chengdu Tianma ("Chengdu Tianma Framework Agreement") ("Chengdu Tianma Transaction"); (C) Hubei Province Technology Investment Group Company Limited (湖北省科技投資集團有限公司) ("Hubei Technology Investment") in relation to the acquisition of 90% equity interest in Wuhan Tianma ("Wuhan Tianma Framework Agreement") ("Wuhan Tianma Transaction"); (D) AVIC International and AVIC Shenzhen in relation to the acquisition of the entire equity interest in Shanghai Optoelectronics ("Shanghai Optoelectronics Framework Agreement") ("Shanghai Opto-electronics Transactions"); and (E) AVIC International and AVIC Shenzhen in relation to the acquisition of the entire equity interest in Shenzhen Opto-electronics ("Shenzhen Optoelectronics Framework Agreement") ("Shenzhen Opto-electronics Transactions") (together, the "Transactions").

Pursuant to the Framework Agreements, the consideration of the Transactions will be fully settled by issue of new A shares of the Company ("Share") by Tianma to the vendors to the Framework Agreements ("Consideration Shares") upon completion of the respective Transactions at an issue price of not less than RMB12.69 per Tianma A Share, being the average closing price per Tianma A Share quoted on the Shenzhen Stock Exchange for the consecutive 20 trading days immediately preceding the commencement date of suspension of trading of Tianma A Shares on the Shenzhen Stock Exchange (i.e. the 20 trading days from 5 August 2013 to 1 September 2013). The maximum number of Consideration Shares in aggregate to be issued under the Shanghai Tianma Framework Agreement, the Chengdu Tianma Framework Agreement, the Wuhan Tianma Framework Agreement, the Shanghai Opto-Electronics Framework Agreement and the Shenzhen Opto-Electronics Framework Agreement will be 101,670,400, 48,038,700, 135,361,600, 138,272,300 and 25,971,900, respectively.

Based on the maximum number of Consideration Shares set out in the Framework Agreements and the issue price of RMB12.69 per Tianma A Share, it is expected that the maximum aggregate consideration for each of Shanghai Tianma Transaction, Chengdu Tianma Transaction, Wuhan Tianma Transaction, Shanghai Opto-Electronics Transaction and Shenzhen Opto-Electronics Transaction are RMB1,290,197,300, RMB609,611,100, RMB1,717,738,700, RMB1,754,675,500 and RMB329,583,400, respectively.

The Transactions are not inter-conditional with each other.

On 30 April 2014, Tianma entered into five formal agreements (the "Formal Agreements") pursuant to the relevant Framework Agreement. Pursuant to the Formal Agreements, the aggregate consideration is RMB1,241,816,300 for the Shanghai Tianma Transaction, RMB582,660,800 for the Chengdu Tianma Transaction, RMB1,670,477,500 for the Wuhan Tianma Transaction, RMB1,685,682,300 for the Shanghai Opto-electronics Transaction, and RMB315,764,900 for the Shenzhen Opto-electronics Transaction, respectively. The consideration under the Transactions will be fully settled by Tianma issuing an aggregate of 433,128,585 A Shares as Consideration Shares at an issue price of RMB12.69 per A Share (subject to adjustment) pursuant to the Formal Agreements. Following the entering into the Formal Agreements, based on the aggregate consideration of RMB5,496,401,800 of the transactions, the placing price is RMB12.69 and the maximum number of placing shares is 144,376,196.

On 6 May 2014, the asset valuation reports of each of Shanghai Tianma, Chengdu Tianma, Wuhan Tianma, Shanghai Opto-electronics and Shenzhen Opto-electronics have been filed with SASAC. On 26 May 2014, the overall proposal of the Tianma Transactions and the Proposed A Shares Placing has also been principally approved by SASAC.

As the applicable percentage ratios of each of the Shanghai Tianma Transaction, Wuhan Tianma Transaction, Shanghai Opto-electronics Transaction, Shenzhen Opto-electronics Transaction, Chengdu Tianma Transaction and Chengdu Tianma Bidding exceed 25% but less than 100%, each of the Shanghai Tianma Transaction (including the Disposal), Wuhan Tianma Transaction, Shanghai Opto-electronics Transaction, Shenzhen Optoelectronics Transaction, Chengdu Tianma Transaction and Chengdu Tianma Bidding constitutes a major transaction of the Company under the Listing Rules, which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the vendors to the respective Framework Agreements (save and except for Hubei Technology Investment) and the counter-parties to the second JV supplemental agreement are connected persons of the Company, each of the Transactions (excluding Wuhan Tianma Transaction) and Chengdu Tianma Bidding constitutes a connected transaction of the Company, which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Assuming all the Transactions have been completed, if Tianma proceeds with the Proposed A Shares Placing after completion of the Transactions, the Company's dilution in interest in Tianma after the issuance and the Proposed A Shares Placing respectively constitutes a deemed disposal of interest in Tianma held by the Company under the Rule 14.29 of the Listing Rules. As the applicable percentage ratios for the issuance and the Proposed A Shares Placing exceed 75%, the issuance and the Proposed A Shares Placing constitute a very substantial disposal of the Company under Rule 14.06 of the Listing Rules and is therefore subject to announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Transactions and the Proposed A Shares Placing have been approved by the independent shareholders of the Company at the extraordinary general meeting.

For details, please refer to the announcements of the Company dated 11 November 2013, 8 May 2014 and 26 May 2014, the circular dated 29 January 2014 and the announcement of the Company dated 17 March 2014 for the poll results of the general meeting, respectively.

On 24 July 2014, Tianma has been informed by CSRC that the overall proposal of the Transactions and the Proposed A Shares Placing has been conditionally approved at the meeting of the Merger, Acquisition and Reorganisation Examination Committee of Listed Companies (上市公司併購重組委員會) of the CSRC held on 24 July 2014. On 22 August 2014, Tianma has received the approval in writing from CSRC issued on 20 August 2014 on the overall proposal of the Transactions and the Proposed A Shares Placing for a validity period of twelve months from the date of issue.

On 5 August 2014, Tianma has executed the 2013 dividend distribution plan. Following the distribution of dividend by Tianma of RMB1 per 10 A Shares, adjustments have been made to the issue price and the number of shares of Tianma to be issued under the Transactions and the Proposed A Shares Placing:

- (A) in respect of the Transactions, the issue price of each Consideration Share has been adjusted from RMB12.69 to RMB12.59, and the total number of Consideration Shares has been adjusted from 433,128,585 A Shares to 436,568,842 A Shares; and
- (B) in respect of the Proposed A Shares Placing, the placing price of each Placing Share has been adjusted from RMB12.69 to RMB12.59, and the maximum number of Placing Shares has been adjusted from 144,376,196 A Shares to 140,239,015 A Shares (during the vetting process by CSRC and pursuant to Tianma's need of working capital, the total amount of gross proceeds to be raised under the Proposed A Shares Placing was requested to be reduced from RMB1,832,133,933 to RMB1,765,609,199, therefore the maximum number of Placing Shares was reduced accordingly and was eventually reduced to 140,239,015 A Shares following Tianma's distribution of dividend).

For further details, please refer to the announcements of the Company dated 24 July 2014 and 22 August 2014, respectively.

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"), the roles of the chairman and the chief executive should be separate 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 2014, 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 meetings regularly to consider major matters that influence the operation of the Group. The Board considers that this 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 2014, the Company has complied with all the code provisions of the Code.

For the six months ended 30 June 2014, the composition of the Board is in compliance with the provisions of the board diversity policy.

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 the 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 (the "Audit Committee") in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The Audit Committee members currently comprise 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 the unaudited interim results of the Group and this report for the six months ended 30 June 2014.

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.

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.

By Order of the Board

AVIC International Holdings Limited

Wu Guang Quan

Chairman

Shenzhen, PRC, 28 August 2014

As at the date of this report, the Board comprises a total of 9 Directors, Mr. Wu Guang Quan, Mr. You Lei, Mr. Lai Wei Xuan, 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.