THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **AVIC International Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

中航國際控股股份有限公司
AVIC INTERNATIONAL HOLDINGS LIMITED

(formerly known as CATIC Shenzhen Holdings Limited (深圳中航集團股份有限公司))
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 00161)

VERY SUBSTANTIAL DISPOSAL
DEEMED DISPOSAL OF INTEREST IN TIAN MA

Notice convening the EGM to be held on Monday, 20 April 2015 at 10:00 a.m. at Level 25, Hangdu Building, CATIC Zone, Shennan Road Central, Futian District, Shenzhen, the PRC is set out on pages EGM-1 to EGM-2 of this circular. The form of proxy for use by the Shareholders at the EGM (or any adjournment thereof) is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the legal address of the Company at Level 25, Hangdu Building, CATIC Zone, Shennan Road Central, Futian District, Shenzhen, the PRC (for holders of Domestic Shares) or to the H share registrar of the Company, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not prevent the Shareholders from attending and voting in person at the EGM (or any adjournment thereof) should they so wish.

27 March 2015

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In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"A Share(s)"	A share(s) of Tian Ma;
"Acting-in-Concert Agreement"	an acting-in-concert agreement dated 20 January 2014 entered into between AVIC International, AVIC Shenzhen and the Company in relation to the voting arrangement among them in Tian Ma;
"AVIC International"	AVIC International Holding Corporation (中國航空技術國際控股有限公司), a limited liability company established in the PRC, and a controlling Shareholder;
"AVIC International Enterprises"	collectively, AVIC International Holding Corporation (中國航空技術國際控股有限公司), AVIC International Shenzhen Company Limited (中國航空技術深圳有限公司) and the Company;
"AVIC Shenzhen"	AVIC International Shenzhen Company Limited (中國航空技術深圳有限公司), a limited liability company established in the PRC, a controlling Shareholder, and as at the Latest Practicable Date, its entire equity interest was owned by AVIC International;
"Benchmark Date"	the date of meeting of the board of directors of Tian Ma approving the Proposed Share Issuance;
"Board"	the board of Directors;
"Company"	AVIC International Holdings Limited (中航國際控股股份有限公司) (formerly known as CATIC Shenzhen Holdings Limited (深圳中航集團股份有限公司)), a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed on the Stock Exchange;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"CSRC"	China Securities Regulatory Commission;
"Director(s)"	the director(s) of the Company;
"EGM"	extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Proposed Share Issuance;

"Group"	the Company and its subsidiaries;
"H Share(s)"	overseas listed foreign invested share(s) of the nominal value of RMB1.00 each in the capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK$;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Indicative Issue Price"	90% of the average closing price per A Share quoted on the Shenzhen Stock Exchange for the past consecutive 20 trading days immediately preceding the Benchmark Date;
"Latest Practicable Date"	24 March 2015, being the latest practicable date for he purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"New Share(s)"	new A Share(s) to be issued under the Proposed Share Issuance;
"PRC"	the People's Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Proposed Share Issuance"	the proposed issuance of new A Shares by Tian Ma for raising a maximum raised funds of RMB6,000,000,000 by way of non-public offer;
"RMB"	Renminbi, the lawful currency of the PRC;
"SASAC"	State-owned Assets Supervision and Administration Commission;
"Share(s)"	share(s) of the Company;
"Shareholder(s)"	holder(s) of shares of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"Tian Ma"	Tian Ma Micro-electronics Company Limited (天馬微電子股份有限公司) (Stock code: 000050), a non-wholly-owned subsidiary of the Company, the A Shares of which are listed on the Shenzhen Stock Exchange; and
"Wuhan Tianma"	Wuhan Tian Ma Microelectronics Co., Ltd. (武漢天馬微電子有限公司), a company established with limited liability under the laws of the PRC, and as at the Latest Practicable Date, its equity interest is owned as to 100% by Tian Ma.

In this circular, the English names of the PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

中航國際控股股份有限公司
AVIC INTERNATIONAL HOLDINGS LIMITED
(formerly known as CATIC Shenzhen Holdings Limited (深圳中航集團股份有限公司))
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 00161)

Executive Directors:	*Legal Address:*
Mr. Wu Guang Quan	Level 25, Hangdu Building
Mr. Lai Wei Xuan	CATIC Zone
Mr. You Lei	Shennan Road Central
Mr. Pan Lin Wu	Futian District
Mr. Chen Hong Liang	Shenzhen
Mr. Liu Jun	PRC
Independent Non-executive Directors:	*Principal Place of Business in Hong Kong:*
Ms. Wong Wai Ling	Suites 2001–2006
Mr. Wu Wei	20th Floor, Jardine House
Mr. Wei Wei	1 Connaught Place, Central
	Hong Kong

27 March 2015

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL
DEEMED DISPOSAL OF INTEREST IN TIAN MA

INTRODUCTION

Reference is made to the announcement of the Company dated 28 January 2015.

On 28 January 2015, the board of directors of Tian Ma (a subsidiary of the Company) had resolved to issue by way of non-public offer New Shares to not more than ten investors to raise a maximum amount of proceeds of RMB6,000,000,000. Based on the Indicative Issue Price of RMB17.92 per A Share and the maximum amount of proceeds of RMB6,000,000,000 to be raised from the Proposed Share Issuance, a maximum of 334,821,428 New Shares will be issued.

As at the Latest Practicable Date, the Company directly holds 25.76% equity interest in Tian Ma. Following the completion of the Proposed Share Issuance and assuming all the 334,821,428 New Shares being issued, the equity interest of the Company in Tian Ma will be diluted from 25.76% to 19.88%. Such dilution of the Company's equity interest in Tian Ma will constitute a deemed disposal of the Company's equity interest in Tian Ma under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further details of the Proposed Share Issuance; (ii) financial and other information of the Group; (iii) financial and other information of Tian Ma; (iv) unaudited pro forma financial information of the Group; and (v) the notice of the EGM.

On 28 January 2015, the board of directors of Tian Ma (a subsidiary of the Company) had resolved to issue by way of non-public offer not more than 334,821,428 New Shares to not more than ten investors at the issue price of not less than RMB17.92 per New Share to raise a maximum amount of proceeds of RMB6,000,000,000. The 334,821,428 New Shares represent approximately 29.58% of the issued share capital of Tian Ma as at the Latest Practicable Date and approximately 22.83% of the issued share capital of Tian Ma as enlarged by the issue of the New Shares.

Set out below is a summary of the principal terms of the Proposed Share Issuance:

Expected date of Proposed Share Issuance	The Proposed Share Issuance is expected be open for subscription for the period from August 2015 to January 2016 and the issuance of New Shares is expected to be approved by CSRC in July 2015 and conducted in due course within six months after the approval being obtained from the CSRC.
Class and par value of New Shares to be issued	A Shares with a par value of RMB1.00 each.
Method of the Proposed Share Issuance	The Proposed Share Issuance will be carried out by way of non-public offer of New Shares to not more than ten investors.
Target Investors	The New Shares shall be issued to not more than 10 target investors, including security investment funds management companies, securities companies, trust and investment companies, financial companies, insurance companies and qualified foreign institutional investors, other domestic corporate investors and natural persons authorized by the CSRC. The final target investors shall be determined after obtaining the approval from the CSRC on the Proposed Share Issuance by the mutual negotiation between the board of directors of Tian Ma (pursuant to the mandate granted by the shareholders of Tian Ma) and the underwriter in accordance with the results of price bidding and the relevant requirements such as the "Detailed Implementation Rules for the Non-public Issuance of Stocks by Listed Companies" (《上市公司非公開發行股票實施細則》) promulgated by the CSRC.

Price determination and issue price of New Share

The issue price of each New Share shall not be lower than 90% of the average closing price per A Share quoted on the Shenzhen Stock Exchange for the past consecutive 20 trading days immediately preceding the Benchmark Date. Based on the average closing price per A Share quoted on the Shenzhen Stock Exchange for the past consecutive 20 trading days immediately preceding the Benchmark Date (i.e. the 20 trading days from 16 December 2014 to 14 January 2015), the Indicative Issue Price is not less than RMB17.92 per New Share.

The Indicative Issue Price of RMB17.92 per New Share represents:

1. a discount of approximately 5.53% over the closing price of each share of Tian Ma as quoted on the Shenzhen Stock Exchange on 14 January 2015 (being the last trading day immediately prior to the Benchmark Date); and

2. a discount of approximately 6.37% over the average closing price of each share of Tian Ma as quoted on the Shenzhen Stock Exchange for the five trading days up to and including 14 January 2015 (being the last trading day immediately prior to the Benchmark Date).

The issue price of New Shares to be issued shall be adjusted accordingly in cases of ex-rights or ex-dividend with respect to Tian Ma during the period between the Benchmark Date and the date on which New Shares are issued.

The final issue price of each New Share will be determined after obtaining the approval from the relevant supervising department of SASAC and the CSRC on the Proposed Share Issuance by way of bidding in accordance with the relevant requirements. After the final issue price of each New Share has been determined, it will be disclosed as and when appropriate.

The subscribers shall pay for the subscription of the New Shares in cash.

Number of New Shares to be issued	Based on the Indicative Issue price of RMB17.92 per New Share and the maximum amount of proceeds of RMB6,000,000,000 to be raised from the Proposed Share Issuance, the maximum number of the New Shares to be issued will be 334,821,428. The number of New Shares to be issued shall be adjusted accordingly in cases of ex-rights or ex-dividend with respect to Tian Ma during the period between the Benchmark Date and the date on which the New Shares are issued. The actual number of New Shares to be issued will be determined based on (i) the final issue price to be fixed after obtaining CSRC's approval; and (ii) the number of New Shares to be actually subscribed by not more than ten investors.
Conditions Precedent	The completion of the Proposed Share Issuance is conditional on the following: (1) the approval of the board of directors and shareholders of Tian Ma; (2) all necessary approvals, authorization, consent and permit as required under the Listing Rules (including but not limited to the approval of the Board and the Shareholders (if required)) being obtained and completion of relevant procedures by the Company as required under the Listing Rules; (3) the approval of the relevant supervising department of SASAC being obtained; and (4) the approval of the CSRC being obtained.
Use of Proceeds	The proceeds to be raised from the Proposed Share Issuance will be used for investment in the construction of the 6th generation LPTS-LCD and CF (colored filter) production lines project of Wuhan Tian Ma.
Lock-up Period	The New Shares are not transferable for a period of 12 months commencing from the date on which the New Shares are listed on the Shenzhen Stock Exchange. After the expiry of the said 12 months, the transfer of New Shares shall be governed by the relevant regulations of the CSRC and the Shenzhen Stock Exchange.

The table below sets out the shareholding structure of Tian Ma before and after the completion of the Proposed Share Issuance (assuming that 334,821,428 New Shares will be issued pursuant to the Proposed Share Issuance and there is no other change in the issued share capital of Tian Ma):

Name of shareholders of Tian Ma	As at the Latest Practicable Date		Immediately after completion of the Proposed Share Issuance	
	Number of A Shares held	Approximate % of the issued share capital held	Number of A Shares held	Approximate % of the issued share capital held
AVIC International Holding Corporation (中國航空技術國際控股有限公司)	77,895,877	6.88%	77,895,877	5.31%
AVIC International Shenzhen Company Limited (中國航空技術深圳有限公司)	81,075,304	7.16%	81,075,304	5.53%
The Company	291,567,326	25.76%	291,567,326	19.88%
Subtotal: AVIC International Enterprises	450,538,507	39.81%	450,538,507	30.72%
Hubei Province Technology Investment Group Company Limited (湖北省科技投資集團有限公司)	132,682,883	11.72%	132,682,883	9.05%
Chengdu Industrial Group Company Limited (成都工業投資集團有限公司)	28,300,007	2.50%	28,300,007	1.93%
Chengdu Gaoxin Investment Group Company Limited (成都高新投資集團有限公司)	17,979,642	1.59%	17,979,642	1.23%
Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	28,181,469	2.49%	28,181,469	1.92%
Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司)	26,772,390	2.37%	26,772,390	1.83%
Shanghai Optical Communications Corporation (上海光通信公司)	14,090,730	1.25%	14,090,730	0.96%
Shareholders of tradable A Shares	433,192,847	38.28%	433,192,847	29.54%
Not more than 10 subscribers under the Proposed Share Issuance	–	–	334,821,428	22.83%
Total equity	1,131,738,475	100.00%	1,466,559,903	100.00%

The Company has entered into the Acting-in-Concert Agreement with AVIC International and AVIC Shenzhen, pursuant to which AVIC International and AVIC Shenzhen will act in concert with the Company in Tian Ma's board of directors' meetings and shareholders' meetings. Therefore, in substance, the Company collectively has 30.72% voting rights in Tian Ma after the Proposed Share Issuance. In light of the above, the Directors believe the Company could continue to control Tian Ma after the completion of the Proposed Share Issuance.

Apart from the existing Acting-in-Concert Agreement, the Company has taken/will take certain actions in order to retain control over Tian Ma upon completion of the Proposed Share Issuance. These actions include but not limited to the following:

(i) As at the Latest Practicable Date, Hubei Province Technology Investment Group Company Limited (湖北省科技投資集團有限公司) ("Hubei Technology Investment") holds 11.72% of equity interest in Tian Ma. On 27 February 2015, Hubei Technology Investment issued a commitment letter to the Company, stating that Hubei Technology Investment agreed not to compete for the control of Tian Ma solely or jointly with other parties during the period of holding the shares of Tian Ma, without prejudice to its own and its shareholders' legal interest. In the event that other shareholders of Tian Ma compete for the control of Tian Ma with the Company or other situations which may result in the Company's loss of control over Tian Ma, Hubei Technology Investment will agree not to compete for the control of Tian Ma solely or jointly with other parties;

(ii) If there is any new potential investor to subscribe for equity interest in Tian Ma to the extent that may threaten the Company's control over Tian Ma upon completion of the Proposed Share Issuance, the Company will require a commitment letter similar to the letter from Hubei Technology Investment from the potential investor;

(iii) The Company will try to reach agreements with certain other shareholders of Tian Ma under which these shareholders agree not to appoint additional directors or remove the existing directors of Tian Ma.

In view of the above, the Company expects that Tian Ma will continue to remain as a subsidiary of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the investors of the New Shares and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Financial Information of Tian Ma

Set out below are the key financial figures of Tian Ma for each of the years ended 31 December 2012, 2013 and 2014, extracted from the consolidated financial statements of Tian Ma contained in Appendix II to this circular:

	As at/for the financial year ended 31 December		
	2012	**2013**	**2014**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	7,516,291	8,235,921	9,209,551
Net (losses)/profit (before taxation)	(234,318)	814,628	769,511
Net (losses)/profit (attributable to owners of Tian Ma, after taxation)	(381,964)	651,204	608,111
Total assets	11,474,104	11,848,692	15,737,342
Net assets (attributable to owners of Tian Ma)	2,008,899	2,589,741	8,192,114

Listing Rules Implications

As at the Latest Practicable Date, the Company directly holds 25.76% equity interest in Tian Ma. Following the completion of the Proposed Share Issuance and assuming all the 334,821,428 New Shares being issued, the equity interest of the Company in Tian Ma will be diluted from 25.76% to 19.88%. Such dilution of the Company's equity interest in Tian Ma will constitute a deemed disposal of the Company's equity interest in Tian Ma under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Share Issuance exceed 75%, the Proposed Share Issuance constitutes a very substantial disposal of the Company under the Listing Rules and is therefore subject to announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Reasons for and Benefits of the Proposed Share Issuance

A maximum of RMB6,000,000,000 will be raised from the Proposed Share Issuance. After deduction of the issuance costs, the funds will be used in the construction projects of the production lines of the 6th generation low-temperature polysilicon (LTPS) TFT-LCD and color filters (CF) of Wuhan Tian Ma.

In view of the increasing demand for mobile entertainment among consumers as well as the increasingly sophisticated mobile service system, there has been evident growth in the global demand for small and medium-sized display. Portable intelligent terminals are becoming popular gradually and the trends towards the continuing enhancement of ultra-thinness with big-screen, high-resolution, high-definition and wide viewing angle will drive the rapid growth of small and medium-sized display market. According to the statistics from market research institutions such as Display research, the small and medium-sized display market among global consumers is expected to grow from 2.44 billion units in 2013 to 3.387 billion units in 2020, representing a compound annual growth rate of 5%. In the display technology of TFT-LCD technology, LTPS technology is one of the most promising display technologies in high-end application market.

The Proposed Share Issuance will enhance the capital strength of Tian Ma to raise funds for the investment projects to invest in the LTPS TFT-LCD production lines. It will facilitate further upgrade of the technical standards and production efficiency of Tian Ma, strengthen the core competitiveness, and consolidate and lift up the competitive position of Tian Ma in the industry and its influence in the market.

Upon completion of the Proposed Share Issuance, on one hand, the total assets and net assets of Tian Ma will be increased at the same time, which will reduce the gearing ratio of Tian Ma and enable Tian Ma to enhance its ability to resist financial risks. On the other hand, upon achieving the production target of the investment projects through raising funds, with the realization of the economies of scale and synergistic effects, the operating income and profit levels of Tian Ma will be increased significantly and the profitability will be enhanced rapidly.

There will be no material gain or loss expected to accrue to the Company on the Proposed Share Issuance.

The Directors (including the independent non-executive Directors) are of the view that the Proposed Share Issuance was entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the Proposed Share Issuance is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information of the Group

The Company is an investment holding company. It is principally engaged in the manufacturing of liquid crystal displays (LCD), printed circuit boards (PCB), high and middle ended timepieces and chain sales of luxurious timepieces worldwide, mineral resources, trade and logistics in the PRC, and is also engaged in the business of hotel and property development.

Information of Tian Ma

Tian Ma is a joint stock limited company in the PRC and its A Shares are listed on the Shenzhen Stock Exchange. It is principally engaged in the manufacture and sale of various kinds of liquid crystal displays and related materials, equipment and products, general goods transportation as well as import and export of goods and technologies. As at the Latest Practicable Date, the Company holds 25.76% equity interest in Tian Ma.

FINANCIAL EFFECTS OF THE PROPOSED SHARE ISSUANCE ON EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Impact on the equity

As at 31 December 2014, the total equity of the Company and the equity attributable to the owners of the Company were RMB18,389,513,000 and RMB9,622,052,000 respectively. If the Proposed Share Issuance had been completed on 31 December 2014, the total equity and the equity attributable to the owners of the Company as of 31 December 2014 would be RMB24,345,413,000 and RMB10,321,104,000 respectively. The increase of the total equity and the equity attributable to the owners of the Company is mainly due to the assumption that the consideration of the Proposed Share Issuance has been received by Tian Ma.

Impact on earnings

As at 31 December 2014, the turnover of the Group and the profits attributable to the owners of the Company were RMB34,426,424,000 and RMB641,949,000 respectively. If the Proposed Share Issuance had been completed on 1 January 2014, the turnover and the profits attributable to the owners of the Company would be RMB34,426,424,000 and RMB606,192,000 respectively. The decrease of the profits attributable to the owners of the Company is mainly due to dilution of the Company's equity interests in Tian Ma.

Impact on the gearing ratio

As at 31 December 2014, the total assets and total liabilities of the Group were RMB57,773,262,000 and RMB39,383,749,000 respectively. If the Proposed Share Issuance had been completed on 31 December 2014, the total assets and total liabilities of the Group would be RMB63,729,162,000 and RMB39,383,749,000 respectively, representing a decrease in gearing ratio from approximately 68.17% to approximately 61.80%. This is mainly due to the assumption that the consideration of the Proposed Share Issuance has been received by Tian Ma.

EGM

The EGM will be convened by the Company at Level 25, Hangdu Building, CATIC Zone, Shennan Road Central, Futian District, Shenzhen, the PRC on Monday, 20 April 2015 at 10:00 a.m., at which resolution will be proposed to consider and, if thought fit, approve the Proposed Share Issuance and the transactions contemplated thereunder. Notice convening the EGM has been issued on 5 March 2015 and is set out again on pages EGM-1 to EGM-2 of this circular.

The form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend (if you are so entitled to) the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return them as soon as possible to the Company's legal address at Level 25, Hangdu Building, CATIC Zone, Shennan Road Central, Futian District, Shenzhen, the PRC (for holders of Domestic Shares), or the H share registrar of the Company, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) as soon as possible and in any event not later than 24 hours before the time appointed for holding the EGM.

To the best knowledge, information and belief of the Directors having made all reasonable enquires, no Shareholder is required to abstain from voting for the resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

RECOMMENDATION

The Directors, including the independent non-executive Directors, consider that the terms of the Proposed Share Issuance are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors, including the independent non-executive Directors, recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Proposed Share Issuance.

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

FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the two years ended 31 December 2012 and 2013 are disclosed in the annual reports of the Company for the years ended 31 December 2012 and 31 December 2013 respectively and the financial information of the Group for the year ended 31 December 2014 is disclosed in the results announcement of the Company for the year ended 31 December 2014, which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company, there was no qualified audit opinion expressed on the financial statements of the Group for the three years ended 31 December 2014.

INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 31 January 2015, being the latest practicable date for the purpose of this indebtedness statement, the Group had total borrowings of RMB22,307,611,000, details of which are as follows:

		Unsecured		
	Secured	**Guaranteed**	**Unguaranteed**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Bank borrowings	2,150,854	1,836,439	5,424,392	9,411,685
Debentures	–	1,000,000	–	1,000,000
Third party borrowings	50,000	–	326,025	376,025
Related party borrowings	–	53,497	1,132,632	1,186,129
	2,200,854	2,889,936	6,883,049	11,973,839
Current				
Bank borrowings	277,859	382,109	6,633,928	2,293,896
Third party borrowings	40,000	–	18,000	58,000
Related party borrowings	–	607,301	2,374,575	2,981,876
	317,859	989,410	9,026,503	10,333,772
	2,518,713	3,879,346	15,909,552	22,307,611

The secured borrowing of RMB2,518,713,000 was secured by land use rights, buildings, construction-in-progress, properties under development, exploration and extraction rights, bank acceptances and equipments.

Contingent liabilities

As at the close of business on 31 January 2015, being the latest practicable date for the purpose of this indebtedness statement, 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 (中國航空技術北京有限公司)	Subsidiary of the Group	Taizhou AVIC Shipbuilding Heavy Industry Limited* (泰州中航船舶重工有限公司)	Associated Company	RMB403,500
China National Aero-Technology Beijing Company Limited (中國航空技術北京有限公司)	Subsidiary of the Group	Taizhou AVIC Shipbuilding Heavy Industry Limited* (泰州中航船舶重工有限公司)	Associated Company	USD47,250
China National Aero-Technology Xiamen Corporation (中國航空技術廈門有限公司)	Subsidiary of the Group	Xiamen Tianma Microelectronics Company Limited (廈門天馬微電子有限公司)	The guarantor holds 6% equity interests in the guarantee	RMB176,000
China National Aero-Technology Xiamen Corporation (中國航空技術廈門有限公司)	Subsidiary of the Group	Radiance Catico Offshore Pte. Ltd.	Associated Company	USD26,413
China National Aero-Technology International Engineering Company Limited (中國航空技術國際工程有限公司)	Subsidiary of the Group	CATIC Construction Engineering Company Limited* (中航建築工程有限公司)	Controlled by the same company	RMB68,600
China National Aero-Technology Beijing Company Limited (中國航空技術北京有限公司)	Subsidiary of the Group	Zhengli Ocean Engineering Company Limited* (正力海洋工程有限公司)	Third party	RMB33,590
Chengdu AVIC Raise Real Estate Company Limited (成都中航瑞賽置業有限公司)	Subsidiary of the Group	Real Estate property buyers	Third party	RMB150,934

The Group provide financial guarantee to the following parties:

Guarantor	Guarantor's relationship with the Group	Guarantee	Guarantee's relationship with the Group	Outstanding amounts guaranteed *RMB'000*
Tian Ma	Subsidiary of the Group	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)*	The guarantee holds 2.49% equity interests in the guarantor	77,887
Tian Ma	Subsidiary of the Group	Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司)*	The guarantee holds 2.37% equity interests in the guarantor	73,992
Tian Ma	Subsidiary of the Group	Shanghai Industrial Investment (Group) Company Limited (上海工業投資(集團)有限公司)*	Third party	13,943
Tian Ma	Subsidiary of the Group	Shanghai Optical Communications Corporation (上海光通信公司)*	The guarantee holds 1.25% equity interests in the guarantor	25,000
Tian Ma	Subsidiary of the Group	Chengdu Industrial Group Company Limited (成都工業投資集團有限公司)*	The guarantee holds 2.5% equity interests in the guarantor	268,058
Tian Ma	Subsidiary of the Group	Chengdu Gaoxin Investment Group Company Limited (成都高新投資集團有限公司)*	The guarantee holds 1.59% equity interests in the guarantor	170,322

* the English names of these companies are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, material hire purchase commitments, mortgages and charges, material contingent liabilities and guarantees outstanding at the close of business on 31 January 2015.

WORKING CAPITAL STATEMENT

Taking into account the expected completion of the Proposed Share Issuance and the financial resources available to the Group, including the internally generated funds and the available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

Looking ahead toward 2015, as the global industry is experiencing a big change and the Chinese economy has entered the stage of "new normal", the Group adopts the strategy for "transformation and innovation, strengthening of implementation, focus on value growth" to actively advance the development of its businesses.

PCB

Shennan Circuit Co., Ltd. will continue to make market expansion and technological breakthrough in a high efficiency and high speed manner. PCB business will boost the development of the strategically key customers in three target areas, namely medical, digital communication and radio frequency, in a steady pace. Packaging substrate business will focus on developing high-end target products and markets.

Retails and High-end Consumer Products

The retails and high-end consumer products business of the Group will undergo omni-channel transformation, and enhance the brand value of Fiyta's watches. The sales of watches will continuously optimize the shop layouts and products to increase the inventory turnover as well as to increase the growth of e-commerce business.

Real Estate and Hotel

The Group will conduct the development and sales of the existing projects as planned, and seize the opportunities from the development of overseas major regions' markets, and strive to increase the profitability by enhancing the sourcing capabilities for mega size engineering projects.

Trading and Logistics

The Group will accelerate the business transformation and the exit of non-core businesses and optimize the business model to further increase the core competitiveness. It will accelerate the R&D and manufacturing ability for energy-saving, efficient as well as clean and environmental-friendly ships, and fully utilize the synergy of industry chain. The Group will continue to strengthen the integration and strategic synergy with KHD in respect of cement EPC business, so as to obtain high quality orders, control the cost expenses and increase the profitability.

According to the forecasts made by research institutions including Display research, by 2018, market share of LTPS and AMOLED products will exceed 50% in the market of small-to-medium-size consumer goods display, where market share of LTPS products will exceed 35%. Among all technologies of TFT-LCD display, LTPS technology is one of the most promising technologies for mainstream applications in the prevailing market of high-end display applications. In the future, companies possessing the advanced core technology while meeting customer demands in time will gain a competitive advantage in the future. Domestic and foreign companies in the TFT-LCD industry are stepping up investment in LTPS production line so as to strive for the leading position in the industry.

In 2014, asset quality and profitability of Tian Ma have been significantly improved, whereas overall core competitiveness and risk resilience have been strengthened, possessing the ability of advancing the strategic target rapidly after Tian Ma completed the acquisition of equity of Shanghai Tianma, Chengdu Tianma and Wuhan Tianma. Following the completion of the 6th generation of LTPS TFT-LCD and CF production line of Wuhan Tianma, together with the 5.5th and 6th generation production line of Xiamen Tianma (of which Shanghai Tianma, a subsidiary of the Group, has been entrusted by Xiamen Tianma to manage) the production line operated by Tian Ma will reach 3 lines, which will intensively release the scale of economy and synergy after completion and commencement of production. The construction of the 6th generation LTPS production line not only improve the layout of Tian Ma's production lines, but it also substantially expanded the production capacity of LTPS TFT-LCD products. Configuration ability of Tian Ma's products in the high end display market will further enhance, which is beneficial to Tian Ma in further enlarging the market share and further optimizing the product structure. It also facilitates Tian Ma to improve and perfect the LTPS technology which Tian Ma has mastered, and stimulate the development and industrialization of the new technology, raising the industry position of Tian Ma in the field of small-to-medium-size display.

In the future, Tian Ma will seize the favorable opportunities to change the industry layout, and deploy the production line of display technology actively, and occupy the leading position in the industry rapidly, so that Tian Ma will become a leading innovative and technological company which provides quality display technology solutions and fast support services in the world.

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF TIAN MA

Set out on pages II-1 to II-10 below are the unaudited consolidated balance sheets of Tianma as at 31 December 2012, 2013 and 2014 and the unaudited consolidated income statements; unaudited consolidated statements of comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows of Tian Ma for the years ended 31 December 2012, 2013 and 2014 (the "Relevant Periods"), and certain explanatory notes (the "Unaudited Consolidated Financial Information"). The Unaudited Consolidated Financial Information has been presented on the basis set out in Note 2 and prepared in accordance with the accounting policies adopted by the Company and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules. The Unaudited Consolidated Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular of the Company in connection with the Proposed Share Issuance. The Unaudited Consolidated Financial Information has been reviewed by the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by International Auditing and Assurance Standards Board and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. There was no qualification or modification in the review report issued by the reporting accountant.

UNAUDITED CONSOLIDATED BALANCE SHEETS

	Unaudited		
	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Non-current assets			
Land use rights	255,731	249,510	462,757
Intangible assets	191,882	165,195	131,217
Property, plant and equipment	6,692,247	5,966,616	7,949,268
Investment properties	86,164	89,231	95,596
Construction-in-progress	582,397	541,839	719,317
Investments accounted for using the equity method	150,584	165,976	304,157
Trade and other receivables	218,360	146,646	210,777
Available-for-sale financial assets	17,718	26,341	–
Deferred income tax assets	240,683	244,045	253,397
Goodwill	9,002	7,119	267,812
Other non-current assets	59,134	44,486	200,315
	8,503,902	7,647,004	10,594,613

	Unaudited		
	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Inventories	1,014,769	1,110,249	1,507,632
Trade and other receivables	1,192,346	1,785,421	2,795,026
Available-for-sale financial assets	–	75,000	–
Pledged bank deposits	13,438	2,273	23,440
Cash and cash equivalents	749,649	1,228,745	810,131
	2,970,202	4,201,688	5,136,229
Investment in associate classified as held-for-sale	–	–	6,500
	2,970,202	4,201,688	5,142,729
Total assets	11,474,104	11,848,692	15,737,342
Equity			
Equity attributable to owners of Tian Ma			
Share capital	574,238	574,238	1,131,739
Share premium	534,615	534,615	8,067,559
Other reserves	1,981,845	1,955,077	(1,067,752)
(Accumulated losses)/retained earnings	(1,081,799)	(474,189)	60,568
	2,008,899	2,589,741	8,192,114
Non-controlling interests	1,683,100	1,799,691	413,845
Total equity	3,691,999	4,389,432	8,605,959

	Unaudited		
	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Liabilities			
Non-current liabilities			
Borrowings	2,693,057	2,096,930	1,552,433
Provision	40,458	6,689	6,047
Retirement and other supplemental benefit obligations	200,206	174,797	163,780
Deferred income on government grants	466,329	397,429	362,719
Deferred income tax liabilities	–	–	41,412
Other non-current liabilities	245,939	340,796	229,951
	3,645,989	3,016,641	2,356,342
Current liabilities			
Trade payables, advances from customers and other payables	1,834,343	2,806,308	3,394,839
Borrowings	2,297,677	1,613,799	1,345,019
Current income tax liabilities	4,096	22,512	35,183
	4,136,116	4,442,619	4,775,041
Total liabilities	7,782,105	7,459,260	7,131,383
Total equity and liabilities	11,474,104	11,848,692	15,737,342
Net current (liabilities)/assets	(1,165,914)	(240,931)	367,688
Total assets less current liabilities	7,337,988	7,406,073	10,962,301

UNAUDITED CONSOLIDATED INCOME STATEMENTS

	Unaudited Year ended 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Revenue	7,516,291	8,235,921	9,209,551
Cost of sales	(7,076,846)	(6,804,468)	(7,607,507)
Gross profit	439,445	1,431,453	1,602,044
Distribution costs	(228,413)	(222,117)	(287,638)
Administrative expenses	(794,462)	(926,697)	(1,006,900)
Fair value gain/(losses) on investment properties	724	2,755	(5,940)
Other income	(631,280)	608,698	425,298
Other (losses)/gains – net	(16,339)	(1,025)	286,423
Operating profit	32,235	893,067	1,013,287
Finance income	17,514	8,502	19,699
Finance costs	(274,952)	(93,444)	(170,997)
Finance costs – net	(257,438)	(84,942)	(151,298)
Share of (losses)/profit of associates	(9,115)	6,503	(92,478)
(Losses)/profit before income tax	(234,318)	814,628	769,511
Income tax expenses	(64,502)	(21,431)	(87,125)
(Losses)/profit for the year	(298,820)	793,197	682,386
(Losses)/profit attributable to:			
Owners of Tian Ma	(381,964)	651,204	608,111
Non-controlling interests	83,144	141,993	74,275
	(298,820)	793,197	682,386
Earnings per share attributable to the owners of Tian Ma during the year (expressed in RMB per share)			
– basic	(0.5209)	0.8882	0.7063
– diluted	(0.5209)	0.8882	0.7063

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited Year ended 31 December 2012 *RMB'000*	 2013 *RMB'000*	 2014 *RMB'000*
(Losses)/profit for the year	(298,820)	793,197	682,386
Other comprehensive income for the year, net of tax			
Items that will not be reclassified to profit or loss			
– Revaluation gains on transfer of owner-occupied property to investment property, gross of tax	6,833	11,773	–
– Revaluation gains on transfer of owner-occupied property to investment property, tax	(1,026)	(1,766)	–
– Remeasurement of post-employment benefit obligations, gross of tax	13,258	(7,347)	(16,394)
– Remeasurement of post-employment benefit obligations, tax	–	5,224	5,842
Items that may be subsequently reclassified to profit or loss			
– Fair value gains/(loss) on available-for-sale financial assets, gross of tax	(673)	8,434	(12,522)
– Fair value gains/(loss) on available-for-sale financial assets, tax	101	(1,265)	1,878
– Currency translation differences	(7,507)	(50,187)	(37,212)
Other comprehensive income for the year	10,986	(35,134)	(58,408)
Total comprehensive income for the year	(287,834)	758,063	623,978
Attributable to			
Equity holders of Tian Ma	(370,978)	616,070	549,703
Non-controlling interests	83,144	141,993	74,275
Total comprehensive income for the year, net of tax	(287,834)	758,063	623,978

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Unaudited						
	Attributable to owners of Tian Ma						
	Share capital	Share premium	Other reserves	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	574,238	534,615	1,969,478	(698,454)	2,379,877	1,599,956	3,979,833
Comprehensive income:							
Losses for the year	–	–	–	(381,964)	(381,964)	83,144	(298,820)
Other comprehensive income for the year	–	–	10,986	–	10,986	–	10,986
Total comprehensive income	–	–	10,986	(381,964)	(370,978)	83,144	(287,834)
Transactions with owners							
Transfer to other reserves	–	–	1,381	(1,381)	–	–	–
Total transactions with owners	–	–	1,381	(1,381)	–	–	–
As at 31 December 2012	574,238	534,615	1,981,845	(1,081,799)	2,008,899	1,683,100	3,691,999

	Unaudited						
	Attributable to owners of Tian Ma						
	Share capital	Share premium	Other reserves	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2013	574,238	534,615	1,981,845	(1,081,799)	2,008,899	1,683,100	3,691,999
Comprehensive income:							
Profit for the year	–	–	–	651,204	651,204	141,993	793,197
Other comprehensive income for the year	–	–	(35,134)	–	(35,134)	–	(35,134)
Total comprehensive income	–	–	(35,134)	651,204	616,070	141,993	758,063
Transactions with owners							
Transaction with non-controlling interest	–	–	(774)	–	(774)	(902)	(1,676)
Transfer to other reserves	–	–	9,140	(9,140)	–	–	–
Dividends relating to 2012	–	–	–	(34,454)	(34,454)	(24,500)	(58,954)
Total transactions with owners	–	–	8,366	(43,594)	(35,228)	(25,402)	(60,630)
At 31 December 2013	574,238	534,615	1,955,077	(474,189)	2,589,741	1,799,691	4,389,432

			Unaudited				
			Attributable to owners of Tian Ma				
	Share capital	Share premium	Other reserves	(Accumulated losses)/retain earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2014	574,238	534,615	1,955,077	(474,189)	2,589,741	1,799,691	4,389,432
Comprehensive income:							
Profit for the year	–	–	–	608,111	608,111	74,275	682,386
Other comprehensive income for the year	–	–	(58,408)	–	(58,408)	–	(58,408)
Total comprehensive income	–	–	(58,408)	608,111	549,703	74,275	623,978
Transactions with owners							
Transfer to other reserves	–	–	15,930	(15,930)	–	–	–
Dividends relating to 2013	–	–	–	(57,424)	(57,424)	–	(57,424)
Issue of ordinary shares related to business combination involving entities under common control	158,971	2,162,005	(2,320,976)	–	–	–	–
Issue of ordinary shares related to business combination involving entities not under common control	132,683	1,804,487	–	–	1,937,170	–	1,937,170
Issue of ordinary shares related to raise fund	120,932	1,610,896	–	–	1,731,828	–	1,731,828
Transaction with non-controlling interests	144,915	1,955,553	(659,375)	–	1,441,093	(1,460,121)	(19,028)
Total transactions with owners	557,501	7,532,944	(2,964,421)	(73,354)	5,052,670	(1,460,121)	3,592,549
As at 31 December 2014	1,131,739	8,067,559	(1,067,752)	60,568	8,192,114	413,845	8,605,959

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited Year ended 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Cash generated from operations	1,920,301	2,593,026	1,525,475
Interest paid	(282,722)	(88,005)	(183,449)
Income tax paid	(43,454)	(12,783)	(32,853)
Net cash generated from operating activities	1,594,125	2,492,238	1,309,173
Cash flows from investing activities			
Payment for the addition of construction-in-progress	(307,160)	(152,952)	(346,585)
Purchase of property, plant and equipment	(348,857)	(145,562)	(83,379)
Proceeds from disposal of property, plant and equipment	4,683	20,146	11,130
Purchase of intangible assets	(26,140)	(34,215)	(14,905)
Proceeds from disposal of available-for-sale financial assets	–	–	117,197
Payment for the additional investments in associates	(11,110)	(83,890)	(120,000)
Payment for acquisition of subsidiaries and other business units	(79,050)	(5,781)	–
Cash received by acquisition of a subsidiary	–	–	652,700
Proceeds from disposal of construction in progress and land use right	–	–	67,624
Government grants and allowances received	24,367	17,573	1,500
Interests received	17,514	8,504	19,698
Net cash (used in)/generated from investing activities	(725,753)	(376,177)	304,980
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	–	–	1,731,828
Proceeds from borrowings	1,464,829	1,871,754	1,776,187
Repayments of borrowings	(2,569,215)	(3,413,628)	(5,445,549)
Acquisition of interests in subsidiaries	–	–	(19,027)
Dividends paid to the owners of Tianma Company	–	(34,454)	(57,423)
Dividends paid to non-controlling interests of a subsidiary	–	(24,500)	–
Net cash used in financing activities	(1,104,386)	(1,600,828)	(2,013,984)
Net (decrease)/increase in cash and cash equivalents	(236,014)	515,233	(399,831)
Cash and cash equivalents at beginning of year	1,002,955	749,649	1,228,745
Currency translation differences	(17,292)	(36,137)	(18,783)
Cash and cash equivalents at end of year	749,649	1,228,745	810,131

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

1. General information

Tian Ma (together with its subsidiaries, the "Tianma Group") was incorporated in the People's Republic of China (the "PRC") as a joint stock company with limited liability under the Company Law of the PRC. The registered office of Tianma Company is 22nd floor, Hangdu Building, Shennan Road, Futian District, Shenzhen, the PRC.

Tian Ma Company's shares were listed on the Main Board of the Shenzhen Stock Exchange on 15 March 1995.

Tian Ma is principally engaged in the design, manufacturing, and sale of liquid crystal displays ("LCD") and liquid crystal modules ("LCM") in the PRC.

2. Basis of preparation

The Unaudited Consolidated Financial Information of Tianma Group has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Listing Rule, and solely for the purposes of inclusion in the circular of the Company dated 28 March 2015 in connection with the Proposed Share Issuance. It does not contain sufficient information to constitute a complete set of financial statements as described in International Accounting Standard 1 "Presentation of Financial Statements" issued by the International Accounting Standards Board and should be read in connection with the annual report of the Company for the year ended 31 December 2014.

The Unaudited Consolidated Financial Information has been prepared in accordance with the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2014. These policies have been consistently applied to the Relevant Periods presented.

The Unaudited Consolidated Financial Information has been prepared under the historical cost convention.

In August 2014, Tian Ma acquired 100% equity interests in Shanghai AVIC Opto-electronics Company Limited ("Shanghai Opto-electronics") and Shenzhen AVIC Opto-electronics Company Limited ("Shenzhen Opto-electronics"), by issuing A shares of Tian Ma. The acquisitions of equity interests in Shanghai Opto-electronics and Shenzhen Opto-electronics were regarded as a business combination involving entities under common control, since Tian Ma, Shanghai Opto-electronics and Shenzhen Opto-electronics were all under common control of Aviation Industry.

Thus, the financial information of Shanghai Opto-electronics and Shenzhen Opto-electronics has been consolidated into the Financial Information of Tian Ma under merger accounting in accordance with the requirements of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information have been prepared using the principles of merger accounting, as prescribed in AG 5. The Financial Information include the balance sheets, the income statements, the statements of comprehensive income, the statement of changes in equity and the statement of cash flow of the acquired companies as if they had been in existence throughout the Relevant Periods, or since its date of incorporation.

The Unaudited Consolidated Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 (Revised) "Presentation of Financial Statements" issued by the International Auditing and Assurance Standards Board.

The Unaudited Consolidated Financial Information is presented in Renminbi, the currency of the primary economic environment in which Tian Ma operates.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is illustrative and unaudited pro forma financial information of the Group ("Unaudited Pro Forma Financial Information") comprising unaudited pro forma consolidated balance sheet, the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows, which have been prepared on the basis of the notes set out below for the purpose of illustrating the effects of the Proposed Share Issuance.

The Unaudited Pro Forma Financial Information has been prepared as if the Proposed Share Issuance had taken place on 31 December 2014 for the unaudited pro forma consolidated balance sheet and as if the Proposed Share Issuance had taken place on 1 January 2014 for the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information is prepared by assuming the proposed issuance of approximately 334,821,000 New Shares by Tian Ma at an issue price of RMB17.92 per A Share for raising a maximum raised funds of RMB6,000,000,000.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the annual report of the Company for the year ended 31 December 2014.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, results of operations and cash flows of the Group had the Proposed Share Issuance been completed as at 31 December 2014 or 1 January 2014, where applicable, or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE REMAINING GROUP AS AT 31 DECEMBER 2014

	Unadjusted audited consolidated balance sheet of the Group as at 31 December 2014	Pro Forma Adjustments			Unaudited pro forma consolidated balance sheet as at 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 2	*Note 3*	*Note 4*	*Note 5*	
ASSETS					
Non-current assets					
Land use rights	1,757,824	–	–	–	1,757,824
Exploration and extraction rights	765,937	–	–	–	765,937
Goodwill	952,556	–	–	–	952,556
Intangible assets	879,874	–	–	–	879,874
Property, plant and equipment	13,583,312	–	–	–	13,583,312
Investment properties	2,232,376	–	–	–	2,232,376
Construction-in-progress	2,479,701	–	–	–	2,479,701
Investments accounted for using the equity method	4,342,730	–	–	–	4,342,730
Trade and other receivables	1,585,580	–	–	–	1,585,580
Available-for-sale financial assets	257,940	–	–	–	257,940
Deferred income tax assets	637,611	–	–	–	637,611
Other non-current assets	514,331	–	–	–	514,331
	29,989,772	–	–	–	29,989,772
Current assets					
Inventories	6,376,810	–	–	–	6,376,810
Properties under development	1,808,116	–	–	–	1,808,116
Trade and other receivables	12,134,461	–	–	–	12,134,461
Amounts due from customers for contract work	2,017,763	–	–	–	2,017,763
Financial assets at fair value through profit or loss	4,242	–	–	–	4,242
Pledged bank deposits	522,864	–	–	–	522,864
Cash and cash equivalents	4,828,610	6,000,000	(44,100)	–	10,784,510
Investments in associates classified as held-for-sale	90,624	–	–	–	90,624
	27,783,490	6,000,000	(44,100)	–	33,739,390
Total assets	57,773,262	6,000,000	(44,100)	–	63,729,162

	Unadjusted audited consolidated balance sheet of the Group as at 31 December 2014	Pro Forma Adjustments			Unaudited pro forma consolidated balance sheet as at 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 2	*Note 3*	*Note 4*	*Note 5*	
EQUITY					
Equity attributable to owners of the Company					
Share capital	1,110,632	334,821	–	(334,821)	1,110,632
Share premium	1,294,633	5,665,179	–	(5,665,179)	1,294,633
Perpetual subordinated convertible securities	2,781,674	–	–	–	2,781,674
Other reserves	655,789	–	(44,100)	743,152	1,354,841
Retained earnings	3,779,324	–	–	–	3,779,324
	9,622,052	6,000,000	(44,100)	(5,256,848)	10,321,104
Non-controlling interests	8,767,461	–	–	5,256,848	14,024,309
Total equity	18,389,513	6,000,000	(44,100)	–	24,345,413
LIABILITIES					
Non-current liabilities					
Borrowings	10,477,284	–	–	–	10,477,284
Deferred income tax liabilities	862,398	–	–	–	862,398
Deferred income on government grants	761,479	–	–	–	761,479
Provision	213,085	–	–	–	213,085
Trade and other payables	22,883	–	–	–	22,883
Retirement and other supplemental benefit obligations	384,357	–	–	–	384,357
Other non-current liabilities	166,803	–	–	–	166,803
	12,888,289	–	–	–	12,888,289

	Unadjusted audited consolidated balance sheet of the Group as at 31 December 2014	Pro Forma Adjustments			Unaudited pro forma consolidated balance sheet as at 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 2	*Note 3*	*Note 4*	*Note 5*	
Current liabilities					
Trade and other payables	14,600,170	–	–	–	14,600,170
Amounts due to customers for contract work	1,491,725	–	–	–	1,491,725
Borrowings	9,429,473	–	–	–	9,429,473
Financial liabilities at fair value through profit or loss	66,895	–	–	–	66,895
Current income tax liabilities	226,956	–	–	–	226,956
Retirement and other supplemental benefit obligations	16,931	–	–	–	16,931
Other current liabilities	663,310	–	–	–	663,310
	26,495,460	–	–	–	26,495,460
Total liabilities	39,383,749	–	–	–	39,383,749
Total equity and liabilities	57,773,262	6,000,000	(44,100)	–	63,729,162
Net current assets	1,288,030	6,000,000	(44,100)	–	7,243,930
Total assets less current liabilities	31,277,802	6,000,000	(44,100)	–	37,233,702

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Unadjusted audited consolidated income statement for the year ended 31 December 2014	Pro Forma Adjustments	Unaudited pro forma consolidated income statement for the year ended 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*
	Note 2	*Note 6*	
Revenue	34,426,424	–	34,426,424
Cost of sales	(28,786,784)	–	(28,786,784)
Gross profit	5,639,640	–	5,639,640
Distribution costs	(1,762,722)	–	(1,762,722)
Administrative expenses	(3,060,765)	–	(3,060,765)
Fair value gain on investment properties	15,990	–	15,990
Other income	700,892	–	700,892
Other gains – net	343,413	–	343,413
Operating profit	1,876,448	–	1,876,448
Finance income	513,415	–	513,415
Finance costs	(1,286,786)	–	(1,286,786)
Finance costs – net	(773,371)	–	(773,371)
Share of profit of investments accounted for using the equity method	471,701	–	471,701
Profit before income tax	1,574,778	–	1,574,778
Income tax expense	(316,461)	–	(316,461)
Profit for the year	1,258,317	–	1,258,317
Profit attributable to:			
Owners of the Company	641,949	(35,757)	606,192
Non-controlling interests	616,368	35,757	652,125
	1,258,317	–	1,258,317
Earnings per share attributable to the owners of the Company during the year (RMB per share)			
– basic	0.5530	(0.0322)	0.5208
– diluted	0.3357	(0.0187)	0.3170

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Unadjusted audited consolidated statement of comprehensive income for the year ended 31 December 2014	Pro Forma Adjustments	Unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*
	Note 2	*Note 6*	
Profit for the year	1,258,317	–	1,258,317
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations, gross of tax	(21,380)	–	(21,380)
Remeasurements of post employment benefit obligations, tax	7,475	–	7,475
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	(447,160)	–	(447,160)
Share of an associate's other comprehensive income	(47)	–	(47)
Recycle of share of an associat's other comprehensive income	12,098	–	12,098
Recycle of fair value gains on available-for-sale financial assets, gross of tax	(14,263)	–	(14,263)
Recycle of fair value gains on available-for-sale financial assets, tax	3,566	–	3,566
Other comprehensive loss for the year, net of tax	(459,711)	–	(459,711)
Total comprehensive income for the year, net of tax	798,606	–	798,606
Attributable to:			
– Equity holders of the Company	257,925	(35,757)	222,168
– Non-controlling interests	540,681	35,757	576,438
Total comprehensive income for the year	798,606	–	798,606

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Unadjusted audited consolidated statement of cash flows for the year ended 31 December 2014	Pro Forma Adjustments		Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 2	*Note 3*	*Note 4*	
Cash flows from operating activities				
Cash generated from operations	2,654,521	–	–	2,654,521
Interest paid	(1,176,196)	–	–	(1,176,196)
Income tax paid	(278,887)	–	–	(278,887)
Net cash generated from operating activities	1,199,438	–	–	1,199,438
Cash flows from investing activities				
Payment for the addition of construction-in-progress	(1,845,472)	–	–	(1,845,472)
Purchase of property, plant and equipment	(700,827)	–	–	(700,827)
Purchase of land use rights	(45,870)	–	–	(45,870)
Purchase of intangible assets	(39,669)	–	–	(39,669)
Payment for the additions of other non-current assets	(220,322)	–	–	(220,322)
Proceeds from acquisition of subsidiaries, net of cash paid	2,705,087	–	–	2,705,087
Capital injection to associates	(128,510)	–	–	(128,510)
Capital injection to joint ventures	(8,636)	–	–	(8,636)
Cash inflow from disposals of subsidiaries	598	–	–	598
Purchase of available-for-sale financial assets	(6,600)	–	–	(6,600)
Proceeds from disposals of property, plant and equipment	66,428	–	–	66,428
Proceeds from disposals of investment properties	92	–	–	92
Proceeds from disposals of intangible assets	818	–	–	818
Proceeds from disposals of available-for-sale financial assets	54,040	–	–	54,040
Proceeds from disposals of joint venture	213	–	–	213
Government grants received	393,775	–	–	393,775
Interest received	107,363	–	–	107,363
Loan to related parties	(1,121,861)	–	–	(1,121,861)
Repayments of loan from related parties	71,027	–	–	71,027
Dividends received	207,591	–	–	207,591
Net cash used in investing activities	(510,735)	–	–	(510,735)

	Unadjusted audited consolidated statement of cash flows for the year ended 31 December 2014	Pro Forma Adjustments		Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 2	*Note 3*	*Note 4*	
Cash flows from financing activities				
Proceeds from bank borrowings	17,727,226	–	–	17,727,226
Repayments of bank borrowings	(20,421,279)	–	–	(20,421,279)
Borrowings from related parties	405,032	–	–	405,032
Repayments of borrowings from related parties	(363,899)	–	–	(363,899)
Capital contribution to subsidiaries from non-controlling interests	60,267	–	–	60,267
Dividends paid to non-controlling interests of subsidiaries	(48,569)	–	–	(48,569)
Transactions with non-controlling interests	1,730,096	–	–	1,730,096
Proceeds from the Proposed Share Issuance	–	6,000,000	–	6,000,000
Transaction costs directly attributable to the Proposed Share Issuance	–	–	(44,100)	(44,100)
Net cash (used in)/generated from financing activities	(911,126)	6,000,000	(44,100)	5,044,774
Net (decrease)/increase in cash and cash equivalents	(222,423)	6,000,000	(44,100)	5,733,477
Cash and cash equivalents at beginning of year	5,076,449	–	–	5,076,449
Currency translation differences	(25,416)	–	–	(25,416)
Cash and cash equivalents at end of year	4,828,610	6,000,000	(44,100)	10,784,510

NOTES TO THE UNAUDITED PRO FORMA INFORMATION

1. Prior to the Proposed Share Issuance, the Company held 25.76% equity interests in Tian Ma and has reached an agreement with AVIC International and AVIC Shenzhen, who held 6.88% and 7.16% equity interests of Tian Ma respectively, to act in concert with the Company when casting votes in Tian Ma's shareholder meeting. As such, the Company held 39.80% voting right of Tian Ma and other equity interests are widely held by public interests. The Company's voting rights relative to the size and dispersion of holdings of other shareholders give the Company the power to govern the financial and operating policies. The Directors considered that the Group has de facto control of Tian Ma despite its equity interests in Tin Ma are below 50% and the Group reported them as a subsidiary.

   Upon completion of the Proposed Share Issuance, the equity interests held by the Company, AVIC International and AVIC Shenzhen in Tian Ma will be diluted from 39.80% to 30.72%, the Company took/will take certain actions in order to retain control over Tian Ma. These actions include but not limited to the following:

   (i) As at the Latest Practical Date, Tian Ma's shareholder Hubei Province Technology Investment Group Company Limited (湖北省科技投資集團有限公司) ("Hubei Technology Investment") holds 11.72% of equity interest in Tian Ma. On 27 February 2015, Hubei Technology Investment issued a commitment letter to the Company, stating that Hubei Technology Investment agreed not to compete for the control of Tian Ma solely or jointly with other parties during the period of holding the shares of Tian Ma, without prejudice to its own and its shareholders' legal interest. In the event that other shareholders of Tian Ma compete for the control of Tian Ma with the Company or other situations where may result in the Company's loss control of Tian Ma occur, Hubei Technology Investment will agree not to compete for the control of Tian Ma solely or jointly with other parties;

   (ii) If there is any new potential investor to subscribe a share interest to the extent that threaten the Company's control over Tian Ma upon completion of the Proposed Share Issuance, the Company will require a commitment letter similar to the letter from Hubei Technology Investment from the potential investor;

   (iii) Try to reach agreements with certain other shareholders of Tian Ma under which these shareholders agree not to appoint additional directors or remove the existing directors of Tian Ma.

   In view of these actions performed or to be performed by the Company, the Company believes that Tian Ma will continue to remain as a subsidiary of the Company. As a result, the Company accounted for the dilution of equity interests in Tian Ma from 25.76% to 19.88% as transaction with non-controlling interests.

2. The unadjusted audited consolidated balance sheet of the Group as at 31 December 2014, the unadjusted audited consolidated income statement, the unadjusted audited consolidated statement of comprehensive income and the unadjusted audited consolidated statement of cash flows of the Group for the year ended 31 December 2014 are extracted from the published results announcement of the Group for the year ended 31 December 2014.

3. Recognition of proceeds received upon completion of the Proposed Share Issuance of Tian Ma. Considerations of RMB334,821,000 and RMB5,665,179,000 was recorded as Tian Ma's share capital and share premium, respectively.

4. Recognition of estimated transaction costs of Tian Ma amounting to RMB40,000,000 that is directly attributable to issuance of New Shares.

   Recognition of estimated transaction costs of the Company amounting to RMB4,100,000 that is related to transaction with non-controlling interests.

5. Elimination of share capital and share premium of Tian Ma amounting to RMB334,821,000 and RMB5,665,179,000 respectively, and recognition of other reserves and non-controlling interests amounting to RMB743,152,000 and RMB5,256,848,000 respectively, as the Company's equity interests in Tian Ma would have been diluted from 25.76% to 19.88% after the completion of the Proposed Shares Issuance.

The recognition of non-controlling interests amounting to RMB5,256,848,000 is calculated as follows:

		RMB'000
Net assets attributable to owners of Tian Ma before the Proposed Share Issuance as at 31 December 2014*		8,192,114
The shareholding of non-controlling interests of Tian Ma before the Proposed Share Issuance		74.24%
Net assets attributable to Tian Ma's non-controlling shareholders before the Proposed Share Issuance	*A*	6,081,825
Net assets attributable to owners of Tian Ma before Proposed Share Issuance as at 31 December 2014		8,192,114
Proceeds received was recorded as Tian Ma's share capital	*Note 3*	334,821
Proceeds received was recorded as Tian Ma's share premium	*Note 3*	5,665,179
Estimated transaction costs of Tian Ma	*Note 4*	(40,000)
Net assets attributable to owners of Tian Ma upon completion of the Proposed Share Issuance		14,152,114
The shareholding of non-controlling interests of Tian Ma upon completion of the Proposed Share Issuance		80.12%
Net assets attributable to Tian Ma's non-controlling shareholders upon completion of the Proposed Share Issuance	*B*	11,338,673
Non-controlling interests arisen from the Proposed Share Issuance	*C=B–A*	5,256,848

* *The amount is extracted from the consolidated financial statements of Tian Ma contained in Appendix II to this circular*

Recognition of other reserve of RMB743,152,000 measured as the excess of (a) over (b) below:

(a) the elimination of share capital and share premium of Tian Ma amounting to RMB334,821,000 and RMB5,665,179,000 as stated Note 3.

(b) the recognition of non-controlling interests of the Company of RMB5,256,848,000 as stated above.

6. Recognition of profit attributable to Non-controlling interests amounting to RMB35,757,000, as the Company's equity interests in Tian Ma were diluted from 25.76% to 19.88% after the completion of the Proposed Shares Issuance. The amounts is calculated as follows:

		RMB'000
Net Profit attributable to owners of Tian Ma before the Proposed Share Issuance for the year ended 31 December 2014**	A	608,111
Dilution of the Company's equity interests in Tian Ma from 25.76% to 19.88% arising from the Proposed Shares Issuance	B	5.88%
Non-controlling interests arisen from the Proposed Share Issuance	C=A*B	35,757

** *The amount is extracted from the consolidated financial statements of Tian Ma contained in Appendix II to this circular*

7. The consideration illustrated above is based on the proposed issuance of new shares by Tian Ma for raising a maximum raised funds of RMB6,000,000,000 with an issue price of RMB17.92 per A Share. The final consideration upon completion of the Proposed Shares Issuance may be different from the amount presented here and the differences may be significant.

8. Apart from the above, no other adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2014.

The following is the text of a report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

TO THE DIRECTORS OF AVIC INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of AVIC International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at 31 December 2014, the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages 1 to 10 in Appendix III of the circular (the "Circular") dated 27 March 2015 of the Company, in connection with the proposed issuance of new A shares by Tianma Micro-electronics Company Limited for raising a maximum raised funds of RMB6,000,000,000 by way of non-public offer (the "Proposed Share Issuance"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages 1 to 10 in Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Proposed Share Issuance on the Group's financial position as at 31 December 2014 and the Group's financial performance and cash flows for the year ended 31 December 2014 as if the Proposed Share Issuance had taken place at 31 December 2014 and 1 January 2014 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's financial statements for the year ended 31 December 2014 on which an audit report has been published.

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Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Share Issuance at 31 December 2014 and 1 January 2014 respectively, would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 27 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2012

Business review

The consolidated revenue and profit contributions of the Company in its consolidated results for the year 2012 were primarily derived from the following business sections and subsidiaries:

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

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 business, while also operating industrial property development
	China National Aero-Technology International Engineering Company Limited ("Engineering Company")	100%	Mainly engages in international engineering general contracting construction, which also engages in overseas property development and domestic construction engineering general contracting
	Guangdong International Building Industrial Co., Ltd. ("GIB Company")	75%	Hotel operation
Trading and Logistics	China National Aero-Technology Beijing Company Limited ("Beijing Company")	100%	Trading and logistics of shipping, cement engineering, machinery vehicles and electric power facilities, etc.
	China National Aero-Technology Guangzhou Company Limited ("Guangzhou Company")	100%	Trading and logistics of machinery vehicles, bitumen and medical facilities
	China National Aero-Technology Xiamen Company Limited ("Xiamen Company")	100%	Trading and logistics of shipping, stone materials

Business sections	Name of subsidiaries	Percentage of equity interests held by the Company	Principal activities
	China National Aero-Technology Trade and Economic Development Company Limited ("TED Company")	97.5%	Tendering agency, information application service
Resources Investment and Development	Shenzhen AVIC Resources Co., Ltd. ("Resource Company")	100%	Investment and development of agriculture-related resources business

Summary of Performance

The Group recorded a consolidated revenue from continuing operations of approximately RMB31,252,572,000 (restated, same below), representing an increase of approximately 12% over the previous year of approximately RMB27,817,178,000. The profit attributable to owners of the Company was approximately RMB970,702,000, representing an increase of approximately 44% over the previous year of approximately RMB674,556,000.

In 2012, amid the gloomy global market, and facing severe challenges in the external macro-economic situation, during the year ended 31 December 2012, the Group has affirmed its strategy of "Supremacy • Surpass", maintained its leading position in the industry, stressed on its yearly strategic theme of "Enhancing Efficiency", "Adjusting Structure" and "Bolstering Capacity", promoted sustainable and rapid development of various businesses. Moreover, it accelerated the transformation and upgrade on market, customer and product structural adjustment of core business. Meanwhile, it focused on core competitiveness of business, enhanced business model innovation, enhancement of internal capability, value creation capability and operational risk control capability, so as to increase overall operation result. It also intensified its management innovation, optimized major business procedures and procedures management, accelerated the inventory and trade receivable turnover, achieved satisfactory result on strategic cost management, so as to enhance the efficiency of operation, asset and organization. It kept improving the corporation governance, strengthened leadership of core management team and human resources development, promoted humanity management and intensified cooperate cultural system reform, resulting in a satisfactory performance on the target tasks.

During the year ended 31 December 2012, the Company completed a very substantial acquisition and connected transaction – issuance of domestic shares and perpetual subordinated convertible securities (PSCS), in which assets and businesses of 12 companies held by the controlling shareholders, AVIC International, AVIC Shenzhen and connected companies were injected into the Company. As such, the business scope of the Group expanded to five business sections: high-tech electronic products, retails and high-end consumer products, real estate and hotel, trading and logistics, and resources investment and development.

During the year ended 31 December 2012, the performance of major businesses of the Group were satisfactory, and competitiveness of each major business was further strengthened. Regarding the high-technology electronics products section, progresses have been made in the product structural adjustment of liquid crystal displays LCD business; technology in packaging substrate of PCB business achieved breakthrough, mass production and rapid growth, creating the first record in domestic industry. Regarding the watch business in retails and high-end customer product section, dual major principles of product brand and channel brand have been adhered, leading to stable growth in business revenue. Regarding the construction contracting business in real estate and hotel section, dozens of international construction "Engineer, Procure, Construct" ("EPC") project were successfully obtained, all the projects under construction were undergoing smoothly, in which GIB Company Hotel started normal operation. Regarding the trading and logistics section, businesses in mechanical and electrical engineering with rapid development and good social efficiency and economic effectiveness achieved success. Regarding the resources investment and development section, phosphate fertilizer and chemical fertilizers focus on enhancement of technology and production capacity.

High-tech Electronic Products

The Group engages in Research and Development (R&D), design, production, sales and service of liquid crystal displays (LCD) and PCB products mainly through its subsidiaries, such as Tianma and SCC. In 2012, due to the impacts from on-going depression in global economy and slowdown in domestic economy, the Group's revenue from high-tech electronic products section was approximately RMB6,779,206,000, down by approximately 0.5% over RMB6,812,696,000 for the previous year. The profit was approximately RMB337,638,000 representing a decrease of approximately 18% over the profit of approximately RMB412,054,000 for the same period of last year.

1. LCD

The LCD products comprise liquid crystal displays (LCD) and liquid crystal modules (LCM), which are mainly used in communication terminal and professional displays. The demand of global liquid crystal panel was under depressed growth and excessive capacity still remained in the industry in 2012. Although small-to-middle size panel market kept a relatively high growth rate driven by smart phones, tablet computers and professional display products, manufacturers of large size panel shifted the Large-size Thin Film Transistor LCD (TFT-LCD) production lines to the small-to-middle size panel market, resulted in supply exceed demand in small-to-middle size panel market. At the same time, various panel manufacturers implemented new technology and accelerated technology upgrading, all leading to increasingly profitability squeezed in the whole panel market.

Facing severe market environment, the LCD business of the Group proactively adapted to market demand, transformed product strategies and adjusted business structure and increase operational efficiency. It strengthened smart phones and professional display products, shrank the scale of its function phone products and digital products with lower profit margin potential. By means of co-operating with domestic manufacturers, it realized that certain core raw materials can be made in China as well as reduced procuring cost and shortened the delivery terms. In addition, it intensified its major customer sales strategy and further developed major overseas customers, seized opportunities of development in domestic smart phones, as a result, the layout of domestic major customers was mainly completed and customer structure was further optimized. Regarding the technology development, it aimed at technological advancement. With vertical integrated management, it accelerated R&D on new technology and speed of application, realizing the Super-Fine TFT new technology mass production and becoming a new growth point in profit contribution, moreover, new frontier technology R&D such as AM-OLED, 3D also achieved gradual achievement. During the year ended 31 December 2012, the Group was entrusted to manage Shanghai AVIC Opto-electronics Limited, Shenzhen AVIC Opto-electronics Limited, Xiamen Tian Ma Microelectronics Co., Ltd., not only increased its management income, but also further consolidated the foundation of business synergic effects.

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, automobile and industrial control. In 2012, electronics supply chain in the world lacked growth momentum, demands of PCB industry were weak and demands for communication equipment fields in core market were sluggish.

Facing the challenges, the PCB business of the Group will identify and capture market opportunity to enhance itself to a strategic level. Through identification of target products and target customers, it formulated and implemented the special action plans to capture market opportunities. Moreover, it enhanced technological marketing model and strength, while maintained the orders from domestic clients, the sales from Europe and America increased by 34% even in the depressed environment. Overall speaking, the revenue from PCB product slightly increased, and revenue and profits of packaging substrate products both recorded significant growth. In the meanwhile, it affirmed to effectiveness and efficiency enhancement and procurement cost reduction by means of strategic co-operation and promoting Vendor Management Inventory ("VMI") model, carried out the most optimized cost design in an innovative method to optimize procedures and shorten business cycle, intensified supply chain management and quality control, resulted in a year-on-year growth of over 25% in profit. It also achieved new breakthrough in technological R&D and industrial upgrade, "multi-function PCB for telecommunication" and "high-density packaging substrate", for instance, have passed the identification as technological achievements. Moreover, during the year, SCC was awarded as "Excellent Enterprise in Intellectual Property Right of Guangdong Province" (廣東省知識產權優勢企業) and was certified as "Model Enterprise of Technology

Innovation" (國家技術創新示範企業) by Ministry of Industry and Information Technology and Ministry of Finance jointly, being the only company passed the certification in Shenzhen for this batch, representing an enhancement in the leading position of the industry.

In September 2012, the Company entered into investment agreement with SCC, pursuant to which the parties jointly established Wuxi Shennan Circuit Co., Ltd. ("Wuxi Shennan"), which will principally engage in R&D, manufacturing and sales of the technologies and products such as high-end PCB, packaging substrates, electronics assembly. Wuxi Shennan completed registration during the year, but construction has not yet started.

Retails and High-end Consumer Products

The retails and high-end consumer products section of the Group engages in the brand operation of middle to high-end watches and chain sales of prestigious watches around the world through its subsidiary, Fiyta, mainly including R&D, design, manufacturing and sales of watches under its owned brand name and by chain sales operation of prestigious watches. In 2012, the turnover of the retails and high-end consumer products section of the Group amounted to approximately RMB2,987,857,000, representing a growth of approximately 18% when compared with RMB2,537,539,000 of the previous year. The profit amounted to approximately RMB140,324,000, representing a decrease of approximately 1% when compared with the previous year.

During the year of 2012, affected by adverse impacts from depressed global economy and slow domestic economy, consumer confidence and consumption capacity as well as the retails and high-end consumer products industry declined. Under such harsh market environment, the retails and high-end consumer products business of the Group has persisted on the brand strategy, proactively advanced its strategic layout of complete value chain, further optimized business model of channels brand together with branded products, furthermore, it enhanced its key business procedures, achieving a new height in revenue. However, the growth of sales slowed down, together with greater efforts devoted to preliminary network expansion, resulted in more growth in operation cost and financial expense in Harmony prestigious watches business, leading to overall profit declined accordingly when compared with the previous year.

During the year of 2012, the "FIYTA" brand adhered to brand value enhancement and brand essential of "4P+C", injected more elements of "fashion" and "youth", strengthened the interactive experience between brand and customers, leading to steady increase in sales. Fabulous exhibition in Basel International Watch and Jewellery Fair and Milan Fashion Week for the second time, advertisement in New York Time Square, as well as accomplishment of the first Chinese female astronaut successfully travelled in space with the space watch "Shenzhou IX" all proved that the brand marketing of FIYTA is effective, and its brand value was greatly enhanced domestically and overseas. While exploring its new business models, the e-commercial business also gained rapid development, with scale doubled and became a new growth point to profit. Meanwhile, it further explored its domestic and overseas sales channels, and marched into Taiwan market, marking the channel construction gain stable advancement. During the year of 2012, FIYTA was awarded "Asia Top 500 Brands" "Technological Innovation Award in Light Industry of China" (中國輕工業科技創新獎) and "Top 10 Innovative Company in Industrial Design of China of the Year" (年度中國工業設計十佳創新企業), moreover, its product named "Four-leaf Clover (四葉草)" for female and a series product named "Photographer (攝影師)" was granted the "Red Star Award of Chinese Innovative Design" (中國創新設計紅星獎).

During the year of 2012, Harmony, a prestigious watch chain brand belong to Fiyta focused on BSC[2] construction, intensified its implementation on the concept of "three-step marketing", by means of theme sales and holiday campaign, it achieved scaled growth that was higher than average industry level, further strengthened leading position in industry and market share. It expanded and optimized sales points and improve shopping environment for customers. However, its growth in sales slowed down and inventory turnover showed decline while the fixed cost kept increasing, all resulted in year-on-year decline in annual profit.

Real Estate and Hotel

1. *Real Estate Development*

The Group engages in real estate development through its subsidiaries Chengdu Raise, Wuxi AVIC Raise Real Estate Company Limited, Xi'an Raise and Beijing Ruixin, in engineering contracting business through its subsidiary Engineering Company, and in hotel operation management through its subsidiary GIB Company. During the year of 2012, the real estate and hotel business section of the Group recorded turnover of approximately RMB2,769,814,000 representing an increase of approximately 37% as compared with RMB2,024,047,000 in the previous year. The profit was approximately RMB114,954,000, while last year it recorded loss of RMB100,978,000. In addition, the Group achieved investment gain from jointly controlled entities and associates, AVIC International Vanke Company Limited and Shenzhen CATIC Real Estate Company Limited ("AVIC Real Estate") of approximately RMB435,279,000.

With the slowdown in urbanization process in China and fading in the bonus impacts from population increase and globalization, the growth of real estate faced deceleration. In 2012, the Chinese government continued to implement its macro adjustment and control on real estate industry by means of limiting the purchase and loan lending, stringently controlled investment and speculative property purchase, resulted in the decline in growth rate of domestic real estate industry, which was lower than the past two years, leading the development into rational stage. The domestic real estate industry showed its trend of growing after declining. Since the end of the first season, it has picked up from bottom till achieved the peak in the second season, while appeared downwards in the third season and started to climb up again in the fourth season. During such fluctuation, the growth rate of residential property sales slowed down, while investment on commercial property kept climbing up.

The real estate development business of the Group mainly focused on third and fourth tier cities. Currently, the projects under development include: Aviation Technology Commercial Park (中航科技商務園項目), Shunyi Aviation Industry Park auxiliary services project (順義航空產業園配套服務項目) and Tongling Zhongkai Property project (銅陵中凱置業項目) in Beijing suburbs and its surrounding areas; "AVIC•International Communication Center (中航•國際交流中心)" in Chengdu; Hancheng No.1 (漢城壹號) in Xi'an and innovation project of shanty towns on No. 18 of Fuli District by Xi'an Raise.

2. *Engineering Contracting*

The engineering contracting business of the Group mainly comprises international construction project general contracting, gradually expanded to overseas real estate development and domestic construction general project contracting. In 2012, investment and financing of international construction projects encountered difficulties and the market showed shrank due to the global financial crisis.

Faced with harsh challenges in domestically and overseas constructing projects market, the Group strengthened its development on overseas construction projects in key markets such as South Asia, East Africa and Middle East, and at the same time explored domestic construction market, which both achieved progresses. During the year, it newly entered into contracts for 30 overseas construction projects, with total contract value amounted to RMB7,200,000,000. The new projects covered around The United Arab Emirates, Kenya, Sri Lanka and Algeria. The international projects such as south-to-north highway project in Sri Lanka and the Twin Towers project in Abu Dhabi, The United Arab Emirates underwent well. With excellent project quality and good schedule control, the Group's overseas projects gained compliment and good reputation in those countries.

3. *Hotel Operation*

In 2012, GIB Company, a subsidiary of the Group which engages in hotel operation, welcomed its complete operation year on hotel operation after back on track and significantly improved the operating loss from last year.

Trading and Logistics

The Group engages in ship engineering, electrical engineering, tendering agency and information application through its subsidiaries, namely Beijing Company, Guangzhou Company, Xiamen Company and TED Company. In 2012, the Group's turnover from trading and logistics section was approximately RMB17,656,704,000, increased by approximately 15% over RMB15,298,425,000 for the previous year. The profit was approximately RMB500,489,000, representing an increase of approximately 87% over the profit of approximately RMB267,764,000 for the previous year.

1. *Ship Engineering*

During the year of 2012, affected by global depressed economy and slow down of China's economy, the growth rate of export and import trading significantly declined, resulted in increasing competition in logistic market. The ship engineering business of the Group pursued a development idea of "differentiation on business model, serialization on shipping product and perfection on operation management". It leveraged AVIC International Investments Limited (a company listed on main board of Singapore Stock Exchange, stock code: O2I, the "AVIC International Investment"), one of subsidiaries of Beijing Company, a subsidiary of the Group as integrated and operation platform, engaged in design, manufacturing, trading and investment of shipping. It also took advantage of AVIC Weihai Shipyard Co., Ltd, a subsidiary of the Group and Taizhou AVIC Shipbuilding Heavy Industry Limited, an associate of the Group as shipping manufacturing base, building an annual manufacturing capacity of 2 million tonnes of loading capacity, ship types covering bulk cargo ships, container ships, oil tanker and multi-function vessels.

During the year ended 31 December 2012, faced with difficult time in international shipping market with depression, sluggish demand of new built ship and low price, the ship engineering business of the Group devoted to promoting its excellent operation and strived for an integrated value chain business model with design, manufacturing, trading and finance. During the year, it realized delivery of 32 ships, of which 13 were built and delivered by Weihai Shipyard and 19 were by way of commission processing and trading. It established its own shipping brand "Navis", accomplished integration and layout of shipping business based on the platform of AVIC International Investment as well as completed the acquisition of 79.57% equity of world-renowned independent shipping design company Deltamarin ("Deltamarin") in Finland, remarking a fulfillment of world-class R&D and design capability in ship engineering.

2. *Machinery and Electrical Engineering*

The machinery and electrical engineering business of the Group mainly comprises cement EPC, export of machinery vehicle, medical equipment and service and so on. During the year ended 31 December 2012, the Group fully implemented strategic cooperation with Germany Humboldt Cement Equipment Company (德國洪堡水泥裝備公司), developed overseas cement EPC market, jointly conducted project construction, resulted in obtaining 7 cement EPC projects in countries such as Malaysia and Venezuela, with gross contract value amounted to more than USD 1 billion. The business of export of machinery vehicle explored development model of industrialization and large-scale, gained achievements in Southeast Asia, Africa and South America and entered into an export project agreement with Myanmar government on production line of axle in Myanmar, total contract value amounted to USD 100 million, which is the largest government loan project between China and Myanmar in recent years. Medical equipment and service mainly comprises of combined mobile hospital. The mobile hospital in Zambia underwent smoothly during the year, total conducted 135 times of call-out services, 230,000 times of clinical reception and over 13,000 times of surgeries, not only achieved business success, but also made contribution in improving the local medical condition and received compliments from Zambian government and peoples. Other engineering and trading projects including renewable energy equipments underwent well during the same period.

3. *Tendering Agency and Information Application Service*

The trading and logistics section of the Group also engages in tendering agency and information application service. The tendering agency comprises three types, being cargo, engineering and service tendering. It owns four Grade A qualification of "international tendering, engineering tendering, government procurement and projects invested by central government". It was awarded as "Top 10 Tendering Agency with Most Influences in China" (中國最具影響力十大招標代理機構), and accomplished various contract tenderings with total value amounted to RMB15,000,000,000. The information application service mainly engages in consultation and service on enterprises informatization, computer system integration and application of internet of things. Both business scales and profit achieved continuous rapid increase and doubled growth during the year.

During the year ended 31 December 2012, the bulk commodities projects such as bitumen engineering and stone materials trading underwent smoothly.

Resources Investment and Development

The Group engages in investment and development on agricultural-related resources businesses through Resource Company, committed to build up core competitiveness that based on resources occupation, extended and covered to fertilizer industry chain and focused on resources and terminal agricultural & chemical technological service. In 2012, resources investment and development business of the Group recorded turnover of approximately RMB1,058,991,000, representing slightly decrease as compared with RMB1,096,776,000 in the previous year. Due to a sluggish market demand and price decline, it recorded a loss of RMB50,206,000.

In 2012, price of bulk commodities in global kept declining and price of fertilizer also maintained at a low level. While the domestic potassium fertilizer industry was still stepping into a stage of de-stocking, phosphate fertilizers and compound fertilizer encountered over-excessive production capacity and underproduction.

Faced with depressed market and harsh competition, the resources investment and development business of the Group promoted its development affirmed with Aiming Target, Saving Costs, Refining Operation and Enhancing Efficiency. Qinghai potassium fertilizer business underwent internal capability improvement and focused on the production pace adjustment, implemented and optimized its plans of water-soluble sylvine exploitation, steadily implement pressure brine projects and saltern technique improvement. Besides, it obtained special funding subsidy from Qinghai Province Government by means of integration utilization of resources and technological innovation. Beijing agrochemical products accomplished its research and development, trial production, commission mass production and sales on new phosphate fertilizers and synergist, realized sales of new phosphate fertilizers amounted to 53,000 tonnes. Kunming Bailongtan Phosphate Mine achieved annual mass scaled exploitation of phosphorous ore of 410,000 tonnes. Hongfu Daaozi Phosphate Mine located in Dongchuan district, Kunming proactively carried out requisition of mining land and prepared for mass exploitation of next year, and the monoammonium phosphate production line was completed as expected and commenced trial production and technique adjustment. During the year ended 31 December 2012, Qinghai AVIC Resources Company Limited was granted as "Excellent Mining Company of Conservation on Mining Resources and Integrated Utilization" (礦產資源節約與綜合利用專項優秀礦山企業).

During the year ended 31 December 2012, Resources Company prepaid the full amount to acquire 70% equity of Shandong Luyuan Mining Investment Co., Ltd (山東魯源礦業投資有限公司), in order to indirectly control the potassium ore mine in north of Pointe Noire of Congo in Africa (非洲剛果(布)黑角市北部奎省布穀馬西地區). After completing this acquisition, potassium mine reserve of the Group was increased.

Liquidity and capital resources

As at 31 December 2012, the cash and cash equivalents of the Group amounted to approximately RMB4,038,225,000 (2011: approximately RMB3,249,891,000), mainly derived from the following sources:

- Cash and bank deposits at the beginning of the year;
- Bank borrowings, borrowings from related parties and borrowings from third parties; and
- Revenue from operations.

As at 31 December 2012, the total borrowings of the Group totalling amounted to approximately RMB16,661,917,000 (2011: RMB14,498,064,000) with an annual interest rates from 1.26% to 12.5% (2011: 0.49% to 12%). Total borrowings comprised borrowings of RMB14,606,566,000 (2011: RMB13,167,680,000), borrowings included in other non-current liabilities of RMB1,190,000,000 (2011: RMB140,000,000) and borrowings included in trade and other payables of RMB865,351,000 (2011: RMB1,190,384,000).

Capital expenditure of the Group for 2012 amounted to approximately RMB1,421,774,000, of which approximately RMB495,000,000 was applied to SCC No. 8 Building investment project; approximately RMB100,000,000 was applied to the breakwater construction of Weihai Shipyard; approximately RMB79,000,000 was applied to metallic silicon project of Qinghai Company; approximately RMB53,000,000 was applied to reformation of 4.5 generation line TFT equipment and production line of Shanghai Tianma; approximately RMB50,000,000 was applied to Heng Yang Factory Project of AFM Company; approximately RMB34,620,000 was applied to purchase of construction equipment for their contract engineering projects by Engineering Company; approximately RMB20,000,000 was applied to construction and maintenance project on bitumen base of AVIC Lutong Company Limited ("Lutong Company"); approximately RMB14,700,000 was applied to office building project in exhibition of Xiamen Company; approximately RMB575,454,000 was invested to upgrading equipment.

Pledged Assets

At 31 December 2012, bank borrowings of RMB1,904,343,000 (31 December 2011: RMB2,538,158,000) of the Group were secured by the following:

	2012	**2011**
	RMB'000	*RMB'000*
Pledged bank deposits	–	120,069
Pledged notes receivables	–	93,000
Land use rights	517,952	518,721
Buildings	1,444,472	1,300,473
Construction-in-progress	16,361	3,301
Investment properties	1,141,656	826,881
Machinery and equipment	–	218,983
	3,120,441	3,081,428

Debt Ratio

During the year, the Group's borrowings to equity ratio (the ratio of total borrowings to shareholders' equity) was 144.11% (2011: 135.27%), whilst the liabilities to equity ratio (the ratio of total liabilities to shareholders' equity) was 246.71% (2011: 243.89%).

Entrusted Deposits And Overdue Term Deposit

During the year ended 31 December 2012, the Company did not have any entrusted deposit and overdue term deposit in any form.

Issue, Purchase, Sale Or Redemption Of Shares

References are made to the announcements and circular of the Company dated 3 December 2010, 16 February 2011 and 15 July 2011, in relations to, among other things, the 2010 Acquisition and connected transaction involving issue of domestic shares and perpetual subordinated convertible securities. All the conditions set out in the transactions have been fulfilled, and the acquisitions have been completed on 5 September 2012 pursuant to the agreements. Upon the completion and pursuant to the terms and conditions of the agreements, the Company:

(a) Issuing approximately 437,265,000 domestic shares at the price of RMB3.15 (equivalent to approximately HK$3.89) per share to AVIC International; and

(b) Issuing to AVIC International PSCS in the amount of approximately RMB1,604,737,000 convertible into approximately 462,460,000 domestic shares at the initial conversion price of RMB3.47 (equivalent to approximately HK$4.28); and

(c) Issuing to AVIC Shenzhen PSCS in the amount of approximately RMB118,208,000 convertible into approximately 34,065,000 domestic shares at the initial conversion price of RMB3.47 (equivalent to approximately HK$4.28); and

(d) Issuing to Beijing Raise PSCS in the amount of approximately RMB1,058,729,000 convertible into approximately 305,109,000 domestic shares at the initial conversion price of RMB3.47 (equivalent to approximately HK$4.28).

Save as disclosed above, for the year ended 31 December 2012, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

Employees And Remuneration

As at 31 December 2012, the Group had approximately 25,516 employees (2011: 24,458 employees) with employee related costs of approximately RMB1,805,958,000 (2011: approximately RMB1,652,150,000). The Group formulated its competitive remuneration policy based on market condition and individual employee's performance.

Social Insurance Schemes

The Group has participated in the retirement insurance scheme and health insurance scheme managed by Shenzhen Social Security Administration Bureau (深圳市社會保險局). Pursuant to the relevant provisions, the Group is required to make monthly contributions in respect of retirement insurance fund and health insurance fund to Shenzhen Social Security Administration Bureau, representing 19% and 9%, respectively, of the monthly salaries of its employees, of which the Group bears 14% and 7% respectively, and the employees bear the rest.

Pursuant to the above social insurance schemes, Shenzhen Social Security Administration Bureau is responsible for pension payments to the retired employees of the Group and general medical expenses of the employees of the Group.

Social insurance expenses of the Group for the year amounted to approximately RMB198,920,000 (2011: approximately RMB148,429,000).

Changes Of Directors, Supervisors And Senior Management

The terms of the fifth session of the Board and Supervisory Committee have been expired on the 2011 Annual General Meeting (the "AGM") of the Company held on 19 June 2012. In accordance with the articles of association of the Company, the shareholder of the Company re-elected/elected new Directors and supervisors of the Company. Mr. Wu Guang Quan and Mr. You Lei were re-elected as executive Directors of the sixth session of the Board; Mr. Pan Lin Wu, Mr. Chen Hong Liang and Mr. Liu Jun were appointed as executive Directors of the sixth session of the Board. Ms. Wong Wai Ling and Mr. Wu Wei were re-elected as independent non-executive Directors of the sixth session of the Board; and Mr. Zhang Ping was appointed as an independent non-executive Director of the sixth session of the Board. Ms. Wang Xin and Mr. Deng Bo Song were re-elected as supervisors and Mr. Huang Bin was appointed as a supervisor of the sixth session of the Supervisory Committee of the Company.

The term of each Directors and supervisors is three years commenced from the date of 2011 AGM to the date of 2014 Annual General Meeting to be held in 2015 of the Company.

Foreign Exchange Risk

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

Contingent Liabilities

As at 31 December 2012, Weihai Shipyard had provided a three years guarantee of RMB150,000,000 in favour of Weihai Port Group Co., Ltd. (威海港集團有限公司), and a one year guarantee of RMB120,000,000 in favour of Weihai Port Co., Ltd. (山東威海港股份有限公司); Shandong New Shipbuilding Co., Ltd. had provided a one year guarantee of RMB15,000,000 and a three year guarantee of RMB22,000,000 in favour of Shandong New Shipbuilding Ship Steel Outfitting Co., Ltd. (山東新船重工船用鋼質舾裝件有限公司), a one year guarantee of RMB55,000,000 in favour of Weihai Port Co., Ltd., a one year guarantee of RMB10,000,000 in favour of Shandong New Shipbuilding Pipe Outfitting Production Co., Ltd, and a one year guarantee of RMB55,000,000 in favour of Weihai Port Group Co., Ltd; Xiamen Company had provided a long term guarantee of RMB140,000,000 in favor of Xiamen Tianma Microelectronics Co., Ltd, and a long term guarantee of USD26,412,820 in favour of Radiance Catico Offshore Pte. Ltd.

Major Litigation

1. On 27 September 2012, Xiamen Arbitration Committee accepted the application for arbitration hearing from Xiamen Company in relation to discharging a sales and purchase agreement entered into by Xiamen Company with a third party, and a claim for outstanding payment for goods of RMB13,145,000, legal costs of RMB150,000 and arbitration costs. The judgment was ruled in favour of Xiamen Company and the execution is currently in progress.

2. On 28 September 2012, Xiamen Company filed a claim for damages of RMB36,680,000 and legal costs of RMB150,000 for failure to deliver goods purchased and stored by the counterparty at the Intermediate People's Court of Nanjing City (南京市中級人民法院). Intermediate People's Court of Nanjing City accepted the case on 20 November 2012. The proceeding is currently in progress.

3. On 4 December 2012, Xiamen Arbitration Commission (廈門仲裁委員會) accepted the application for arbitration hearing from Xiamen Company in relation to the performance of the sales and purchase agreement entered into by Xiamen Company and Nangang Jinyi (南鋼金易), requisition of the discharge of the sales and purchase agreement, and Nangang Jinyi's repayment of the loan of RMB21,480,000 with compensation for loss of interest, legal cost of RMB150,000 and arbitration costs incurred by Xiamen Company. The proceeding is currently in progress.

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

5. On 25 December 2012, the Higher People's Court of Chongqing City (重慶市高級人民法院) accepted a legal proceeding initiated by Chongqing AVIC Vanke Yunling Real Estate Co., Ltd. (重慶中航萬科雲嶺置業有限公司) (owned as to 50% by AVIC Vanke), Chongqing Wanbin Real Estate Co., Ltd. (重慶萬濱置業有限公司) (owned as to 50% by AVIC Vanke) and Chongqing AVIC Vanke Junjing Real Estate Co., Ltd. (重慶中航萬科峻景置業有限公司) (owned as to 50% by AVIC Vanke) (the above three companies are collectively referred to as the "Project Companies") and CNAIE Properties Development Co., Ltd. (中航技房地產開發有限公司) ("CNAIE Properties") (owned as to 80% by AVIC International and as to 20% by China National Aero-Technology International Engineering Corporation Limited (中國航空技術國際工程有限公司). The legal proceeding was initiated against 3 defendants (the "Defendants") relates to a series of contracts regarding parties' cooperation in the construction of property projects, pursuant to which the Defendants undertake to, among other things, migrate high-voltage line on the lands, construct roads, and renovate and demolish existing properties on the lands. The Project Companies were then initially established by CNAIE Properties to develop and operate the property projects. The Project Companies and CNAIE Properties have claimed for damages resulting from the breach by the Defendants of its contractual obligations under the series of contracts, among other things, (i) full performance by the Defendants of the obligations, and penalty of RMB613,800,000, together with compensation of RMB4,000,000 and disbursement of RMB7,000,000 with joint and several liabilities, (ii) delivery of rights of operation to the plaintiffs, together with penalty of RMB100,000,000, (iii) delivery of legal and valid invoice which can be accounted for cost of RMB152,256,900 and (iv) the bearing by the Defendants of the relevant litigation costs.

Other Significant Events

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

On 16 November 2011, the Company entered into an acquisition agreement with each of AVIC International (the "Acquisition Agreement 1") and with AVIC Shenzhen (the "Acquisition Agreement 2"), respectively in relation to the very substantial acquisitions and connected transactions involving the issue of perpetual subordinated convertible securities by the Company.

On 27 June 2012, the Company entered into a supplemental agreement with each of AVIC International (the "Supplemental Agreement 1") and AVIC Shenzhen (the "Supplemental Agreement 2") to amend certain terms of the Acquisition Agreement 1 and the Acquisition Agreement 2. Pursuant to the Acquisition Agreement 1 and the Acquisition Agreement 2, completion of the Acquisition Agreement 1 and the Acquisition Agreement 2 and the transactions contemplated thereunder are inter-conditional and shall take place simultaneously. Pursuant to the Supplemental Agreement 1, the Company and AVIC International agreed to cancel the inter-conditional and simultaneous completion requirement of the Acquisition Agreement 1. Pursuant to the Supplemental Agreement 2, the Company and AVIC Shenzhen agreed to cancel the inter-conditional and simultaneous completion requirement of the Acquisition Agreement 2. For details, please refer to the announcements of the Company dated 21 November 2011 and 27 June 2012, and the circular of the Company dated 23 December 2011.

2. ***Completion of Very Substantial Acquisition and Connected Transaction involving Issue of Domestic Shares and Perpetual Subordinated Convertible Securities***

As all conditions set out in the acquisition agreements entered into between the Company and AVIC International, AVIC Shenzhen and Beijing Raise (together, the "Vendors"), respectively, dated 30 October 2010 in relation to the acquisition (the "Acquisition") of 100% equity interest in Beijing Company, 100% equity interest in Guangzhou Company, 100% equity interest in Xiamen Company, 97.5% equity interest in TED Company, 100% equity interest in Engineering Company, 60% equity interest in AVIC Vanke, 100% equity interest in AFM Company, 90% equity interest in Beijing Ruixin, 60% equity interest in Chengdu Raise, 40% equity interest in Wuxi Raise, 50% equity interest in Shenyang AVIC Industry and 51% equity interest in Xi'an Raise (together with their respective subsidiaries, the "Target Group"), details of which are set out in the circular of the Company dated 31 December 2010 have been fulfilled, the Acquisition was completed on 5 September 2012 in accordance with the aforesaid Agreements, respectively (the "Completion").

The Company also completed the issuance and registration procedures of domestic shares and perpetual subordinated convertible securities. The Company has obtained new business license issued by the Market Supervision Administration of Shenzhen Municipality on 5 September 2012, and the filing of the Company's Articles of Association has also been completed on 5 September 2012. For details, please refer to the announcement of the Company dated 5 September 2012.

3. *Further development in relation to very substantial acquisition and connected transaction – Issuance of domestic shares and perpetual subordinated convertible securities*

On 16 November 2011, the Company entered into an acquisition agreement (the "Acquisition Agreement 3") with AVIC Shenzhen, pursuant to which the Company has conditionally agreed to acquire and AVIC Shenzhen has agreed to sell 316,257,000 shares of Rainbow Department Store Co., Ltd. ("Sale Interests 3"). On 11 October 2012, the Company received the approval from China Securities Regulatory Commission ("CSRC"), waiving the obligation of the Company for a general offer of shares of Rainbow Department Store Co., Ltd. arising out of the acquisition of the Sale Interests. For details, please refer to the announcement of the Company dated 11 October 2012.

4. *Very substantial disposal and connected transaction: capital increase agreement and deemed disposal of interest in AVIC Vanke*

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

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

As the percentage ratios under the Listing Rules applicable to the Capital Increase are more than 75%, the Capital Increase constitutes a very substantial disposal of the Company. Accordingly, the Capital Increase is subject to the reporting, announcement and shareholders' approval requirements. As each of AVIC International and Vanke Enterprise is a connected person of the Company, the capital increase also constitutes a connected transaction of the Company. Accordingly, the capital increase is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. An extraordinary general meeting will be convened by the Company on 12 April 2013 at which the independent shareholders of the Company will approve the connected transactions. For details, please refer to the announcements of the Company dated 27 December 2012 and 18 January 2013 and circular of the Company dated 25 February 2013.

Subsequent Events

1. *Change of Company name and change of the stock short name of the Company*

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

A new business license bearing the new name of the Company in Chinese was issued by the Market Supervision Administration of Shenzhen Municipality (深圳市市場監督管理局) on 4 January 2013. The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 1 February 2013 certifying that the new name of the Company has been registered in Hong Kong under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

MANAGEMENT DISCUSSION AND ANALYSIS THE YEAR ENDED 31 DECEMBER 2013

Business review

The consolidated revenue and profit contributions of the Company in its consolidated results for the year 2013 were primarily derived from the following business sections and subsidiaries:

Business sections	Name of subsidiaries	Percentage of equity interests held by the Company	Principal activities
High-tech Electronic Products	Tianma Micro-electronics Co., Ltd. ("Tianma")	45.62%	Manufacture and sales of liquid crystal displays and modules ("LCD")
	Shennan Circuit Co., Ltd. ("SCC")	93%	Manufacture and sales of printed circuit boards and packaging substrate ("PCB")
	Shenzhen Aero-Fasteners MFG Co., Ltd. ("AFM Company")	100%	High intensity bolts, precision screws and screw nuts, irregular parts

Business sections	Name of subsidiaries	Percentage of equity interests held by the Company	Principal activities
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
	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-echnology 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

Business sections	Name of subsidiaries	Percentage of equity interests held by the Company	Principal activities
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
	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. ("Resource Company")	100%	Investment and development of agriculture-related resources business

Summary of Performance

During the year of 2013, the Group recorded a consolidated revenue from continuing operations of approximately RMB37,262,006,000, representing an increase of approximately 19.2% over the previous year of RMB31,252,572,000. The profit attributable to owners of the Company was approximately RMB1,030,898,000, representing an increase of approximately 6.2% as compared with approximately RMB970,702,000 of the corresponding period of 2012.

2013 was a year when global economy was still undergoing a profound restructuring after financial crisis and China's economy confronted pressures from structural slow-down. Facing severe challenges in the external macroeconomic situation, the Group continued to affirm its strategy of "Supremacy • Surpass", promote its leading position in the industry, attached a great importance on efficiency and effectiveness, and stress on its yearly strategic theme of "Implementation • Efficiency • Effectiveness", so as to promote sustainable and rapid development of various businesses. Liquid crystal displays (LCD) business in high-technology electronics products section achieved substantial growth in profit; the output of PCB business kept hitting record highs benefiting from the development of 4G. The watch business in retails and high-end customer product section continuously enhanced its brand influence and optimized the product structure as well as its channel management. Regarding the real estate and hotel section, the construction and sales momentum of domestic real estate development projects were satisfactory while the engineering project in Sri Lanka attained historical breakthrough. Regarding ship engineering business in trading and logistics section, the Company completed its acquisition of Deltamarin Oy (德他馬林船舶設計公司) in Finland and gradually established an integrated industry chain development model comprising shipping design, manufacturing and trading as a whole. Regarding the mechanical engineering business, projects such as overseas cement and power station engineering project contracting (EPC) and mobile hospitals achieved smooth progress with successful market expansions. A wide range of measures were adopted progressively in resources investment and development business to deal with the challenges in resources market.

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. In the year ended 31 December 2013, the Group's revenue generated from high-tech electronic products section was approximately RMB11,059,896,000, representing an increase of approximately 63.14% from approximately RMB6,779,206,000 for the same period of last year. The profit was approximately RMB1,012,183,000 for the year ended 31 December 2013, representing an increase of approximately 199.8% over approximately RMB337,638,000 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 communication terminal and professional displays.

In 2013, driven by the consumer products including middle-to-high-end mobile phones, the industry sentiment on small-to-medium size LCD bounced. Tianma seized market opportunities, focused on high value-added consumer and professional display markets, progressively adjusted the product structure and customer structure and achieved remarkable results. A wide spectrum of middle-to-high-end smart devices was initially launched. Customer structure was comprehensively optimized, and the portion of sizeable domestic and overseas clients was further increased. Tianma supervised the whole process from optimizing projects, receiving orders, R&D, production to delivery, thus remarkably improving operating efficiency and profitability while total profit growing more than a double.

On 1 November 2013, Tianma entered into framework agreements in relation to the proposed acquisition of 70% equity interest in Shanghai Tianma, 40% equity interest in Chengdu Tianma, 90% equity interest in Wuhan Tianma Microelectronics Co., Ltd. (武漢天馬微電子有限公司) ("Wuhan Tianma"), the entire equity interest in Shanghai AVIC Opto-electronics Limited (上海中航光電子有限公司) ("Shanghai Opto-electronics") and the entire equity interest in Shenzhen AVIC Opto-electronics Limited (深圳中航光電子有限公司) ("Shenzhen Opto-electronics") (the "Acquisition"). Upon the Acquisition, Tianma's scope of business, technical capabilities and industry position will be significantly enhanced while the structure of product and customers will be furthered optimized.

(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.

In the second half of 2013, stimulated by the 4G establishment and the development of consumer electronics products, the industry environment of PCB recovered. Leveraging on the growth of 4G business, SCC adopted strategies to solicit key customers and achieved stable business development. The output of PCB business kept hitting record highs and maintained a sound profit level. The Company obtained crucial breakthroughs in expanding the client base of substrate business and the third national 02 key scientific special projects taken up had officially commenced. Moreover, the operation capability of the electronic packaging business was greatly enhanced. In addition, the technology reform of new production lines was progressing smoothly and the base in Wuxi had officially commenced construction.

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. In the year ended 31 December 2013, the turnover generated from the retails and high-end consumer products section of the Group amounted to approximately RMB3,041,122,000, representing a growth of approximately 2% when compared with RMB2,987,857,000 in the previous year. The profit was approximately RMB142,964,000, representing an increase of approximately 2% as compared with the same period of last year.

In 2013, the overall growth in the luxury watch retail market slowed down while the Internet started to bring tremendous changes to the business models of traditional industries. By constantly optimizing the business models of "Product + Channel", Fiyta continued to adhere to its brand development strategy, facilitated the integration of key value chain and the implementation of overseas development strategies of vertical integration, continuously expanded and enriched online and offline sales channels, drove constant product innovation, optimized supply chain management and strengthened the management innovation projects. Accordingly, gross profit increased in a steady manner. Besides, Fiyta watch was the only watch brand of national watch exhibited in the fabulous exhibition in Basel International Watch for three consecutive years. Harmony, a brand of Fiyta, reasonably adjusted the pace of opening stores and strived to optimize the inventory structure so as to progressively enhance technical services for better client experience as well as keep up on raising the revenue of its stores and spread its influence in the global watch retail industry. During the year ended 31 December 2013, Fiyta Technical Centre was recognized as a national enterprise technical centre.

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 engineering contracting business through Engineering Company. In the year ended 31 December 2013, the real estate and hotel business section of the Group recorded turnover of approximately RMB4,187,299,000, representing an increase of approximately 51% as compared with RMB2,769,814,000 in the previous year. The profit after tax was approximately RMB537,398,000, representing a decrease of approximately 2% as compared with RMB550,233,000 in the previous year. Profit after taxation comprises investment gain from jointly controlled entity and associate, AVIC International Vanke Company Limited ("AVIC Vanke") and AVIC Real Estate Holding Company Limited ("AVIC Real Estate") of approximately RMB378,342,000 (2012: RMB435,279,000).

(1) Real Estate Development

The domestic real estate development projects of the Group are mainly commercial complex in small to medium cities. In 2013, under the influence of various factors such as national regulation on the macro-economic and the slowdown in suburbanization, the momentum for domestic real estate investment has been weakened. The residential and office buildings under the Group's "AVIC • International Communication Center (中航•國際交流中心)" project in Chengdu have completed examination and delivery while Hancheng No.1 (漢城一號) in Xi'an and innovation project of shanty towns under "Eighteenth Neighbour (十八街坊)" achieved remarkable results. Moreover, overseas real estate projects in Tanzania, Sri Lanka and Kenya also made smooth progress.

(2) Engineering Contracting

The engineering contracting business of the Group mainly comprises general contracting of international construction projects and gradually expanded into domestic construction project contracting business. In 2013, under the external environment of keen competition in the international engineering contracting market, diversified business models and increasing operating risks, the Group focused on developing regional markets such as East Africa, South Asia and Algeria and undertook numerous large and medium international engineering projects. During the year ended 31 December 2013, 33 new international and domestic engineering contracting projects with total contract value amounting to over ten billion were signed. Moreover, the A09 Highway project in Sri Lanka had an early delivery while the projects in progress such as the expansion project of Kenya Nairobi International Airport and the cement project in Rwanda were running smoothly. The overall business underwent positive development.

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, TED Company and RED Company. In the year ended 31 December 2013, the Group's turnover generated from trading and logistics section was approximately RMB18,600,479,000, increased by approximately 5% from RMB17,656,704,000 of the previous year. The profit after taxation was approximately RMB318,454,000, representing a decrease of approximately 36% from RMB501,352,000 of the previous year.

(1) Ship Engineering

In 2013, the global shipping market climbed up. The upstream shipping manufacturing industry stabilized with shipping market transaction volume gradually picking up. The Group completed the acquisition of Deltamarin Oy in Finland at the beginning of the year and gradually established an integrated industry chain development model covering shipping design, manufacturing and trading as a whole. At the same time, it devoted to the R&D on high value-added products, improved the management of both ship building and supply chain and bring innovation to the business model through cooperation and joint contribution. During the year ended 31 December 2013, the Group's shipping section signed 23 new shipping orders, among which, the orders of 10 ships were in effect. Orders on hand accumulated to 31 ships. Besides, the Company achieved delivery of 32 ships for the year.

(2) Mechatronics Engineering

The mechatronics engineering business of the Group mainly comprises cement and power station engineering (EPC), export of machinery vehicles, medical equipment and service. In recent years, developing countries and regions such as Africa and South Asia have been accelerating infrastructure construction with strong demands in cement production lines, power stations and construction of roads and bridges. During the year ended 31 December 2013, the expansion and execution of Beijing Company's cement EPC Projects in Venezuela, Malaysia, Iran and Turkey were satisfactory. Also, the expansion and profitability of domestic bitumen engineering projects maintained a steady upward trend. Power station engineering projects in Texas, the US, Pakistan and Inner Mongolia, which focused on new energy such as wind power and photovoltaics, were successfully completed. Meanwhile, the expansion of domestic energy saving service market was progressing smoothly. The delivery of the mobile hospital project involving 165 ambulances in Zambia was completed during the year. Besides, Guangzhou Company was on the list of external supplier catalogue of the Ministry of Commerce of China. In general, the mechatronics engineering business experienced rapid and positive growth momentum.

(3) Tendering Agency and Information Application Service

The Group mainly engages in tendering agency and information application service through TED Company. In 2013, the Group's tendering agency business created a new development approach and enhanced development efforts. Revenue generated from tendering agency and extended business grew by more than 20% year on year. Information application service business adjusted its strategic layout in an active manner and was committed to developing the markets of end-products for enterprises and individual consumers so as to advance the top-tier design in the information application arena and strengthen resource integration and service security capability. The business realized a growth in profit while maintaining its scale.

Resources Investment and Development

The Group engages in investment and development of agricultural-related resources investment and development businesses through Resource Company. During the year ended 31 December 2013, the turnover generated from the Group's resources development business was approximately RMB373,210,000 (2012: RMB1,058,991,000). Affected by the sharp decline of the price of potassium and phosphate product, a loss amounting to approximately RMB143,473,000 (2012: RMB50,206,000) was recorded.

In 2013, the demand from domestic agricultural fertilizer market was sluggish with declining prices. Faced with the depressed market environment, Resource Company endeavored to improve its operating capability with new breakthrough in the skills and technologies of potassium fertilizer production. In the meantime, stable progress was achieved in the R&D of synergist and new phosphate fertilizers and construction of OEM system. The Company also completed the acquisition and obtained the control of a potassium ore mine in Pointe Noire of the Republic of Congo in Africa under the name of Shandong Luyuan Mining Investment Co., Ltd (山東魯源礦業投資有限公司).

Liquidity and capital resources

As at 31 December 2013, the total cash and cash equivalents of the Group amounted to approximately RMB4,802,843,000 (2012: RMB4,038,225,000), mainly derived from the following sources:

- Cash and bank deposits at the beginning of the year;
- Bank loans and borrowings from related parties; and
- Revenue from operations.

As at 31 December 2013, the total borrowings of the Group amounted to approximately RMB20,090,596,000 (2012: RMB16,661,917,000) with an annual interest rates from 1.69% to 12.15% (2012: 1.26% to 12.5%). Total borrowings comprised borrowings of RMB18,933,887,000 (2012: RMB14,606,566,000), of which RMB940,000,000 (2012: RMB1,190,000,000) was accounted as non-current liabilities and borrowings of RMB216,709,000 (2012: RMB865,351,000) were accounted as trade and other payables.

Capital expenditure of the Group for the year ended 31 December 2013 amounted to approximately RMB1,957,069,000. The details are as follows:

Company Name	**Project Name**	**2013** *RMB'000*
Tianma	Equipment upgrade of the Tianma company	14,830
	New demonstration project for Shanghai Tianma	96,760
	Wuhan Tianma HD Project	58,410
SCC	Production line and machinery equipment investment	471,000
AFM Company	Heng Yang Factory Project	37,716
Fiyta	Timepiece Industrial Park in Guang Ming New District	7,120
Engineering Company	Equipment upgrade	47,409
Beijing Company	Yizhuang Industrial Park Project	117,140
	Transformation of breakwater, docks and production facilities of the ship platforms in Weihai Shipyard	151,793
Guangzhou Company	Construction and maintenance of bitumen base of its subsidiary, Lutong Company	16,150
	Construction of plant and purchase of production equipment	31,324
Xiamen Company	Office building in exhibition	26,738
Resource Company	Acquisition of mine exploration rights from Shandong Luyuan Company	240,660
	Monoammonium phosphate project	275,337
	0.45 million tons potassium fertilizer project	45,976
	Phase 1 metallic silicon project	19,487
	Yunnan Hongfu 0.6 million tons flotation project	20,971
	Other projects	58,917
Others	Equipment upgrade and transformation and construction of other facilities	219,331
Total		1,957,069

It is expected that the capital expenditure of the Group for 2014 amounted to approximately RMB3,008,600,000. The details are as follows:

Name of the subsidiaries	**Project Name**	**2014** *RMB'000*
Tianma	New investment in production lines and other project expenses	177,000
SCC	No. 8 Building investment project, investment in Wuxi equipment, infrastructure investment project	971,000
AFM Company	Construction of Heng Yang Factory	80,000
Fiyta	Project of Timepiece Industrial Park in Guang Ming New District	140,000
Engineering Company	Acquisition of fixed assets and hotel renovation projects	146,500
Beijing Company	Yizhuang Industrial Park Project	500,000
	Transformation of breakwater, docks and production facilities of the ship platforms in Weihai Shipyard	387,290
Guangzhou Company	Construction and maintenance of bitumen base of its subsidiary, Lutong Company	60,000
Xiamen Company	Office building in exhibition	93,480
Resource Company	Projects of its subsidiaries related to saltern expansion, metallic silicon and potassium fertilizer	380,060
Others	Equipment upgrade and transformation and construction of other facilities	73,270
Total		3,008,600

Pledged Assets

As 31 December 2013, bank borrowings of RMB2,083,307,000 (31 December 2012: RMB1,904,343,000) of the Group were secured by the following:

	2013	2012
	RMB'000	*RMB'000*
Pledged bank deposits	54,164	–
Pledged notes receivable	35,885	–
Land use rights	504,031	517,952
Buildings	1,426,288	1,444,472
Construction-in-progress	–	16,361
Investment properties	1,200,649	1,141,656
Properties under development	320,629	–
Exploration and extraction rights	6,540	–
	3,548,186	3,120,441

Debt Ratio

During the year ended 31 December 2013, the Group's borrowings to equity ratio (the ratio of total borrowings to shareholders' equity) was 157.97% (2012: 144.15%), whilst the liabilities to equity ratio (the ratio of total liabilities to shareholders' equity) was 269.58% (2012: 246.80%).

Entrusted Deposits And Overdue Term Deposits

During the year ended 31 December 2013, the Company did not have any entrusted deposit and overdue term deposit in any form.

Issue, Purchase, Sale Or Redemption Of Shares

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries had issued, purchased, sold or redeemed any of the Company's listed securities.

Employees And Remuneration

As at 31 December 2013, the Group had approximately 28,338 employees (2012: 25,516 employees) with employee-related costs of approximately RMB2,413,047,000 (2012: RMB1,804,807,000). The Group formulated its competitive remuneration policy based on market condition and individual employee's performance.

Social Insurance Schemes

The Group has participated in the retirement insurance scheme and health insurance scheme managed by Shenzhen Social Security Administration Bureau (深圳市社會保險局). Pursuant to the relevant provisions, the Group is required to make monthly contributions in respect of retirement insurance fund and health insurance fund to Shenzhen Social Security Administration Bureau, representing 19% and 9%, respectively, of the monthly salaries of its employees, of which the Group bears 14% and 7% respectively, and the employees bear the rest.

Pursuant to the above social insurance schemes, Shenzhen Social Security Administration Bureau is responsible for pension payments to the retired employees of the Group and general medical expenses of the employees of the Group.

The fees withdrawn from the social insurance schemes of the Group for the year ended 31 December 2013 amounted to approximately RMB217,236,000 (2012: RMB198,920,000).

Changes Of Directors, Supervisors And Senior Management

On 23 August 2013, the Board announced that Mr. You Lei, an executive Director, had been appointed by the Board as the vice chairman of the Board for a term from 23 August 2013 to 18 June 2015. Save as aforesaid, there is no change in other directors, supervisors and senior management during the year ended 31 December 2013.

Foreign Exchange Risk

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

Contingent Liabilities

As at 31 December 2013, Beijing Company, a subsidiary of the Company, provided a guarantee of a loan amounting to RMB607,960,000 in favour of its associated company, Taizhou AVIC Shipbuilding Heavy Industry Limited ("Taizhou Shipbuilding"), and a guarantee of a loan amounting to RMB44,530,000 in favour of its third party, Zhengli Ocean Engineering Company Limited. Xiamen Company, a subsidiary of the Company, provided a guarantee of a loan amounting to RMB176,000,000 in favour of the Company's connected person, Xiamen Tianma Microelectronics Co., Ltd. ("Xiamen Tianma"), and a guarantee of a loan amounting to RMB162,022,000 in favour of its associated company, Radiance Catico Offshore Pte. Ltd., and a guarantee of a loan amounting to RMB60,000,000 in favour of its associated company, Xiamen Zijin CATIC Co., Ltd. Engineering Company, a subsidiary of the Company, provided a guarantee of a loan amounting to RMB19,600,000 in favour of its associated company, CATIC Construction Engineering Co., Ltd.

Major Litigation

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

Other Significant Events

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

On 27 December 2012, the Company, Vanke Enterprise Company Limited 萬科企業股份有限公司 ("Vanke Enterprise"), AVIC International and AVIC Vanke entered into a capital increase agreement, pursuant to which AVIC International and Vanke Enterprise had respectively conditionally agreed to make a capital contribution of RMB600,000,000 and RMB400,000,000 in cash to increase the registered capital and the capital reserve of AVIC Vanke (the "Capital Increase").

As at 27 December 2012, the Company held 60% interest in AVIC Vanke. Upon completion of the Capital Increase, the shareholding of the Company in AVIC Vanke would be diluted from 60% to 47.12% of the enlarged registered capital of AVIC Vanke. The dilution of the Company's interest in AVIC Vanke constituted a deemed disposal of interest in AVIC Vanke under Rule 14.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

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

On 16 May 2013, the Company and AVIC International entered into a supplemental agreement (the "Supplemental Agreement") to amend certain terms of the acquisition agreement (including equity interest purchase agreement and perpetual subordinated convertible securities ("PSCS") subscription agreement) entered into between the Company and AVIC International dated 16 November 2011 (the "Acquisition Agreement 1") in relation to the acquisition of 100% equity interest in China National Aero-Technology Corporation Shanghai Company Limited (中國航空技術上海有限公司) ("Shanghai Company"), 50% equity interest in AVIC Lutong Company Limited (中航路通實業有限公司), 90% equity interest in AVIC-INTL Coal Logistics Company Limited (中航國際煤炭物流有限公司) (formerly known as Guizhou CATIC Resources Company Limited (貴州中航資源有限公司)), and 100% equity interest in AVIC-INTL Project Engineering Company (中航國際成套設備有限公司) at the original consideration of RMB1,311,110,000, to be satisfied by the issue of PSCS by the Company in the principal amount of RMB1,311,110,000 convertible into 368,289,325 new domestic shares at the initial conversion price of RMB3.56 per domestic share. Pursuant to the Supplemental Agreement, the parties conditionally agreed, among other things, that the 100% equity interest in Shanghai Company shall be excluded from the aforesaid sale interests, and the consideration for the revised sale interests 1 shall be revised to RMB552,814,600 to be satisfied by issue of PSCS in the principal amount of RMB552,814,600 convertible into 155,285,000 new domestic shares at the initial conversion price of RMB3.56 per domestic share by the Company.

As certain applicable percentage ratios under the Listing Rules in relation to the Supplemental Agreement and the transactions contemplated thereunder were higher than 5% but less than 25%, the entering into of the Supplemental Agreement and the transactions contemplated thereunder constituted a discloseable transaction of the Company; as AVIC International was a connected person of the Company, the entering into of the Supplemental Agreement and the transactions contemplated thereunder thus also constituted a connected transaction of the Company subject to, among other things, approval of the independent shareholders under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 16 May 2013 and the circular of the Company dated 5 July 2013. The Supplemental Agreement and the transactions contemplated thereunder have been approved by independent shareholders of the Company in the extraordinary general meeting of the Company held on 26 August 2013. For details, please refer to the poll results announcement of the Company dated 26 August 2013.

3. Further Extension of Long Stop Date in relation to Very Substantial Acquisitions and Connected Transactions Involving Issue of Perpetual Subordinated Convertible Securities

On 27 December 2013, the Company entered into a supplement agreement in respect of the Acquisition Agreement 1 with AVIC International, and a supplemental agreement in respect of acquisition agreement 2 and the acquisition agreement 3 (including equity interest purchase agreements and PSCS subscription agreements) with AVIC Shenzhen to further extend the long stop date to 31 December 2014 (or such later date as the respective parties may agree in writing). For details, please refer to the announcement of the Company dated 27 December 2013.

The Company has received written approval from the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") in October 2013, stating its consent in principle to the acquisition of the revised sale interests 1 (including the issue of PSCS of RMB552,814,600 to satisfy the consideration thereunder), and the acquisition contemplated under the acquisition agreement 3 (including the issue of PSCS of RMB6,328,302,570 to satisfy the consideration thereunder). The transactions contemplated under the acquisition agreements are still conditional upon the fulfillment of various other conditions, details of which are set out in the circulars of the Company dated 23 December 2011 and 5 July 2013.

For details in relation to very substantial acquisition and connected transaction involving issue perpetual subordinated convertible securities, please also refer to the announcements of the Company dated 21 November 2011, 8 February 2012, 27 June 2012, 11 October 2012, 16 May 2013, 26 August 2013 and 30 October 2013, 27 December 2013 and the circulars of the Company dated 23 December 2011 and 5 July 2013.

4. 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 EUR61.0 million.

Following the entering into of the Agreements, the Purchaser, together with 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 then 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 "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 at the date of this announcement, the Options have not yet been exercised.

As Mr. Yap had been a director of the Purchaser for the past 12 months, 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.

For details, please refer to the announcements of the Company dated 11 October, 4 November, 27 December 2013 and 16 January 2014, and the circular of the Company dated 26 March 2014, respectively.

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

On 1 November 2013, Tian Ma entered into five separate framework agreements ("Framework Agreements") with (A) the Company, Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司) ("Shanghai Zhangjiang Company"), Shanghai State-owned 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 Opto-electronics 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 Opto-electronics 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 ("A 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 A Share, being the average closing price per A Share quoted on the Shenzhen Stock Exchange for the past consecutive 20 trading days immediately preceding the commencement date of suspension of trading of 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 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.

As at the date of this announcement, approval of the Transactions by the relevant SASAC has not yet been obtained.

On 1 November 2013, Tianma, Chengdu Industrial Group and Chengdu Gaoxin Investment entered into a second JV supplemental agreement, pursuant to which, among others, the period for acquisition of 30% equity interest in Chengdu Tianma set out in the first JV supplemental agreement (the "First JV Supplemental Agreement") be extended and Tian Ma shall participate in the bidding for the 30% equity interest in Chengdu Tianma at the consideration as agreed in the First JV Supplemental Agreement within one year upon the completion of the acquisitions of 40% equity interest in Chengdu Tianma by Tianma or the date of the placing shares listed on Shenzhen Stock Exchange ("Chengdu Tianma Bidding"). Based on the formula set out in the First JV Supplemental Agreement and on the assumption of 6.5% of annual interest rate for each of the seven years since the incorporation of Chengdu Tianma up to the date of this announcement and the registered capital of Chengdu Tianma of RMB1,200,000,000 remains unchanged at the time of bidding, the bidding price will be approximately RMB523,800,000. The Board will propose at the extraordinary general meeting to approve a maximum bidding price of RMB600,000,000 for acquisition of the remaining 30% equity interest in Chengdu Tianma.

Proposed A Shares Placing

Upon completion of the Transactions, Tianma intends to issue placing shares to not more than ten placees for raising additional funds ancillary to the Transactions ("Proposed A Shares Placing"). The proceeds to be raised under the Proposed A Shares Placing will not exceed 25% of the total amount of the consideration of the Transactions and the Proposed A Shares Placing. The placing price will not be lower than RMB12.69 per A Share. All the placees will be independent third parties.

Based on the maximum number of Consideration Shares contemplated under the Framework Agreements and the placing price of RMB12.69 per A Share, the gross proceeds under the Proposed A Shares Placing will not exceed RMB1,900,602,000 and the maximum number of the Placing Shares will be 149,771,631.

The Proposed A Shares Placing together with those Transactions where necessary approvals including the approval from respective local SASAC have been obtained will be submitted to China Securities Regulatory Commission ("CSRC") for approval. Based on the applicable PRC laws and regulations, the Proposed A Shares Placing will only be proceeded with after completion of such Transactions and upon approval of the Transactions by the CSRC, the final placing price, which will be not less than RMB12.69 per A Share, will be determined by way of bidding pursuant to applicable PRC laws and regulations.

As the applicable percentage ratios (as defined under the Listing Rules) 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 Opto-electronics 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 shareholders (or for Shanghai Opto-Electronics Transaction and Shenzhen Opto-Electronics Transaction, the independent shareholders) of the Company at the extraordinary general meeting held on 17 March 2014. For details, please refer to the announcement of the Company dated 11 November 2013, the circular dated 29 January 2014 and the poll results announcement of the Company dated 17 March 2014, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS THE YEAR ENDED 31 DECEMBER 2014

Business Review

The consolidated revenue and profit contributions of the Company in its consolidated results for the year ended 31 December 2014 were primarily derived from the following business sections and subsidiaries:

Business sections	Name of subsidiaries	Percentage of equity interests held by the Company	Principal activities
High-tech Electronic Products	Tianma Micro-electronics Co., Ltd. ("Tianma")	25.76%	Manufacture and sales of liquid crystal displays and modules ("LCD")
	Shennan Circuit Co., Ltd. ("SCC")	92.99%	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 and industrial property development
	Chengdu AVIC Raise Real Estate Company Limited ("Chengdu Raise")	60%	Mainly engages in residential premises development business and industrial property development
	Xi'an AVIC Raise Xikong Real Estate Company Limited ("Xi'an Raise")	51%	Mainly engages in residential premises development business and industrial property development

Business sections	Name of subsidiaries	Percentage of equity interests held by the Company	Principal activities
	China National Aero-Technology International Engineering Company Limited ("Engineering Company")	100%	Mainly engages in general contracting of international engineering construction, overseas property development and general contracting of domestic construction engineering
	Guangdong International Building Industrial Co., Ltd. ("GIB Company")	75%	Hotel operation
Trading and Logistics	China National Aero-Technology Beijing Company Limited ("Beijing Company")	100%	Trading and logistics of cement engineering and machinery vehicles, etc.
	AVIC International Maritime Holdings Limited ("AVIC Maritime")	73.87%	Shipping engineering
	AVIC Weihai Shipyard Co., Ltd. ("Weihai Shipyard")	69.77%	Shipping construction
	China National Aero-Technology Guangzhou Company Limited ("Guangzhou Company")	100%	Trading and logistics of medical facilities and bitumen engineering
	China National Aero-Technology Xiamen Company Limited ("Xiamen Company")	100%	Trading and logistics of stone materials

Business sections	Name of subsidiaries	Percentage of equity interests held by the Company	Principal activities
	China National Aero-Technology Trade and Economic Development Company Limited ("TED Company")	97.5%	Tendering agency, information application and automated control service
	AVIC International Renewable Energy Development Co., Ltd. ("RED Company")	100%	Sales and purchase of energy equipment, energy management and new energy equipment
Resources Development	Shenzhen AVIC Resources Co., Ltd. ("AVIC Resource")	100%	Investment and development of agriculture-related resources business

Summary of Performance

During the year ended 31 December 2014, the Group recorded a consolidated revenue approximately RMB34,426,424,000, representing a decrease of approximately 8% over the previous year of approximately RMB37,262,006,000 (restated figures, same as below). The profit attributable to owners of the Group was approximately RMB641,949,000, representing a decrease of approximately 38% as compared with approximately RMB1,030,898,000 over last year.

2014 was a year when global economy had been recovering in a difficult way. The domestic economy was under increasingly downward pressure and encountered a "New Formality" with adjusted economic structure, structural slow-down and changes in the driving force behind growth. Facing a complicated and variable external environment, the Group adhered to the planned strategies, deeply probed into strategic transformation and development, emphasized on improving each business structure and its efficiency, and enhanced the capability of sustainable development. The high-tech electronic products section accelerated the business transformation and upgrade, steadfastly carry forward the optimization of product structure and market expansion. The high-tech electronic products section achieved critical progress in the industrialization of various advanced technologies and successfully completed the material capital reorganization and financing of LCD business. The retails and high-end customer products section focused on optimizing channel construction and raising the efficiency of shops and promoted its online and offline integration and development, and thus realized a rapid growth in its self-owned brand name watch. The real estate business actively coped with the structural adjustment in the industry, explored and strengthened the overseas real estate development business. The trading and logistics business focused on the professional development and it proactively facilitated the optimization of the business model and the enhancement of professionalism, and thus substantial orders were obtained in the market from time to time.

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 year ended 31 December 2014, the Group's revenue generated from high-tech electronic products section was approximately RMB13,067,654,000, representing an increase of approximately 18% from approximately RMB11,059,896,000 for the same period of last year. The profit was approximately RMB906,770,000, representing a decrease of approximately 10% from approximately RMB1,012,183,000 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 communication terminal and professional displays.

In 2014, the demand for smartphones in domestic market transformed from low-to-middle end to high end products, while the growth of professional display market was strong under the driving force of the demand for vehicle display and family health care. Tianma focused on the consumption market of middle-to-high end mobile communication and professional display market of vehicle display and medical aspect. With the continuous optimization of products and structure of customers and achievement in the breakthroughs in key target markets, there was a significant increase in the market share of middle-to-high end smartphones and vehicle display products. It also integrated resources for R&D, strengthened the basic research capability in the area of display techniques and accelerated the layout for new products and new businesses. During the year ended 31 December 2014, Tianma successfully completed the major restructuring and complementary financing by issuing additional shares to acquire the related assets in Shanghai Tian Ma Microelectronics Co., Ltd. ("Shanghai Tianma"), Chengdu Tian Ma Microelectronics Co., Ltd. ("Chengdu Tianma"), Wuhan Tian Ma Microelectronics Co., Ltd. ("Wuhan Tianma"), Shanghai AVIC Opto-electronics Limited ("Shanghai Opto-electronics") and Shenzhen AVIC Opto-electronics Limited ("Shenzhen Opto-electronics"), which resulted in a significant increase in the overall operation efficiency compared with last year, and the overall core competitiveness had been further strengthened. During the year ended 31 December 2014, the contract for the 6th generation of LTPS TFT-LCD project of Wuhan had been duly executed, and the AM-OLED back-end production line of Shanghai has been progressing smoothly.

(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.

In 2014, SCC grasped the opportunities of the industry to focus on the market with quality customers and emphasized on developing key customers so that the profitability continued to increase. Leveraging on the demand of domestic 4G establishment, the orders and outputs of PCB business kept hitting record highs. The capability of the electronics assembly business continued to increase, achieving significant result on probing and developing strategically key customers, resulting in a substantial increase in the orders as compared with last year. The key technology and the research and production of the substrate business achieved breakthroughs. With continuous optimization in the structure of products, the orders and profits increased significantly. During the year ended 31 December 2014, a trial production for connecting PCB and electronics assembly business was realized as the construction of Wuxi production base phase one advanced smoothly.

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. For the year ended 31 December 2014, the turnover generated from the retails and high-end consumer products section of the Group amounted to approximately RMB3,221,007,000, representing a growth of approximately 6% when compared with approximately RMB3,041,122,000 in the previous year. The profit was approximately RMB149,498,000, representing an increase of approximately 5% from approximately RMB142,964,000 for the same period of last year.

In 2014, affected by the macro environment, the demand in the domestic luxury watch market was weak, while the demand in middle end brand market kept increasing. Fiyta insisted on the strategy of "products' brand + channels' brand", continued to optimize the comprehensive channel operation platform system, adjusted the structure and layout of retail channels to increase the efficiency of single shop, while facilitating the establishment of new channels for e-commerce at the same time. The self-owed brand Fiyta has been exhibited in the fabulous exhibition in Basel International Watch for consecutive years. The sales performance of domestic and overseas markets was impressive, with the growth of profit exceeding 40% as compared with the same period of last year. Harmony was ranked in the list of "Top 500 Asian Brands" ("亞洲品牌500強") and "Champion for Valuable Chinese Brand" ("中國品牌價值冠軍榜") again.

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 engineering contracting business through Engineering Company. For the year ended 31 December 2014, the real estate and hotel business section of the Group recorded turnover of approximately RMB5,891,369,000, representing an increase of approximately 41% as compared with approximately RMB4,187,299,000 in the previous year. The profit was approximately RMB686,933,000, representing an increase of approximately 28% as compared with approximately RMB537,398,000 in the previous year. Profit comprises investment gain from jointly controlled entity and associate, AVIC Vanke Company Limited ("AVIC Vanke") and AVIC Real Estate Holding Company Limited ("AVIC Real Estate") of approximately RMB291,718,000.

(1) Real Estate Development

The domestic real estate development business of the Group mainly focuses on commercial complex development projects in small to medium cities.

In 2014, the domestic real estate market faced challenges while regional diversion became more and more intensified. The construction and sales of the domestic real estate development projects under the Group were carried out gradually as planned while the expansion and construction of the real estate development projects in emerging overseas markets such as Kenya, Sri Lanka and Tanzania speeded up.

(2) Engineering Contracting

The engineering contracting business of the Group mainly comprises engineering contracting of international construction and gradually expands into the domestic construction engineering contracting field.

In 2014, steadfastly adhering to the global strategic principle, the engineering contracting business of the Group focused on the three major regional markets in the Middle East, Africa and South Africa and undertook numerous large and medium international engineering projects. During the year ended 31 December 2014, 4 international and domestic engineering contracting projects with total contract value amounting to RMB712,000,000 were newly signed. During the year ended 31 December 2014, the reconstruction and expansion project of Kenya Nairobi International Airport was completed. The highway renovation project in Sri Lanka has been completed smoothly. The ground-breaking ceremony was held successfully for the Hangar project in Ethiopia. All these highlighted the stable and positive growth momentum.

Trading and Logistics

The Group engages in ship engineering, mechatronics engineering, tendering agency and information application services through its subsidiaries, namely Beijing Company, AVIC Maritime, Weihai Shipyard, Guangzhou Company, Xiamen Company, TED Company and RED Company. For the year ended 31 December 2014, the Group's turnover generated from trading and logistics business was approximately RMB11,780,260,000, representing a decrease of approximately 37% from approximately RMB18,600,479,000 of the previous year. The losses was approximately RMB93,121,000, representing a decrease of approximately 130% from profit of approximately RMB318,454,000 of the previous year.

(1) Ship Engineering

In 2014, the integration of the Group's shipping business progressed steadily. The synergy effects realized by integrating with Deltamarin Oy in Finland and the commitment to developing high value added products such as offshore engineering ships and special vessels facilitated the improvement on the infrastructure construction of shipping factory. During the year ended 31 December 2014, 13 new shipping orders were signed under the Group's shipping business, among which, 22 shipping orders were in effect. Orders on hand accumulated to 43 ships. Besides, the Group achieved delivery of 17 ships for the year ended 31 December 2014. Under the downturn in the global shipping market, the shipping business of the Group suffered a great loss.

(2) Mechatronics Engineering

The mechatronics engineering business of the Group mainly comprises cement and elementary performing constructions including power station engineering (EPC), export of machinery vehicles and so on. During the year ended 31 December 2014, with respect to cement EPC business, the acquisition of the shareholding of KHD Humboldt Wedag International AG ("KHD", a company the shares of which are listed on the Frankfurt Stock Exchange), was completed. On this foundation, the Group devoted to the expansion of the cement EPC business to worldwide markets, business synergy and transformation upgrades. Multitudes of orders were secured in regions such as Venezuela, while the execution of projects on hand in regions such as Malaysia and Turkey progressed smoothly. The power station projects in countries such as U.S and Pakistan, which focused on new energy such as wind power and photovoltaic, had been completed successfully. The expansion of domestic energy saving service market was progressing smoothly. Meanwhile, the domestic bitumen engineering projects expanded and the earning generated increased steadily. The mechatronics engineering business experienced rapid and positive growth momentum.

(3) Tendering Agency and Information Application Service

The Group mainly engages in tendering agency and information application service through TED Company. In 2014, the tendering agency business of the Group was progressing stably and the tendering business expanded to international arena. Business development of the intelligent terminal on the internet information application business front achieved a new breakthrough.

Resources Investment and Development

The Group engages in investment and development of agricultural-related resources through AVIC Resource. During the year ended 31 December 2014, the turnover generated from the Group's resources development business was approximately RMB466,134,000. Under the double influences of the drop of the bulk commodity price and the phosphate fertilizers compressing bittern techniques, the resources business recorded a loss amounting to approximately RMB248,906,000.

Business Prospects

Looking ahead towards 2015, the global economic recovery remains apparently imbalanced and fluctuating while it is hard to increase the demand from overseas market significantly. Despite the fact that the Chinese economy is still positioning at the "three overlapping periods" (三期疊加階段), the upgrade of domestic industrial structure and the "expanding outwards" strategies will create valuable historical opportunities. Firmly adhering to the established strategies and under the guiding principle of transformation and innovation, the Group will deepen core business strategic transformation, speed up business model renovation and mechanism reforms, realize the innovative model facing the customers and in line with the business, progressively draw up the overseas market layout as well as promote the implementation of international strategies. Besides, the Group will strengthen the execution of strategies, determinedly shoulder the responsibilities and enhance efficiencies and effectiveness through management refinement. Increasing business earnings of core businesses, reducing loss and stop suffering from a loss are the major matters of concern for the Group. Coupled with a focus on value growth, the Group will escalate business integration, optimize resources allocation and investment structure and attach great importance to investment returns.

High-tech Electronic Products

(1) LCD

It is expected that the competition in the LCD industry will be more severe in 2015. Domestic smart devices market transforms towards the middle-to-high-end market. The Group will continuously focus on two major businesses, namely the consumer products and professional display products, capture opportunities in the market, explore key customers, expand the market share in the high end market. Meanwhile, the Group will focus on high end products, enhance the R&D of core products and crucial techniques, speed up the pace on the production of new products as well as maximize the added value of professional display products. In order to create continuing competitive strengths, the Group will actively facilitate the realization of industrial layout, prepare for the 6th generation of LTPS TFT LCD production line and endeavor to shorten the manufacturing cycle.

(2) PCB

It is expected that the demand for high-end PCB and packaging substrate is still strong in 2015 under the driving force of the development of communication, servers and automobile electronics in the domestic and overseas markets. SCC will continue to build a platform of high efficiency and high speed one-stop solution of products and services, which would facilitate the market expansion and technological breakthrough for PCB, electronics assembly and packaging substrate business. PCB business will insist on concentrating on the in-depth development of traditional core market and new market breakthrough. Electronic packaging business will boost the development of the strategically key customers in three target areas, namely medical, digital communication and radio frequency, in a steady pace. Packaging substrate business will focus on developing high-end target products and markets in order to establish a leading position in the industry. Meanwhile, the Group will actively drive the production base in Wuxi to meet its capacity requirement as fast as it can.

Retails and High-end Consumer Products

It is expected that the domestic watches consumer market will still maintain differentiated in 2015. The Group's retails and high-end consumer products will undergo omni-channel transformation, persistently nurture the core competence, promote the implementation and integration of key value chain gradually and enhance the brand name premium of Fiyta's watches. The sales channel of the prestigious watch under the brand name of Harmony continuously optimizes the shop layouts, product structures and business portfolios to increase the inventory turnover. The Group will strive to increase the overall profitability by increasing the growth of e-Commerce business, improving the driving mechanism for innovation and exploring and nurturing new areas for profit growth.

Real Estate and Hotel

(1) Real Estate Development

It is expected that the adjustment and transformation of the real estate development market in the PRC will continue in 2015 while opportunities are available in the overseas emerging real estate development markets. The Group will seize the opportunities in major regions' markets actively for the real estate development and conduct the development and sales of the existing projects as planned.

(2) Engineering Contracting

It is expected that the growth of international engineering contracting market will slow down in 2015 with the market competition in the regions will become more and more vigorous. The Group's engineering contracting business will still place East Africa, South Asia and Middle East as the regional centers. It strives to increase the profitability by focusing on the infrastructural and urban construction aspects, enhancing the sourcing capabilities for mega size engineering projects and general contracting management capabilities and operating management standard of projects.

Trading and Logistics

The trading and logistics segment will continue to focus on and facilitate business transformation, which accelerate the transformation and exit of non-core businesses and clarify and optimize the business model to further increase the core competitiveness.

(1) Ship Engineering

It is expected that the slump in the shipping market will be difficult to show obvious change in 2015. The elimination of outdated ships will be speeded up and there is larger demand for energy-saving, efficient as well as clean and environmental-friendly ships. The Group will seize the market opportunities, focusing on major markets, strengthening the R&D of high value-added products and fully utilizing the synergy of industry chain so as to maximize the profit margin.

(2) Mechatronics Engineering

The Group will continue to strengthen the integration and strategic synergy with KHD, by fully utilizing the brand and technological advantages of KHD in the cement aspect to develop the major markets including Venezuela and Myanmar and obtain high quality orders. Also, it will strive for innovative business model, control the cost expenses and increase the profitability. The Group will focus on the development of businesses including infrastructure and mechatronics EPC in the major target markets. By enhancing the engineering management capability and cost expenses controlling as well as well implementing and delivering on-hand projects, the sustainable development of the Group can be strengthened.

Dividends

The Board recommended the payment of a final dividend of RMB0.10 per share for the year ended 31 December 2014, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

Liquidity and Capital Resources

As at 31 December 2014, the cash and cash equivalents of the Group amounted to approximately RMB4,828,610,000 (2013: approximately RMB5,076,449,000), mainly derived from the following sources:

- Cash and bank deposits at the beginning of the year;
- Bank loans, borrowings from related parties; and
- Revenue from operations.

As at 31 December 2014, the total borrowings of the Group amounted to approximately RMB21,071,804,000 (2013: approximately RMB21,425,962,000) with annual interest rate ranging from 0% to 17.83% (2013: 0% to 12.5%), of which the current borrowings amounted to approximately RMB10,474,485,000 (2013: approximately RMB7,880,864,000) and the non-current borrowings amounted to RMB10,597,319,000 (2013: approximately RMB13,545,098,000).

During the year ended 31 December 2014, the capital expenditure of the Group amounted to approximately RMB2,223,840,000, the details of which are set forth below:

Company Name	**Project Name**	**2014 Amount** *(RMB'000)*
Tianma	Production line of Automotive TFT-LCD, TP ON-CELL and modification of the production capacity	573,355
SCC	No. 8 Building investment, technological transformation, research and development and investment in the project of Wuxi Base	711,830
AFM Company	Phase 1 Shenzhen Aero Fasteners MFG Project	73,091
Fiyta	Timepiece Industrial Base in Guang Ming New District	44,675
Beijing Ruixin	Project on AVIC New Town of Langfang Company (廊坊公司)	104,804
Beijing Company	Yizhuang Industrial Park Project, equipment procurement for Humboldt Company in Germany	386,028
Guangzhou Company	Investment and establishment of (a) subsidiary(ies) of Lutong Company	14,000
Xiamen Company	Project on office building of Xiamen Zijin AVIC Real Estate Company Limited	93,035
RED Company	New energy project in the PRC	28,598
Resource Company	Projects on Saltern expansion and pipeline maintenance, pressure brine, Metallic silicon and mining right	194,424
Total		2,223,840

During the year ending 31 December 2015, the expected capital expenditure of the Group amounts to approximately RMB6,185,499,000, the details of which are set forth below:

Company Name	**Project Name**	**2015 Amount** *(RMB'000)*
Tianma	G6 production lines of Wuhan Tianma, automation renovation project	3,841,000
SCC	No. 8 Building investment and research and development and construction of Wuxi Base and Nantong Base (南通基地)	556,000
AFM Company	Phase 1 Shenzhen Aero Fasteners MFG Project	12,199
Fiyta	Timepiece Industrial Base in Guang Ming New District	154,000
Beijing Ruixin	Project on AVIC New Town of Langfang Company (廊坊公司)	165,660
Beijing Company	Projects on manufacturing cement equipment and hydraulic parts	221,240
Guangzhou Company	Project on bitumen base of Lutong Company in Tianjin	50,000
Xiamen Company	Projects on offices, mines and logistics parks	843,320
RED Company	Project on energy-saving for different regions	120,500
Resource Company	Projects on technical improvement of machine workshops, Saltern construction and potash	221,580
Total		6,185,499

The capital source of the above investment projects are owned funds of the aforesaid companies, capital market financing, bank loans and borrowings from related parties.

Pledged Assets

As at 31 December 2014, the pledged assets of the Group amounted to approximately RMB3,312,965,000, the details of which are set forth below:

	RMB'000
Pledged bank deposits	23,000
Pledged notes receivable	72,735
Land use rights	645,641
Buildings	1,213,671
Investment properties	889,850
Properties under development	108,948
Exploration and extraction rights	64,477
Machinery and equipment	294,643
	3,312,965

Debt Ratio

As at 31 December 2014, the Group's borrowings to equity ratio (the ratio of total borrowings to shareholders' equity) was 115.28% (2013: 155.58%), whilst the liabilities to equity ratio (the ratio of total liabilities to shareholders' equity) was 216.07% (2013: 269.12%).

Entrusted Deposits And Overdue Term Deposit

During the year ended 31 December 2014, the Company did not have any entrusted deposit and overdue term deposit in any form.

Issue, Purchase, Sale Or Redemption Of Shares

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries had issued, purchased, sold or redeemed any of the Company's listed securities.

Employees And Remuneration

As at 31 December 2014, the Group had approximately 43,144 employees (2013:28,338) with employee-related costs of approximately RMB3,834,648,000 (2013: RMB2,880,254,000). The Group formulated its competitive remuneration policy based on market condition and individual employee's performance.

Social Insurance Schemes

The Group has participated in the retirement insurance scheme and health insurance scheme managed by Shenzhen Social Security Administration Bureau (深圳市社會保險局). Pursuant to the relevant provisions, the Group is required to make monthly contributions in respect of retirement insurance fund and health insurance fund to Shenzhen Social Security Administration Bureau, representing 19% and 9%, respectively, of the monthly salaries of its employees, of which the Group bears 14% and 7% respectively, and the employees bear the rest.

Pursuant to the above social insurance schemes, Shenzhen Social Security Administration Bureau is responsible for pension payments to the retired employees of the Group and general medical expenses of the employees of the Group.

For the year ended 31 December 2014, the fees withdrawn from the social insurance schemes of the Group amounted to approximately RMB269,719,000 (2013: approximately RMB217,236,000).

Changes Of Directors, Supervisors And Senior Management

At the 2013 annual general meeting of the Company held on 6 June 2014, the appointment of Mr. Lai Wei Xuan as an executive Director was approved. His term commences from 6 June 2014 and ends on the date of 2014 annual general meeting to be convened in 2015.

At the extraordinary general meeting of the Company held on 30 December 2014, the appointment of Mr. Wei Wei as an independent non-executive Director was approved. His term commences from 30 December 2014 and ends on the date of 2014 annual general meeting to be convened in 2015.

At the extraordinary general meeting of the Company held on 30 December 2014, the appointment of Mr. Cao Jiang as the chairman and a member of the Supervisory Committee of the Company were approved. His term commences from 30 December 2014 and ends on the date of 2014 annual general meeting to be convened in 2015.

In accordance with relevant requirements of state cadre management, Mr. Zhang Ping has resigned as an independent non-executive Director with effect from 30 December 2014. He confirmed that he has no disagreement with the Board, and there is no other matter in relation to his resignations which has to be brought to the attention of the Stock Exchange and the shareholders of the Company.

Mr. Huang Bin has resigned as a member and the chairman of the Supervisory Committee of the Company as he reached the statutory retirement age as required by the relevant regulation of the PRC, with effect from 30 December 2014. He confirmed that he has no disagreement with the Board, and there is no other matter in relation to his resignations which has to be brought to the attention of the Stock Exchange and the shareholders of the Company.

Foreign Exchange Risk

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

Contingent Liabilities

As at 31 December 2014, the Group had the following financial guaranties outstanding:

Guarantor	**Guarantor's relationship with the Group**	**Guarantee**	**Guarantee's relationship with the Group**	**Outstanding amounts guaranteed** *RMB'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	692,623
Beijing Company	Subsidiary of the Group	Zhengli Ocean Engineering Company Limited (正力海洋工程有限公司)	Third party	33,590
Xiamen Company	Subsidiary of the Group	Xiamen Tianma Microelectronics Company Limited (廈門天馬微電子有限公司)	The guarantor holds 6% equity interests in the guarantee	176,000
Xiamen Company	Subsidiary of the Group	Radiance Catico Offshore Pte. Ltd	Associated Company	161,621
Engineering Company	Subsidiary of the Group	CATIC Construction Engineering Company Limited (中航建築工程有限公司)	Controlled by the same company	68,600
Chengdu Raise	Subsidiary of the Group	Real estate property buyer	Third Parties	150,934
				1,283,368

The Group provide financial counter-guarantee to the following parties:

Guarantor	Guarantor's relationship with the Group	Guarantee	Guarantee's relationship with the Group	Outstanding amounts guaranteed
				RMB'000
Tianma	Subsidiary of the Group	Shanghai Zhangjiang (Group) Co., Ltd (上海張江(集團)有限公司)	The guarantee holds 2.49% equity interests in the guarantor	77,887
Tianma	Subsidiary of the Group	Shanghai State-owned Assets Operation Co., Ltd (上海國有資產經營有限公司)	The guarantee holds 2.37% equity interests in the guarantor	73,992
Tianma	Subsidiary of the Group	Shanghai Industrial Investment (Group) Co., Ltd (上海工業投資(集團)有限公司)	Third party	13,943
Tianma	Subsidiary of the Group	Shanghai Optical Communication Corporation (上海光通信公司)	The guarantee holds 1.25% equity interests in the guarantor	25,000
Tianma	Subsidiary of the Group	Chengdu Industrial Group Co., Ltd (成都工業投資集團有限公司)	The guarantee holds 2.5% equity interests in the guarantor	268,058
Tianma	Subsidiary of the Group	Chengdu Gaoxin Investment Group Co., Ltd (成都工業投資集團有限公司)	The guarantee holds 1.59% equity interests in the guarantor	170,322
				629,202

Other Significant Events

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

On 11 October 2013, AVIC International Engineering Holdings Pte. Ltd. (the "Purchaser") (an indirect wholly-owned 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, approximately 9,456,000 shares (the "Sale Shares") in the issued share capital 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 would 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 granted to each other option to purchase the entire issued share capital of the three BVI companies (the "BVI companies"), each of which directly held each of the Singapore Companies 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 held 437,264,906 shares of the Company (the "Shares"), representing 39.37% of the issued share capital of the Company, and it owned the entire equity interest in AVIC Shenzhen, which in turns held 395,709,091 Shares, representing 35.63% of the issued share capital of the Company. As a result, no general meeting was 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 held 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 and 19 September 2014.

2. *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 (the "Framework Agreements") with (A) the Company, Shanghai Zhangjiang Company, Shanghai State-owned 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 (which includes the disposal of 21% equity interest in Shanghai Tianma held by the Company to Tianma (the "Disposal") (the "Shanghai Tianma Framework Agreement" and the"Shanghai Tianma Transaction"); (B) Chengdu Industrial Group Company Limited (成都工業投資集團有限公司) (the "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 (the "Chengdu Tianma Framework Agreement" and the "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 (the "Wuhan Tianma Framework Agreement" and the "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 (the "Shenzhen Opto-electronics Framework Agreement" and the "Shenzhen Opto-electronics Transactions") (together, the "Transactions").

Pursuant to the Framework Agreements, the consideration of the Transactions will be fully settled by Tianma issuing new A shares to the vendors of the Framework Agreements (the "Consideration Shares" and each a "Tianma A Share") 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 would 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 was 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 would be approximately 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 the same date, the board of directors of Tianma proposed to issue not more than approximately 149,772,000 new A shares of Tianma (the "Placing Shares") to not more than ten placees in cash at a placing price not lower than RMB12.69 per Placing Share (the "Placing Price") after completion of the Transactions for raising additional funds (the "Proposed A Shares Placing of Tianma").

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 433,129,000 A Shares as Consideration Shares at an issue price of RMB12.69 per Tianma 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 the State-owned Assets Supervision and Administration Commission (the "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 of the Consideration Shares and the Proposed A Shares Placing respectively constitutes a deemed disposal of interest in Tianma held by the Company under Rule 14.29 of the Listing Rules. As the applicable percentage ratios for the issuance of the Consideration Shares 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 are 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 extraordinary general meeting, respectively.

On 24 July 2014, Tianma has been informed by China Securities Regulatory Commission ("CSRC") that the overall proposal of the Transactions and the Proposed A Shares Placing have 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 Tianma 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 Tianma 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 Placing Shares to 140,239,015 Placing 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 Placing 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.

On 10 September 2014, the assets transfer in relation of acquisition of 5 Subject Companies (including Shanghai Tianma) by Tianma was completed. The aggregation of 436,568,842 new Shares, of which 436,568,842 shares are restricted shares, are issued to 9 transferors (including the Company, AVIC International and AVIC Shenzhen) by Tianma. Those new Shares are listed on the Shenzhen Stock Exchange on 12 September 2014.

The final placing price for the relevant Proposed A Share Placing is RMB14.60, and the final number of Placing Shares is, in aggregate, 120,932,133 A Shares of Shenzhen Tianma. The gross proceeds of Tianma is approximately RMB1,765,609,000. Additional Shares are listed on the Shenzhen Stock Exchange since 29 September 2014. Upon the completion of the acquisition of 5 Subject Companies (including Shanghai Tianma) by Tianma and Proposed A Shares Placing of Tianma, the total share capital of Tianma Company is 1,131,738,475 shares. For details, please refer to the announcements of the Company dated 10 September 2014 and 25 September 2014, respectively.

3. *Lapse of Very Substantial Acquisitions and Connected Transactions involving Issue of Perpetual Subordinated Convertibles Securities*

On 27 December 2013, the Company entered into a supplemental agreement in respect of the Acquisition Agreement 1 (as defined in the announcement of the Company dated 30 October 2013) with AVIC International, and a supplemental agreement in respect of the Acquisition Agreement 2 (as defined in the announcement of the Company dated 30 October 2013) and the Acquisition Agreement 3 (as defined in the announcement of the Company dated 30 October 2013) (including equity interest purchase agreements, PSCS (as defined in the announcement of the Company dated 30 October 2013) and subscription agreements) with AVIC Shenzhen to further extend the long stop date to 31 December 2014 (or such later date as the respective parties may agree in writing) (the "Extended Long Stop Date"). For details, please refer to the announcement of the Company dated 27 December 2013.

The Company has received written approval from the SASAC in October 2013, stating its consent in principle to the acquisition of the Revised Sale Interests 1 (as defined in the announcement of the Company dated 30 October 2013) (including the issue of PSCS of approximately RMB552,815,000 to satisfy the consideration thereunder), and the acquisition contemplated under the Acquisition Agreement 3 (including the issue of PSCS of approximately RMB6,328,303,000 to satisfy the consideration thereunder). The transactions contemplated under the Acquisition Agreement 1, Acquisition Agreement 2 and Acquisition Agreement 3 (collectively, the "Acquisition Agreements") are still conditional upon the fulfillment of various other conditions, details of which are set out in the circulars of the Company dated 23 December 2011 and 5 July 2013.

References are made to the announcements of the Company dated 21 November 2011, 8 February 2012, 27 June 2012, 11 October 2012, 16 May 2013, 26 August 2013, 30 October 2013 and 27 December 2013, and the circulars of the Company dated 23 December 2011 and 5 July 2013, all of which relate to the very substantial acquisitions and connected transactions of the Company involving issue of perpetual subordinated convertible securities.

On 31 December 2014 (i.e. the Extended Long Stop Date), as certain conditions precedent of the Acquisition Agreements have not been fulfilled, e.g. approval of the Acquisition Agreements from the relevant regulatory authorities not having been obtained, and the Company, AVIC International and AVIC Shenzhen have not agreed on any further extension of the Extended Long Stop Date, the Acquisition Agreements have therefore lapsed on 31 December 2014 and ceased to have any effect.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTEREST

Directors, Supervisors and Chief Executive

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, none of the Directors or supervisors or chief executives of the Company was interested in any share, underlying share or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any Director or supervisor or chief executive of the Company were taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register maintained by the Company under section 352 of the SFO or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Interests in the Group's Assets or Contracts or Arrangements Significant to the Group

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any interest in any asset which have been, since 31 December 2014 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the businesses of the Group.

Service Contracts

As at the Latest Practicable Date, there was no existing or proposed service contract, excluding contract expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation) between any of the Directors or supervisors of the Company and any member of the Group.

Competing Interests

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group's businesses) which competes or is likely to compete either directly or indirectly with the Group's businesses (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were a controlling shareholder).

Material Adverse Changes

The Directors confirm that there was no material adverse changes in the financial or trading position of the Group since 31 December 2014 (being the date to which the latest published audited accounts of the Company were made up).

LITIGATION

As at the Latest Practicable Date, the Directors were not aware of any litigation or claim of material importance pending or threatened against any member of the Group.

Material Contracts

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular:

(a). the guarantee agreement dated 19 March 2015 in relation to the provision of guarantee to pay all secured indebtedness regarding loan facilities in the aggregate amount of not exceeding RMB550,000,000 provided by The Export-Import Bank of China (中國進出口銀行) to 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) ("Tianma Technology Company") entered into between The Export-Import Bank of China and Tianma Technology Company;

(b). the investment cooperation agreement dated 17 December 2014 entered into among China National Aero-Technology Xiamen Company Limited (中國航空技術廈門有限公司) ("Xiamen Company"), AVIC International Shenzhen Company Limited (中國航空技術深圳有限公司) ("AVIC Shenzhen"), AVIC International Holding Corporation (中國航空技術國際控股有限公司) ("AVIC International"), Xiamen Torch Hi-Tech Industrial Development Zone Management Committee (廈門火炬高技術產業開發區管理委員會), Xiamen Jincai Investment Company Limited (廈門市金財投資有限公司) ("Xiamen Jincai"), and Xiamen Jinyuan Investment Group Company Limited (廈門金圓投資集團有限公司) in respect of the investment project to be implemented by Xiamen Tianma Micro-electronics Co., Ltd. (廈門天馬微電子有限公司) ("Xiamen Tianma") in respect of the construction of 6th generation LTPS TFT-LCD and CF coloured filter production lines (the "Investment Cooperation Agreement"). Pursuant to the Investment Cooperation Agreement, Xiamen Company, AVIC Shenzhen, AVIC International and

Xiamen Jincai, all being shareholders of Xiamen Tianma with respective equity interest of 6%, 15.3%, 14.7% and 64% therein, agreed to inject a total of RMB6 billion (equivalent to approximately HK$7.5 billion) into Xiamen Tianma on a pro rata basis;

(c). the general construction contract between Wuxi Shennan Electric Circuit Company Limited (無錫深南電路有限公司) and Jiangsu Suyang Construction Company Limited (江蘇蘇陽建設有限公司) dated 26 June 2014 pursuant to which Wuxi Shennan Electric Circuit Company Limited (無錫深南電路有限公司)conditionally agreed to engage Jiangsu Suyang Construction Company Limited (江蘇蘇陽建設有限公司) for carrying out construction works in relation to phase one of the construction of the semiconductor packaging substrate project (半導體封裝基板項目) located in Wuxi city, Jiangsu Province, the PRC at the maximum contract sum of RMB370,211,572.76;

(d). the assets acquisition agreement dated 30 April 2014 in relation to the acquisition of an aggregate of 70% equity interest in Shanghai Tian Ma Microelectronics Co., Ltd. (上海天馬微電子有限公司) ("Shanghai Tianma") entered into among Tianma as purchaser and the Company, Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司) ("Shanghai Zhangjiang Company"), Shanghai State-owned 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 (上海光通信有限公司) ("SOCC") as vendors for an aggregate consideration of RMB1,241,816,300;

(e). the assets acquisition agreement dated 30 April 2014 in relation to the acquisition of an aggregate of 40% equity interest in Chengdu Tian Ma Microelectronics Co., Ltd. (成都天馬微電子有限公司) ("Chengdu Tianma") entered into among Tianma as purchaser and 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") as vendors for an aggregate consideration of RMB582,660,800;

(f). the assets acquisition agreement dated 30 April 2014 in relation to the acquisition of 90% equity interest in Wuhan Tian Ma Microelectronics Co., Ltd. (武漢天馬微電子有限公司) ("Wuhan Tianma") entered into between Tianma as purchaser and Hubei Province Technology Investment Group Company Limited (湖北省科技投資集團有限公司) ("Hubei Investment Technology") as vendor for a consideration of RMB1,670,477,500;

(g). the assets acquisition agreement dated 30 April 2014 in relation to the acquisition of an aggregate of 100% equity interest in Shanghai AVIC Opto-electronics Limited (上海中航光電子有限公司) ("Shanghai Opto-electronics") entered into among Tianma as purchaser and AVIC International and AVIC Shenzhen as vendors for an aggregate consideration of RMB1,685,682,300;

(h). assets acquisition agreement dated 30 April 2014 in relation to the acquisition of an aggregate of 100% equity interest in Shenzhen AVIC Opto-electronics Limited (深圳中航光電子有限公司) ("Shenzhen Opto-electronics") entered into among Tianma as purchaser and AVIC International and AVIC Shenzhen as vendors for an aggregate consideration of RMB315,764,900;

(i). the capital increase agreement dated 28 April 2014 entered into between the Company and AVIC Trust Company Limited (中航信託股份有限公司) ("AVIC Trust"), pursuant to which the Company and AVIC Trust had conditionally agreed to make a capital contribution of RMB62,678,033.78 and RMB20,892,677.92 in cash respectively to the registered capital of Guangdong International Building Industrial Co., Ltd. (廣東國際大廈實業有限公司);

(j). the guarantee agreement dated 25 April 2014 in relation to the provision of guarantee to pay all secured indebtedness regarding loan facilities in a principal amount of RMB49,000,000 provided by Taizhou Branch of Bank of Communication Co., Ltd. (交通銀行股份有限公司泰州分行) to Taizhou CATIC Shipbuilding Heavy Industry Limited (泰州中航船重工有限公司) ("Taizhou CATIC Shipbuilding") entered into between AVIC Beijing Company Limited (中國航空技術北京有限公司) ("Beijing Company") and Taizhou Branch of Bank of Communication Co., Ltd.;

(k). the irrevocable guarantee letter dated 17 March 2014 executed by Beijing Company in favour of Taizhou Branch of China Merchants Bank Co., Ltd. (招商銀行股份有限公司泰州分行), pursuant to which Beijing Company agreed to guarantee to pay all secured indebtedness in respect of RMB216,000,000 due and owing by Taizhou CATIC Shipbuilding in respect of credit facilities of RMB480,000,000 provided by the bank;

(l). the capital increase agreement dated 4 March 2014 entered into among Shanghai Industrial Investment (Group) Co., Ltd. (上海工業投資(集團)有限公司), Shanghai Zhang Jiang Company and Shanghai Tianma, pursuant to which the parties have conditionally agreed to make capital contribution in an aggregate amount of RMB995 million to the registered capital of 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), out of which RMB398 million will be contributed by Shanghai Tianma;

(m). the irrevocable counter-guarantee letter dated 24 January 2014 executed by Beijing Company in favour of The Export-Import Bank of China (中國進出口銀行), pursuant to which Beijing Company agreed to guarantee to pay all secured indebtedness in respect of US$47,250,000 due and owing by Taizhou CATIC Shipbuilding in respect of a guarantee of US$105,000,000 provided by The Export-Import Bank of China to Taizhou CATIC Shipbuilding;

(n). the acting-in-concert agreement dated 20 January 2014 entered into between AVIC International, AVIC Shenzhen and the Company in relation to the voting arrangement among them in Tianma;

(o). the sale and purchase agreement dated 27 December 2013 (as supplemented by a supplemental agreement dated 27 December 2013) entered into between Chengdu AVIC Raise Real Estate Company Limited (成都中航瑞賽置業有限公司) ("Chengdu Raise") (as vendor) and Chengdu Aircraft Design Research Institute of Aviation Industry Corporation of China (中國航空工業集團公司成都飛機設計研究院) (as purchaser) in relation to the disposal of a property occupying a gross area of approximately 4,007.12 square metres situated at the Innovation Center, new southern area of Gaoxin District, Chengdu, PRC (成都市高新區南部新區科創中心片區) ("Gaoxin District") at a consideration of RMB44,628,728;

(p). the sale and purchase agreement dated 27 December 2013 (as supplemented by a supplemental agreement dated 27 December 2013) entered into between Chengdu Raise (as vendor) and Chengdu Chengfei Construction Limited Company (成都成飛建設有限公司) (as purchaser) in relation to the disposal of a property occupying a gross area of approximately 1,001.78 square metres situated at Gaoxin District at a consideration of RMB9,901,891;

(q). the sale and purchase agreement dated 27 December 2013 (as supplemented by a supplemental agreement dated 27 December 2013) entered into between Chengdu Raise (as vendor) and Beijing Raise Science Company Limited (北京瑞賽科技有限公司) ("Beijing Raise") (as purchaser) in relation to the disposal of a property occupying a gross area of approximately 4,007.12 square metres situated at Gaoxin District at a consideration of RMB43,427,180;

(r). the supplemented agreement dated 27 December 2013 between the Company in respect of the Acquisition Agreement 1 (as defined below in item (oo)) with AVIC International to further extend the latest time for fulfillment of conditions precedent under the agreement to 31 December 2014 (or such later date as the respective parties may agree in writing);

(s). the supplemental agreement between the Company and AVIC Shenzhen dated 27 December 2013 in respect of the acquisition agreement between the Company (as purchaser) and AVIC Shenzhen (as vendor) in relation to the acquisition of 55.91% equity interest in Chengdu Ya Guang Electronic Company Limited (成都亞光電子股份有限公司) and 51% equity interest in Shenzhen AVIC Bi Te Communication Technology Company Limited (深圳市中航比特通訊技術有限公司), and the acquisition agreement in relation to the acquisition by the Company of 316,257,000 shares of Rainbow Department Store Co., Ltd. (天虹商場股份有限公司) dated 16 November 2011 pursuant to which the parties further extend the latest time for fulfillment of conditions precedent under the respective agreement to 31 December 2014 (or such later date as the respective parties may agree in writing);

(t). the equity transfer agreement dated 12 December 2013 entered into between the Company (as purchaser) and AVIC International (as vendor) in relation to the acquisition of 40% equity interest in AVIC International Renewable Energy Development Company Limited (中航國際新能源發展有限公司) ("RED Company") by the Company at a consideration of RMB42,000,000;

(u). the equity transfer agreement dated 12 December 2013 entered into between the Company (as purchaser) and China National Aero-Technology Trade and Economic Development Company Limited (中航技國際經貿發展有限公司) (as vendor) in relation to the acquisition of 40% equity interest in RED Company at a consideration of RMB42,000,000;

(v). the equity transfer agreement dated 12 December 2013 entered into between the Company (as purchaser) and Beijing Company (as vendor) in relation to the acquisition of 10% equity interest in RED Company at a consideration of RMB10,500,000;

(w). the equity transfer agreement dated 12 December 2013 entered into between the Company (as purchaser) and China National Aero-Technology International Engineering Company Limited (中國航空技術國際工程有限公司)(as vendor) in relation to the acquisition of 10% equity interest in RED Company at a consideration of RMB10,500,000;

(x). the framework agreement dated 1 November 2013 entered into among Tianma, the Company, Shanghai Zhangjiang Company, Shanghai State Assets Company and SOCC in relation to the acquisition of an aggregate of 70% equity interest in Shanghai Tianma by Tianma for a maximum aggregate consideration of RMB1,290,197,300;

(y). the framework agreement dated 1 November 2013 entered into among Tianma, Chengdu Gaoxin Investment and Chengdu Industrial Group in relation to the acquisition of an aggregate of 40% equity interest in Chengdu Tianma by Tianma for a maximum aggregate consideration of RMB609,611,100;

(z). the framework agreement dated 1 November 2013 entered into between Tianma and Hubei Province Technology Investment in relation to the acquisition of 90% equity interest in Wuhan Tianma by Tianma for a maximum consideration of RMB1,717,738,700;

(aa). the framework agreement dated 1 November 2013 entered into among Tianma, AVIC International and AVIC Shenzhen in relation to the acquisition of an aggregate of 100% equity interest in Shanghai Opto-electronics by Tianma for a maximum aggregate consideration of RMB1,754,675,500;

(bb). the framework agreement dated 1 November 2013 entered into between Tianma, AVIC International and AVIC Shenzhen in relation to the acquisition of an aggregate of 100% equity interest in Shenzhen Opto-electronics by Tianma for a maximum aggregate consideration of RMB329,583,400;

(cc). the supplemental agreement entered into among Tianma, Chengdu Gaoxin Investment and Chengdu Industrial Group dated 1 November 2013 to supplement the joint venture agreement entered into between the parties dated 22 July 2008 for the establishment of Chengdu Tianma (as supplemented by the supplemental agreement entered into between parties dated 22 July 2008);

(dd). the supplemental agreement dated 1 November 2013 entered into among Tianma, the Company, Shanghai Zhangjiang Company, Shanghai State Assets Company and SOCC to amend certain terms under the joint venture agreement dated 1 December 2005 entered into among Tianma, the Company, Shanghai Zhangjiang Company, Shanghai State Assets Company and Shanghai Industrial Investment (Group) Company Limited (上海工業投資(集團)有限公司) in relation to the formation of Shanghai Tianma (as supplemented by the supplemental agreement dated entered into between parties dated 1 December 2005);

(ee). the disposal agreement dated 7 November 2013 entered into between Beijing Company and Tianjin Tianli Aviation Electro-mechanical Co., LTD (天津天利航空機電有限公司) ("Tianjin Tianli"), pursuant to which Beijing Company conditionally agreed to sell to Tianjin Tianli 5% equity interest in Shanghai Schneider Low Voltage Terminal Electric Co., Ltd. (上海施耐德低壓終端電器有限公司) at the consideration of RMB49,230,000;

(ff). the curtain wall construction contract dated 18 October 2013 entered into among Xiamen Zijin AVIC Real Estate Company Limited (廈門紫金中航置業有限公司) ("Xiamen Zijin"), Zhongjian Sanju Construction Engineering Holdings Company Limited (Xiamen Branch) (中建三局建設工程股份有限公司廈門分公司) ("Zhongjian Sanju Construction Company") and Shenzhen Sanxin Curtain Wall Engineering Company Limited (深圳市三鑫幕牆工程有限公司) ("Shenzhen Sanxin Curtain Wall Company"), pursuant to which Shenzhen Sanxin Curtain Wall Company was engaged to construct curtain walls of the building erected on the Xiamen AVIC Zijin Square (廈門中航紫金廣場) for a total consideration not exceeding RMB87,709,696.28;

(gg). the air-conditioning construction contract dated 18 October 2013 entered into among Xiamen Zijin, Zhongjian Sanju Construction Company and AVIC Construction Engineering Company Limited (中航建築工程有限公司) ("AVIC Construction"), pursuant to which AVIC Construction was engaged to construct and install air-conditioning facilities for the buildings erected on the Xiamen AVIC Zijin Square for a total consideration not exceeding RMB76,997,886.27;

(hh). the twelve agreements dated 11 October 2013 entered into between AVIC International Engineering Holdings Pte. Ltd. ("AVIC International Engineering") and the vendors specified in the respective agreements, pursuant to which AVIC International Engineering conditionally agreed to acquire, in aggregate, the 9,456,353 shares in KHD Humboldt Wedag International AG ("KHD"), representing approximately 19.03% of the share capital of KHD as at 11 October 2013 at an aggregate consideration of approximately EUR61.0 million;

(ii). the cooperation and voting agreement (the "Voting Agreement") dated 11 October 2013 entered into among Max Glory Industries Limited (萬榮實業有限公司), AVIC International Engineering, Europe Project Management Pte. Ltd., Europe Technology Investment Pte. Ltd. and Europe Engineering Holdings Pte. Ltd. in relation to, among other things, a voluntary public takeover offer to acquire shares in KHD. Parties to the Voting Agreement agreed that subject to the conditions precedent for the offer having been fulfilled or otherwise waived by AVIC International Engineering, Europe Project Management Pte. Ltd., Europe Technology Investment Pte. Ltd. and Europe Engineering Holdings Pte. Ltd. on or before 28 February 2014 (or such other date as may be agreed), they would coordinate their behavior in relation to exercising voting rights from KHD shares in general shareholders' meetings of KHD during the term of the Voting Agreement;

(jj). the put and call option agreement dated 11 October 2013 entered into between Mr. Yap Lian Seng ("Mr. Yap") and Golden Prosperity Group Limited ("Golden Prosperity") in relation to the put and call option relating to the entire issued share capital of Bright Horizon Global Limited at an exercise price of S$500,000;

(kk). the put and call option agreement dated 11 October 2013 entered into between Mr. Yap and Golden Prosperity in relation to the put and call option relating to the entire issued share capital of Maystar Capital Limited at an exercise price of S$500,000;

(ll). the put and call option agreement dated 11 October 2013 entered into between Mr. Yap and Golden Prosperity in relation to the put and call option relating to the entire issued share capital of Westley Global Limited at an exercise price of S$500,000;

(mm). the purchase framework agreement dated 8 August 2013 entered into between Tianma and Chengdu Opto-electronics Technology Company Limited (成都中光電科技有限公司) ("Chengdu Opto-electronics"), pursuant to which Tianma and its associated companies purchased and Chengdu Opto-electronics sold the LC Glass for an aggregate amount of not exceeding RMB30,000,000 for a term commencing from 8 August 2013 and ending on 31 December 2013;

(nn). the forward share purchase agreement dated 8 August 2013 entered into between Shenzhen AVIC Resources Company Limited (深圳中航資源有限公司) ("AVIC Resources") and AVIC Trust, pursuant to which AVIC Resources agreed to purchase an aggregate of 30% of the equity interest in Kunming AVIC Phosphorus Chemical Industry Company Limited (昆明市中航磷化工有限公司) ("Kunming Phosphorous") at a consideration of RMB40,775,000, should Mr. Yang Qi (楊旗) ("Mr. Yang") and Mr. Li Zhijian (李志堅) ("Mr. Li") default on their obligations to repurchase the Kunming Phosphorous shares from AVIC Trust in accordance with the terms of the share repurchase agreements entered into by Mr. Yang and Mr. Li with AVIC Trust respectively on 10 January 2013;

(oo). the supplemental agreement dated 16 May 2013 entered into between the Company and AVIC International, pursuant to which the subject matter under the acquisition agreement between the parties on 16 November 2011 in relation to the acquisition of 100% equity interest in China National Aero-Technology Corporation Shanghai Limited Liability Company (中國航空上海有限公司), 50% equity interest in AVIC Lutong Company Limited (中航路通寶業有限公司), 90% equity interest in Guizhou CATIC Resources Company Limited (貴州中航資源有限公司) and 100% equity interest in AVIC-INTL Project Engineering Company (中航國際成套設備有限公司) (the "Acquisition Agreement 1") be revised to exclude the equity interests in China National Aero-Technology Corporation Shanghai Limited Liability Company (中國航空技術上海有限公司) and adjustment be made to the corresponding consideration;

(pp). the highest amount guarantee agreement entered into between Beijing Company, and China Bohai Bank Co., Ltd. Wuxi Branch (渤海銀行股份有限公司無錫分行) ("Bohai Bank") dated 17 April 2013, pursuant to which Beijing Company agreed to guarantee to pay, among others, all due or owing liabilities to Bohai Bank by Taizhou CATIC Shipbuilding under the integrated credit agreement entered into between the Borrower and Bohai Bank dated 17 April 2013 where Bohai Bank agreed to provide credit facilities in an aggregate amount of RMB120,000,000 to Taizhou CATIC Shipbuilding for a term of one year commencing on the date on which the conditions precedent thereunder are satisfied; and

(qq). a joint venture agreement dated 16 April 2013 (the "Joint Venture Agreement") entered into among Shanghai Industrial Investment (Group) Co., Ltd. (上海工業投資(集團)有限公司) ("Shanghai Industrial Investment"), Shanghai Zhangjiang Company and Shanghai Tianma in relation to the establishment of 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) ("Tianma Technology Company"). Pursuant to the Joint Venture Agreement, Shanghai Industrial Investment, Shanghai Zhangjiang Company and Shanghai Tianma agreed to inject

RMB2,000,000, RMB1,000,000 and RMB2,000,000 into Tianma Technology Company for 40%, 20% and 40% of the equity interest of Tianma Technology Company respectively.

Save as already disclosed, no material contract (not being contract entered into in the ordinary course of business) has been entered into by any member of the Group within the two years immediately preceding the date of this circular.

Expert

(a). The following are the qualifications of the expert who has given opinion or advice contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong

(b). As at the Latest Practicable Date, PricewaterhouseCoopers did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c). PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its report and references to its name in the form and context in which it appears.

(d). As at the Latest Practicable Date, PricewaterhouseCoopers had no interest in any asset which have been since 31 December 2014 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

MISCELLANEOUS

Mr. Huang Yong Feng is the company secretary of the Company.

The registered office of the Company is situated at Level 25, Hangdu Building, CATIC Zone, Shennan Road Central, Futian District, Shenzhen, the PRC.

The principal place of business in Hong Kong of the Company is situated at Suites 2001–2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong. The H share registrar of the Company, Hong Kong Registrars Limited, is situated at 17M Floor, Hopewell Centre, 183 Queen's Road East, Whanchai, Hong Kong.

Saved as otherwise stipulated in this circular, in the event of any inconsistency between the English version and the Chinese version, the English version shall prevail.

Documents for Inspection

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Suites 2001–2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(i). the articles of association of the Company;

(ii). the letter from the Board, the text of which is set out on pages 4 to 13 of this circular;

(iii). the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of the Group as set out in Appendix III to this circular;

(iv). the written consent of the expert referred to in the paragraph headed "Expert" in this appendix;

(v). the material contracts mentioned in the paragraph headed "Material Contracts" in this appendix;

(vi). the 2012 and 2013 annual reports of the Company;

(vii). the results announcement of the Company for the year ended 31 December 2014;

(viii). a copy of each circular issued by the Company pursuant to the requirements set out in Chapter 14 and/or Chapter 14A of the Listing Rules since 31 December 2014; and

(ix). this circular.

中航國際控股股份有限公司
AVIC INTERNATIONAL HOLDINGS LIMITED

(formerly known as CATIC Shenzhen Holdings Limited (深圳中航集團股份有限公司))
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 00161)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of AVIC International Holdings Limited (the "**Company**") will be held at Level 25, Hangdu Building, CATIC Zone, Shennan Road Central, Futian District, Shenzhen, the People's Republic of China on Monday, 20 April 2015 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution:

ORDINARY RESOLUTION

"**THAT**

(a). the proposed issue by way of non-public offer of not more than 334,821,428 new A shares of Tian Ma Micro-electronics Company Limited (天馬微電子股份有限公司) ("**Proposed Share Issuance**") to not more than ten investors which will be independent third parties independent of the Company and its connected persons to raise a maximum amount of proceeds of RMB6,000,000,000 be and is hereby approved; and

(b). any one director of the Company be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Proposed Share Issuance and the transactions contemplated thereunder."

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

Shenzhen, the People's Republic of China, 5 March 2015

Notes:

1. **Eligibility for the EGM**

Shareholders of the Company who intend to attend the EGM must deliver all instruments of transfer, accompanied by the relevant share certificates, to the legal address of the Company (for holders of domestic shares) or to the H share registrar of the Company, Hong Kong Registrars Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) on or before 4:30 p.m. on Friday, 20 March 2015.

Shareholders should note that the register of members of the Company will be closed from Monday, 23 March 2015 to Monday, 20 April 2015 (both days inclusive) for the purpose of ascertaining the shareholders of the Company entitled to attend the EGM.

Holders of shares whose names stand on the register of members of the Company at 4:30 p.m. on Friday, 20 March 2015 are entitled to attend and vote at the EGM.

In order to be qualified for attending and voting at the EGM, all instruments of transfer, accompanied by the relevant share certificates, must be delivered to the H share registrar before 4:30 p.m. on Friday, 20 March 2015.

2. Registration procedures for the EGM

(a). A shareholder or his proxy should produce proof of identity when attending the EGM;

(b). Shareholders of the Company who intend to attend the EGM should return the confirmation slip for the EGM to the Company on or before Tuesday, 31 March 2015; and

(c). Shareholders of the Company may send the above confirmation slip to the legal address of the Company in person, by post or by facsimile.

3. Proxy

(a). A shareholder of the Company eligible to attend the EGM is entitled to appoint one or more proxies to attend and vote on his behalf in accordance with the articles of association of the Company. A proxy need not be a shareholder of the Company;

(b). A proxy shall be appointed by a written instrument signed by the appointer or its attorney. If the proxy form is signed by the attorney of the appointer, the power of the attorney or other authorisation document(s) of such attorney should be notarised;

(c). To be valid, the power of attorney or other authorisation document(s) which have been notarized together with the completed proxy form, must be delivered to the legal address of the Company (for holders of domestic shares) or to the H share registrar of the Company, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) not less than 24 hours before the time designed for the holding of the EGM or not less than 24 hours before the time appointed for taking the poll; and

(d). A shareholder of the Company who has appointed more than one proxy shall only vote on a poll at the EGM.

4. The EGM is expected not to last for more than half a day. Attendants shall bear their own traveling and accommodation expenses.

Legal address of the Company:
Level 25, Hangdu Building
CATIC Zone, Shennan Road Central
Futian District, Shenzhen
Guangdong Province
the People's Republic of China
Tel.: 0755-8379 3891
Fax: 0755-8379 0228
Postal code: 518031
Websites: www.avic161.com

The board of directors of the Company comprises a total of 9 directors, Mr. Wu Guang Quan, Mr. Lai Wei Xuan, Mr. You Lei, Mr. Pan Lin Wu, Mr. Chen Hong Liang and Mr. Liu Jun as executive directors; and Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Wei Wei as independent non-executive directors.