



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

(Stock Code : 0161)



2015

INTERIM REPORT

BASIC INFORMATION OF THE COMPANY

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

EXECUTIVE DIRECTORS

Mr. Wu Guang Quan, *chairman*
 Mr. Lai Wei Xuan, *vice chairman*
(appointed as vice chairman on 21 August 2015)
 Mr. You Lei, *vice chairman*
 Mr. Pan Lin Wu
 Mr. Chen Hong Liang
 Mr. Liu Jun

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUPERVISORS

Mr. Cao Jiang, *chairman*
 Mr. Liang Chi *(appointed on 18 June 2015)*
 Mr. Liu Yongze *(appointed on 18 June 2015)*
 Mr. Yang Xi *(appointed on 18 June 2015)*
 Ms. Wang Xin *(resigned on 18 June 2015)*
 Mr. Deng Bai Song *(resigned on 18 June 2015)*

COMPANY SECRETARY

Mr. Zhong Si Jun
(appointed on 1 June 2015)
 Mr. Huang Yong Feng
(resigned on 21 August 2015)

AUDIT COMMITTEE

Ms. Wong Wai Ling, *chairman*
 Mr. Wu Wei
 Mr. Wei Wei

REMUNERATION COMMITTEE

Mr. Wei Wei, *chairman*
 Mr. Wu Guang Quan
 Mr. Chen Hong Liang
 Ms. Wong Wai Ling
 Mr. Wu Wei

NOMINATION COMMITTEE

Mr. Wu Wei, *chairman*
 Mr. Wu Guang Quan
 Mr. Chen Hong Liang
 Ms. Wong Wai Ling
 Mr. Wei Wei

REGISTERED ADDRESS OF THE COMPANY

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2001-2006, 20/F, Jardine House,
 1 Connaught Place, Central, Hong Kong

STOCK-H SHARE REGISTRAR (FOR STOCK TRANSFER)

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

INDEPENDENT AUDITOR

PricewaterhouseCoopers

LEGAL ADVISER AS TO HONG KONG LAWS

LOONG & YEUNG

PRINCIPAL BANKS

Bank of China
 Agricultural Bank of China
 Industrial and Commercial Bank of China
 China Construction Bank

The board (the “Board”) of directors (the “Directors”) of AVIC International Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2015 prepared in accordance with the International Financial Reporting Standards as follows:

INTERIM CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2015	Audited 31 December 2014 (Restated)
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Land use rights		2,151,298	1,757,824
Exploration and extraction rights		761,190	765,937
Goodwill		964,557	977,161
Intangible assets		878,132	879,874
Property, plant and equipment		13,789,128	13,583,312
Investment properties		2,220,942	2,232,376
Construction-in-progress		2,468,944	2,479,701
Investments accounted for using the equity method		4,316,353	4,342,730
Trade and other receivables	7	1,325,158	1,585,580
Available-for-sale financial assets		587,536	257,940
Deferred income tax assets		699,291	637,611
Other non-current assets		373,416	514,331
		30,535,945	30,014,377
Current assets			
Inventories		6,097,171	6,352,205
Properties under development		2,068,543	1,808,116
Trade and other receivables	7	14,002,104	12,134,461
Amounts due from customers for contract work		2,889,968	2,017,763
Financial assets at fair value through profit or loss		4,037	4,242
Pledged bank deposits		312,098	522,864
Cash and cash equivalents		6,290,987	4,828,610
Investments in associates classified as held-for-sale		–	90,624
		31,664,908	27,758,885
Total assets		62,200,853	57,773,262

	Unaudited 30 June 2015	Audited 31 December 2014 (Restated)
Note	RMB'000	RMB'000
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	1,166,162	1,110,632
Share premium	1,512,380	1,294,633
Perpetual subordinated convertible securities	2,781,674	2,781,674
Other reserves	476,333	655,789
Retained earnings	3,733,905	3,779,324
	9,670,454	9,622,052
Non-controlling interests	8,827,936	8,767,461
Total equity	18,498,390	18,389,513
LIABILITIES		
Non-current liabilities		
Borrowings	12,596,263	10,477,284
Deferred income tax liabilities	836,513	862,398
Deferred income on government grants	766,830	761,479
Provision	213,463	213,085
Trade and other payables	79,093	22,883
Retirement and other supplemental benefit obligations	367,243	384,357
Other non-current liabilities	341,795	166,803
	15,201,200	12,888,289
Current liabilities		
Trade and other payables	14,818,080	14,600,170
Amounts due to customers for contract work	1,764,516	1,491,725
Borrowings	10,958,332	9,429,473
Financial liabilities at fair value through profit or loss	17,917	66,895
Current income tax liabilities	144,192	226,956
Retirement and other supplemental benefit obligations	14,916	16,931
Other current liabilities	783,310	663,310
	28,501,263	26,495,460
Total liabilities	43,702,463	39,383,749
Total equity and liabilities	62,200,853	57,773,262
Net current assets	3,163,645	1,263,425
Total assets less current liabilities	33,699,590	31,277,802

INTERIM CONSOLIDATED INCOME STATEMENT

Unaudited
Six months ended 30 June

	Note	2015 RMB'000	2014 (Restated) RMB'000
Revenue	6	16,025,989	16,212,635
Cost of sales		(13,324,627)	(13,505,950)
Gross profit		2,701,362	2,706,685
Distribution costs		(959,702)	(746,744)
Administrative expenses		(1,440,376)	(1,250,117)
Other income		316,623	124,301
Other (losses)/gains – net		(12,789)	46,788
Operating profit	9	605,118	880,913
Finance income		185,900	158,898
Finance costs		(597,418)	(589,021)
Finance costs – net		(411,518)	(430,123)
Share of profit of investments accounted for using the equity method		24,786	100,919
Profit before income tax		218,386	551,709
Income tax expense	10	(63,365)	(91,411)
Profit for the period		155,021	460,298
(Loss)/profit attributable to:			
Owners of the Company		(45,419)	216,677
Non-controlling interests		200,440	243,621
		155,021	460,298
(Losses)/earnings per share attributable to the owners of the Company during the period (RMB per share)			
– basic	11	(0.0524)	0.1826

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited
Six months ended 30 June

	2015 RMB'000	2014 (Restated) RMB'000
Profit for the period	155,021	460,298
Other comprehensive income/(loss):		
<i>Items that may be reclassified to profit or loss</i>		
Fair value losses on available-for-sale financial assets, gross of tax	–	(2,854)
Fair value losses on available-for-sale financial assets, tax	–	714
Currency translation differences	(204,750)	42,490
Other comprehensive (loss)/income for the period, net of tax	(204,750)	40,350
Total comprehensive (loss)/income for the period, net of tax	(49,729)	500,648
Attributable to:		
– Owners of the Company	(224,875)	255,226
– Non-controlling interests	175,146	245,422
Total comprehensive (loss)/income for the period	(49,729)	500,648

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Attributable to owners of the Company							
	Share capital	Share premium	Perpetual subordinated convertible securities	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2014, as previously reported	1,110,632	1,294,633	2,781,674	(404,201)	3,535,079	8,317,817	4,399,803	12,717,620
Effect of business combination under common control	-	-	-	826,473	(345,492)	480,981	573,337	1,054,318
Balance as at 1 January 2014, as restated	1,110,632	1,294,633	2,781,674	422,272	3,189,587	8,798,798	4,973,140	13,771,938
Comprehensive income								
Profit for the period ended 30 June 2014	-	-	-	-	216,677	216,677	243,621	460,298
Other comprehensive income	-	-	-	38,549	-	38,549	1,801	40,350
Total comprehensive income	-	-	-	38,549	216,677	255,226	245,422	500,648
Transactions with owners								
Acquisition of a subsidiary	-	-	-	-	-	-	261,320	261,320
Capital contributed by non-controlling interest	-	-	-	-	-	-	38,443	38,443
Transactions with non-controlling interest	-	-	-	397	-	397	(4,136)	(3,739)
Disposal of a subsidiary	-	-	-	-	-	-	(1,400)	(1,400)
Share of reserve of an associate arising from its transactions with non-controlling interests	-	-	-	(259)	-	(259)	-	(259)
Dividends relating to 2014	-	-	-	-	-	-	(71,480)	(71,480)
Total transactions with owners	-	-	-	138	-	138	222,747	222,885
Balance as at 30 June 2014	1,110,632	1,294,633	2,781,674	460,959	3,406,264	9,054,162	5,441,309	14,495,471

	Unaudited							
	Attributable to owners of the Company							
	Perpetual subordinated						Non- controlling interest	Total equity
	Share capital RMB'000	Share premium RMB'000	convertible securities RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance as at 1 January 2015	1,110,632	1,294,633	2,781,674	655,789	3,779,324	9,622,052	8,767,461	18,389,513
Comprehensive income								
Profit for the period ended 30 June 2015	-	-	-	-	(45,419)	(45,419)	200,440	155,021
Other comprehensive income	-	-	-	(179,456)	-	(179,456)	(25,294)	(204,750)
Total comprehensive income	-	-	-	(179,456)	(45,419)	(224,875)	175,146	(49,729)
Transactions with owners								
Capital contributed by non-controlling interest	-	-	-	-	-	-	4,847	4,847
Transactions with non-controlling interest	-	-	-	-	-	-	(6,032)	(6,032)
Proceeds from shares issued	55,530	217,747	-	-	-	273,277	-	273,277
Dividends relating to 2015	-	-	-	-	-	-	(113,486)	(113,486)
Total transactions with owners	55,530	217,747	-	-	-	273,277	(114,671)	158,606
Balance as at 30 June 2015	1,166,162	1,512,380	2,781,674	476,333	3,733,905	9,670,454	8,827,936	18,498,390

INTERIM CONSOLIDATED CASH FLOW STATEMENT

Unaudited
Six months ended 30 June

	2015 <i>RMB'000</i>	2014 <i>(Restated) RMB'000</i>
Cash flows from operating activities:		
Cash generated from operations	634,546	1,145,490
Interest paid	(511,463)	(547,739)
Income tax paid	(211,063)	(184,673)
Cash flows (used in)/ generated from operating activities	(87,980)	413,078
Cash flows from investing activities:		
Net proceeds from disposal of available-for-sale financial assets	–	400
Net proceeds from disposal of associates	98,311	–
Net proceeds from disposal of property, plant and equipment and investment properties	7,750	2,758
Contribution to associates	(10,250)	–
Contribution to jointly controlled entities	(15,300)	(5,500)
Purchase of land use rights	(214,367)	(42,722)
Additions to property, plant and equipment and construction in process	(979,601)	(979,073)
Additions to available-for-sale financial assets	(330,000)	–
Acquisition of subsidiaries, net of cash acquired	–	2,046,496
Government grants received	271,586	26,934
Loan to related parties	(428,712)	–
Interest received	129,622	59,617
Dividends received	194,294	54,387
Cash flows (used in)/generated from investing activities	(1,276,667)	1,163,297
Cash flows from financing activities:		
Proceeds from borrowings	10,829,947	12,527,875
Repayments of borrowings	(7,840,048)	(10,445,882)
Borrowings from related parties	3,629,175	1,481,995
Repayments of borrowings from related parties	(4,030,075)	(2,038,831)
Proceeds from shares issued	273,277	–
Transactions with non-controlling interest	(6,032)	(3,739)
Capital contribution to subsidiaries from non-controlling interests	4,847	38,443
Dividends paid to non-controlling interests of subsidiaries	(6,986)	(9,728)
Cash flows generated from financing activities	2,854,105	1,550,133
Net increase in cash and cash equivalents	1,489,458	3,126,508
Cash and cash equivalents at beginning of period	4,828,610	5,076,448
Exchange losses on cash and bank overdrafts	(27,081)	(12,665)
Cash and cash equivalents at end of period	6,290,987	8,190,291

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

AVIC International Holdings Limited (the “Company”) was established as a joint stock limited company in the People’s Republic of China (the “PRC”) and its H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the manufacturing and sales of liquid crystal displays, printed circuit boards and watches, property development, international engineering, trading and logistic services and development mining resources in the PRC.

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

On 1 November 2013, Tianma Micro-electronics Co. Ltd. (“Tianma”), a subsidiary of the Company entered into five separate framework agreements for acquiring the interests in the related companies in consideration for which Tianma will issue and allot approximately 433,129,000 A Shares to the related selling parties (“Tianma Transactions”). The related selling parties and the interests in the related companies are as follows:

- (a) The Company, Shanghai Zhangjiang (Group) Co., Ltd. (“上海張江(集團)有限公司”), Shanghai State-owned Assets Company Limited (“上海國有資產經營有限公司”) and Shanghai Optical Communications Corporation (“上海光通信公司”) in relation to the acquisition of 70% equity interest in Shanghai Tianma Microelectronics Co., Ltd. (“Shanghai Tianma”); and
- (b) Chengdu Industrial Group Company Limited (“成都工業投資集團有限公司”) and Chengdu Gaoxin Investment Group Company Limited (“成都高新投資集團有限公司”) in relation to the acquisition of 40% equity interest in Chengdu Tianma Microelectronics Co., Ltd. (“Chengdu Tianma”); and
- (c) Hubei Province Technology Investment Group Company Limited (“湖北省科技投資集團有限公司”) in relation to the acquisition of 90% equity interest in Wuhan Tianma Microelectronics Co., Ltd. (“Wuhan Tianma”); and
- (d) AVIC International Holding Corporation (中國航空技術國際控股有限公司) (“AVIC International”) and AVIC International Shenzhen Company Limited (中國航空技術深圳有限公司) (“AVIC Shenzhen”) in relation to the acquisition of the entire equity interest in Shanghai AVIC Opto-electronics Co., Ltd. (“Shanghai Opto-electronics”); and
- (e) AVIC International and AVIC Shenzhen in relation to the acquisition of the entire equity interest in Shenzhen AVIC Opto-electronics Co., Ltd. (“Shenzhen Opto-electronics”), respectively.

On 1 November 2013, the board of directors of Tianma proposed to issue not more than approximately 149,772,000 new A Shares to not more than ten investors in cash at a placing price not lower than RMB12.69 per share after the completion of the Tianma Transactions for raising additional funds ancillary to the Tianma Transactions.

On 22 August 2014, the board of directors of Tianma announced to adjust the issue and placing price from RMB12.69 to RMB12.59, and the total consideration shares was adjusted from approximately 433,129,000 A Shares to approximately 436,569,000 A Shares, and the maximum number of placing shares was adjusted from approximately 144,376,000 A Shares to approximately 140,239,000 A Shares.

Prior to the Tianma Transactions, Tianma held 30% equity interests in Shanghai Tianma, 30% equity interests in Chengdu Tianma, 10% equity interests in Wuhan Tianma. Shanghai Opto-electronics and Shenzhen Opto-electronics were held as to 51% equity interests by AVIC Shenzhen and 49% equity interests by AVIC International respectively. Tianma, the Company, AVIC Shenzhen and AVIC International are under common control of Aviation Industry Corporation of China (“中國航空工業集團公司”) (“Aviation Industry”).

As Tianma could control Shanghai Tianma and Chengdu Tianma through the agreements with other shareholders, Tianma and the Company accounted for investments in Shanghai Tianma and Chengdu Tianma as subsidiaries before the Tianma Transactions. Tianma and the Company accounted for investment in Wuhan Tianma as an associate before the Tianma Transactions.

The Tianma Transactions was completed on 28 August 2014. Upon completion of the Tianma Transactions, Shanghai Tianma, Wuhan Tianma, Shanghai Opto-electronics and Shenzhen Opto-electronics became wholly owned subsidiaries of Tianma, while Tianma held 70% equity interests in Chengdu Tianma.

For accounting purpose, the acquisitions of equity interests in Shanghai Tianma and Chengdu Tianma was accounted for as transactions with non-controlling interests, the acquisition of equity interests in Wuhan Tianma was accounted for as business combination involving entities not under common control, and the acquisitions of equity interests in Shanghai Opto-electronics and Shenzhen Opto-electronics was treated as business combinations involving entities under common control and accounted for on the basis of merger accounting.

This condensed consolidated interim financial information is presented in RMB thousands, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 21 August 2015.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2015 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRS.

Application of merger accounting

The acquisitions of equity interests in Shanghai Opto-electronics and Shenzhen Opto-electronics disclosed in Note 1 were regarded as a business combination involving entities under common control, since the Company, 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 statements of the Company 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"). No adjustment has been made to the net assets or net profit to achieve consistency of accounting policies as a consequence of the combination.

These consolidated financial statements have been prepared using the principles of merger accounting, as prescribed in AG 5. These consolidated financial statements include the income statements, the statements of comprehensive income, the statement of changes in equity and the statement of cash flows of the acquired companies as if they had been in existence throughout the year, or since its date of incorporation. Comparative figures for the six months ended 30 June of 2014 then have been presented on the same basis.

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

	Originally stated in 2014 interim report RMB'000	Merger of Shanghai Opto-electronics and Shenzhen Opto-electronics RMB'000	Adjustments RMB'000	Restated RMB'000
Revenue	13,875,964	2,574,152	(237,481)	16,212,635
Profit for the period	347,721	107,128	5,449	460,298
Net cash outflow from operating activities	293,217	119,861	–	413,078
Net cash outflow/(inflow) from investing activities	1,217,762	(54,465)	–	1,163,297
Net cash inflow from financing activities	1,409,573	140,560	–	1,550,133

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

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

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no new standards, amendments and interpretations to existing standard that are effective for the first time for this reporting period that could be expected to have a material impact on the Group.

The following new standards and amendments to standard have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted:

	Effective for annual periods beginning on or after
IFRS 14 “Regulatory Deferral Accounts”	1 January 2016
Amendment to IFRS 11 on accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to IAS 27 on equity method in separate financial statements	1 January 2016
Amendment to IFRS 5, ‘Non-current assets held for sale and discontinued operations’	1 January 2016
Amendment to IFRS 7, ‘Financial instruments: Disclosures’	1 January 2016
Amendment to IAS 19, ‘Employee benefits’	1 January 2016
Amendment to IAS 34, ‘Interim financial reporting’	1 January 2016
IFRS15 “Revenue from Contracts with Customers”	1 January 2017
IFRS 9 “Financial Instruments”	1 January 2018

4 Estimates

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

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

5 Financial risk management

5.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

There have been no changes in the risk management department since 31 December 2014 in any risk management policies.

5.2 Liquidity risk

Compared to 31 December 2014, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

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

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

The following table presents the Group's assets that are measured at fair value at 30 June 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss	4,037	–	–	4,037
Available-for-sale financial assets	–	–	587,536	587,536
Total assets	4,037	–	587,536	591,573

The following table presents the Group's assets that are measured at fair value at 31 December 2014.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss	4,242	–	–	4,242
Available-for-sale financial assets	–	–	257,940	257,940
Total assets	4,242	–	257,940	262,182

6 Segment information

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

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

- High-tech Electronic Products – manufacture and sales of liquid crystal displays, printed circuit boards and standard parts
- Retails and High-end Consumer Products – manufacture of middle to high-end wrist watches and chain store sales of luxury watches

- Real Estate and Hotel – providing construction services, real estate development and hotel operation
- Trading and Logistics – trading of commodities, ship building and providing logistic services
- Resources Investment and Development – investment and development of agriculture related resources business

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

The revenue and profit/(loss) after taxation of the Group for the six months ended 30 June 2015 and 2014 by activities are classified as follows:

	Revenue Six months ended 30 June		Profit/(loss) after taxation Six months ended 30 June	
	2015 RMB'000	2014 (restated) RMB'000	2015 RMB'000	2014 (restated) RMB'000
High-tech Electronic Products	6,836,835	6,607,866	295,642	358,525
Retails and High-end Consumer Products	1,673,028	1,628,150	77,852	92,955
Real Estate and Hotel ^(a)	1,824,456	2,665,353	36,766	157,359
Trading and Logistics	5,476,651	5,153,904	(45,053)	52,058
Resources Investment and Development	215,019	157,362	(118,353)	(116,656)
Unallocated ^(b)	–	–	(91,834)	(83,943)
Total	16,025,989	16,212,635	155,021	460,298

^(a) Profit after tax contains investment gain of AVIC Vanke Company Limited amounting to RMB22,928,000 (2014: RMB72,919,000) and investment loss of AVIC Real Estate Holding Company Limited amounting to RMB24,906,000 (2014: investment loss RMB6,652,000).

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

7 Trade and other receivables

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade receivables	8,149,958	7,855,975
Less: provision for impairment of receivables	(251,504)	(212,155)
Trade receivables – net	7,898,454	7,643,820
Other receivables	3,331,464	2,934,979
Notes receivables	238,193	205,764
Prepayments to suppliers	2,712,691	1,918,958
Excess of input over output value added tax	657,374	607,608
Interest receivables	6,178	8,182
Dividend receivables	1,337	133,162
Deposits	454,231	238,495
Financial lease receivables	27,340	29,073
	15,327,262	13,720,041
Less: non-current portion		
– Excess of input over output value added tax	(96,839)	(171,401)
– Deposits	(138,363)	(71,852)
– Other receivables	(1,062,586)	(1,313,254)
– Financial lease receivables	(27,340)	(28,544)
– Others	(30)	(529)
	(1,325,158)	(1,585,580)
Current portion	14,002,104	12,134,461

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

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade receivables		
Within 1 year	7,176,064	6,881,848
Between 1 and 2 years	475,034	576,978
Between 2 and 3 years	330,404	303,612
Over 3 years	168,456	93,537
	8,149,958	7,855,975
Less: provision for impairment	(251,504)	(212,155)
	7,898,454	7,643,820

8 Trade and other payables

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade payables	7,063,238	7,686,141
Salaries and staff welfare payable	474,405	591,057
Notes payable	745,338	917,389
Advance from customers	3,756,374	2,808,485
Interest payable	171,023	85,068
Dividend payable	132,688	26,188
Other taxes payable	179,272	230,032
Accruals and other payables	2,216,690	2,158,581
Borrowings from a third party	18,000	18,000
Deposits	140,145	102,112
	14,897,173	14,623,053
Less: non-current portion – Deposits	(79,093)	(22,883)
Current portion	14,818,080	14,600,170

As at 30 June 2015 and 31 December 2014, the ageing analyses of the trade payables are as follows:

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade payables		
Within 1 year	6,312,601	7,297,031
Between 1 and 2 years	612,283	289,196
Between 2 and 3 years	57,614	44,101
Over 3 years	80,740	55,813
	7,063,238	7,686,141

9 Operating profit

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
(Reversal of)/provision for impairment of inventories	(3,504)	75,203
Provision for/(Reversal of) bad debts	25,664	(10,680)
Amortisation of land use rights and mining rights	20,607	16,461
Amortisation of other non-current assets	123,866	96,557
Depreciation of fixed assets	863,797	811,052
Gain on disposal of property, plant and equipment	(1,564)	(2,545)
Gain on disposal of associates	(7,687)	–

10 Income tax expense

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

Qinghai CATIC Resources Company Limited was established in Haixi Prefecture of Qinghai Province. It was eligible for preferential tax policies applicable for the development of western regions in the PRC, and was entitled to a preferential income tax rate of 15% in 2015 (2014: 15%).

Tianma and its subsidiaries Shanghai Tianma and Chengdu Tianma, Shennan Circuit Co., Ltd, Beijing AVIC Information Technology Co., Ltd. and Shenzhen Fiyta Chronometer Manufacture Co., Ltd. were qualified as High and New Technology Enterprises in the PRC and were entitled to a preferential income tax rate of 15% in 2015 (2014: 15%).

	Six months ended	
	30 June 2015 RMB'000	30 June 2014 (Restated) RMB'000
Current income tax	128,299	147,849
Deferred income tax credit	(64,934)	(56,438)
	63,365	91,411

11 Earnings per share

(a) Basic

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

	Six months ended	
	30 June 2015 RMB'000	30 June 2014 (Restated) RMB'000
(Loss)/profit attributable to owners of the Company (RMB'000)	(45,419)	216,677
Less: Profit attributable to perpetual subordinated convertible securities holders (RMB'000)	(13,908)	(13,908)
(Loss)/profit attributable to ordinary shares holders of the Company (RMB'000)	(59,327)	202,769
Weighted average number of ordinary shares in issue (thousands)	1,132,108	1,110,632
Basic (losses)/earnings per share (RMB per share)	(0.0524)	0.1826

(b) Diluted

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

Perpetual subordinated convertible securities could potentially dilute basic earnings per share in the future, but were not included in the computation of diluted earnings per share as they were anti-dilutive for the six months ended 30 June 2015 presented. The diluted earnings per share for the six months ended 30 June 2014 was RMB0.1133 per share.

12 Dividends

The directors did not propose an interim dividend for the six months ended 30 June 2015 (30 June 2014: nil).

13 Contingencies

As at 30 June 2015, the Group had the following financial guarantees outstanding:

Guarantor	Guarantor's relationship with the Group	Guarantee	Guarantee's relationship with the Group	Outstanding amounts guaranteed (RMB'000)
China National Aero-Technology Beijing Company Limited ("Beijing Company")	Subsidiary of the Group	Taizhou AVIC Shipbuilding Heavy Industry Limited (泰州中航船舶重工有限公司)	Third party	829,450
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
Tianma	Subsidiary of the Group	Shanghai Tianma Organic Light Emitting Display Technology Co., Ltd. (上海天馬有機發光顯示技術有限公司)	Associate company of the guarantor	87,739
China National Aero-Technology Xiamen Company Limited ("Xiamen Company")	Subsidiary of the Group	Xiamen Tianma Microelectronics Co., Ltd. (廈門天馬微電子有限公司)	The guarantor holds 6% equity interest in the guaranteee	168,800
China National Aero-Technology International Engineering Company Limited ("Engineering Company")	Subsidiary of the Group	CATIC Construction Engineering Company Limited (中航建築工程有限公司)	Controlled by the same company	68,600
Xiamen Company	Subsidiary of the Group	Radiance Catico Offshore Pte. Ltd	Associate company of the guarantor	82,000

The Group provides 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	Chengdu Gaoxin Investment Group Co., Ltd (成都高新投資集團有限公司)	The guarantee holds 1.59% equity interests in the guarantor	136,771
Tianma	Subsidiary of the Group	Chengdu Industrial Investment 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	215,255

As at 31 December 2014, the Group has the following financial guarantees outstanding:

Guarantor	Guarantor's relationship with the Group	Guarantee	Guarantee's relationship with the Group	Outstanding amounts guaranteed (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 Catco 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 AVIC Raise Real Estate Company Limited ("Chengdu Raise")	Subsidiary of the Group	Real estate property buyers	Third parties	150,934

The Group provides financial counter guarantee to the following parties:

Guarantor	Guarantor's relationship with the Group	Guaranteee	Guaranteee'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 (成都高新投資集團有限公司)	The guarantee holds 1.59% equity interests in the guarantor	170,322

14 Commitments

(a) *Capital commitments*

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

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Contracted but not provided for		
Land use rights	924,225	958,117
Property, plant and equipment	455,767	772,720
Equity interest Investments	180,000	510,005
Purchase commitments	191,842	274,284
	1,751,834	2,515,126

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Authorised but not contracted for property, plant and equipment	377,865	377,865

(b) *Operating lease commitments*

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

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Not later than one year	105,368	121,976
Later than one year and not later than five years	141,689	172,446
More than five years	27,535	27,248
	274,592	321,670

15 Related Party Transactions

The Group is controlled by AVIC International Holding Corporation (“AVIC International”), a state-controlled company established in the PRC which directly and indirectly hold 71.43% of the Company’s shares. The remaining 28.57% of the shares are widely held. The directors regard AVIC International and Aviation Industry Corporation of China (“Aviation Industry”) as the holding company and ultimate holding company of the Group respectively.

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

(a) Transactions with related parties

Unaudited Six months ended 30 June		
	2015 RMB'000	2014 (Restated) RMB'000
Revenue:		
Sales of goods		
– Associates	128	425,073
– Fellow subsidiaries of Aviation Industry	572,147	291,579
– Holding company	21,191	10,882
– Ultimate holding company	130	650
– Joint ventures	14,856	–
	608,452	728,184
Service income		
– Fellow subsidiaries of Aviation Industry	381,588	260,929
– Joint ventures	–	45,643
– Associates	75	10,091
– AVIC International Shenzhen Company Limited (“AVIC Shenzhen”, the Company’s shareholder holding the equity interests of the Company (30 June 2015: 33.93%, 31 December 2014, 35.63%))	–	210
– Holding company	–	60
– Non-controlling interest	333	–
	381,996	316,933

Unaudited
Six months ended 30 June

	2015 <i>RMB'000</i>	2014 <i>(Restated)</i> <i>RMB'000</i>
Interest income		
– Associates	–	5,860
– Fellow subsidiaries of Aviation Industry	20,828	–
	20,828	5,860
Purchase of goods and services:		
Purchases of goods		
– Fellow subsidiaries of Aviation Industry	158,523	379,738
– Associates	3,567	234,128
– Joint ventures	17,948	–
– Non-controlling interests	2,977	51
	183,015	613,917
Service costs		
– Fellow subsidiaries of Aviation Industry	22,255	17,827
– Associates	–	2,763
– Holding company	566	408
	22,821	20,998
Interest expenses		
– Fellow subsidiaries of Aviation Industry	71,731	23,438
– Holding company	5,763	6,922
– AVIC Shenzhen	2,447	–
– Associates	–	319
	79,941	30,679

(b) *Balances with related parties*

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

	As at	
	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Other receivables		
– Associates	–	37,730
– Fellow subsidiaries of Aviation Industry	181,012	188,663
– Holding company	96,774	147,343
– Joint ventures	8,853	90
– AVIC Shenzhen	8,500	11,500
	295,139	385,326
Interest receivables		
– Fellow subsidiaries of Aviation Industry	3,536	3,495
Prepayments		
– AVIC Shenzhen	60,002	60,002
– Fellow subsidiaries of Aviation Industry	3,516	21,393
– Associates	–	16,978
– Holding company	–	105
– Joint ventures	2,763	–
	66,281	98,478
Trade receivables		
– Fellow subsidiaries of Aviation Industry	887,264	652,222
– Joint ventures	36,589	25,729
– Ultimate holding company	540	524
– Holding company	75	841
	924,468	679,316
Accrual and other payables		
– Holding company	214	35,937
– AVIC Shenzhen	8,280	9,399
– Fellow subsidiaries of Aviation Industry	86,109	86,351
– Associates	–	3,861
– Joint ventures	210	184
	94,813	135,732

As at

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Trade payables		
– Fellow subsidiaries of Aviation Industry	210,551	83,868
– Holding company	613	178
	211,164	84,046
Advance from customers		
– Fellow subsidiaries of Aviation Industry	37,317	89,501
– Associates	–	863
	37,317	90,364
Interest payables		
– Fellow subsidiaries of Aviation Industry	13,591	3,873
– AVIC Shenzhen	1,403	6,458
– Holding company	6,611	3,372
	21,605	13,703
Borrowings from related parties		
– Holding company	900,000	695,000
– AVIC Shenzhen	100,000	100,000
– Fellow subsidiaries of Aviation Industry	2,554,297	3,158,578
– Non-controlling interests	7,432	9,050
	3,561,729	3,962,628
Loan to related parties		
– Associates	428,712	136,730
– Fellow subsidiaries of Aviation Industry	858,769	1,172,412
	1,287,481	1,309,142

BUSINESS REVIEW

The consolidated revenue and profit contributions of the Company in its consolidated results for the six months ended 30 June 2015 (the "Reporting Period") were primarily derived from the following business sections and subsidiaries:

Business sections	Name of subsidiaries	Percentage of equity interests held by the Company	Principal activities
High-tech Electronic Products	Tianma Microelectronics 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
Trading and Logistics	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
	AVIC International 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
	AVIC International Guangzhou Company Limited (“Guangzhou Company”)	100%	Trading and logistics of medical facilities and bitumen engineering
	AVIC International 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
	AVIC International Trade & Economic Development Limited ("TED Company")	97.5%	Tendering agency, information application and automated control service
	AVIC International Renewable Energy Development Company Limited ("RED Company")	100%	Construction of power station, energy management and sales and purchase of new energy equipment
Resources Investment and Development	Shenzhen AVIC Resources Co., Ltd. ("AVIC Resources")	100%	Investment and development of agriculture-related resources business

During the Reporting Period, the Group recorded a consolidated revenue from continuing operations of approximately RMB16,025,989,000, representing a decrease of approximately 1.2% over the same period of previous year of approximately RMB16,212,635,000 (restated figures, same as below). The loss attributable to owners of the Group was approximately RMB45,419,000, when compared with profit attributable to owners of the Group of the same period of previous year of approximately RMB216,677,000.

SUMMARY OF PERFORMANCE

In the first half of 2015, the global economy went through an uneasy and sluggish recovery, the economy of developed countries had moved toward greater differentiation, and emerging economies became stalled, whereas the domestic economy still grew at middle to high speeds, and the macro-policies tended to make a turnaround but still facing a greater downstream pressure. The Group adhered to its yearly strategic theme of “Transformation and Innovation, Reinforced Execution and Focusing on Value Increase”, deeply promoted strategic transformation, and actively dealt with unfavorable external environment. During the Reporting Period, the high-tech electronic products section accelerated industrial upgrade, the research and development (“R&D”) and industrialization of various advanced technologies progressed smoothly, and industrial layout displayed significant achievements. The section of retails and high-end consumer products constantly promoted O2O transformation and deepened omni-channel strategy to increase the operating efficiency of single shop of physical stores. The real estate and hotel section accelerated product structure adjustment and destocking, and foreign operations were expanded successfully. The trading and logistics section firmly promoted the professional development, intensified integration and collaboration of the merged corporations, and made remarkable achievements in overseas market expansion. The mechatronics engineering business intensified the expansion of market and the implementation of on-hand projects, and the shipping business still faced great operating pressure under the downturn in the global shipping market.

High-tech Electronic Products

As for the business of high-tech electronic products, the Group engages in R&D, design, production, sales and service of LCD and PCB products mainly through its subsidiaries, such as Tianma and SCC. During the Reporting Period, the Group's revenue generated from high-tech electronic products section was approximately RMB6,836,835,000, representing an increase of approximately 3.5% over the same period of last year of approximately RMB6,607,866,000. The profit after tax was approximately RMB295,642,000, representing a decrease of approximately 17.5% as compared with the same period of last year of approximately RMB358,525,000.

(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 consumer electronic products and professional display fields such as consumer electronics and industrial control and medical services. During the Reporting Period, Tianma took an initiative to conform with the market demand by focusing on middle-to-high-end consumer display market including smartphones and specialized display market including vehicle display, medical services, industrial control devices and sale terminals, and continuously promoting the upgrade of product structure and the optimization of customer structure. With the effect brought about by the depression and low demand in the end market, orders from consumer display market dropped drastically, whereas the expansion of new terminal customer achieved remarkable success. Also, professional display market fields grew significantly due to the increase of vehicle display, and the proportion of high value-added products has been gradually improved. During the Reporting Period, the production line of the 6th generation of LTPS TFT-LCD in Wuhan has been smoothly advanced and the AM-OLED production line in Shanghai has entered into the debugging stage of equipment installation. The industry layout of the two aforementioned advanced techniques would further enhance the technical ability of LCD business, its products competitiveness and its industry position. The non-public issuance of new shares of Tianma has obtained approval from the State-owned Assets Supervision and Administrative Commission (the "SASAC") and submitted to the China Securities Regulatory Commission (the "CSRC") for approval.

(2) *PCB*

SCC PCB products comprise middle-to-high end multi-layer PCB products and packaging substrate, which are mainly used in high technology fields such as telecommunication, aeronautics and astronautics, medical services and industrial control. During the Reporting Period, PCB business was affected by the delayed demand for 4G and foreign telecommunication projects with a significant decrease in orders. SCC actively responded to the changes in market conditions by closely monitoring the demand trends of growing and mature customers, stepping up the efforts on the development of cultivating customers, servers and automobiles market field, and proactively promoting the management and enhancement work including reducing cost and increasing efficiency in order to be well-positioned for the coming peak season of PCB market in the second half of the year. Relatively speaking, the two growing businesses, namely electronics assembly and packaging substrate business maintained rapid growth in orders with the operation capability enhanced continuously and the business profitability improved significantly. During the Reporting Period, Wuxi production base commenced production and implemented productivity climbing on schedule, the implementation of customer verification progressed smoothly, and it has possessed the initial ability of bulk production.

Retails and High-end Consumer Products

The retails and high-end consumer products section of the Group engages in the production and brand operation of middle to high-end watches and chain sales of prestigious watches through its subsidiary, Fiyta. During the Reporting Period, the turnover generated from the retails and high-end consumer products section of the Group for the first half of the year amounted to approximately RMB1,673,028,000, representing a growth of approximately 2.8% over same period of last year of approximately of RMB1,628,150,000. The profit after tax amounted to approximately RMB77,852,000, representing a decrease of approximately 16.2% when compared with the same period of last year of approximately RMB92,955,000.

During the Reporting Period, the domestic economy continued to slow down, consumer environment of luxury watch remain unchanged, the domestic watch brands successively expanded channels and reinforced marketing input leading to intense competitive pressure in the market. Fiyta, under its strategic theme of “Values, Innovation, Adjustment, Profits”, accelerated the adjustment of product structure and single shop output, continued to intensify the execution of omni-channel strategy, facilitated the implementation of watch inventory-sharing scheme between Harmony and Fiyta, and accelerated the growth in technology services business in order to provide a new breakthrough for the omni-channel strategy. During the Reporting Period, Fiyta signed a framework agreement with Beijing Watch Factory Co., Ltd., pursuant to which it will invest up to RMB80 million to establish Bei Biao Watch (Beijing) Company Limited (北錶錶業(北京)有限公司), and will strive to master and improve the core technologies including watch movement in order to strengthen discourse power in key sections of watch industry chain. During the Reporting Period, the non-public issuance of new shares of Fiyta has obtained approval from the SASAC and was submitted to the CSRC for approval.

Real Estate and Hotel

The Group engages in domestic real estate development business through its subsidiaries Chengdu Raise, Xi'an Raise and Beijing Ruixin, and engages in domestic and overseas engineering contracting and overseas development through Engineering Company. During the Reporting Period, the real estate and hotel business section of the Group recorded an income of approximately RMB1,824,456,000, representing a decrease of approximately 31.6% as compared with approximately RMB2,665,353,000 in the same period of the previous year. The profit after tax was approximately RMB36,766,000, representing a significant decrease as compared with approximately RMB157,359,000 in the same period of the previous year. Profit after taxation comprises investment loss from the jointly controlled entity and associate AVIC Vanke Company Limited (“AVIC Vanke”) and AVIC Real Estate Company Limited (“AVIC Real Estate”) of approximately RMB1,978,000.

(1) *Real Estate Development*

The domestic real estate development projects of the Group are mainly commercial complex in small to medium cities. During the Reporting Period, the regional diversion intensified in the domestic real estate market. Real estate industry in first-tier cities continued to go up while transaction price and turnover of part of second-tier cities, and third and fourth-tier cities kept slowing down. Domestic real estate development projects under the Group were under construction on schedule. Overseas real estate development projects were also accelerated. Sales of seaview apartments in Tanzania was achieved.

(2) *Engineering Contracting*

The engineering contracting business of the Group mainly comprises contracting of international construction projects and gradually expands into domestic construction project contracting business. The Group focused on developing regional markets such as East Africa, South Asia and undertook numerous medium and large international general contracting projects. During the Reporting Period, 11 new international and domestic engineering projects with contract value of over RMB6.5 billion were signed. International engineering projects such as Kenyan Airport Phase II, Tanzania NBAA large scale project and the cement plant project in Rwanda were in late phase and settlement in succession. The construction works of the highway in South Sri Lanka commenced at the beginning of July 2015.

Trading and Logistics

The Group engages in the business of mechatronics engineering and ship engineering through its subsidiaries, including Beijing Company, AVIC Maritime, Guangzhou Company, Xiamen Company, TED Company and RED Company. During the Reporting Period, the Group's income generated from trading and logistics section was approximately RMB5,476,651,000, representing an increase of approximately 6.3% over the same period of last year of approximately RMB5,153,904,000. The loss after tax was approximately RMB45,053,000, representing a significant decrease as compared with a profit of approximately RMB52,058,000 over the same period of previous year.

(1) *Ship Engineering*

During the Reporting Period, AVIC Maritime actively tackled with the global on-going depression in shipping markets by endeavoring to optimize order structure, promoting operation level, improving marginal space, further strengthening synergies of each business section, enhancing the deep collaboration between Deltamarin Oy ("Deltamarin") in Finland and shipping manufacturing base, and devoting to differentiation competition with focus on high value-added ship markets. The completion of the acquisition of the 60% shareholding of AVIC Zhenjiang Shipyard Marine Pte. Ltd. further enriched our business types. During the Reporting Period, 4 new shipping orders were signed under the Group's shipping business and 11 shipping orders were in effect. Orders on hand accumulated to 63 ships. Ships under construction were in good progress and delivery of 2 ships was achieved.

(2) *Mechatronics Engineering*

The mechatronics engineering business of the Group mainly comprises elementary performing constructions (EPC) including cement plant and power station, and the export of machinery vehicles. During the Reporting Period, market expansion and project implementation of cement EPC business progressed smoothly. In the first half of the year, contracts for 5 cement building materials projects were entered into pursuant to which the execution, payment and settlement of the projects on hand conformed to the expectation. The first project in Venezuela commenced operation and projects in Turkey were formally delivered. The profitability of the projects increased steadily. The Group will continue to expedite the full convergence with KHD Humboldt Wedag International AG (“KHD”) of Germany. Progress was made by the product structure adjustment of bitumen engineering business, in which its scale and efficiency improved significantly.

Resources Investment and Development

The Group engages in investment and development of agricultural-related resources through AVIC Resources. During the Reporting Period, the turnover generated from the Group’s resources development business was approximately RMB215,019,000, representing an increase of approximately 36.6% as compared with the same period of previous year of approximately RMB157,362,000. Affected by factors such as the sluggish market demand and the fact that a large amount of fixed investments being put in the early phase of projects, a loss amounting to approximately RMB118,353,000 was recorded.

During the Reporting Period, the fertilizer price remained low due to the slowdown in demands from the domestic market. Facing the adverse situation, AVIC Resources actively promoted the measures including improving the production capacity to achieve economies of scale. Technical transformation of two production lines of the potassium fertilizer business was completed. The promotion of lean management resulted in a sharp reduction in the costs of production. The focus of the fertilizer business was the research and development and technology service of agricultural chemical product, and the traditional chemical fertilizer sales business has been gradually withdrawn.

BUSINESS PROSPECTS

Looking forward into the second half of 2015, an expected appreciation of US dollar and the weakness of the emerging economies leads to a strong uncertainty on the future recovery of the global economy. With an increase of downward pressure on the domestic macroeconomic, the Group’s business is expected to face a greater pressure. The Group will adhere to the yearly strategic theme, accelerate the transformation and escalation of key business, strive to advance the business model; enhance the implementation of the strategy, boost the profitability of the core business with great effort, strengthen a multi-faceted integration with the merged enterprises, promote the key project construction orderly; continuously strengthen the excellent internal operation, reduce cost and increase efficiency, optimize the structure of capital and debt, and enhance the capability of risk control and risk response.

High-tech Electronic Products

(1) LCD

In the two major markets of the LCD business of the Group, with a rebound in market demand, it is expected that the consumer goods market will turn around the situation of sluggish demand in the first half of the year and present a brisk trade, while the professional display market will continue to keep its steady growth. The Group will continue to take measures to advance the development of LCD business, such as focusing on its existing key customers, accelerating the development of new customers and optimizing the product structure. Meanwhile, the Group will stabilize and enhance its profitability by leveraging on the measures to reduce cost and increase efficiency, such as employee performance improvement and better material control. In the second half of the year, Tianma will continue its issuance of additional A shares for financing.

(2) PCB

In order to improve the operation capability, the PCB business of the Group will actively pay attention to the change of market demand, speed up the development of new market, and continue to make greater effort to reduce cost and increase efficiency while securing more orders vigorously. The electronics assembly business will step up its efforts in market development, strengthen the management system for production and manufacturing, and increase the marginal profit. The packaging substrate business will focus on improving the internal operation capability and strengthening the reserves for technical competence. Meanwhile, the Group will continue to actively promote the construction of the factory in Wuxi to ensure that it meets its production target in a timely manner.

Retails and High-end Consumer Products

It is expected that it is unlikely to see a significant improvement in domestic luxury watch market and the competition among retail enterprises will be more severe in the second half of the year. The retails and high-end consumer products business of the Group will actively explore market opportunities and accelerate the promotion on business development such as high-end watches repairs. The Group will adhere to the implementation of omni-channel strategy and the promotion of operation capability of physical stores. Meanwhile, the Group will optimize its own brand portfolio, and build the new brands such as “Beijing” through capitalizing on its existing brand building capability and brand resources advantages on the basis of its mature brands such as “Fiyta” and “Emile Chouriet”. The Group will also enhance its competitiveness and bargaining power by means of multi-brand portfolio synergy effect to increase its earnings and interests. In the second half of the year, Fiyta will continue its issuance of additional A shares for financing.

Real Estate and Hotel

(1) *Real Estate Development*

In the second half of the year, there will remain an upward trend in the diversion of domestic real estate market during its recovery. The small to medium cities, in particular, will face the challenge of destocking. The Group will strive to expedite the construction, delivery, sales and capital returns of the existing projects, complete the settlement and tax planning of the project of Chengdu Raise, being “AVIC International Communication Center (中航國際交流中心)”, and follow up the planning proposal design, development and operation strategies for the newly-developed Pixian project of Chengdu Raise. As for the overseas real estate projects, the Group will strengthen the promotion of Tanzania project marketing to achieve the capital returns.

(2) *Engineering Contracting*

In the second half of the year, the engineering contracting business of the Group will continue to focus on the overseas real estate business. Engineering Company will actively respond to the “One Belt, One Road” strategy launched by the PRC government, taking transportation infrastructure as a breakthrough and deploying the highway extension lines between China and its neighboring countries, to correspond to the common demand of improving infrastructure for the countries along the One Belt and One Road and put more efforts to the development of overseas markets. The Group will speed up the commencement of contracted key projects including Kenya airport projects, Southern Highway project in Sri Lanka and AVIC International Africa Headquarters, and take a variety of measures to control project costs so as to effectively improve its level of project management.

Trading and Logistics

(1) *Ship Engineering*

In the second half of the year, it is expected that the serious imbalance situation between supply and demand in the global shipping market will be difficult to improve in the short term, the price of three main ship types tend to be weak, and the investment requirement for environmental factors will further increase. The shipping business of the Group will enhance the cooperation with DeltaMarin by manufacturing main ship types. Meanwhile, the Group will continue to accelerate the acquisition high-quality orders, enhance cost management, ensure the successful delivery of orders on hand and improve the overall operation of the shipping factory.

(2) *Mechatronics Engineering*

The Group will continuously promote the strategic synergy and comprehensive integration with KHD in its cement EPC business, with particular emphasis on the integration of market development and supply chain management and embarking on the establishment of KHD China Design Institute (KHD中國設計院), exploring the key markets and exploiting markets derived from “One Belt, One Road” to successively propel the expansion of overseas markets and the execution of projects, and consistently proceeding the innovative practice of developing the cement EPC business model. The delving and practice on the innovative model of bitumen engineering related mechatronics engineering business will be advanced to further strengthen the Group’s core competitiveness.

Resources Investment and Development

The resource industry is expected to remain weak in the second half of the year. The production costs of potassium fertilizers business of AVIC Resources are reduced process improvement and production-to-mine consumption ratio reduction, and its sales margins increase through controlling sales radius and transportation fees. The technology R&D ability of the fertilizer business will be improved continuously in order to accelerate the delivery of technology results and enhance the technology service level. The Group also considers disposing of its inefficient assets when appropriate for a higher asset utilization ratio.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2015, the cash and cash equivalents of the Group amounted to approximately RMB6,290,987,000 (31 December 2014: approximately RMB4,828,610,000), including cash in Hong Kong dollars, US dollars, Japanese Yen and Korean Won which have been converted into Renminbi. The Group’s total current borrowings amounted to approximately RMB10,958,332,000; and total non-current borrowings amounted to approximately RMB12,596,263,000 with an annual interest rate up to 18%. The Group has strengthened and perfected its regulations in respect of the management of tradable financial assets, defining the procedures of decision-making, implementation and risk control.

As of 30 June 2015, the capital expenditure of the Group amounted to approximately RMB1,384,953,000. The details of which are set forth below:

Company Name	Project Name	30 June 2015 (RMB'000)
Beijing Company	Aviation City Project	74,226
	Purchase of certain fixed assets including equipment and machinery	4,314
Beijing Ruixin	Project on AVIC New Town	111,496
AVIC Maritime	Purchase of certain fixed assets including equipment and machinery	1,781
Fiyta	Timepiece Industrial Base in Guang Ming New District	48,647
Engineering Company	Purchase of certain fixed assets including equipment and machinery	8,874
Xiamen Company	The Xiamen Zijin AVIC Square Project	15,175
SCC	Production line and machinery equipment investment	49,203
	No. 8 Building investment project	71,771
	The construction of Wuxi Base (Phase 1)	160,150
AFM Company	湖南中航緊固系統有限公司 – Phase 1 Aero Fasteners MFG Project	18,033
	Heng Yang AVIC Electroplating Centre Co., Ltd. (衡陽中航電鍍中心有限公司) – Phase 1 sewage treatment station	2,757
	Phase 2 plant	3,925
Tianma	Automotive and Automotive FA laboratory project	4,390
	Automotive project and procurement of equipment for normal production operations of 4.5 generation line	85,244
	Production line of TFT-LCD of 4.5 generation line	4,339
	Production line of TFT-LCD and CF	240,639
	5th generation TFT-LCD project	79,274
	Purchase of other assets	77,438
Weihai Shipyard	Renovation of breakwater, docks and production facilities	1,403
Xi'an Raise	Hancheng No. 1 (漢城壹號) project	137,070
	Innovation project of shanty towns under "Eighteenth Neighbour (十八街坊)"	141,447
RED Company	Luoyang 158 plant and A6 project	1,672
	Beijing Shenyang Wu Ai Market project	765
AVIC Resources	Technical improvement project of machine workshops, saltern construction and drilling facilities in Qinghai	20,000
	Project on the potassium ore mine in southwest of Pointe Noire of Congo	20,920
Total		1,384,953

LOAN-TO-EQUITY RATIO

As at 30 June 2015, the loan-to-equity ratio of the Group (bank loans to shareholders' equity ratio) was 127.33% (31 December 2014: 114.59%).

PLEDGED ASSETS

As at 30 June 2015, the Group had pledged assets totaling approximately RMB3,555,916,000 (31 December 2014: approximately RMB3,312,965,000). The loans were secured by plants, buildings and land use rights, etc. of the Group. The details are as follows:

Name	Collateral category	Borrowing category	The net value of the collateral (RMB'000)	Borrowing amount (RMB'000)
Beijing Company	Land and the buildings thereon	Pledged against long-term borrowing	291,126	500,000
Fiyta	Buildings	Pledged against long-term borrowing	21,091	6,344
GLB Company	Buildings	Pledged against long-term borrowing	516,280	1,500,000
TED Company	Buildings	Pledged against short-term borrowing	2,985	50,000
AFM Company	Buildings	Pledged against short-term borrowing	79,576	85,000
Tianma	Buildings	Pledged against long-term borrowing	721,403	492,352
	Machinery and other equipment	Pledged against long-term borrowing	1,792,214	1,705,614
	Investment properties	Pledged against long-term borrowing	11,448	7,602
AVIC Resources	Office and land use rights	Pledged against long-term borrowing	74,573	115,000
	Mining Rights	Pledged against long-term borrowing	6,510	49,600
Weihai Shipyard	Sea area use certificate and land use rights	Pledged against long-term borrowing	38,710	40,000
Total			3,555,916	4,551,512

ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSIT

During the six months ended 30 June 2015, the Company did not have any entrusted deposit and overdue term deposit in any form.

MANAGEMENT CONTRACTS

During the six months ended 30 June 2015, the Company has not entered into nor maintained any contracts in respect of the management or administration of its overall business or any major business.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, to the knowledge of the Directors or the chief executive of the Company, the following parties (other than the Directors, supervisors or chief executive of the Company) had interests, or short positions in the shares of the Company (the "Shares") and underlying shares of the Company which would fall to be disclosed to the Company or otherwise notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"):

Long positions in the Shares:

Name of shareholder	Capacity	Number and class of securities	Approximate percentage of the same class of securities	Approximate percentage of total registered share capital
Aviation Industry Corporation of China ("Aviation Industry")	Interest of controlled corporation	1,634,608,792 domestic shares (Note 1)	196.24%	140.17%
AVIC International Holding Corporation ("AVIC International")	Interest of controlled corporation	1,329,499,564 domestic shares (Note 1)	159.61%	114.01%
AVIC International Shenzhen Company Limited ("AVIC Shenzhen")	Beneficial owner	429,774,574 domestic shares (Note 1)	51.60%	36.85%
Beijing Raise Technology Company Limited ("Beijing Raise")	Beneficial owner	305,109,228 domestic shares (Note 1)	36.62%	26.16%

Name of shareholder	Capacity	Number and class of securities	Approximate percentage of the same class of securities	Approximate percentage of total registered share capital
Other shareholders				
CK Hutchison Holdings Limited	Interest of controlled corporation	57,144,000 H shares (Note 2)	17.15%	4.90%
Cheung Kong (Holdings) Limited	Interest of controlled corporation	57,144,000 H shares (Note 2)	17.15%	4.90%
Cheung Kong Investment Company Limited	Interest of controlled corporation	28,573,000 H shares (Note 2)	8.58%	2.45%
Empire Grand Limited	Beneficial owner	28,573,000 H shares (Note 2)	8.58%	2.45%
Hutchison Whampoa Limited	Interest of controlled corporation	28,571,000 H shares (Note 2)	8.58%	2.45%
Hutchison International Limited	Beneficial owner	28,571,000 H shares (Note 2)	8.58%	2.45%
Jiang Jian Jun	Beneficial owner & interest of controlled corporation	18,396,000 H shares (Note 3)	5.52%	1.58%
China Silver Investments Development Ltd	Beneficial owner	18,222,000 H shares (Note 3)	5.47%	1.58%

Notes:

1. Aviation Industry owns 62.52% of the equity interest in AVIC International which in turn owns 100% equity interest in AVIC Shenzhen. Hence, Aviation Industry is deemed, or taken to be, interested in all the Shares in which AVIC International and AVIC Shenzhen are interested in, respectively.

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

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

As at 30 June 2015:

- (1) AVIC International held: (A) 437,264,906 domestic shares, representing approximately 37.50% of the issued share capital of the Company; and (B) perpetual subordinated convertible securities in the outstanding amount of RMB1,604,736,493 which may be converted into 462,460,084 domestic shares at the initial conversion price of RMB3.47 (subject to the adjustment pursuant to the terms of perpetual subordinated convertible securities).
 - (2) AVIC Shenzhen held: (A) 395,709,091 domestic shares, representing approximately 33.93% of the issued share capital of the Company; and (B) perpetual subordinated convertible securities in the outstanding amount of RMB118,207,225 which may be converted into 34,065,483 domestic shares at the initial conversion price of RMB3.47 (subject to the adjustment pursuant to the terms of perpetual subordinated convertible securities).
 - (3) Beijing Raise held perpetual subordinated convertible securities in the amount of RMB1,058,729,021 which may be converted into 305,109,228 domestic shares at the initial conversion price of RMB3.47 (subject to the adjustment pursuant to the terms of perpetual subordinated convertible securities).
2. Empire Grand Limited ("Empire Grand") holds 28,573,000 H Shares and Empire Grand is a wholly-owned subsidiary of Cheung Kong Investment Company Limited, which in turn is a wholly-owned subsidiary of Cheung Kong (Holdings) Limited. Accordingly, Cheung Kong (Holdings) Limited was deemed to be interested in the 28,573,000 H shares held by Empire Grand.
- Hutchison International Limited ("HIL") holds 28,571,000 H shares and HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited. Hutchison Whampoa Limited was deemed to be interested in the 28,571,000 H shares held by HIL. Cheung Kong (Holdings) Limited is entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Hutchison Whampoa Limited. Accordingly, Cheung Kong (Holdings) Limited was deemed to be interested in the 28,571,000 H shares held by HIL. In addition, Cheung Kong (Holdings) Limited is a wholly-owned subsidiary of CK Hutchison Holdings Limited. Accordingly, CK Hutchison Holdings Limited was deemed to be interested in the 57,144,000 H shares in total held by Empire Grand and HIL.
3. Mr. Jiang Jian Jun ("Mr. Jiang") beneficially owned 174,000 H shares.
- Mr. Jiang beneficially owned the entire equity interest of China Silver Investments Development Ltd., which held 18,222,000 H shares. Accordingly, Mr. Jiang was deemed to be interested in the H shares held by China Silver Investments Development Ltd..

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 30 June 2015, so far as is known to the Directors and senior management of the Company, none of the Directors, supervisors or senior management of the Company is interested in the Shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the “SFO”) (including interests or short positions which the Directors or supervisors of the Company were taken or deemed to have under such provisions of the SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”).

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 1 June 2015, Mr. Zhong Si Jun was appointed by the Board as the joint company secretary of the Company.

At the 2014 annual general meeting of the Company held on 18 June 2015, the Directors and supervisors of the Company were subject to re-election due to expiration of the three-year term of office. Mr. Wu Guang Quan, Mr. Lai Wei Xuan, Mr. You Lei, Mr. Pan Lin Wu, Mr. Chen Hong Liang and Mr. Liu Jun were re-elected as executive Directors; and Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Wei Wei were re-elected as independent non-executive Directors. Mr. Cao Jiang was re-elected as the supervisor, Mr. Liang Chi and Mr. Liu Yongze were appointed as the supervisors. Mr. Yang Xi was elected as the supervisor for employees.

At the 2015 interim board meeting of the Company held on 21 August 2015, Mr. Lai Wei Xuan was appointed as the second vice chairman of the Company; Mr. Huang Yong Feng resigned as the joint company secretary of the Company due to change of work position, and Mr. Zhong Si Jun was re-designated as the company secretary from the position of joint company secretary.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2015 was the Company and its subsidiaries or its holding company a party to any arrangement to enable any Directors, supervisors or senior management members of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the six months ended 30 June 2015, no Director or supervisor of the Company had any significant interest, either direct or indirect, in any contract or arrangement of significance to the business of the Company.

EMPLOYEES AND REMUNERATION

As at 30 June 2015, the Group had approximately 41,058 employees (the corresponding period of 2014: 30,438 employees), with employee-related costs of approximately RMB1,998,910,000 (the corresponding period of 2014: approximately RMB1,499,660,000). The Group formulated its competitive remuneration policy based on market conditions and individual employee's performance.

FOREIGN EXCHANGE RISK

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

CONTINGENT LIABILITIES

As at 30 June 2015, the Group had the following financial guarantees 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)	Third party	829,450
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
Tianma	Subsidiary of the Group	Shanghai Tianma Organic Light Emitting Display Technology Co., Ltd. (上海天馬有機發光顯示技術有限公司)	Associate company of the guarantor	87,739
Xiamen Company	Subsidiary of the Group	Xiamen Tianma Microelectronics Co., Ltd. (廈門天馬微電子有限公司)	The guarantor holds 6% equity interest in the guarantee	168,800
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
Xiamen Company	Subsidiary of the Group	Radiance Catco Offshore Pte. Ltd	Associate company of the guarantor	82,000

The Group provides financial counter guarantee to the following parties:

Guarantor	Guarantor's relationship with the Group	Guarantee	Guarantee's relationship with the Group	Outstanding amounts guaranteed <i>RMB'000</i>
Tianma	Subsidiary of the Group	Chengdu Gaoxin Investment Group Co., Ltd. (成都高新投資集團有限公司)	The guarantee holds 1.59% equity interests in the guarantor	136,771
Tianma	Subsidiary of the Group	Chengdu Industrial Investment 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	215,255

MAJOR LITIGATION

During the six months ended 30 June 2015, there was not any major litigation or arbitration for the Company.

OTHER SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS

1. Very Substantial Disposal – Deemed Disposal of Interest in Tianma

On 28 January 2015, the board of directors of Tianma (a subsidiary of the Company) had resolved to issue by way of non-public offer new A shares to not more than ten investors to raise funds by issuing up to a maximum of 334,821,428 new A shares (the “Proposed Share Issuance”). Assuming all the new A shares are being issued, the equity interest of the Company in Tianma will be diluted from 25.76% to 19.88%.

The Company entered into an 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 Tianma’s board of directors’ meeting and shareholders’ meetings. Therefore, in substance, the Company collectively has 30.72% voting rights in Tianma after the Proposed Share Issuance. In light of the above, the Directors believe that the Company could continue to control Tianma after the completion of the Proposed Shares Issuance.

Based on the indicative issue price of RMB17.92 per new A share and the maximum amount of proceeds of RMB6,000,000,000 to be raised from the Proposed Share Issuance, the maximum number of new A shares to be issued will be 334,821,428 shares.

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 Tianma.

Tianma has received the approval in principle of the Proposed Share Issuance from SASAC on 3 April 2015. The Proposed Share Issuance of Tianma was approved by the shareholders at the extraordinary general meeting of the Company on 20 April 2015.

According to Chapter 14 of the Listing Rules, the Proposed Share Issuance constitutes a very substantial disposal of the Company, which is subject to announcement, reporting and shareholder's approval requirements. For details, please refer to the announcement of the Company dated 28 January 2015, and the circular of the Company dated 27 March 2015, the announcement of the Company dated 13 April 2015 and the announcement of the poll results of the extraordinary general meeting of the Company dated 20 April 2015.

2. Placing of New H Shares under General Mandate

On 13 April 2015, the Company and a placing agent entered into a conditional placing agreement (the "Placing Agreement") pursuant to which the placing agent has conditionally agreed to, on a fully-underwritten basis, procure not fewer than six but no more than ten placees to subscribe for 55,530,000 placing shares (the "Placing Shares") at a price of HK\$6.30 per placing share (the "Placing"). The net proceeds from the placing are intended to be used for replenishing the working capital of the Company.

The Placing was completed on 21 April 2015 in accordance with the terms of the Placing Agreement. A total of 55,530,000 new H shares, representing approximately 16.67% of the total number of H shares in issue as enlarged by the allotment and issue of the placing shares, have been successfully placed and issued to ten placees, who and whose ultimate beneficial owners are independent third parties, at the placing price of HK\$6.30 per placing share. As a result of the allotment and issue of the Placing Shares, the number of total issued shares of the Company has increased from 1,110,631,996 shares to 1,166,161,996 shares, and the number of total issued H shares has increased from 277,657,999 H shares to 333,187,999 H shares. The number of domestic shares remains unchanged at 832,973,997 domestic shares. Please refer to the announcements of the Company dated 14 April 2015 and 21 April 2015 for details.

3. Discloseable Transaction – Deemed Disposal of Interest in Fiyta

On 16 April 2015, the board of directors of Fiyta (a subsidiary of the Company) had resolved to issue by way of non-public offer new A shares at the issue price of not less than RMB12.89 per new A shares to not more than ten investors to raise a maximum amount of proceeds of RMB600,000,000. The number of new A shares to be issued under the proposed share issuance shall not exceed 46,547,711 new A shares. Assuming all the new A shares are being issued, the equity interest of the Company in Fiyta will be diluted from 41.49% to 37.10%. The Company expects that Fiyta will continue to be a subsidiary of the Company upon completion of the proposed share issuance. The share issuance constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The proposed share issuance of Fiyta has received the approval in principle from SASAC on 2 June 2015. Please refer to the announcement of the Company dated 20 April 2015 and 9 June 2015 for details.

4. Connected Transaction – Revision of the annual caps and extension of scope of services for the continuing connected transactions contemplated under the new aviation industry agency services framework agreement

On 16 June 2015, the Company and Aviation Industry Corporation of China (“Aviation Industry”) entered into the supplemental aviation industry agency services framework agreement (the “Supplemental Aviation Industry Agency Services Framework Agreement”), which proposes to revise the existing annual caps and extend the scope of services under the new aviation industry agency service framework agreement dated 16 October 2014, pursuant to which the annual caps with acceptance of the services by the Group during the year ended 31 December 2015 to the year ended at 31 December 2017 were revised to RMB90,000,000, RMB100,000,000 and RMB118,000,000 respectively. Further, pursuant to the Supplemental Aviation Industry Agency Services Framework Agreement, the scope of services to be provided by Aviation Industry and/or its associates (other than AVIC International and its Associated Companies) to the Group is extended to include financial consulting and advisory services.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the transactions contemplated under the supplemental aviation industry agency services framework agreement (including the revised annual caps) exceed 5%, the supplemental aviation industry agency services framework agreement (including the revised annual caps) will be subject to, among other things, the independent shareholders’ approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules. The proposed revision of the existing annual caps and extension of scope of services were approved by the independent shareholders at the extraordinary general meeting on 7 August 2015. Please refer to the announcement of the Company dated 16 June 2015, the circular of the Company dated 17 July 2015 and the poll results announcement of the extraordinary general meeting of the Company dated 7 August 2015 for details.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In accordance with code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the “Code”), the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. The responsibility of the chairman and the chief executive should be clearly established and set out in writing. During the six months ended 30 June 2015, the executive Directors exercise the function of the management of the Company and the Company did not appoint any chief executive. The executive Director and Chairman of the Company, Mr. Wu Guang Quan and the Board hold meeting regularly to consider major matters that influence the operation of the Group. The Board considers that the structure will not impair the balance of authority and power between the Board and the management of the Company. Each executive Director being assigned with different functions will complement the role of the Chairman. The Board believes that this structure is beneficial for establishing a stable and consistent leadership, which will enable effective operation of the Group. Except for the aforesaid, for the six months ended 30 June 2015, the Company has complied with all the code provisions of the Code.

For the six months ended 30 June 2015, the composition of the Board is in compliance with the provisions of the board diversity policy of the Company.

SHARE TRADING

The Model Code has been adopted as a code of securities transactions for the Directors and supervisors. The Company, having made specific enquiries with all Directors and supervisors, confirmed that, during the Reporting Period, all Directors and supervisors had complied with the standards of dealing in securities specified in the Model Code.

AUDIT COMMITTEE

The Board has established an audit committee (the “Audit Committee”) in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The Audit Committee members currently comprise the independent non-executive Directors, namely Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Wei Wei. The Audit Committee has reviewed and confirmed the unaudited interim results of the Group and the Company’s interim report for the six months ended 30 June 2015.

PUBLIC FLOAT

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

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

Shenzhen, PRC, 21 August 2015

As at the date of this report, the Board 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.