深圳中航集團股份有限公司

CATIC SHENZHEN HOLDINGS LIMITED

(Stock Code：0161)

Interim Report 2009

CORPORATE INFORMATION

Listing stock exchange	:	The Stock Exchange of Hong Kong Limited
Stock short name	:	CATIC Shenzhen
Stock Code	:	00161
Website	:	www.sch161.com

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Guang Quan *Chairman*
Mr. Lai Wei Xuan
Mr. Sui Yong
Mr. Cheng Bao Zhong (resigned on 15th June 2009)
Mr. Liu Rui Lin
Mr. Xu Dong Sheng
Mr. You Lei
Mr. Wang Bao Ying (resigned on 15th June 2009)

Independent non-executive Directors

Mr. Poon Chiu Kwok (resigned on 15th June 2009)
Ms. Wong Wai Ling
Mr. Wu Wei (appointed on 15th June 2009)
Mr. Liu Xian Fa

Non-executive Directors

Mr. Cheng Bao Zhong (appointed on 15th June 2009)
Mr. Qiu Shen Qian (appointed on 15th June 2009)
Mr. Wang Bin Bin
Mr. Li Cheng Ning

COMPANY SECRETARY

Mr. Zeng Jun

REGISTERED ADDRESS

Level 25, Hangdu Building
CATIC Zone, Shennan Road Central
Futian District, Shenzhen, PRC

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

Suites 2201-2203, 22nd Floor
Jardine House, 1 Connaught Place
Central, Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE (FOR SHARES TRANSFER)

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

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISER

Loong & Yeung

PRINCIPAL BANKERS

Bank of China
China Construction Bank
Shenzhen Development Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
Industrial Bank Co., Ltd.

The Board ("Board") of directors ("Directors") of CATIC Shenzhen Holdings Limited ("the Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively "the Group") for the six months ended 30 June 2009 prepared in accordance with the International Financial Reporting Standards as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
ASSETS			
Non-current assets	7		
Land use rights		708,751	687,277
Mining rights		557,584	569,488
Goodwill		5,240	5,240
Property, plant and equipment		5,064,416	5,215,046
Investment properties		759,673	768,487
Construction-in-progress		365,695	160,038
Investments in associates		498,261	509,532
Available-for-sale financial assets		44,882	11,091
Deferred income tax assets		146,296	120,384
Other non-current assets		66,009	41,927
		8,216,807	8,088,510
Current assets			
Inventories		1,259,181	1,185,491
Trade and other receivables	8	1,406,502	1,271,308
Pledged bank deposits		99,800	95,838
Cash and cash equivalents		1,721,651	874,373
		4,487,134	3,427,010
Total assets		12,703,941	11,515,520

	Note	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		678,909	678,909
Share premium		357,849	357,849
Treasury shares		(8,878)	(6,026)
Other reserves		358,078	359,464
Retained earnings		203,162	341,886
		1,589,120	1,732,082
Minority interest in equity		1,784,224	1,739,112
Total equity		3,373,344	3,471,194
LIABILITIES			
Non-current liabilities			
Borrowings		3,792,283	2,920,979
Deferred income tax liabilities		260,452	260,163
Deferred income on government grants		111,695	70,523
Other non-current liabilities		45,456	42,703
		4,209,886	3,294,368
Current liabilities			
Trade and other payables	9	1,842,177	1,654,914
Borrowings		3,244,502	3,044,734
Current income tax liabilities		34,032	50,310
		5,120,711	4,749,958
Total liabilities		9,330,597	8,044,326
Total equity and liabilities		12,703,941	11,515,520
Net current liabilities		(633,577)	(1,322,948)
Total assets less current liabilities		7,583,230	6,765,562

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited Six months ended 30 June	
	Note	**2009**	2008
		RMB'000	*RMB'000*
Revenue	*4*	**2,191,026**	1,937,955
Cost of sales		**(1,896,163)**	(1,374,623)
Gross profit		**294,863**	563,332
Distribution costs		**(150,359)**	(105,517)
Administrative expenses		**(256,900)**	(203,623)
Other gains/(losses) – net		**20,463**	(15,924)
Operating (loss)/profit	*5*	**(91,933)**	238,268
Excess of the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of the investment		**–**	104
Finance income		**7,078**	7,782
Finance costs		**(190,035)**	(106,017)
Share of post-tax loss of associates		**(5,901)**	(11,158)
(Loss)/profit before income tax		**(280,791)**	128,979
Income tax credit/(expense)	*6*	**21,210**	(49,762)
(Loss)/profit for the period		**(259,581)**	79,217
(Loss)/profit attributable to:			
– equity holders of the Company		**(138,724)**	42,511
– minority interest		**(120,857)**	36,706
		(259,581)	79,217
		RMB per share	*RMB per share*
(Losses)/earnings per share for (loss)/profit attributable to the equity holders of the Company	*10*		
– basic		**(0.2059)**	0.0626
– diluted		**(0.2059)**	0.0626
Dividends		**–**	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
	Note	**2009**	2008
		RMB'000	*RMB'000*
(Loss)/profit for the period		**(259,581)**	79,217
Other comprehensive income			
Fair value gains/(losses) on available-for-sale financial assets, gross of tax		**4,192**	(90,740)
Tax on fair value change of available-for-sale financial assets		**(838)**	11,336
Reversal of fair value change of disposal of available-for-sale financial assets, gross of tax		**–**	(39,632)
Reversal of tax on fair value change of disposal of available-for-sale financial assets		**–**	5,945
Total comprehensive loss for the period		**(256,227)**	(33,874)
Total comprehensive loss attributable to:			
– equity holders of the Company		**(137,225)**	(9,004)
– minority interest		**(119,002)**	(24,870)
		(256,227)	(33,874)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	Treasury shares *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Minority interest *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2008 (Restated)	678,909	357,849	–	587,093	337,903	1,961,754	1,938,298	3,900,052
Profit for the period	–	–	–	–	42,511	42,511	36,706	79,217
Fair value loss from available-for-sale financial assets, gross of tax	–	–	–	(41,302)	–	(41,302)	(49,438)	(90,740)
Tax on fair value loss from available-for-sale financial assets	–	–	–	5,155	–	5,155	6,181	11,336
Reversal of fair value change of disposal of available-for-sale financial assets, gross of tax	–	–	–	(18,080)	–	(18,080)	(21,552)	(39,632)
Reversal of tax on fair value change of disposal of available-for-sale financial assets	–	–	–	2,712	–	2,712	3,233	5,945
Total comprehensive loss for the period ended 30 June 2008	–	–	–	(51,515)	42,511	(9,004)	(24,870)	(33,874)
Capital contributed by minority interest	–	–	–	–	–	–	135,190	135,190
Acquisition of minority interest	–	–	–	(111,148)	–	(111,148)	(206,352)	(317,500)
Share of fair value loss from available-for-sale assets of associates	–	–	–	(3,797)	–	(3,797)	–	(3,797)
Dividends relating to 2007	–	–	–	–	–	–	(34,608)	(34,608)
Balance at 30 June 2008	678,909	357,849	–	420,633	380,414	1,837,805	1,807,658	3,645,463
Balance as at 1 January 2009	678,909	357,849	(6,026)	359,464	341,886	1,732,082	1,739,112	3,471,194
Loss for the period	–	–	–	–	(138,724)	(138,724)	(120,857)	(259,581)
Fair value gains from available-for-sale financial assets, gross of tax	–	–	–	1,874	–	1,874	2,318	4,192
Tax on fair value gains from available-for-sale financial assets	–	–	–	(375)	–	(375)	(463)	(838)
Total comprehensive loss for the period ended 30 June 2009	–	–	–	1,499	(138,724)	(137,225)	(119,002)	(256,227)
Capital contributed by minority interest	–	–	–	–	–	–	178,299	178,299
Repurchase of H shares	–	–	(2,852)	–	–	(2,852)	–	(2,852)
Reversal of revaluation surplus on the disposal of assets of the associate	–	–	–	(2,956)	–	(2,956)	–	(2,956)
Share of fair value gain from available-for-sale financial assets of the associate	–	–	–	71	–	71	–	71
Dividends relating to 2008	–	–	–	–	–	–	(14,185)	(14,185)
Balance at 30 June 2009	678,909	357,849	(8,878)	358,078	203,162	1,589,120	1,784,224	3,373,344

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited Six months ended 30 June 2009 RMB'000	2008 RMB'000
Cash flows from operating activities:		
– Cash generated from/(used in) operations	168,234	(57,147)
– Interest paid	(182,810)	(105,910)
– Income tax paid	(19,582)	(23,178)
Cash flows used in operating activities	(34,158)	(186,235)
Cash flows from investing activities:		
– acquisition of subsidiaries, net of cash acquired	–	(306,289)
– purchase of property, plant and equipment	(152,949)	(231,583)
– purchase of mining rights	(44,469)	–
– purchase of land use rights	(29,851)	(10,354)
– additions to construction-in-progress	(222,962)	(536,722)
– acquisition of minority interest	–	(192,500)
– proceeds from disposal of property, plant and equipment	1,151	468
– proceeds from disposals of financial assets at fair value through profit or loss	–	6,354
– proceeds from disposal of available-for-sale financial assets	–	40,661
– purchase of available-for-sale financial assets	(29,600)	–
– purchase of financial assets at fair value through profit or loss	–	(12,140)
– government grants received	–	8,008
– interest received	7,078	7,782
– additions to other non-current assets	–	(96,425)
– release of pledged bank deposits	30,000	–
– additions to pledged bank deposits	(33,962)	–
Cash flows from investing activities – net	(475,564)	(1,322,740)
Cash flows from financing activities:		
– repurchase of H shares	(2,852)	–
– new borrowings raised	3,973,257	1,541,919
– repayments of borrowings	(2,791,704)	–
– capital contribution to subsidiaries from minority shareholders	178,299	–
– dividends paid to minority shareholders of subsidiaries	–	(34,608)
Cash flows from financing activities – net	1,357,000	1,507,311
Net increase/(decrease) in cash and cash equivalents	847,278	(1,664)
Cash and cash equivalents at start of period	874,373	1,306,698
Cash and cash equivalents at end of period	1,721,651	1,305,034

Notes to the condensed consolidated interim financial information

1. General information

CATIC Shenzhen Holdings Limited (the "Company") was established as a joint stock limited company in the People's Republic of China (the "PRC") and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the manufacture and sales of watches and clocks, liquid crystal displays, printed circuit boards, mining resources, hotel operation business in the PRC.

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

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This condensed consolidated interim financial information for the half year ended 30 June 2009 has been prepared in accordance with International Accounting Standards (the "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 2008, which have been prepared in accordance with International Financial Reporting Standards (the "IFRS").

As at 30 June 2009, the Group's current liabilities exceeded its current assets by approximately RMB633,577,000, and it had outstanding short term bank loans of approximately RMB3,244,502,000 which are due for repayment within the next twelve months. The Group's ability to continue as a going concern and to fulfil its financial obligations depends on the continuous efforts of the management to improve the Group's profitability and operating cash flow and the continuing support of its lending banks to provide financing.

The Group has been servicing its debt and interest payment obligations according to the terms and schedules of the respective loan agreements and it has maintained good credit history. As a result, the Directors are confident that the Company will be able to roll over its outstanding bank loans when they are due for repayment within the next twelve months.

Furthermore, the Directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring daily operating expenses and controlling capital expenditures to be incurred only when specific bank financing could be arranged. The Directors will also arrange with bankers to convert certain short term loans into long term loans whenever possible.

Based on the above, the Directors are confident that the Group will have sufficient working capital to meet its obligations as and when they fall due and maintain its present operating scale in the next twelve months from the balance sheet date. Accordingly, the Directors are of the opinion that it is appropriate to prepare these financial statements on a going concern basis.

3. Accounting polices

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

- Amendment to IFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- IAS 23 (amendment), 'Borrowing costs'.
- IFRS 2 (amendment), 'Share-based payment'.
- IAS 32 (amendment), 'Financial instruments: presentation'.
- IFRIC 9 (amendment), 'Reassessment of embedded derivatives' and IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'Agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009.

- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009.

- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009.

IASB's annual improvements project published in April 2009:

- Amendment to IFRS 2 'Share-based payments', effective for periods beginning on or after 1 July 2009.

- Amendment to IFRS 5 'Non-current Assets held for sale and discontinued operations', effective for periods beginning on or after 1 January 2010.

- Amendment to IFRS 8 'Operating segments', effective for periods beginning on or after 1 January 2010.

- Amendment to IAS 1 'Presentation of financial statements', effective for periods beginning on or after 1 January 2010.

- Amendment to IAS 7 'Statement of cash flows', effective for periods beginning on or after 1 January 2010.

- Amendment to IAS 17 'Leases', effective for periods beginning on or after 1 January 2010.

- Amendment to IAS 36 'Impairment of assets', effective for periods beginning on or after 1 January 2010.

- Amendment to IAS 38 'Intangible assets', effective for periods beginning on or after 1 July 2009.

- Amendment to IAS 39 'Financial instruments: recognition and measurement', effective for periods beginning on or after 1 January 2010.

- Amendment to IFRIC 9 'Reassessment of embedded derivatives', effective for periods beginning on or after 1 July 2009.

- Amendment to IFRIC 16 'Hedges of a net investment in a foreign operation', effective for periods beginning on or after 1 July 2009.

4. Segment information

The chief operating decision-maker has been identified as the board of directors. The board of directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The board of directors considers the business from product perspective. From a product perspective, management assesses the performance of Resources, LCD, PCB, Timepieces, Hotel and Lease.

The revenue and profit/(loss) after taxation of the Group for the six months ended 30 June 2009 by activities are classified as follows:

	Revenue		**(Loss)/profit after taxation**	
	2009 *RMB'000*	2008 *RMB'000*	**2009** *RMB'000*	2008 *RMB'000*
Resources	**130,507**	231,228	**(13,242)**	88,731
LCD	**876,604**	680,888	**(209,502)**	45,885
PCB	**584,248**	440,615	**25,775**	38,520
Timepieces	**522,809**	469,363	**16,403**	16,144
Hotel	**6,481**	45,082	**(13,179)**	(34,019)
Lease	**55,549**	54,141	**(4,287)**	38,651
Others	**14,828**	14,601	**95**	(82)
Unallocated items*	**–**	2,037	**(61,644)**	(114,613)
Total	**2,191,026**	1,937,955	**(259,581)**	79,217

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

5. Operating (loss)/profit

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

	Six months ended 30 June	
	2009 *RMB'000*	2008 *RMB'000*
Financial assets at fair value through profit or loss:		
– fair value losses	**–**	34,471
Provision for impairment of inventory	**2,177**	3,274
Provision for impairment of trade receivables	**19,944**	764
Loss on disposal of financial assets at fair value through profit or loss	**–**	3,552
Gain on disposal of available-for-sales financial assets	**–**	(39,632)
Amortisation of land use rights	**8,715**	7,294
Amortisation of mining rights	**11,904**	–
Amortisation of other non-current assets	**15,690**	1,556
Depreciation		
– fixed assets	**216,888**	96,996
– investment property	**9,459**	8,179
Loss on disposal of property, plant and equipment	**3,637**	33

6. Income taxes

Pursuant to the relevant income tax laws of the PRC, the subsidiaries and associates established by the Group in the Shenzhen Special Economic Zone are subject to income tax at a rate of 20% while those established in other areas in the PRC are subject to income tax at a rate of 25%.

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Current income tax	**5,251**	61,285
Deferred income tax	**(26,461)**	(11,523)
	(21,210)	49,762

7. Non-current Assets

For the six months ended 30 June 2009, the Group has incurred a capital expenditure of approximately RMB535,740,000 mainly for the construction and installation of production machinery of Chengdu Tianma and Shennan Circuit. (as at 31 December 2008: RMB2,132,301,000). The Group did not have any substantial disposal of fixed assets during the period.

8. Trade and other receivables

	As at	
	30 June 2009	31 December 2008
	RMB'000	*RMB'000*
Trade receivables	**984,055**	927,280
Less: provision for impairment of receivables	**(114,867)**	(94,914)
Trade receivables – net	**869,188**	832,366
Notes receivables	**264,804**	174,542
Prepayments	**56,370**	47,921
Prepayments of value added tax	**13,275**	70,436
Excess of input over output value added tax	**73,208**	69,772
Other current assets	**129,657**	76,271
	1,406,502	1,271,308

The Group's credit terms on sale of goods ranged from 30 to 90 days. At 30 June 2009 and 31 December 2008, the ageing analyses of the trade receivables were as follows:

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Trade receivables		
Current	331,476	500,204
30–60 days	123,626	125,771
60–90 days	50,024	62,711
Over 90 days	478,929	238,594
	984,055	927,280
Less: provision for impairment losses	(114,867)	(94,914)
	869,188	832,366

9. Trade and other payables

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Trade payables	790,771	736,904
Salary and staff welfare payable	69,925	90,904
Accruals and other payables	981,481	827,106
	1,842,177	1,654,914

At 30 June 2009, the ageing analyses of the trade payables were as follows:

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Trade payables		
Current	344,731	311,305
30 – 60 days	157,491	165,548
60 – 90 days	71,454	65,693
Over 90 days	217,095	194,358
	790,771	736,904

10. (Losses)/earnings per share

Basic and diluted (losses)/earnings per share are calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended	
	30 June 2009	30 June 2008
(Loss)/profit attributable to equity holders of the Company *(RMB'000)*	**(138,724)**	42,511
Weighted average number of ordinary shares in issue *(thousands)*	**673,761**	678,909
Basic and diluted (losses)/earnings per share *(RMB per share)*	**(0.2059)**	0.0626

There are no potential dilutive shares as at 30 June 2009 and 2008.

11. Statutory reserve movement

Details of the movements of the Group's statutory reserve for the six months ended 30 June 2009 are set out in the condensed consolidated interim statement of changes in equity.

12. Dividends

The Directors did not propose an interim dividend for the period ended 30 June 2009 (2008: Nil).

BUSINESS REVIEW

The consolidated revenue and profit contributions of the Company in its consolidated results for the six months ended 30 June 2009 were primarily derived from the following subsidiaries:

Name of subsidiary	Percentage of equity held by the Company	Principal activities
Shenzhen CATIC Resources Co., Ltd. ("CATIC Resources")	100%	Agriculture-related resources business
Shennan Circuit Co., Ltd. ("Shennan Circuit")	95.00%	Manufacture and sale of printed circuit boards (PCB)
Tianma Microelectronics Co., Ltd. ("Tianma")	45.62%	Manufacture and sale of liquid crystal displays (LCD) and modules (LCM)
Shenzhen Fiyta Holdings Limited ("Fiyta")	44.69%	Manufacture and sale of Manufacture of mid to high end timepieces
Guangdong International Building Industrial Co., Ltd. ("GIB Company")	75%	Hotel and property operations

During the six months ended 30 June 2009, the Group recorded a consolidated revenue of approximately RMB2,191,026,000, representing an increase of approximately 13.06% over the figure of the corresponding period of last year of RMB1,937,955,000. The gross profit dropped by about 47.66% from the figure of the corresponding period of approximately RMB563,332,000 to approximately RMB294,863,000. The Group registered a loss attributable to shareholders (netting of minority interests) of approximately RMB138,724,000, which plunged by about 426.32% from the consolidated profit attributable to shareholders of the previous corresponding period of approximately RMB42,511,000. The loss per share amounted to RMB0.2059, while the earnings per share was RMB0.0626 during the corresponding period of last year.

Under a worldwide and spreading financial tsunami during the period from 2008 to the first half of 2009, the Group's operations were substantially hampered. Consequently, we recorded a fall back in our results as our resources operations were hindered by the declining prices of potassium fertilizers. Given sluggish global market demands and sinking product prices, the electronic manufacturing operations of Tian Ma and Shennan Circuit posted a lower gross profit margin. Coupled with a year-on-year rise in the current period's expenses, the result performance reported a loss and a setback. Guangdong International Building, a property owned by GIB Company, produced diminished revenue from its hotel operation due to the temporary closure of the hotel for decoration and renovation. Hence, GIB Company incurred a loss. From a general prospective, the Group made a significant loss in its results in the first half of 2009.

Resources Business

The Group, through CATIC Resources, one of its subsidiaries, grasped a foothold in the agriculture-related resources business by exploring into resources of increasing scarcity in supply, which were embedded with sustainable growing potentials. In the first half of the year, the turnover of the agriculture-related resources business of the Group shank by about 43.56% to approximately RMB130,507,000 when compared with turnover of the corresponding period of last year of RMB231,228,000. Loss after taxation amounted to approximately RMB13,242,000, representing a decrease of approximately 114.92% when compared with profit after taxation the corresponding period of the previous year of RMB88,731,000.

In March 2009, in line with the Group's strategies in resources sector, HAIXI CATIC SANJIAGUIYE COMPANY LIMITED, a potassium fertilizers manufacturer under the Group, has officially changed its name to QINGHAI CATIC RESOURCES COMPANY LIMITED" ("QINGHAI CATIC Resources"). In the first half of 2009, QINGHAI CATIC Resources delivered a total potassium fertilizers output of 80,760 tonnes, representing an increased output of 7,648 tonnes when compared with the corresponding period of last year. In the first half of the year, both the demand and the market price of potassium fertilizers within the country dropped to a certain extent when compared with the corresponding period of last year in light of gloomy and grim potassium fertilizers markets and slack sales at low seasons in the PRC, resulting in a year-on-year downtrend in the Group's sales revenue from potassium fertilizers. The products sold in the first half of the year were mainly the inventory stocks of potassium fertilizers in 2008, the production costs of which were higher because of business consolidation in 2008. This also induced negative effect on the sales gross margin. However, as the above inventory stocks of potassium fertilizers were sold out, it is expected that our operating results in the second half of the year will not be influenced. Together with factors such as policy adjustment, the relevant tax rates were increase, therefore, the profitability of our potassium fertilizers business in the first half of 2009 was below our expectation.

To fully tap into resources of potassium mines in Mahai Salt Lake, QINGHAI CATIC Resources took an active part in accelerating the pace of the project. In relation to capacity expansion project of the mines, an inspection report on geological conditions has been prepared for final review and approval from the relevant competent authority. Smooth progress was attained in water direction and mining dissolution works, thereby establishing a strong foundation for future capacity expansion. The experiment on mud elimination project of low grade muddy ore resources was completed to a total satisfaction. Thus, the Group is well placed to flourish higher product quality, lower mineral wasting and polished industrial know-how.

To stay ahead of the challenging business environment, the Group reinforced its cost management and control through a sophisticated management structure, upgraded business strategies and flows, sharpened capability of operational management and enhanced efficiency of the use of capital. In addition, the Group endeavoured to advance technological research and development and produce new industrial know-how. The Group built up storage warehouses in various locations in order to ensure punctual and prompt deliveries, and to capture a stable market share.

Pending for formulation of our development plan and coordination with the government, the Group's has not yet begun the production operation of its phosphate business into in the first half of the year.

LCD

The Group engaged in the research and development, design, production, sale and servicing of liquid crystal displays (LCD) and liquid crystal modules (LCM) products through Tianma. In the first half of the year, the Group's turnover from LCD business surged by approximately 28.74% over the previous corresponding figure of RMB680,888,000 to approximately RMB876,604,000. The loss after taxation was approximately RMB209,502,000, representing a drop of approximately 556.58% when compared with the profit after taxation of corresponding period of the previous year of approximately RMB45,885,000.

In the first half of 2009, the worldwide market demand of liquid crystal products was dampened by the prevailing financial crisis. The drastically declined product prices were not yet bottomed up. In response to declined product prices and reduced customers' orders from foreign countries, mainly Europe and the United States, the Group timely remapped out its marketing structure and strategy through strategic partnerships with its suppliers. As the major customers accounted for an increasing proportion of our sales volume, we achieved proven records in the horizons of marketing, production plus operation. Riding on these factors, the Group's turnover in the first half of the year soared by 28.74% over the year-on-year figure. Given surging raw material prices, coupled with the fact that the production capacity of new lines of 4.5 generation TFT-LCD of Shanghai Tianma Microelectronics Company ("Shanghai Tianma") was not fully utilized, the expected profit margin contributed from product sales was not reached by the Group. The gross loss margin of the Group's LCD business shrank to 4.23%. At the same time, because of soaring costs during the period, the Group's LCD business registered a loss in the profit after taxation.

During the period under review, Shanghai Tianma has completed the product design of 13 types of boards and applied for technology patents for 41 types of products. The project of AM-OLED was regarded as nine key spectrums of new and high technology industry in Shanghai, and was granted TS16949 certificate and QC080000 certificate. The production lines of 4.5 generation TFT-LCD of Chengdu Tianma made a stable progress. In the first half of the year, the topping of the main factory infrastructure was completed for further interior decoration and renovation. Following substantial conclusion of tenders for production equipment, a syndicate has been formed in respect of the project. A steady progress was made in the production lines of 4.5 generation TFT-LCD and CF of Wuhan Tianma. Infrastructure construction, tenders for equipment and procurement, as well as syndicate formation were carried out on schedule.

PCB

The Group, through Shennan Circuit, engaged in the production of mid to high end multi-layer PCB products, which were widely used in the high technology field such as telecommunication, medical services, automobile and industrial control. The turnover of the PCB business of the Group in the first half of the year rose by about 32.60% to approximately RMB584,248,000 when compared with the corresponding period of the previous year of approximately RMB440,615,000. The profit after taxation amounted to approximately RMB25,775,000, which represented a decrease of approximately 33.09% when compared with the corresponding period of the previous year of RMB38,520,000.

In the first half of 2009, the external economic sentiment remained daunting given a significantly dropping demand from worldwide markets. To tackle the external difficulties of fierce market competition, insufficient demand and price drops, the Group made fruitful results through an enhancement of its internal competency, a lowering of costs and expenses as well as an expansion into wider markets. Taking advantage of the vigorous development of our vital customers and strategic customers, the Group realized a turnover growth of 32.60%. However, a huge increase in the Group's orders was not enough to cover our expanded capacity. As a result, the utilization rate of the overall capacity was lower when compared with last year. Fixed cost per unit was thus increased. At the same time, due to the fact that leading customers in the market called for a renewed tender for our products, the selling prices of the Group's products shrank. Accordingly, a year-on-year decline from 27.48% to 17.24% was recorded in gross profit margin. Furthermore, as financial loans were increased in order to meet our investment needs, the financial expenses surged considerably when compared with the year-on-year figure. Because of the above two principal factors, the profit after taxation of the PCB business reported a year-on-year decrease of 33.09%.

In the first half of 2009, the Group successfully filed nine patents for Shennan Circuit. Shennan Circuit was, awarded with environmental management system certificate and quality inspection system certificate, renowned as "First Group of Leading Enterprises of New and High Technology in the state" ("首批國家高新技術企業") and "Top 100 Shenzhen Enterprises in 2008" ("2008年度深圳市百強企業"). Two of its products, namely "high work-rate wireless base station PCB" and "embedded passive high density printed circuit board", passed the new product accreditations of Shenzhen Technology and Information Bureau (深圳市科技和資訊局). The "research and development of new technology on high fidelity signal advanced circuits of multi layer communication PCB" had been admitted into the technology research and development project of Shenzhen.

Luxurious Timepieces

The Group carries out the manufacture and chain sale of middle to high end self-branded luxurious timepieces through Fiyta, including R&D, design, production and sale of timepieces, and the operation of a chain sale network of prestigiously branded timepieces. In the first half of 2009, the revenue of the watch business of the Group was approximately RMB522,809,000, representing an growth of approximately 11.39% when compared with the corresponding period of the previous year of RMB469,363,000. The profit after taxation amounted to approximately RMB16,403,000, representing an increase of approximately 1.60% when compared with the corresponding period of the previous year of RMB16,144,000.

In the first half of 2009, despite the gradually reviving macro economic atmosphere in China, market demand on high-end consumer goods, particularly the Group's luxurious goods, remained weak. To deal with the persistent impacts from the financial crisis, the Group's timepiece business will continue to use brand tactics to carry out various work. Through a corporate philosophy of stable growth, the Group will make active leaps in pursuing business expansion by keeping abreast of market changes and putting into practice a number of decisive measures.

Fiyta branded timepieces of the Group continued to steadfastly adhere to its brand strategy. Synergies amongst four departments of R&D, design, production and sale were enhanced by closely reacting to changing market conditions and reinforcing marketing promotion. To establish stronger brand recognition, two plans, namely "Double 100% Plan" ("雙百計劃") and "Simultaneous Synergies Action" ("同聲行動"), were implemented in order to effectively enhance sales volume and total customer satisfaction. During the period under review, the recently released series of "Photographer" were well received. Despite of bleak sentiment in the entire industry in the first half of 2009, our turnover and profit after taxation posted a growth of 16.42% and 25.14% respectively.

The Group's Harmony World Watch Center, with a dedication to continuous expansion, stably perfected its chain sale network of prestigiously branded timepieces. At the end of June 2009, Harmony has established a network of 83 chain stores, which were nationwide distributed throughout middle and large cities. By constantly implementing a three-layer marketing strategy and optimizing customer management system, the operation of the Center was upgraded. At the same time, the Group continued to deepen its negotiations and collaborations with internationally reputed timepiece groups and brands. Notwithstanding a macro economy of ripped environment and a steady fall in timepiece volume exported to Switzerland, Harmony has recorded a turnover growth of 12.42%. As a result of amortization of initial costs of Shenzhen Yitian Holiday Shop and Shenyang 1928 Shop, and dropped market demand for luxurious consumer goods, gross profit margin recorded a decrease. A year-on-year drop of 28.60% was thus reported in the profit after taxation.

The Group's "Shenzhou VII" timepieces rolled out under the brand of Fiyta won the "Special Award of Technological Improvement" at a science technological meeting held by China Association of Light Industry (中國輕工業聯合會科技大會). A technology for intensifying space titanium was merited "First runner up Prize of Technological Invention". FZK-601 watch control system received the "Outstanding Award of Technological Innovation". An international meeting of watch standardization was successfully undertaken for ISO/TC114 in the first half of the year.

PROSPECTS

It is predicted that the economy of the United States will stabilize in the second half of 2009. Despite signs of recovery in the domestic economy, the Group's manufacturing business and resources business will be materially and adversely affected by the global financial crisis and economic turmoil. In line with its inherent long term development policies, the Group will endeavour to pursue distinguished achievements. In terms of business segment, the Group will continue to gear towards lowered costs, improved efficiency and stronger core competitive edges. A stronger sense of cohesion will be developed amongst each and every employee of the Group. The Group will be well positioned to create a long term growth by actively and cautiously carrying out various required work.

RESOURCES BUSINESS

In the second half of 2009, in anticipation of a revitalized global economy, importers of potassium fertilizers regain confidence, thus backing up stable international potassium fertilizers prices. Given decreasing import volume of domestic potassium fertilizers, high import costs and concentrated market supply, the market prices are also expected to become increasingly stabilized. As the peak season of potassium fertilizers approaches, the demand and pricing of the domestic potassium fertilizers will report certain growth in the second half of the year. Additionally, as the inventory stock of potassium fertilizers were sold out in 2008, the Group's fertilizers business is set to deliver more promising profitability in the second half of the year.

In the second half of the year, QINGHAI CATIC Resources will step up its mud elimination projects of muddy ore resources, water direction and mining dissolution. The Group will assure the accomplishment of its production goal of 250,000 tonnes of potassium fertilizers through an improvement in management and an enhancement in production efficiency. To match up the early stage of carrying out the project of mines' capacity expansion, the construction of a variety of ancillary facilities will be commenced by the end of the year. A good basis was laid down for the implementation of our future projects.

The Group will maintain a stable growth in the production and sales of potassium fertilizers by devoting continued efforts in tightening cost management and control, enhancing the capability of operation and introducing a safe production system. Moreover, the Group will play an active role in preparing itself for the commencement of the phosphate project. An enhanced corporate culture and brand image will be presented. At the same time, to lure a long term sustainable growth, the Group will timely and steadily expand itself into various agricultural-related resources projects.

LCD

The Group envisages that its LCD business would continue to be hampered by the adverse effect of the financial crisis in the second half of 2009. As global economy is still dragging out of recession and pace of recovery remains uncertain, we expect the electronic industry will continue to be in a downturn. As a result, for the second half of 2009, the consumer electronic products market is likely to remain dampen and mute, denying the possibility of swift rebound in demand. Moreover, with apprehensive consumers' sentiment, orders for products with lower-priced application will be placed ahead of those with higher value-added application. As product cycle of LCD is becoming shorter, market demand and product price movement will experience greater fluctuation. In addition, there will be pressure on the cost of production as a consequence of ongoing surge in raw material price.

The Group will exercise a stricter cost control, strive to lower its raw material purchase costs and enhance the efficiency of supply chain. The Group vows to maintain its strategy to focus in major customers. This will be pursued by creating greater customer satisfaction amongst the existing major customers while seeking for potential customers, on the basis that approvals have been obtained from and bulk purchase orders have been placed with a number of prestigious enterprises, thereby to increase the volume and stability of customers' order placements. The Group will formulate its marketing tactics according to different regions and markets. It endeavours to foster a higher profitability through adjusting its product and customer structures. It will also reinforce distributors' management and open up new emerging markets. In product planning, alignments will be made in accordance with market demand, hence to strike a balance between small-sized and medium-sized products, as well as to actively expand product line to new applications such as e-book, netbook, 3D and light valve.

PCB

In the second half of 2009, it is expected that the PCB industry will only start to rebound from its prevailing downturn at the end of the year. The Group will further optimize its business flows and industrial know-how so as to put into place an innovated management and an optimized production. Through standardization of its operation and management, the Group will encourage energy conservation by mitigating resources wastage through a series of initiatives, in order to reduce its operating costs and to enhance efficiency. To diversify its customer portfolio, the Group will boom its sales growth by developing new customers and promoting new product marketing while retaining the existing customers.

LUXURIOUS TIMEPIECES

In the second half of 2009, the Group's Fiyta branded timepieces will continue to execute its branding strategies. Through highly efficient internal synergistic cooperation, it is assured that new products will be duly roll out and successfully launched into markets. Under a refined product structure, a growth in sales volume was realized. We shortened our inventory cycle through a series of sales campaigns and marketing incentives. To maintain and explore its sales network, Harmony World Watch Centre will continue to set up new stores. The centre will also intensify its strategic cooperation with suppliers so as to shorten inventory cycle and enhance the efficiencies of the use of capital. The watch sales management will be consolidated through sales strategies and measures, in order to secure a stable sales increase at the existing stores and to boost a vivid growth at the new outlets.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2009, the Group had cash and cash equivalents totaling approximately RMB1,721,651,000. The Group's bank loans included short-term loans of approximately RMB3,244,502,000 with annual interest rates ranging from 0.86% to 6.33% and approximately RMB3,792,283,000 long-term loans with annual interest rates ranging from 3.7% to 6.83%. The Group has strengthened and perfected the regulations in respect of the management of tradable financial assets, defining the procedures of decision-making, implementation and risk control.

LOAN-TO-EQUITY RATIO

As at 30 June 2009, the Group's loan-to-equity ratio (bank loans to shareholders' equity ratio) was 442.81% (31 December 2008: 344.42%).

PLEDGED ASSETS

As at 30 June 2009, certain subsidiaries of the Group has pledged bank loan totaling approximately RMB723,100,000 (31 December 2008: RMB680,000,000). The loan is secured by plants and buildings of the Group. The premise of one manufacturing plant building has been pledged for short-term bank loans of RMB1,100,000 made available to Shenzhen Maiwei Cable TV Equipments Co., Ltd, a subsidiary of the Company. Another two plants have been pledged for a long-term bank loan of RMB42,000,000 made available to Tianma, another subsidiary of the Company. One building, investment properties and land use rights have been pledged for long-term bank loan of RMB680,000,000 made available to GIB Company, a subsidiary of the Company.

ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSIT

During the six months ended 30 June 2009, the Company did not have any entrusted deposit and overdue term deposit in any form.

MANAGEMENT CONTRACT

During the six months ended 30 June 2009, the Company did not enter into any contract nor had any existing contract in relation to the management or administration of its general business or any major business.

PURCHASE, SALE OR REDEMPTION OF SHARES

Pursuant to the general mandate granted in the 2007 annual general meeting and class meetings, the Board of the Company repurchased H shares. During November 2008 to 31 December 2008, the Company repurchased an aggregate of 3,644,000 H shares. During the period from January 2009 to April 2009, the Company repurchased 1,898,000 H shares. By then, the Company has repurchased a total of 5,542,000 H shares. As a result, the Company had a total share capital of 673,367,090 shares, in which 395,709,091 and 277,657,999 shares were domestic legal person shares and H shares respectively, representing 58.77% and 41.23% of the total share capital respectively.

Upon the completion of the repurchase of the above shares, the Company has completed the cancellation procedures for the repurchased shares as well as the procedures for applying for amendments to the industry and commerce registration.

Save as disclosed above, neither the Company nor any of its subsidiaries had issued, purchased or sold any of the Company's shares during the reporting period.

SUBSTANTIAL SHAREHOLDER

As at 30 June 2009, as far as was known to the Directors or the chief executive of the Company, the following are the details of the persons (other than the Directors, supervisors or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or had otherwise notified to the Company:

Long position 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 capital
Substantial shareholders				
China Aviation Industry Corporation (中國航空工業集團公司) *(Note 1)*	Interest of controlled corporation	395,709,091 domestic legal person shares	100%	58.77%
CATIC International Holdings Limited (中國航空技術國際控股有限公司) *(Note 2)*	Interest of controlled corporation	395,709,091 domestic legal person shares	100%	58.77%
CATIC Shenzhen Company Limited (中國航空技術深圳有限公司) *(Note 3)*	Beneficial owner	395,709,091 domestic legal person shares	100%	58.77%

Name of Shareholder	Capacity	Number and class of securities	Approximate percentage of the same class of securities	Approximate percentage of total registered capital
Other shareholders				
Li Ka-Shing	Interest of controlled corporation and founder of discretionary trusts	15,156,000 H shares *(Note 4)*	5.46%	2.25%
Cheung Kong (Holdings) Limited	Interest of controlled corporation	15,156,000 H shares *(Note 4)*	5.46%	2.25%
Li Ka-Shing Unity Trustee Corporation Limited	Trustee and beneficiary of a trust	15,156,000 H shares *(Note 4)*	5.46%	2.25%
Li Ka-Shing Unity Trustcorp Limited	Trustee and beneficiary of a trust	15,156,000 H shares *(Note 4)*	5.46%	2.25%
Li Ka-Shing Unity Trustee Company Limited	Trustee and beneficiary of a trust	15,156,000 H shares *(Note 4)*	5.46%	2.25%
華銀集團投資發展有限公司	Beneficial owner	17,560,000 H shares	6.32%	2.61%
Jiang Jian Jun *(Note 5)*	Interest of controlled corporation	17,560,000 H shares	6.32%	2.61%
Jiang Jian Jun	Beneficial owner	6,736,000 shares	2.43%	1%
Jiang Jian Jun, Chen Yong Sen	Joint account	944,000 H shares	0.34%	0.14%

Notes:

(1) China Aviation Industry Corporation (中國航空工業集團公司) owns 100% interest in CATIC International Holdings Limited (中國航空技術國際控股有限公司) which in turn owns 100% interest in Shenzhen CATIC. Hence, China Aviation Industry Corporation is deemed to be interested in the Shares owned by Shenzhen CATIC.

(2) CATIC International Holdings Limited owns 100% interest in Shenzhen CATIC. Hence, it is deemed to be interested in the Shares owned by Shenzhen CATIC.

(3) As at 30 June 2009, Shenzhen CATIC is beneficially interested in 395,709,091 domestic legal person shares, representing approximately 58.77% of the total registered share capital of the Company.

(4) The above five references to 15,156,000 H Shares in the Company refer to the same equity interest comprising of:

The 7,578,000 H shares were held by Empire Grand Limited ("Empire Grand"), which is a wholly-owned subsidiary of Cheung Kong Investment Company Limited, which in turn is a wholly-owned subsidiary of Cheung Kong (Holdings) Limited ("CKH"); and

The 7,578,000 H shares were held by Hutchison International Limited ("HIL"), which is a wholly-owned subsidiary of Hutchison Whampoa Limited ("HWL").

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited ("TUT1"). TUT1 as trustee of the Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH. Certain subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 holds units in The Li Ka-Shing Unity Trust.

By virtue of the Securities and Futures Ordinance, Mr. Li Ka-shing, being the settler of DT1 and DT2 and may being regarded as a founder of each of these two discretionary trusts for the purpose of the Securities and Futures Ordinance, TUT1, TDT1, TDT2 and CKH is deemed to be interested in the aggregate 15,156,000 H Shares of the Company held by Empire Grand and HIL.

(5) Jiang Jian Jun was interested by virtue of his 100% beneficial interest in 華銀集團投資發展有限公司.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30 June 2009, so far as is known to the Directors and the chief executive of the Company, none of the Directors or supervisors or chief executive of the Company is interested in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which the Directors or supervisors or chief executives of the Company were taken or deemed to have under such provisions of the Securities and Futures Ordinance) or which are required to be entered into the register maintained by the Company under section 352 of the Securities and Futures Ordinance or which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the 2008 annual general meeting held on 15 June 2009, directors and supervisors were required to be re-elected for the next term of office due to the expiration of three-year tenure of the existing directors and supervisors. Mr. Wu Guang Quan, Mr. Lai Wei Xuan, Mr. Sui Yong, Mr. Liu Rui Lin, Mr. Xu Dong Sheng and Mr. You Lei were re-elected as executive directors; Mr. Cheng Bao Zhong and Mr. Qiu Shen Qian were appointed as non-executive directors; Mr. Wang Bin Bin and Mr. Li Cheng Ning were re-elected as non-executive directors; Mr. Wu Wei was appointed as independent non-executive directors; and Ms. Wong Wai Ling, and Mr. Liu Xian Fa were re-elected as the independent non-executive directors.

Mr. Wang Xin Kuo and Ms. Wang Xin were appointed as Supervisors and Mr. Deng Bo Song was appointed as Supervisor for employees.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2009 was the Company and its subsidiaries or its holding company a party to any arrangement to enable any directors, supervisors or management members 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

No director or supervisor had any significant interest, either direct or indirect, in any contract or arrangement of significance to the business of the Company as at 30 June 2009 or at any time during the period.

EMPLOYEES AND SALARIES

As at 30 June 2009, the Group had a total of approximately 13,354 employees (the same period of 2008: 12,704 employees), with employee related costs of approximately RMB353,584,000 (the same period of 2008: RMB295,140,000). The additional staff members were mainly employed to meet the business development demands of the Group. The Group formulated its competitive salary policy based on the reference of market condition and individual employee's performance.

FOREIGN CURRENCY RISK

The Group has no significant foreign currency risk due to that the Group's most products are distributed in domestic market and its export is mainly settled by US$ and HK$.

CONTINGENT LIABILITIES

The Company provided a one-year guarantee for a loan of RMB595,000,000 in favour of Fiyta, a subsidiary of the Company, a one-year guarantee for a loan of RMB400,000,000 and a long-term guarantee for a loan of RMB400,000,000 in favour of CATIC Resources, a one-year guarantee for a loan of RMB300,000,000 and a long-term guarantee for a loan of RMB800,000,000 in favour of GIB Company, which is a subsidiary of the Company, a one-year guarantee for a loan of RMB5,000,000 in favour of Shenzhen Maiwei Cable TV Equipments Co., Ltd, which is a subsidiary of the Company, and a one-year guarantee for a syndicated loan of RMB82,000,000 and a long-term guarantee for a syndicated loan of RMB433,860,600 in favour of Shanghai Tianma.

Tianma, a subsidiary of the Company, provided a one-year guarantee for a syndicated loan of RMB118,000,000 and a long-term guarantee for a syndicated loan of RMB618,957,000 in favour of Shanghai Tianma.

SIGNIFICANT EVENTS

1. **Modernization and Renovation of Guangdong International Building**

   On 21 January 2009, the Board resolved to modernize and renovate the hotel section in Guangdong International Building, which is the property of a subsidiary, GIB Company. The Board considers that the current condition of the hotel section in Guangdong International Building is outmoded and has incurred substantial maintenance costs. The modernization and renovation project will increase occupancy, income and business value, reduce the operation costs and maintain the competitiveness of Guangdong International Building. Based on the budget, it is estimated that the total costs for the project will not exceed RMB250,000,000 and the project is expected to be completed in March 2010.

Pursuant to the proposed modernization and renovation project of the hotel section in Guangdong International Building, Guangdong International Company and Shenzhen CATIC Building Facilities Company, who was a connected person of the Company within the meaning of the Listing Rules, had entered into five renovation contracts for the renovation work to be carried out at the hotel section in Guangdong International Building.

The modernization and renovation project constitutes a discloseable transaction and the five renovation contracts also constitute connected transactions of the Company under the Listing Rules. For further details, please refer to the announcements of the Company dated 21 January 2009, 16 February 2009, 7 April 2009, 13 May 2009, 14 July 2009 and 2 September 2009 respectively.

2. Completion of Repurchase of H Shares

Pursuant to the general mandate granted in the 2007 annual general meeting and class meetings held on 16 June 2008, the Board of the Company repurchased H shares. During the period of November 2008 to December 2008, the Company repurchased an aggregate of 3,644,000 H shares. During the period from January 2009 to April 2009, the Company repurchased 1,898,000 H shares. By then, the Company has repurchased a total of 5,542,000 H shares. The Company has currently completed the cancellation procedures for the repurchased shares as well as the procedures for applying for amendments to the industry and commerce registration. For further details, please refer to the circular of the Company dated 29 April 2008 and the announcement dated 16 June 2008.

3. Change of the Means of Communication of Shareholders

To the concern of environmental protection and reduction in printing costs, the Company intended to adopt electronic means to provide the information about the Company to the shareholders through the websites of the Company and the Stock Exchange. Such resolution had been passed during the 2008 annual general meeting held in 2009, and the Company has completed the procedures of amendments to the first section of the articles of association in relation to the means of communication with shareholders. The Company shall timely arrange the issuance of enquiry letters in respect of whether the individual shareholders of H shares agree to change the means of communications with shareholders, and shall make separate announcement in compliance of the Listing Rules. For further details, please refer to the circular of the Company dated 29 April 2009 and the announcement dated 15 June 2009.

COMPLIANCE WITH THE CODE

The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009.

CONDUCT ON SHARE DEALINGS

The Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules has been fully adopted as a code of securities transactions for Directors and supervisors of the Company (the "Code"). The Company, having made specific enquiries with its Directors and supervisors, confirms that, during the six months ended 30 June 2009, all the directors and supervisors of the Company have complied with the standards regarding securities transactions by Directors and supervisors set out in the Code.

AUDIT COMMITTEE

The Board has formed an audit committee in accordance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company. The Audit Committee members currently comprise all the independent non-executive Directors, namely Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Liu Xian Fa. The Audit Committee has reviewed and confirmed the Company's interim results report for the six months ended 30 June 2009.

PUBLIC FLOAT

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

As at the date of this report, the Board comprises of a total of 13 Directors, Mr. Wu Guang Quan, Mr. Lai Wei Xuan, Mr. Sui Yong, Mr. Liu Rui Lin, Mr. Xu Dong Sheng, and Mr. You Lei as executive directors; Mr. Cheng Bao Zhong, Mr. Qiu Shen Qian, Mr. Wang Bin Bin and Mr. Li Cheng Ning as non-executive Directors; and Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Liu Xian Fa as independent non-executive directors.

By Order of the Board
Wu Guang Quan
Chairman

Shenzhen, the PRC, 3 September 2009