The Board of Directors of CATIC Shenzhen Holdings Limited ("the Company") are pleased to announce the unaudited operating results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30th June 2002 prepared in accordance with the International Accounting Standards as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONDENSED)

		Six months ended 30th June	
		2002	**2001**
		(Unaudited)	**(Unaudited)**
	Notes	*RMB'000*	*RMB'000*
Turnover	*2*	389,107	429,121
Operating profit	*3*	36,418	53,473
Share of profits of associates		8	(371)
Profit before taxation		36,426	53,102
Taxation charges	*4*	(7,244)	(9,826)
Profit after taxation		29,182	43,276
Minority interests		(10,216)	(15,883)
Profit attributable to shareholders	*2*	18,966	27,393
Earnings per share	*7*	RMB2.95 cents	RMB4.27 cents

CONSOLIDATED BALANCE SHEET (CONDENSED)

	Notes	30th June 2002 (Unaudited) *RMB'000*	31st December 2001 (Audited) *RMB'000*
Non-current assets		661,352	667,546
Current assets		1,782,008	1,643,272
Inventories		390,635	335,735
Trade receivables	*5*	148,325	172,026
Prepayments and other receivables		113,872	69,313
Cash and bank balances		892,788	864,162
Investments held for trading		155,985	154,822
Other current assets		80,403	47,214
Current liabilities		603,947	481,153
Short-term loans		337,712	255,797
Trade payables	*6*	139,991	87,461
Other current liabilities		126,244	137,895
Total assets less current liabilities		1,839,413	1,829,665
Non-current liabilities			
Deferred tax liabilities		–	4,507
Minority interests		607,797	586,828
		607,797	591,335
Capital and reserves			
Share capital		642,000	642,000
Share premium		165,198	165,198
Statutory reserves	*8*	52,286	52,286
Capital reserve		182,235	182,235
Retained earnings		189,897	196,611
		1,231,616	1,238,330
Total non-current liabilities and shareholders' equity		1,839,413	1,829,665

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONDENSED)

	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserves *RMB'000*	Capital reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balances as at 1st January 2002	624,000	165,198	52,286	182,235	196,611	1,238,330
Profit for the year	–	–	–	–	18,966	18,966
Dividends	–	–	–	–	(25,680)	(25,680)
Balances as at 30th June 2002	642,000	165,198	52,286	182,235	189,897	1,231,616

CONSOLIDATED STATEMENT FOR CASH FLOWS (CONDENSED)

	Six months ended 30th June	
	2002 (Unaudited) *RMB'000*	**2001 (Unaudited)** *RMB'000*
Net cash inflows from operating activities	89,560	84,159
Returns on investment and servicing of finance	35,231	32,586
Taxation	(25,970)	(8,324)
Investing activities	(97,590)	(161,894)
Cash inflow/(outflow) before financing	1,231	(53,473)
Financing activities	27,395	188,345
Increase in cash and cash equivalents	28,626	134,872
Cash and cash equivalents, beginning of the period covered	864,162	699,773
Cash and cash equivalents, end of the period covered	892,788	834,645

Notes:

1. Basis of preparation

These consolidated financial statements include the report of interim results of the Company and its subsidiaries for the six months ended 30th June 2002, and are prepared in accordance with International Accounting Standards ("IAS") promulgated by the International Accounting Standards Committee.

2. Segmental information

The turnover and profit attributable to shareholders of the Group by activities for the six months ended 30th June 2002 are classified as follows:

	Turnover		Profit attributable to shareholders	
	2002	**2001**	**2002**	**2001**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PCB	97,934	119,801	16,168	30,298
LCD	150,401	151,650	8,747	9,876
Timepieces	49,795	63,497	4,575	8,417
Others	90,977	94,173	(657)	(793)
Unclassified items	–	–	(9,867)	(20,405)
Total	390,403	429,121	18,966	27,393

3. Operating profit

Operating profit of the Group for the six months ended 30th June included the following items:

	2002	**2001**
	RMB'000	*RMB'000*
Cost of sales	289,111	310,459
Finance cost	3,790	7,606
Provision for depreciation of fixed assets in current period	28,543	23,510
Amortisation of goodwill	–	2,305

4. Taxation

Pursuant to the relevant income tax laws of the PRC, the Group is subject to income tax at a rate of 15 per cent as a corporation established in Shenzhen Special Economic Zone while those established in other areas are subject to income tax at a rate of 33 per cent. In September 1999, Shenzhen Shennan Circuit Co., Ltd ("Shennan") was classified by the Shenzhen Municipal Science & Technology Bureau as the "Hi-tech Enterprise in Shenzhen" which was entitled to a tax preferential policy of relief. In 2001, the enterprise income tax rate applicable to Shennan was 7.5 per cent. However, in 2002, such half-relief tax preferential policy adopts new implementation approach through which the paid income tax at 15 per cent will be subject to a refund to the effect that the company actually pays tax at 7.5 per cent, thus the applicable rate for Shennan is adjusted to 15 per cent.

Taxation of the company for the six months ended 30th June was as follows:

	2002	**2001**
	RMB'000	*RMB'000*
PRC enterprise income tax	7,207	9,711
Share of taxation of associates	37	115
	7,244	9,826

5. Trade Receivables

The Group's credit terms on sales of goods range from 30 to 90 days, and the aging analysis of trade receivables was as follows:

	30th June 2002	31st December 2001
	RMB'000	*RMB'000*
Current	44,117	45,684
30-60 days	38,630	38,127
60-90 days	20,151	35,575
Over 90 days	76,630	89,941
Less: provision for doubtful debts	(31,203)	(37,301)
	148,325	172,026

6. Trade Payables

	30th June 2002	31st December 2001
	RMB'000	*RMB'000*
Current	55,038	44,503
30-60 days	30,680	14,894
60-90 days	24,047	20,194
Over 90 days	30,226	7,870
	139,991	87,461

7. Earnings Per Share

Earnings per share was based on dividing consolidated profit attributable to shareholders of approximately RMB18.97 million (the same period of 2001: RMB27.39 million) by the total number of issued shares of 642,000,000 shares of the Company.

8. Reserve Movements

The reserve of the Group did not have any change for the six months ended 30th June 2002.

DIVIDENDS

The Directors did not recommend payment of any interim dividend for the six-month period ended 30th June 2002. As at 28th June 2002, the Company paid RMB4 cents per share as final dividend for 2001.

BUSINESS REVIEW

For the six months ended 30th June 2002, the Group's unaudited turnover was RMB389 million, a drop of 9.32 per cent compared with RMB429 million over the same period of the last year. The profit attributable to shareholders was RMB18.97 million, representing a drop of 30.74 per cent compared with RMB27.39 million over the same period of the last year. Earnings per share was RMB2.95 cents whereas it was RMB4.27 cents over the same period of the last year.

For the first half of the year the global electronics industry recovery was still in a low pace. PCB business of the Group was materially affected by intensifying competition in the industry and decline of demand for investment in domestic telecommunication facilities, and its profitability experienced a substantial decline, compared with that over the same period of the last year. Though in the first half of the year the orders for LCD business rebounded substantially compared with the second half of 2001, it was still weaker than that over the same period of the last year. The timepieces business of the Group did not improve. The overall results of the Group declined notably over the same period of the last year.

- With regard to PCB business, the Group recorded sales revenue of RMB97.93 million for the first half of the year, a drop of 18.25 per cent compared with RMB119.80 million over the same period of the last year. The profit attributable to shareholders was RMB16.17 million, representing a drop of 46.64 per cent compared with RMB30.30 million over the same period of the last year.

  According to the statistics published by the Ministry of Information Industry, in the first half of 2002, fixed assets investment of the domestic telecommunication sector decreased 35.7 per cent over the same period of the last year (it was increased by 87.7 per cent in the first half of 2001), which in turn materially affected domestic telecommunication equipment manufacturers, the major clients of PCB business of the Group. Overshadowed by the global electronics industry adjustment, the overall demand for PCB industry declined, further intensifying price competition in the industry. Despite its focus on the high-end PCB products, the prices on average decreased approximately 22 per cent in the first half of the year. In the past years, such price decreases were effectively offset by the Group's efforts in optimizing the product mix. In this period, though the Group has further increased the share of higher value-added Multi-layered PCB in sales revenue to 82.10 per cent from 80.79 per cent in the last year, the limited improvement indicates such efforts are insufficient to counterbalance the adverse effect of price decrease. Shortage of orders and decrease in prices caused severe decline in the overall profitability of PCB business over the same period of the last year. Furthermore, the Group's profitability was directly affected by higher manufacturing expenditure including equipment depreciation over same period of the last year as the Group completed its PCB expansion project in the mid 2001.

  In terms of respective performance of each quarter of the first half of the year, sales revenue of PCB business in the first quarter recorded the lowest quarterly sales in recent years, far from satisfactory. However, the second quarter witnessed a significant rebound of sales revenue and orders, representing a 70 per cent increase over the first quarter. Unfortunately, sluggish prices prevented a comfortable improvement in its profitability.

- During the first six months, the Group's LCD business recorded a sales revenue of RMB150.40 million, a slight drop of 0.82 per cent compared with RMB151.65 million over the same period of the last year. The profit attributable to shareholders was RMB8.75 million, representing a drop of 11.44 per cent compared with RMB9.88 million over the same period of the last year.

During the same period, sales revenue of twist nematic liquid crystal display ("TN-LCD") and super twist nematic liquid crystal display ("STN-LCD") has dropped by approximately 5.94 per cent, whereas the sales revenue of LCM slightly increased by 7.77 per cent. The sales revenue was almost equal to the overall amount in the same period of the last year, but evidently turned stronger than the second half of 2001. And the sales revenue of the second quarter has registered a record high volume in recent years, representing an increase of 32.80 per cent over the first quarter.

- The performance of timepieces business remained poor. The sales revenue of timepieces business of the Group in the first half of the year was RMB49.80 million, a drop of 21.58 per cent compared with RMB63.50 million over the same period of the last year. The profit attributable to shareholders was RMB4.58 million, representing a decrease of 45.61 per cent compared with RMB8.42 million over the same period of the last year.

PROSPECTS

In the first half of the year, the PRC continued to enjoy a robust growth in its economy as evidenced by an increase of 7.8 per cent of its gross domestic product ("GDP") over the first six months and solid growth of its foreign investment and export, which provides a positive macroeconomic environment for the long-term stable development of the businesses of the Group. The Group believes that the market share of its core businesses will be further expanded owing to manufacture cost advantages and huge market potential in PRC, and it will also benefit in the long-term development from its persistent dedication to upgrading technology and quality level of its products. In the short term, it is expected the principal businesses of the Group will remain under adjustment as a result of structural adjustment in the electronics industry worldwide and shrinkage of investment in domestic telecommunication infrastructure facilities.

From a point of view of the recent quarters, PCB and LCD businesses of the Group begin to show signs of recovery. The declining momentum of PCB business quarter on quarter from last year was reversed in the second quarter of this year. Though the LCD business was still weaker than that of the last year, it turned out to be much better than the second half of the last year. However, as whether the market is turning buoyant requires to be tested over time, the Group is cautiously optimistic about its business in the second half of the year.

In view of the aforesaid unfavorable market conditions, the Group is taking measures step by step at appropriate time to adjust product mix and customer structure of its business to minimize risks of the industry volatility. Meanwhile, the Group is also actively pursuing means feasible to enhance competitiveness of its products by lowering cost and improving quality. On the second half year, Shenzhen Tian Ma Microelectronics Co., Ltd. ("Tian Ma"), a subsidiary engaged in LCD business under the Group will complete and commission a new color STN-LCD product line and LCM product line expansion project, which are expected to contribute to the Group's LCD business in the next year.

SIGNIFICANT SUBSEQUENT EVENTS

Termination of Disposal of Fiyta Shares

As at 5th July 2002, the Company announced that it terminated the agreement signed with Peking Founder Holdings Limited ("Peking Founder") dated 7th December 2001 whereby 72,302,000 unlisted shares of Shenzhen Fiyta (Group) Holdings Ltd. ("Fiyta"), a 52.24 per cent subsidiary of the Company, were subject to disposal to Peking Founder. Pursuant to the agreement, one of the prerequisites to such disposal is to obtain the approval of relevant authorities prior to 30th June 2002. Peking Founder has notified the Company that since the above prerequisite was not fulfilled as scheduled, the agreement shall be terminated. The Company will not proceed with the disposal. The Company and Peking Founder shall have no further obligations in respect of the agreement. The Company shall refund to Peking Founder the deposit of RMB10 million received under the agreement. The Directors confirm that the termination of the agreement does not cause any material adverse effect to the Group. Currently the Company does not have any plan to dispose of its 52.24 per cent equity interest in Fiyta.

In the mean time, Fiyta and Peking Founder's subsidiary listed in Hong Kong have agreed to terminate the Heads of Agreement dated 7th December 2001 between them in relation to the setting up of the Proposed JV, as the two parties failed to agree on the terms of joint venture contract in respect of the Proposed JV.

LIQUIDITY AND FUNDING RESOURCES

As at 30th June 2002, the Group had cash and bank deposits totaling RMB892.79 million. The Group's bank loans, totaling RMB337.71 million, were all short-term borrowings with annual floating interest rates ranging from 5.04 per cent to 5.544 per cent.

DEBT TO EQUITY RATIO

As at 30th June 2002, the Group's loans to equity ratio (bank loans to shareholders' equity ratio) was 27.47 per cent compared with 20.66 per cent on 31st December 2001.

PLEDGED ASSETS

As at 30th June 2002, production plant of approximately RMB13.66 million (31st December 2001: RMB13.66 million) of Shenzhen Maiwei Cable TV Equipment Co. Ltd. ("Maiwei"), a subsidiary of the Group, was pledged as security for a bank loan of RMB4 million (31st December 2001: RMB8.5 million) for Maiwei. As at the same date, production plant of approximately RMB22.71 million of Shenzhen Aero-precision Mold & Plastics Co. ("Aero-Precision"), a subsidiary of the Group, was pledged as security for a bank loan of RMB6 million (31st December 2001: nil) for Aero-Precision.

FOREIGN EXCHANGE RISK

As the majority of the Group's products are sold in the PRC and exports sales are settled in US dollars or Hong Kong dollars, the Group does not have any significant foreign exchange risk.

HOUSING SCHEME FOR THE EMPLOYEES

For the six months ended 30th June 2002, the expenses incurred by the Company related to the housing reserve fund scheme was RMB784,000 (the same period in 2001: RMB775,000).

ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSITS

During the six months ended 30th June 2002, the Company did not have any entrusted deposits or overdue term deposits in any form.

SUBSTANTIAL SHAREHOLDER

As at 30th June 2002, CATIC Shenzhen held 400,000,000 legal person shares, representing 62.31 per cent of the issued share capital of the Company. Save as disclosed herein, the Company was not aware of any shareholders' interests required to be disclosed under the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance").

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares for the six months ended 30th June 2002.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

The Company approved removal of Mr. Zhang Si Yuan from his office as non-executive Director of the Company and elected Mr. Ji Gui Rong as non-executive Director of the Company at the general meeting held on 17th June 2002. Mr. Ji Gui Rong's term of office will expire on 20th June 2003 falling on which the term of the Board of Directors expires, and his remuneration will be determined in compliance with the prevailing standard for the non-executive Director. The Board of Directors is authorized to decide on specific terms of service contract with him. Save as disclosed herein, there is no change for any other Directors, Supervisors and senior management members.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30th June 2002, the interests of Directors in the shares of the Company which are required to be disclosed pursuant to the SDI Ordinance are as follows:

Interests in Fiyta

Name	Position	Personal interests
Li Zhizheng	Chairman	124,416 A Shares

Interests in Tian Ma

Name	Position	Personal interests
Li Zhizheng	Chairman	9,856 A Shares
Wang Liguo	Director	9,856 A Shares
Dong Xuwang	Director	18,480 A Shares

Save as disclosed above, none of the Directors and supervisors had owned any interests which were required to be disclosed under the SDI Ordinance as at 30th June 2002.

CODE OF BEST PRACTICE

To the best knowledge of the Directors, the Company has complied with the Code of Best Practice set out in Appendix 14 of the Listing Rules issued by The Stock Exchange of Hong Kong Limited during the six months ended 30th June 2002.

AUDIT COMMITTEE

Audit Committee has reviewed the Company's Interim Report for the six months ended 30th June 2002.

By order of the Board
Li Zhizheng
Chairman

Shenzhen, PRC, 7th August 2002