

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

1. CHANGES IN SHARE CAPITAL

(I) Changes in the share capital of the Company as at 31 December 2004 were as follows:

Unit: shares

	Before change	Increase/decrease as a result of the change			After change
		Bonus share issue (Note 1)	Foreign shares from overseas offering (Note 2)	Reduction in state-owned shares (Note 3)	
I Shares not in circulation					
1. Promoter shares comprising:					
State-owned shares	386,380,800	77,276,160		(1,384,590)	462,272,370
Domestic legal person shares	29,203,200	5,840,640			35,043,840
Total shares not in circulation	415,584,000	83,116,800		(1,384,590)	497,316,210
II Shares in circulation					
1. Public shares (A shares)	251,712,000	50,342,400			302,054,400
2. Overseas listed foreign shares (H shares)	-	-	160,151,040		160,151,040
Total shares in circulation	251,712,000	50,342,400	160,151,040		462,205,440
III Total	667,296,000	133,459,200	160,151,040	(1,384,590)	959,521,650

Note 1: The Company implemented its 2003 profit distribution plan on 25 May 2004 (2 new bonus shares for every 10 shares and RMB3.00 cash dividend for every 10 shares, based on a total share capital of 667,296,000 shares of the Company as at 31 December 2003).

Note 2: The Company issued 160,151,040 H shares on the overseas market in December 2004 and was listed on the Hong Kong Stock Exchange on 9 December 2004.

Note 3: Pursuant to the relevant laws and regulations, shareholders of state-owned shares of the Company reduced their shareholdings in state-owned shares by a total of 1,384,590 shares at the time of its H share offering, representing approximately 0.9% of the total number of shares under the H share offering.

(II) Issue of new shares by the Company for the past three years ended 31 December 2004:

Issue Year	Class of shares	Date of issue	Issue price	Quantity (no. of shares)	Date of listing	No. of shares approved for listing	Date of ceasing trading
2001	A shares	13/3/2001	RMB32.7	50,000,000	6/4/2001	50,000,000	-
2004	H shares	2/12/2004	HKD22.0	160,151,040	9/12/2004	160,151,040	-

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2. SHAREHOLDERS

(1) Number of shareholders: as at 31 December 2004, the Company had 27,877 shareholders in total (of which 26,172 were holders of A shares and 1,705 were holders of H shares).

(2) Top ten shareholders:

Ranking	Name of shareholder	Number of shares held at the end of the year (shares)	Increase/Decrease in shareholding during the year (shares)	Percentage of total share capital (%)	Number of shares pledged or locked-up	Type of shares
1	Zhongxingxin	423,221,760	+70,536,960	44.1	None	State-owned legal person shares
2	HKSCC Nominees Limited	141,973,126	+141,973,126	14.8	Unknown	Overseas listed foreign shares
3	Fortune Trust & Investment Co., Ltd	21,565,440	+21,565,440	2.2	None	Legal person shares
4	Deutsche Bank Aktiengesellschaft	19,234,362	+12,116,246	2.0	Unknown	Public shares (GFII)
5	Morgan Stanley & Co. International Ltd.	17,682,127	Unknown	1.8	Unknown	Public shares (GFII)
6	Hunan Nantian (Group) Co., Ltd	13,478,400	+2,246,400	1.4	None	Legal person shares
7	Fortis Haitong Profits Securities Investment Fund	10,150,642	Unknown	1.1	Unknown	Public shares
8	Southern Sustaining Growth Fund	8,428,785	+2,622,757	0.9	Unknown	Public shares
9	CITIC Classic Securities Investment Fund	7,359,100	Unknown	0.8	Unknown	Public shares
10	SYWG BNP Paribas Security Investment Fund	6,656,651	Unknown	0.7	Unknown	Public shares

(3) Changes in the top ten shareholders of the Company

(1) The Company implemented its 2003 profit distribution plan on 25 May 2004, pursuant to which 2 bonus shares were issued for every 10 shares based on the total share capital as at 31 December 2003. As a result, the shareholding of the first and the sixth largest shareholders of the Company increased in this period.

(2) The changes in the shareholding of the second largest shareholder of the Company was due to the issue of H shares by the Company.

(3) The original third largest shareholder of the Company, Shenzhen Gaotejia Venture Investment Co., Ltd., has transferred all the shares held by it to Fortune Trust & Investment Co., Limited, and completed the share transfer procedures in March 2004. This change in shareholding was due to both the purchase of the shares and the bonus share issue by the Company.

(4) The changes in the shareholding of the fourth and eighth largest shareholders of the Company, who were shareholders of public shares, were due to both the purchase on the secondary market and the bonus share issue by the Company.

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(5) The fifth, seventh, ninth and tenth largest shareholders were shareholders of public shares who were not the top 100 shareholders of the Company as at 31 December 2003. Hence, the number of shares held by them at the beginning of the year is not known, and the change in the number of shares held by them during the year is not known.

(4) Shareholdings of the top ten shareholders

With respect to the nature of the above shares, both state-owned legal person shares and legal person shares are shares that are not in circulation, while both public shares (A shares) and overseas-listed foreign shares (H shares) are shares that are in circulation.

The largest shareholder of the Company, Zhongxingxin, does not have any connected relationships with other shareholders, and is not a concert party (as defined under the domestic provision of “Measures for the Management of Information Disclosure for Changes in Shareholding of Shareholders of Listed Companies”) of other shareholders. The Company is not aware of any connected relationships among other shareholders or whether they are acting in concert, as defined under the domestic provision of “Measures for the Management of Information Disclosure for Changes in Shareholding of Shareholders of Listed Companies”.

(5) Shareholdings of the top ten shareholders with shares in circulation:

Ranking	Name of shareholder	Number of shares held at the end of the year (shares)	Types of shares
1	HKSCC Nominees Limited	141,973,126	H shares
2	Deutsche Bank Aktiengesellschaft	19,234,362	A shares
3	Morgan Stanley & Co. International Limited	17,682,127	A shares
4	Fortis Haitong Profits Securities Investment Fund	10,150,642	A shares
5	Southern Sustaining Growth Fund	8,428,785	A shares
6	CITIC Classic Securities Investment Fund	7,359,100	A shares
7	SYWG BNP Paribas Securities Investment Fund	6,656,651	A shares
8	Tian Yuan Securities Investment Fund	6,000,000	A shares
9	Shenyin & Wanguo Securities Co., Ltd.	5,941,924	A shares
10	Jiu Jia Securities Investment Fund	5,685,127	A shares

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(6) Connected relationships among the top ten shareholders holding circulating shares

Among the Company's top ten shareholders with shares in circulation, Southern Sustaining Growth Fund and Tian Yuan Securities Investment Fund are managed by the same fund manager, Southern Fund Management Co., Ltd. The Company is not aware of any connected relationships among other shareholders, or whether they are acting in concert, as defined under the domestic provision of "Measures for the Management of Information Disclosure for Changes in Shareholding of Shareholders of Listed Companies".

To the knowledge of the Company, the top ten shareholders of the Company with shares in circulation do not have any connected relationships with shareholders of the Company with shares not in circulation.

(7) Controlling shareholder of the Company

Name of controlling shareholder of the Company: Zhongxingxin

Legal representative: Zhang Taifeng

Date of incorporation: 29 April 1993

Registered capital: RMB10,000,000

Scope of business: production of programmed switchboard cabinets, telephones and related components, and electronic products; import and export operations; treatment of toxic fumes, waste water and noise and related technical services, research and technical development of environmental protection equipment; production of continuous monitoring smoke systems.

(8) The controlling shareholders (or de facto controller) of the Company's controlling shareholder

The controlling shareholder of the Company, Zhongxingxin was jointly formed by Shenzhen Aerospace Guangyu Industrial Group Company ("Aerospace Guangyu"), Xi'an Microelectronics Technology Research Institute ("Xi'an Microelectronics") and Zhongxing WXT, each holding a 17%, 34% and 49% stake in Zhongxingxin respectively. Zhongxingxin currently has 9 directors, of which 2 have been nominated by Aerospace Guangyu, 3 by Xi'an Microelectronics and 4 by Zhongxing WXT, representing 22.22%, 33.33% and 44.45% of the board of directors of Zhongxingxin respectively. Therefore, no

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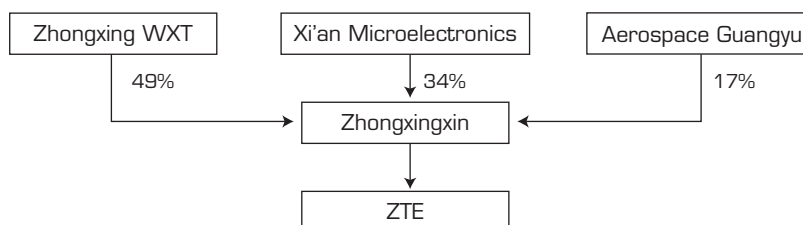
shareholder of Zhongxingxin shall have the right to control the financial and operating decisions of the Company whether in terms of shareholding or corporate governance structure and no party has effective control over the Company. Details of these three shareholders are as follows:

Aerospace Guangyu, a subsidiary of CASIC, is a wholly state-owned enterprise established on 20 March 1984. The legal representative is Xie Weiliang and the registered capital amounts to RMB17,950,000. The scope of business includes aerospace technology products, mechanical products, electrical appliance products, apparatuses and instruments; electronic products, plastic products, chemical products, hoisting and transportation products, hardware and furniture, construction materials, magnetic materials, powder metallurgy, Chinese-manufactured automobiles (except sedans), warehousing.

Xi'an Microelectronics, a subsidiary of China Aerospace Times Electronics Corporation, is a large state-owned research institute, which was established in 1965 with its establishment expenses amounting to RMB198,530,000. The legal representative of the institute is Zhang Junchao. It is the only specialized research institute in China which integrates and complements the research, development and production of semiconductor integrated circuits, mixed integrated circuits and computers.

Zhongxing WXT is a private high technology enterprise incorporated on 23 October 1992. Its legal representative is Hou Weigui and its registered capital amounts to RMB10,000,000. The scope of business includes the development and production of telecommunications and transmission equipment, associated equipment, computer and peripheral equipment.

The following diagram shows the property rights relationship between the above units and the Company



(9) Shareholding of the public shareholders

On the basis of publicly available information known to the Board of Directors, as at 7 April 2005 the Company has sufficient public shareholding, in compliance with the minimum requirement of Hong Kong Stock Exchange Listing Rules.

(10) Changes in other shareholders

One of the original legal person shareholders of the Company, Shenzhen Gaotejia Venture Investment Co., Ltd., transferred all the shares held by it to Fortune Trust & Investment Company, Limited and the share transfer procedure was completed in March 2004. These shares were shares that were not in circulation.

One of the original legal person shareholders of the Company, China Precision Machinery Import & Export Shenzhen Company, transferred all the shares held by it to CASIC Shenzhen (Group) Company, Limited and the share transfer procedure was completed in September 2004. These shares were shares that were not in circulation.