深圳中航實業股份有限公司
CATIC SHENZHEN HOLDINGS LIMITED

INTERIM REPORT 2005

The Board of Directors ("the Board") of CATIC Shenzhen Holdings Limited ("the Company") hereby announces the unaudited interim results of the Company and its subsidiaries (collectively, "the Group") for the six months ended 30th June 2005 prepared in accordance with the International Financial Reporting Standards as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONDENSED)

		Six months ended 30th June	
		2005	**2004**
		(Unaudited)	**(Unaudited)**
	Notes	*RMB'000*	*RMB'000*
Turnover	*2*	952,958	761,382
Cost of sales		(749,329)	(578,001)
Gross profit		203,629	183,381
Operating profit	*3*	11,423	49,135
Share of results of associates		(427)	(288)
Profit before taxation		10,996	48,847
Taxation charge	*4*	(7,047)	(10,206)
Profit after taxation		3,949	38,641
(Loss)/Profit attributable to equity holders of the Company	*2*	(11,818)	24,287
Minority interests		15,767	14,354
		3,949	38,641
(Loss)/Earnings per share	*8*	RMB(1.84) cents	RMB3.78 cents

CONSOLIDATED BALANCE SHEET (CONDENSED)

	Notes	30th June 2005 (Unaudited) RMB'000	31st December 2004 (Audited) RMB'000
Non-current assets	5	1,175,776	1,240,988
Current assets			
Inventories		480,874	501,428
Trade receivable	6	521,517	509,786
Notes receivable		87,134	92,967
Prepayments and other receivables		35,567	45,709
Trading Investments		46,690	93,699
Other current assets		4,141	3,708
Cash and bank balances		371,267	371,961
		1,547,190	1,619,258
Total assets		2,722,966	2,860,246
Equity attributable to equity holders of the Company			
Share capital		642,000	642,000
Share premium		165,198	165,198
Capital reserve		182,235	182,235
Statutory reserve	9	58,355	58,355
Retained earnings		89,056	109,221
		1,136,844	1,157,009
Minority Interests		595,776	589,242
Total equity		1,732,620	1,746,251
Non-current liabilities			
Long-term loans		–	100,000
Deferred tax liabilities		654	654
Deferred income on government grant		6,780	6,780
		7,434	107,434
Current liabilities			
Trade payable	7	286,801	366,168
Short-term borrowings		579,921	485,475
Other current liabilities		116,190	154,918
		982,912	1,006,561
Total liabilities		990,346	1,113,995
Total equity and liabilities		2,722,966	2,860,246
Net current assets		564,278	612,697
Total assets less current liabilities		1,740,054	1,853,685

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONDENSED)

	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserve *RMB'000*	Capital reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance as at 1st January 2005	642,000	165,198	58,355	182,235	109,221	1,157,009
Loss attributable to shareholders for the period covered	–	–	–	–	(11,818)	(11,818)
Dividend	–	–	–	–	(8,346)	(8,346)
Balance as at 30th June 2005	642,000	165,198	58,355	182,235	89,057	1,136,845

CONSOLIDATED CASH FLOW STATEMENT (CONDENSED)

	Six months ended 30th June	
	2005 (Unaudited) *RMB'000*	**2004 (Unaudited)** *RMB'000*
Net cash generated from/(used in) operating activities	102,099	(485)
Net cash used in investing activities	(67,232)	(49,626)
Net cash (used in)/generated from financing activities	(35,561)	75,632
Net (decrease)/increase in cash and cash equivalents	(694)	25,521
Cash and cash equivalents at 1st January	371,961	230,881
Cash and cash equivalents at 30th June	371,267	256,402

Notes:

1. **Basis of preparation**

These consolidated financial statements include the report of interim results of the Company and its subsidiaries for the period ended 30th June 2005, and have been prepared in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board.

2. Segmental information

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

	Turnover		(Loss)/Profit attributable to shareholders	
	2005	**2004**	**2005**	**2004**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LCD	525,048	439,770	18,894	20,970
PCB	201,011	173,872	28,599	21,477
Timepieces	140,566	126,133	2,721	816
Others	86,333	21,607	(2,412)	(2,674)
Unclassified items	–	–	(59,620)	(16,302)
Total	952,958	761,382	(11,818)	24,287

3. Operating profit

The following items have been included in/(deducted from) the operating profit of the Group for the six months ended 30th June:

	2005	**2004**
	RMB'000	*RMB'000*
Other revenue	6,913	4,230
Finance costs	(15,951)	(10,083)
Depreciation on fixed assets in the period	(54,827)	(48,221)

4. Taxation charge

Pursuant to the relevant income tax laws of the PRC, corporations and associated companies established by the Group in the Shenzhen Special Economic Zone are subject to income tax at a rate of 15% while those established in other areas in the PRC are subject to income tax at a rate of 33%. For the six months ended 30th June 2005, the enterprise income tax charge of the Group amounted to approximately RMB7,046,000 (the same period of 2004: RMB10,206,000).

5. Non-current Assets

Within the six-month period ended 30th June 2005, the Group has incurred a capital expenditure of approximately RMB56,320,000 (31st December 2004: RMB191,005,000). The Group did not have any substantial disposal of fixed assets during the period.

6. Trade receivables

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

	30th June 2005 *RMB'000*	31st December 2004 *RMB'000*
Current	370,274	390,036
30-60 days	42,878	46,602
60-90 days	38,562	26,344
Over 90 days	153,405	129,258
Less: provision for impairment losses	(83,602)	(82,454)
	521,517	509,786

7. Trade payables

	30th June 2005 *RMB'000*	31st December 2004 *RMB'000*
Current	85,386	200,845
30-60 days	97,683	62,626
60-90 days	45,644	29,224
Over 90 days	58,088	73,473
	286,801	366,168

8. (Loss)/Earnings per share

Loss per share was computed by dividing the consolidated loss attributable to shareholders of approximately RMB11,818,000 (the same period of 2004: net profit of RMB24,287,000) by the total number of issued shares of 642,000,000 shares of the Company.

9. Statutory reserve movements

The statutory reserve of the Group did not have any changes for the six months ended 30th June 2005.

DIVIDENDS

The Board has decided that no interim dividend will be distributed for the six-month period ended 30th June 2005.

BUSINESS REVIEW

For the six months ended 30th June 2005, the Group's unaudited turnover was approximately RMB952,958,000, an increase of 25.16% compared with RMB761,382,000 over the same period of last year. The gross profit was approximately RMB203,629,000, an increase of 11.04% compared with RMB183,381,000 over the same period of last year. Overall speaking, the Group's business has been in a state of healthy development.

Owing to the depressed market for securities in China, the Group stated a loss of approximately RMB45,380,000 for its strategic holding of the shares of Amoi Electronics Co. Ltd., a company whose shares were listed and traded on the A Shares market of the Shanghai Stock Exchange, at their fair value as at the end of the interim period during the interim period of 2005. As a result, the Group's overall results recorded a loss and the loss attributable to shareholders (after minority interests) was approximately RMB11,818,000, (compared with the profit attributable to shareholders of RMB24,287,000 during the same period of last year). The loss per share was approximately RMB1.84 cents, whereas the earnings per share was RMB3.78 cents during the same period of last year.

For the first half of 2005, the PRC economy continued to grow at an energetic pace. According to the preliminary statistics of the National Bureau of Statistics of the PRC, the rate of economy growth for the first half of the year was 9.5%. The Group also benefited from the positive and growing trend of the PRC's economy.

- During the first half of the year, the Group's LCD business recorded a sales revenue of approximately RMB525,048,000, an increase of 19.39% compared with RMB439,770,000 over the same period of last year. The profit attributable to shareholders was approximately RMB18,894,000, representing a decrease of 9.90% compared with RMB20,970,000 over the same period of last year.

During the first half of the year, the domestic mobile phone manufacturers in China, being the Group's major target customers, was faced with the stern challenges of the penetration into the low-end market by first-rank international brands, and their total market share showed a declining trend. According to the statistics provided by CCID Data, the market share of domestic mobile phone manufacturers decreased from 49% as at December 2004 to 44% as at May 2005. During the period, the Group's LCD business remained largely centralized on the production of mobile phone display modules, which accounted for approximately 49% of the LCD product sales revenue during the period. In response to the above adverse circumstances, the Group instituted a timely adjustment to its product and customer mix by enlarging the production share of its cordless phone products, etc. while stepping up its risk control measures. During the period, the Group's revenue from LCD business kept up a strong momentum of growth, despite a fall in the rate of increase.

During the period, the sales of LCD module products recorded an increase of 21.9% compared with the same period of last year, representing 78.2% of LCD business revenue, in which 42.6% was attributable to the sales of color module LCD products owing to the orders for and sales of color module LCD products continued its trend of quarterly increase. The sales of LCD panels increased 9.6% compared with the same period of last year, representing 21.8% of LCD business revenue. Under the impact of the falling price of LCD products, the gross profit margin of LCD business decreased by approximately 3.24 percentage points from approximately 20.47% of the same period of last year, to approximately 17.23%.

During the first half of 2005, the Group's project titled "Research and Development of Color-STN LCD Module" was named by the Ministry of Science and Technology as a key national project for promotion in the year 2005.

- With regard to PCB business, the Group recorded a sales revenue of approximately RMB201,011,000 in the first half of the year, an increase of 15.61% compared with RMB173,872,000 over the same period of last year. The profit attributable to shareholders was approximately RMB28,599,000, representing an increase of 33.16% compared with RMB21,477,000 over the same period of last year.

Competition intensified as internationally renowned manufacturers expanded their production capacity in China in an effort to capture the opportunities offered by the development of domestic electronics industry. The prices of PCB products fell by 5%-10% compared with the same period of last year. The total amount of investments made in China's communication equipment sector, which is the primary target market of the Group, fell by approximately 12% in the first half of the year according to the statistics of the Ministry of Information Industry, creating considerable pressure on domestic communication equipment manufacturers. Nevertheless, domestic manufacturers have managed to maintain relatively good overall growth in recent years, thanks to their success in internationalization. During the period, the Group further strengthened its close co-operation with key domestic communication equipment manufacturers and the customer relationship with well-established international enterprises, in order to further enhance its customer base. Taking advantage of the enhancement of its technical capabilities in recent years, the Group shifted its focus on high value-added multi-layered PCB by increasing their proportion and share in sales. The share of multi-layered PCB in sales volume increased to 94% during the period (compared with 90% for the same period of last year). In particular, the sales of PCB with 10 layers or more recorded a year-by-year increase of 116%, representing more than 50% of the PCB business revenue. The abovementioned changes pushed up the overall gross profit margin of the PCB business to approximately 26% (compared with 24% for the same period of last year).

In the first half of 2005, the Group successfully obtained TS16949 accreditation for its PCB business, laying the foundation for its venture into the automobile market.

- The sales revenue of the Group's timepiece business in the first half of the year was approximately RMB140,566,000, an increase of 11.44% compared with RMB126,133,000 over the same period of last year. The profit attributable to shareholders was approximately RMB2,721,000, representing an increase of 233.46% compared with RMB816,000 over the same period of last year.

  The domestic timepiece market is dominated by mid-end and high-end Swiss brands, which occupy approximately 80% of the retail market share. The Group continued to enhance the production and sale of its "Fiyta" timepieces and increased its investment in "Harmony" chain stores. During the period, the Group had 38 chain stores of branded timepieces (31st December 2004: 36).

Despite the difficult circumstances, overall the principal businesses of the Group grew soundly during the period with double-digit increase in both turnover and gross profit.

PROSPECTS

The Academy of Macroeconomic Research of the National Development and Reform Commission envisaged in its report that the overall economic development of China would be stable and healthy in the second half of the year, and the GDP would reach a relatively high level of 8.8% despite a slowing pace of economic growth. Nevertheless, the appreciation of Renminbi may bring an element of uncertainty to the Group's business.

The overall performance of LCD business in the year will depend, to a large extent, on the business of domestic mobile phone manufacturers. The Group will further increase its efforts to adjust its customer and product mix, with particular focus in attracting key qualified customers during the second half of the year. Also, the Group will concentrate on enhancing its capabilities in product research and development, quality control and cost control, in order to shorten its delivery cycle, better satisfy customers' needs and ensure business growth.

The PCB business is expected to maintain its positive growing trend. The prospects for domestic 3G business has become increasingly clear. Quality domestic communication equipment suppliers were making strides in overseas market penetration, and they may become mainstream equipment suppliers on a global scale. These developments present new growth opportunities for the Group's PCB business, and the Group plans to commence a project in the second half of the year to enhance the production capacity and technological level of its PCB business.

Facing various challenges, the Group remains cautiously optimistic about the prospect of business development in the next half year.

LIQUIDITY AND FUNDING RESOURCES

As at 30th June 2005, the Group had cash and bank deposits totaling approximately RMB371,267,000. The Group's bank loans, totaling approximately RMB579,921,000, were all short-term loans with annual floating interest rates ranging from 1.70% to 6.64%.

LOAN-TO-EQUITY RATIO

As at 30th June 2005, the Group's loan-to-equity ratio (bank loans to shareholders' equity ratio) was 51.01% (compared with 50.60% on 31st December 2004).

PLEDGED ASSETS

As at 30th June 2005, the production plant located in the Hi-tech Industrial Area in Shenzhen with a net book value of approximately RMB3,034,000 (31st December 2004: RMB3,197,000) of Shenzhen Maiwei Cable TV Equipment Co. Ltd. ("Maiwei"), a subsidiary of the Company, was pledged for a short-term bank loan of RMB3,000,000 (31st December 2004: RMB5,000,000) made available to Maiwei. Shenzhen Aero-Precision Mold & Plastic Co., Ltd., another subsidiary of the Company, pledged its factory building located in Majialong Industrial Zone (馬家龍工業區), Nanshan District, Shenzhen with a net book value of approximately RMB12,856,000 (31st December 2004: RMB13,259,000) for a short-term bank loan of RMB9,000,000 (31st December 2004: RMB9,000,000). Shenzhen Tian Ma Microelectronics Co., Ltd. ("Tian Ma"), a subsidiary of the Company, pledged its factory building located in Longgang Industrial Zone (龍崗工業區) in Shenzhen with a net book value of approximately RMB182,500,000 (31st December 2004: RMB185,120,000), for a short-term bank loan of RMB35,000,000 (31st December 2004: RMB35,000,000) made available to Tian Ma.

ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSIT

During the six months ended 30th June 2005, the Company did not have any entrusted deposit and overdue term deposit in any form.

MANAGEMENT CONTRACT

During the six months ended 30th June 2005, the Group did not enter into any contract or 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

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 2005.

SUBSTANTIAL SHAREHOLDER

As at 30th June 2005, 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 of the Company 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 ("SFO") 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 share capital
Substantial Shareholder				
CATIC Shenzhen Company	Beneficial owner	400,000,000 domestic legal person shares	100%	62.31%
Other Shareholders				
Li Ka-Shing	Interest of controlled corporations and founder of discretionary trusts	15,156,000 H shares *(Note)*	6.26%	2.36%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	15,156,000 H shares *(Note)*	6.26%	2.36%
Li Ka-Shing Unity Trustee Corporation Limited	Trustee and beneficiary of a trust	15,156,000 H shares *(Note)*	6.26%	2.36%
Li Ka-Shing Unity Trustcorp Limited	Trustee and beneficiary of a trust	15,156,000 H shares *(Note)*	6.26%	2.36%
Li Ka-Shing Unity Trustee Company Limited	Trustee	15,156,000 H shares *(Note)*	6.26%	2.36%

Note: The above five references to 15,156,000 H shares in the Company comprise:

(1) The 7,578,000 H shares held by Empire Grand Limited ("Empire Grand"), 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

(2) The 7,578,000 H shares 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 SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, 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.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30th June 2005, 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 SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or supervisors or chief executives were taken or deemed to have under such provisions of the SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Xu Ye Chun, executive director of the Company, passed away on 7th July 2005. Pursuant to the Articles of Association of the Company, at the 2005 Interim Board Meeting of the Company convened on 9th August 2005, the Board appointed Mr. Wang Bao Ying (王寶瑛) as the executive director of the Company until the conclusion of the 2005 annual general meeting to be held in 2006.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30th June 2005 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 30th June 2005 or at any time during the period.

EMPLOYEES AND SALARIES

As at 30th June 2005, the Group had a total of approximately 6,839 employees (30th June 2004: 5,941 employees). The total remuneration of employees was approximately RMB87,161,000 (the same period of 2004: RMB69,552,000), and the staff welfare costs were approximately RMB23,463,000 (the same period of 2004: RMB17,736,000). The additional staff members were mainly employed to meet the business development demands of the Group. The Group formulated its competitive remuneration policy with reference to market conditions and the performance of individual staff members.

HOUSING SCHEME FOR THE EMPLOYEES

For the six months ended 30th June 2005, the expenses incurred by the Company in connection with the housing fund scheme was approximately RMB331,000 (the same period of 2004: RMB788,000). Employees are also entitled to housing allowances which are paid in cash.

EXCHANGE RISK AND IMPACT OF THE REVALUATION OF RENMINBI

The People's Bank of China announced on 21st July 2005 that the exchange rate of the US dollar against the RMB would be adjusted to RMB8.11 per US dollar and that Renminbi's peg to the US dollar would be replaced with a more elastic exchange rate regime. In this regard, the Group had adopted various measures, such as only retaining required deposits in foreign currencies, and balancing the proportion of liabilities in foreign currencies, so that no direct exchange asset loss was incurred. Nevertheless, the trend of Renminbi exchange rate would produce an uncertainty effect on the Group's business. Currently, overseas business accounted for approximately 30% of the Group's business. Any further appreciation of Renminbi may have a negative impact on the price competitiveness of the Group's products.

The Group will continue to keep alert for any sign of further change in Renminbi exchange rate, and will proactively take measures to safeguard against any associated risks and minimize any adverse effect.

CONTINGENT LIABILITIES

On 8th May 2005, the Company provided a one-year guarantee for a credit facility of US$15,000,000 granted to Tian Ma, a subsidiary owned as to 59.85% by the Company. On 14th September 2004, the Company provided a one-year guarantee for a credit facility of RMB50,000,000 granted to Shenzhen Fiyta Holdings Ltd., a subsidiary owned as to 52.24% by the Company. On 27th April 2005, the Company provided a one-year guarantee for a credit facility of RMB5,000,000 granted to Maiwei, a subsidiary owned as to 60% by the Company.

OTHER MATERIAL MATTERS

Acquisition of 12.06% of Legal Person Shares in Shenzhen Nan-guang

On 20th January 2005, the Company entered into share transfer agreements respectively with each of China New Era Group Corporation ("New Era"), Huangshi Economic and Co-operation Company, Agricultural Construction Division 10 of Xinjiang Production and Construction Group and Beijing Exhibition Centre to acquire 12.06% of the non-circulating legal person shares of Shenzhen Nan-guang (Group) PLC ("Shenzhen Nan-guang") held by the said companies at a total consideration of RMB47,050,080. On 25th June 2005, New Era obtained the approval of the State-owned Assets Supervision and Administration Commission of the State Council for transferring to the Company its 10.26% shares in Shenzhen Nan-guang. The share transfer by the other three companies are pending the approvals of the relevant asset management authorities.

Formation of Joint Venture Company CAERO

On 24th September 2004, the Company entered into a joint venture agreement with K-Bridge Electronics Co., Ltd. and Shenzhen CATIC Commerce & Trading Corporation to establish a Sino-foreign equity joint venture Company, namely Shenzhen CAERO Inc. As of 30th June 2005, the relevant registration procedures were substantially completed.

COMPLIANCE WITH MODEL CODE

The Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules has been adopted as a code of securities transactions for directors and supervisors of the Company. The Company, having made specific enquiries to its directors and supervisors, confirms that, throughout the reporting period, all directors and supervisors met the criteria laid down in the said code for securities transactions by directors.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited, throughout this interim period, except that: (1) the roles of chairman and chief executive officer (i.e. the post of general manager) have been performed by the same individual; and (2) the Company has established a remuneration committee only after the Interim Board Meeting on 9th August 2005. In the opinion of the directors, as the Company is a holding company with all substantial operational and managerial work performed by its subsidiaries, the division of responsibilities between the chairman and chief executive officer is not necessary.

AUDIT COMMITTEE

The Board has formed an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The audit committee has reviewed the Company's interim results report for the six months ended 30th June 2005. The audit committee of the Company currently comprises Mr. Poon Chiu Kwok, Mr. Eugene Liu and Mr. Liu Xian Fa, all being independent non-executive directors of the Company.

REMUNERATION COMMITTEE

The Board has established a remuneration committee. The remuneration committee, currently comprising executive directors Mr. Wu Guang Quan and Mr. Sui Yong, and independent non-executive directors Mr. Poon Chiu Kwok, Mr. Eugene Liu and Mr. Liu Xian Fa, is responsible for advising the Board on the remuneration policy and framework of the Company's Directors and senior management member(s), as well as review and determine the remuneration of all executive directors and senior management member(s) with reference to the Company's objectives from time to time.

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 latest practicable date prior to the date of this interim report.

As at the date of this announcement, the Company has 13 directors, namely Mr. Wu Guang Quan, Mr. Sui Yong, Mr. Yan Hai Zhong, Mr. Lai Wei Xuan, Mr. Liu Rui Lin, Mr. You Lei, Mr. Xu Dong Sheng and Mr. Wang Bao Ying as executive directors, Mr. Wang Bin Bin and Mr. Li Cheng Ning as non-executive directors, and Mr. Poon Chiu Kwok, Mr. Eugene Liu and Mr. Liu Xian Fa as independent non-executive directors.

By order of the Board
Wu Guang Quan
Chairman

Shenzhen, PRC, 9th August 2005