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(I) Corporate Governance

The Company's corporate governance is currently in compliance with the requirements of the China Securities Regulatory Commission.

For information relating to the compliance with provisions of the Code of Corporate Governance Practices set out as Appendix 14 to the Hong Kong Stock Exchange Listing Rules, please refer to pages 26 to 27 of this report.

(II) Implementation of the 2004 profit distribution plan of the Company

The 2004 profit distribution plan of the Company (a cash dividend payment of RMB2.5 (inclusive of tax) for every 10 shares based on the Company's total share capital of 959,521,650 shares as at 31 December 2004) was considered and approved at the 2004 annual general meeting held on 31 May 2005. Implementation of the plan was completed with the record date set on 7 July 2005 and the ex-dividend date on 8 July 2005. An announcement containing details of dividend payments for 2004 in respect of the Company's A shares and H shares was published in the China Securities Journal, Securities Times, Shanghai Securities News, South China Morning Post and Hong Kong Economic Times on 4 July 2005.

(III) Profit distribution proposal and proposal for capital increase by way of transfer from reserves for the six months ended 30 June 2005

The Company does not propose any profit distribution or capital increase by way of transfer from reserves.

(IV) The Group was not subject to any material litigation or arbitration commencing or subsisting during the Reporting Period.

(V) The Group was not engaged in any merger and acquisition or asset restructuring during the Reporting Period.

(VI) The Group's significant connected transactions under domestic laws and regulations

1. Significant connected transactions of the Group during the Reporting Period:
The Company did not make any purchase from any connected party with an amount exceeding 5% of the latest audited net asset value during the Reporting Period. For details of connected transactions please refer to Note 6 to the financial statements prepared in accordance with PRC GAAP.
2. The Company did not enter into any connected transaction relating to any material acquisition or disposal of assets during the Reporting Period.
3. The debtors and creditors between the Company and connected parties during the Reporting Period represented balances arising from ordinary business transactions that did not have any material impact on the Company. There were no connected guarantees between the Company and its connected parties during the Reporting Period.
4. There was no misappropriation of the Company's funds by its controlling shareholder or its subsidiaries during the Reporting Period, nor was there any connected transaction involving the provision of funds to any connected parties by the Company or vice versa.
5. Connected transactions relating to the sales and purchase of commodities and the provision of services during the Reporting Period

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| Classification | Connected party | Subject matter | Transaction amount (in RMB10,000) (exclusive of VAT) | As a percentage of transactions in the same classification | Settlement | Difference from estimate |
|---------------------------|--|--|--|--|--------------------------|---------------------------------------|
| Purchase of raw materials | Zhongxingxin (including its subsidiaries Shenzhen Zhongxing Xindi Telecommunications Equipment Company, Limited and Shenzhen Zhongxing Xinyu FPC Company, Limited) | Telecommunications products such as cabinets and boxes, distribution frames, soft circuit boards and other raw materials | 19,557.4 | 2.94% | Banker's acceptance bill | Nil |
| | Xi'an Microelectronics | Circuit protectors and other electronic products | 349.2 | 0.05% | Banker's acceptance bill | Nil |
| | Chung Hing (Hong Kong) Development Limited | Printers and other electronic products | 536.4 | 0.08% | Banker's acceptance bill | Exceeded by RMB4,564,000 ¹ |
| | Shenzhen Zhongxing Xinyu FPC Company, Limited | Soft circuit boards and other products | 367.3 | 0.06% | Banker's acceptance bill | Nil |
| | Zhongxing WXT | IC, connector assemblies, optical devices, modules and other ancillary equipment | 7,666.1 | 1.15% | Banker's acceptance bill | Nil |
| Sales of products | Xi'an Microelectronics | Handsets and other products | 525.3 | 0.05% | Banker's acceptance bill | Nil |
| | Zhongxing WXT | Electronic components and other products | 263.4 | 0.03% | Banker's acceptance bill | Nil |

Note 1: The excess was mainly attributable to the rapid expansion of the Group's overseas business resulting in an increase of the transaction amount relating to the Group's purchase of certain electronic equipment from Chung Hing (Hong Kong) Development Limited, a connected party. However, the gross amount of connected transactions in the Group's purchases did not exceed the original estimates.

Pricing basis: The transactions were conducted on normal commercial terms, which were fair and reasonable, and their prices were basically consistent with commercial terms determined by other independent third parties.

The impact of connected transactions on the Group's profit: The aforesaid connected transactions did not have any material impact on the Group's profit.

(VII) Material contracts of the Group

- There was no material trust, contract management or lease of assets of other companies by the Group or of the Group's assets by other companies commencing or subsisting during the Reporting Period.
- External guarantees:*
As at the end of the Reporting Period, the Company had not granted any new external guarantees.

The Company's liability for a guarantee provided in respect of a RMB4.00 million loan extended to Chengdu Information Port Company Limited ("Chengdu Information Port") was due in January 2005. As Chengdu Information Port was not able to repay the loan in full in a timely manner, the Company was obliged to make a repayment of RMB3.50 million on behalf of Chengdu Information Port. As Juyou Network Industrial Group Limited ("Juyou

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Network”) had provided a counter-guarantee in respect of the said guarantee, the Company reached a repayment agreement with Juyou Network. (Please refer to the 2004 annual report of the Group for details of the guarantee).

As at the end of the Reporting Period, Juyou Network had been unable to meet its obligations to execute monthly repayment in a timely manner due to cashflow problems. As at the end of the Reporting Period, an amount of RMB1.10 million had been repaid, leaving an outstanding amount of RMB2.40 million. The Company is currently trying to resolve the issue with Juyou Network.

3. *Specific Explanation and Independent Opinion Furnished by the Independent Directors on Transaction Amounts Between the Company and Its Connected Parties and the Company’s External Guarantees:*

1. Transaction amounts between the Company and its controlling shareholder and other connected parties were incurred in the course of normal sales and purchases of goods, which were based on fair market prices without acting adversely to the interests of the Company. There was no misappropriation of the Company’s funds by the Company’s controlling shareholder and its subsidiaries and other related parties.
2. The Company exercised strict control over its external guarantees in accordance with the Articles of Association. The Company did not enter into any new external guarantees during the first six months of 2005. The Company did not provide any guarantees in favour of the controlling shareholder and other connected parties in which the Company was interested in not more than 50%, non-corporate entities or individuals. The total amount of the Company’s external guarantees did not exceed 50% of the net assets shown in the consolidated accounting statements for the most recent accounting year. The Company did not enter into any illicit guarantees or connected-party guarantees.
3. After diligent study of the “Notice Regarding Certain Issues on Regulating Transaction Amounts Between Listed Companies and Connected Parties and External Guarantees Provided by Listed Companies,” the Independent Directors of the Company are of the opinion that the Company has diligently implemented relevant provisions of the Notice without any violations thereof.

Independent Directors: Zhu Wuxiang, Chen Shaohua, Qiao Wenjun, Mi Zhengkun and Li Jin

4. There was no entrusted management of the Group’s cash assets of a material scale commencing or subsisting during the Reporting Period.

(VIII) Commitments

During the Reporting Period, neither the Company nor any of its shareholders having an interest of 5% or above in the Company provided any undertakings, nor was there any undertaking subsisting during the reporting period.

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(IX) Index of Information Disclosure*

| Date | Newspaper | Page/Section | Subject of announcement |
|-----------------|--|---------------------------------------|--|
| 7 January 2005 | China Securities Journal Shanghai Securities News Securities Times | P. 20 Section C P. 9 | End of the H share stabilizing period and stabilizing actions |
| 14 January 2005 | China Securities Journal Shanghai Securities News Securities Times | P. 13 P. A12 P. 5 | Contract sales amount for 2004 |
| 26 January 2005 | China Securities Journal Shanghai Securities News Securities Times | P. 21 Section C P. 5 | 2004 profit estimate |
| 21 March 2005 | China Securities Journal Shanghai Securities News Securities Times | P. C01 P. 9 P. 4 | Change of the Company's principal place of business in Hong Kong |
| 30 March 2005 | China Securities Journal Shanghai Securities News Securities Times | P. C04 P. C80 P. 24 | Nomination of candidates for Independent Directors |
| 30 March 2005 | China Securities Journal Shanghai Securities News Securities Times | P. C04 P. C08 P. 24 | Nomination of candidates for Supervisors |
| 11 April 2005 | China Securities Journal Shanghai Securities News Securities Times | P. C11-C12 P. 15 P. 24 | Notice of the 2004 annual general meeting |
| 11 April 2005 | China Securities Journal Shanghai Securities News Securities Times | P. C12 P. 15 P. 24 | Resolutions of the 6th meeting of the 3rd session of the Supervisory Committee |
| 11 April 2005 | China Securities Journal Shanghai Securities News Securities Times | P. C09-C10 P. 13, P.14 P. 21-23 | 2004 annual report summary and results announcement |
| 11 April 2005 | China Securities Journal Shanghai Securities News Securities Times | P. C11 P. 14 P. 21 | Resolutions of the 12th meeting of the 3rd session of the Board of Directors |
| 11 April 2005 | China Securities Journal Shanghai Securities News Securities Times | P. C11 P. 14 P. 23 | Ongoing connected transactions |
| 15 April 2005 | China Securities Journal Shanghai Securities News Securities Times | P. C44 Section C P. 8 | Clarification announcement |
| 15 April 2005 | China Securities Journal Shanghai Securities News Securities Times | P. C44 Section C P. 8 | Notice of board meeting |
| 26 April 2005 | China Securities Journal Shanghai Securities News Securities Times | P. C68 P. C40 P. 30 | First quarterly report 2005 |
| 1 June 2005 | China Securities Journal Shanghai Securities News Securities Times | P. A13 P. C9 P. 25 | Resolutions of the 2004 annual general meeting |
| 4 June 2005 | China Securities Journal Shanghai Securities News Securities Times | P. C01 P. 28 P. A13 | Clarification announcement on reasons of increase in H share trading volume |
| 4 July 2005 | China Securities Journal Shanghai Securities News Securities Times | P. B05 P. 21 P. 3 | Dividend payment for 2004 |

Note: The above table includes information disclosure in China only.