SHENZHEN HIGH-TECH HOLDINGS LIMITED

深圳科技控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 106)

INTERIM RESULT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

INTERIM RESULT

The board of directors (the "Board") of Shenzhen High-Tech Holdings Limited (the "Company") would like to present the unaudited consolidated result of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2005 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30th June, (Unaudited)	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
Turnover		**121,224**	157,462
Cost of sales and services		**(95,695)**	(124,474)
Gross Profit		**25,529**	32,988
Other operating income		**1,057**	1,740
Selling and distribution costs		**(16,643)**	(16,198)
Administrative expenses		**(22,189)**	(35,446)
Other operating expenses		**–**	(20,409)
Loss from operations	4	**(12,246)**	(37,325)
Finance costs		**(19)**	(998)
Share of results of associates		**(348)**	4,269
Share of results of jointly controlled entities		**(2,435)**	(1,412)
Gain on disposal of subsidiaries		**–**	50,739
(Loss) profit before taxation		**(15,048)**	15,273
Taxation	5	**(164)**	(406)
(Loss) profit for the period		**(15,212)**	14,867
Attributable to:			
Equity holders of the Company		**(15,095)**	14,970
Minority interests		**(117)**	(103)
		(15,212)	14,867
(Loss) earnings per share – Basic	6	**(HK0.11 cent)**	HK0.11 cent

CONDENSED CONSOLIDATED BALANCE SHEET

		30th June, 2005 (Unaudited)	31st December, 2004 (Audited and restated)
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Investment properties	7	**115,000**	115,000
Property, plant and equipment	8	**33,519**	36,283
Interests in associates	9	**144,769**	134,946
Interests in jointly controlled entities		**20,745**	23,180
Investments in securities	10	**4,717**	–
Prepaid lease payments		**4,050**	4,100
Deferred tax assets		**6,742**	6,742
		329,542	320,251
Current assets			
Properties held for sale		**299,202**	300,632
Inventories		**187,008**	154,168
Loan to a jointly controlled entity		**15,107**	14,739
Trade receivables	11	**45,975**	55,832
Other receivables, deposits and prepayments		**52,609**	50,631
Prepaid lease payments		**100**	100
Investments held for trading		**319**	980
Bank balances, deposits and cash		**56,036**	123,137
		656,356	700,219
Current liabilities			
Trade payables	12	**99,924**	101,728
Other payables and accrued charges		**115,392**	84,554
Bank loan – unsecured	13	**–**	47,170
Taxation payable		**3,109**	4,315
		218,425	237,767
Net current assets		**437,931**	462,452
Total assets less current liabilities		**767,473**	782,703
Capital and reserves			
Share capital		**143,533**	143,533
Reserves		**623,933**	639,046
Equity attributable to equity holders of the Company		**767,466**	782,579
Minority interests		**7**	124
Total equity		**767,473**	782,703

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Independent Review

The interim results for the six months ended 30th June, 2005 are unaudited, but have been reviewed in accordance with the Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by Deloitte Touche Tohmatsu, whose independent review report is included in the interim report.

1. **Basis of preparation**

   The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

2. **Principal accounting policies**

   The condensed financial statements have been prepared under the historical cost convention, as modified for certain investment properties and investments in securities, which are measured at fair values.

   The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31st December, 2004 except as described below:

   In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS"s), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas:

   Share-based payment

   In the current period, the Group has applied HKFRS 2 "Shared-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised.

   The Group has applied HKFRS 2 to share options granted on or after 1st January, 2005. In relation to share options granted before 1st January, 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 and share options that were granted after 7th November, 2002 and had vested before 1st January, 2005 in accordance with the relevant transitional provisions. The Group had no share options granted after 7th November, 2002 and had not yet vested on 1st January, 2005, and accordingly, no retrospective restatement is required.

   Owner-occupied leasehold interest in land

   In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In addition, the leasehold land in the property under development were measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

   Investment properties

   In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in investment property revaluation reserve at 1st January, 2005 of HK$60,000 has been transferred to the Group's accumulated losses.

   Deferred taxes related to investment properties

   In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. These changes have no material impact on the Group.

   Financial instruments

   In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39 is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

   Classification and measurement of financial assets and financial liabilities

   The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

   Debt or equity securities previously accounted for under the alternative treatment of Statement of Standards Accounting Practice ("SSAP") 24 "Accounting for Investments in Securities".

   By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of SSAP 24. Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" (if any) or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, the Group's financial assets are classified as "financial assets at fair value through profit or loss", or "held-to-maturity financial assets". "Financial assets at fair value through profit and loss" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Held-to-maturity financial assets" are measured at amortised cost using the effective interest method. These changes have no material impact on the Group.

   Summary of the effects of the changes in accounting policies

   The cumulative effects of the application of the new HKFRSs as at 31st December, 2004 and 1st January, 2005 are summarised below:

   Balance sheet items

	31.12.2004 ***HK$'000*** **(originally stated)**	**Adjustment** ***HK$'000***	**31.12.2004** ***HK$'000*** **(restated)**	**Adjustment** ***HK$'000***	**1.1.2005** ***HK$'000*** **(restated)**
Property under development	4,200	(4,200)	–	–	–
Prepaid lease payments	–	4,200	4,200	–	4,200
Total effect on assets	4,200	–	4,200	–	4,200
Accumulated losses	(306,845)	–	(306,845)	60	(306,785)
Investment property revaluation reserve	60	–	60	(60)	–
Minority interests	–	124	124	–	124
Total effects on equity	(306,785)	124	(306,661)	–	(306,661)
Minority interests	124	(124)	–	–	–

   The effects of the application of the new HKFRSs to the Group's income statement for the current and prior period is insignificant.

At the date of authorisation of these condensed financial statements, the following new and revised HKASs, HKFRSs and Interpretations issued by HKICPA were in issue but not yet effective:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS – Int 4	Determining whether an Arrangement contains a Lease
HKFRS – Int 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The directors anticipate that the adoption of these new HKASs, HKFRSs and Interpretations in future periods will have no material impact on the financial statements of the Group.

3. Segment information

Business segments

For management purpose, the Group is currently organised into three main operating divisions as follows:

- High-tech computers and servers manufacturing and related business
- Property investment, development and trading
- Securities investment
- Ophthalmology treatments (discontinued on 28th December, 2004)

For the six months ended 30th June, (Unaudited)

	High-tech computers and servers manufacturing and related business		Property investment, development and trading		Securities Investment		Ophthalmology treatments		Others		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER:														
External sales	**114,399**	131,377	**6,457**	10,585	–	12,197	–	3,074	**368**	229	–	–	**121,224**	157,462
Inter-segment sales	–	–	–	388	–	–	–	–	–	–	–	(388)	–	–
Total	**114,399**	131,377	**6,457**	10,973	–	12,197	–	3,074	**368**	229	–	(388)	**121,224**	157,462
SEGMENT RESULTS	**(2,926)**	(6,354)	**2,276**	5,266	**(661)**	(653)	–	(703)	**347**	(20,180)	–	(388)	**(964)**	(23,012)
Unallocated other operating income													**640**	598
Unallocated corporate expenses													**(11,922)**	(14,911)
Loss from operations													**(12,246)**	(37,325)
Finance costs													**(19)**	(998)
Share of results of associates	**(1,824)**	(34)	**(1,963)**	649	–	–	–	–	**3,439**	3,654	–	–	**(348)**	4,269
Share of results of jointly controlled entities	**(2,435)**	(1,412)	–	–	–	–	–	–	–	–	–	–	**(2,435)**	(1,412)
Gain from disposal of subsidiaries	–	–	–	50,739	–	–	–	–	–	–	–	–	–	50,739
(Loss) profit before taxation													**(15,048)**	15,273
Taxation													**(164)**	(406)
(Loss) profit for the period													**(15,212)**	14,867

4. Loss from operations

	For the six months ended 30th June, (Unaudited) **2005** ***HK$'000***	2004 *HK$'000*
Loss from operations has been arrived at after charging:		
Amortisation of goodwill included in other operating expenses	**–**	20,409
Allowance for bad and doubtful debts	**776**	–
Allowance for inventories	**1,636**	–
Depreciation of property, plant and equipment	**2,361**	3,505
Amortisation of prepaid lease payments	**50**	–
Net unrealised holding losses on investments held for trading	**661**	1,147
and after crediting:		
Gross rental income	**6,457**	8,825
Less: Outgoings	**(1,187)**	(2,028)
Net rental income	**5,270**	6,797
Bank interest income	**640**	602
Loan interest income	**368**	229

5. Taxation

	For the six months ended 30th June, (Unaudited) **2005** ***HK$'000***	2004 *HK$'000*
The taxation charge comprises:		
The Company and subsidiaries:		
People's Republic of China (the "PRC") Enterprise Income Tax		
– Current period	**164**	50
– Underprovision in prior period	**–**	356
Total taxation charge	**164**	406

No provision for Hong Kong Profits Tax has been provided as the Group has no assessable profit arising in Hong Kong for the periods. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

No deferred tax asset has been recognised relating to tax losses and other deductible temporary differences of some subsidiaries as the recoverability of these potential deferred tax assets is uncertain.

6. (Loss) earnings per share

The calculation of the basic (loss) earnings per share for the periods is based on the loss attributable to shareholders of the Company for the period of approximately HK$15,095,000 (1.1.2004 to 30.6.2004: profit of HK$14,970,000) and on the number of 14,353,310,755 (1.1.2004 to 30.6.2004: weighted average number of 13,538,453,612) shares in issue during the period.

The computation of the diluted loss per share for the six months ended 30th June, 2005 did not assume the exercise of the outstanding share options as its exercise would result in a decrease in the loss per share for that period.

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for the six months ended 30th June, 2004.

7. Investment properties

The investment properties were fair-valued by the directors at 30th June, 2005

8. Property, plant and equipment

During the period, the Group spent approximately HK$1,989,000 (1.1.2004 to 30.6.2004: HK$5,799,000) on acquisitions of property, plant and equipment.

The Group disposed of property, plant and equipment with carrying value of HK$2,392,000 at a consideration of HK$338,000.

9. Interests in Associates

	30th June, 2005 (Unaudited) ***HK$'000***	31st December, 2004 (Audited) *HK$'000*
Share of net assets	**111,174**	111,522
Amounts due from associates	**89,640**	79,469
	200,814	190,991
Less: Allowances for amounts due from associates	**(56,045)**	(56,045)
	144,769	134,946

10. Investments in securities

During the period, the Group has acquired held-to-maturity securities of RMB5,000,000 (approximately HK$4,717,000). The securities earn an interest at the prevailing market rate and will be mature on 23rd March, 2010.

11. Trade receivables

A defined credit policy is maintained within the Group. The general credit terms range from one to three months, except for certain well-established customers, where the terms are further extended to a maximum of one year. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.

An aged analysis of the trade receivables at the balance sheet date, based on invoice date, net of allowances, is as follows:

	30th June, 2005 (Unaudited) ***HK$'000***	31st December, 2004 (Audited) *HK$'000*
Within 30 days	**4,986**	21,111
31 to 90 days	**7,109**	11,750
91 to 180 days	**11,351**	2,363
181 to 365 days	**18,878**	17,072
Over 365 days	**3,651**	3,536
	45,975	55,832

12. Trade payables

An aged analysis of the trade payables at the balance sheet date, based on the invoice date, is as follows:

	30th June, 2005 (Unaudited) ***HK$'000***	31st December, 2004 (Audited) *HK$'000*
Within 30 days	**27,342**	82,850
31 to 90 days	**34,368**	8,228
91 to 180 days	**32,363**	8,164
181 to 365 days	**4,864**	313
Over 365 days	**987**	2,173
	99,924	101,728

13. Bank loan-unsecured

In 2004, the Group obtained a new bank loan amounting to RMB50,000,000 (approximately HK$47,170,000). The loan bore interest at 5.5755% and was fully repaid on 13th January, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT

Turnover of the Group for the six months ended 30th June, 2005 amounted to HK$121,224,000, representing a decrease of 23% compared to HK$157,462,000 recorded in the corresponding period in 2004. During the period under review, the Group's loss from operations and net loss attributable to shareholders were HK$12,246,000 and HK$15,095,000 respectively (corresponding period in 2004: loss from operations of HK$37,325,000 and profit attributable to shareholders of HK$14,970,000 (the amount has included expense on amortisation of goodwill of HK$20,409,000 and the gain from the disposal of subsidiaries of HK$50,739,000)). Barring the effect from the expense on amortisation of goodwill and gain from the disposal of subsidiaries, the loss attributable to shareholders for the first half of 2005 will decrease by HK$265,000 when compared with the corresponding period of 2004. The overall gross profit margin for the first half of 2005 was 21.1%, which is comparable to the corresponding period of the previous year.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group managed to maintain its liquidity at a healthy level, with the Group's cash and bank deposits totaled approximately HK$56,036,000 as at 30th June, 2005 (31st December, 2004: approximately HK$123,137,000). The Group endeavoured to ensure the liquidity of the working capital by observing strict credit control over receivables. As at 30th June, 2005, the total balance of account receivables was approximately HK$45,975,000 (31st December, 2004: approximately HK$55,832,000) and the current ratio was 3.00 while that of year end 2004 was 2.94. As at 30th June, 2005, the Company did not raise any bank loan (31st December, 2004: approximately HK$47,170,000). As at 30th June, 2005, the Group's gearing ratio (on the basis of total borrowings divided by shareholders' equity) was maintained at a level of zero (31st December, 2004: 0.06).

Pledge of Assets

As at 30th June, 2005, the Group had no pledge of assets and bank deposits in order to obtain banking facilities or short term bank borrowings.

Employees' Remuneration and Benefits

The Group had about 700 employees, including managerial, executive and technical staff and production labours as at 30th June, 2005 (31st December, 2004: about 700). The remuneration, promotion and the magnitude of remuneration adjustment are based on their job duties, performance and professional experience. All staff and executive directors in Hong Kong have participated in the mandatory provident fund scheme. Other employees' benefits include the granting of share options by the Board of the Group.

Foreign Exchange and Currency Risk

All income and funds applied to the purchase of raw materials, spare parts and equipment and the payments of salaries were settled in Hong Kong dollar and Renminbi; therefore, it was not necessary to use any financial instrument for hedging purposes, and the Group's exposure to the fluctuation of exchange rates was minimal. During the period under review, the Group has not engaged in any hedging activity. As at 30th June, 2005, cash in hand and bank balances of the Group were mainly denominated in Hong Kong dollar, US dollar and Renminbi.

Substantial Acquisition and Disposal

During the period under review, the Group has not involved in any substantial acquisition or disposal.

Contingent Liabilities

As at 30th June, 2005, the Company provided a guarantee to a bank in the PRC to secure a loan facility of RMB8,000,000 (equivalent to approximately HK$7,547,000) granted by the bank to a jointly controlled entity of the Group (31st December, 2004: RMB8,000,000 (equivalent to approximately HK$7,547,000). As at 30th June, 2005, the said loan facility has been fully utilised. Save as disclosed above, the Group had no other material contingent liability at the balance sheet date.

BUSINESS REVIEW

Property Business

In February 2005, Beijing implemented an online sales system in an effort to strengthen the management of property sale activities. Meanwhile, the PRC government also reinforced the control over are high-end properties by introducing more restrictions on bank loans for high-end properties and increasing business tax on second hand transfers of high-end properties, which had ceratin impacts on the sales of properties. Under these unfavourable conditions, the Company has taken active measures to market its properties by requesting sales agents to streamline sales management and staff, strengthen training on salespersons, improve sales channels and expand customer bases, so as to lay a solid foundation for the sales activities in the second half of the year. In the first half of 2005, the Company did not sell any property held for sale.

The Group's Dawning Tower in Shenzhen achieved an occupation rate of nearly 100% in terms of its rentable areas, generating stable rental income and management fee for the Group, which in aggregate amounted to approximately HK$6,457,000 in the first half of the year.

Manufacturing of High-tech Computer & Server and Related Business

Dawning

During the period under review, Dawning has made great efforts in sales and marketing activities and the sales of its high performance servers and industry sales have secured a stable market share. Dawning servers have performed well and been widely used in such areas as crude oil exploration, astronautics, weather forecast and school network construction.

The aggregate sales of high-tech computers and servers manufacturing and related business for the first half of 2005 amounted to HK$114,399,000, decreased by 11.9% when compared with HK$129,851,000 of the same period last year, but the overall gross profit increased to 18% from last year's 17.3%.

The Dawning 4000A, which was installed in Shanghai Supercomputer Center, adopts 2,560 pieces of 64-byte OPTERON CPU with 40 mainframes, and is the first super computer with computing speed exceeding 10,000 Giga Floating Point Operation per Second in the PRC. It still works well and is well recognised by the client. Dawning 8-way "天闊" A950 servers were formally introduced to the market during the first half of this year, being the first of its kind with 8-way 64-byte produced in the PRC. A950 series is classified as high-end products targeting at corporate accounts. The adoption of AMD dual-core CPU allows this product to be easily and seamlessly expanded to 16-core SMP system and it supports up to eight pieces of hot-plug SCSI or SATA hard drives. It is one of the most capable 8-way 64-byte servers in terms of the storage capacity in China at present. The A950 series are expected to be used by large enterprises.

Jingke Information

Wu Han Jingke Information Industry Co., Ltd. ("Jingke Information") has been mainly engaged in manufacturing quartz oscillators (semi-finished products) used in the production of various electronic products, resonators (final products), SMD and related devices. For the first half of 2005, Jingke Information posted a record high sales volume and the sale of quartz resonators was approximately RMB6,880,000, a 99.4% increase compared with RMB3,450,000 in the corresponding period of the previous year. This increase was mainly due to a successful attraction of more new customers by the company and the quality of products that assures customers. The company committed to take orders selectively in 2005 so that only customers with sound creditworthiness are selected in order to ensure the repayment of trade receivables. The company has been dedicated to improving cost auditing, strengthening internal management and integrating resources, a gross profit margin of 11.7% has been recorded by the company which was turned from a gross loss in the corresponding period of the previous year.

Financial Services

Financial services, a non-core division, were not active and there was no new lending activity during the period.

PROSPECTS

Property

It is expected that macro-control measures implemented by the PRC government to cool down the overheated property markets will merely promote the healthy development of the property sector. In spite of various difficulties, we remain confident and are firmly determined to improve our products and expand our sales step by step by capitalising on the strengths of Shun Jing Yuan project in terms of location, construction and ancillary facilities. While reinforcing our sales promotion, we will also take initiatives to identify potential customers. In view of these measures, it is expected that the sales of Shun Jing Yuan will be better in the second half of the year with the improvement of the operating environment.

The Group will effect an internal re-engineering in order to create more rentable spaces for Dawning Tower in Shenzhen, so as to generate more stable rental income and management fee for the Group.

The Group will continue to identify new property projects with steady and attractive return in order to contribute profits to the Company.

Manufacturing of High-tech Computer & Server and Related Business

Dawning

The 64-byte digital transmission business will dominate the market for the second half of 2005. In order to maintain the leading position of Dawning products, Dawning has developed two types of new products based on the technology of 64-byte, namely medium-to-high-end servers of 4-way and 8-way and dual-core products.

With regard to cost control measures, Dawning will continue to lower the cost of distribution channels on the one hand and to enhance supports to distribution channels on the other. Meanwhile, it will endeavour to upgrade the performance of its products and services to strengthen its competitiveness. Efforts will also be made to maintain a reasonable profit for the distribution channels, to improve the results of business activities through enhancing the business and logistics sectors and to try to lower the sales cost of distribution channels at the same time. Greater support will be given to the core distribution channels, encouraging coverage of the blank areas so as to realize coordination between distribution channels and industry sales. Dawning will integrate its resources and eliminate the intermediate hierarchy so as to apply the resources directly into platforms where a better support is given to the distribution channels.

Regarding industry sales, Dawning's high performance servers will continue to be a competitive product, and Dawning will continue to retain its customers in the market and expand the industrial market. Subsequent to the participation of the "Xiao Xiao Tong" project in Beijing and the network construction projects related to high schools in Western China, Dawning will continuously tender for the contracts of modern distance learning related projects for primary and secondary schools in villages throughout the PRC. The Group estimates that Dawning high performance servers will continue to be well-received in the areas of crude oil exploration, astronautics and meteorology, and will further be used in such service platforms as bio-information, power networks and communications.

Jingke Information

For the second half of this year, Jingke Information will aggressively increase its sales volume of quartz products, so as to further increase the sales of quartz oscillators by large scale. Currently, several well-known major clients in the USA and Korea are conducting production and sample evaluations and audits in respect of products of Jingke Information and they will become the largest purchasers of quartz oscillators of the company once the audits are passed. The company fully understand that Pearl River Delta Region is not only an important sales market for quartz products but also an important production base for quartz products and a distributing centre for raw materials. A number of the company's customers and suppliers are now gathering in this area. Jingke Information will set up an office in Shenzhen to collect useful information and to improve communication with its customers, which should also be good for restructuring of the company's product mix and increasing of its market share.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommends any payment of interim dividend for the six months ended 30th June, 2005 (six months ended 30th June, 2004: nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Model Code"). Having made specific enquiry of all the directors of the Company, they confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30th June, 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with provisions of Rules 3.10(1) and 3.10(2) of the Listing Rules that a sufficient number of independent non-executive directors shall be appointed by listed issuers and that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. For the detailed profile of the independent non-executive directors of the Company, please see the annual report of the Company for the year 2004.

CORPORATE GOVERNANCE

The directors consider that the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2005, with deviations from the code provision A.4.1 and A.4.2 of the Code in respect of the service term and rotation of directors.

Under the code provision A.4.1 and A.4.2 of the Code, (a) non-executive directors should be appointed for a specific term and subject to re-election; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Code provision A.4.1 – None of the existing non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all directors of the Company (executive and non-executive) are subject to the retirement provisions under Bye-law 87 of the Bye-laws of the Company as described below. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporation governance practices are no less exacting than those in the Code.

Code provision A.4.2 – According to Bye-law 87 of the Bye-laws of the Company in effect, one-third of the directors for the time being shall retire from the office by rotation at each annual general meeting provided that the Chairman of the Board and/or the Managing Director of the Company shall not be subject to retirement by rotation. The directors to retire by rotation shall include any director who wishes to retire and not to offer himself for re-election, or those who have been longest in office since their last re-election or appointment or those who were appointed by the Board to fill casual vacancy. However, as between those who became or were last re-elected directors on the same day, those to retire shall be determined by lot (unless they otherwise agree among themselves). As the Chairman of the Board is not subject to retirement by rotation under Bye-laws of the Company, this constitutes a deviation from code provision A.4.2 of the Code.

To comply with code provision A4.2 of the Code, relevant amendments to Bye-law 87 of the Bye-laws of the Company will be proposed for the shareholders' approval at the next annual general meeting.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, including Mr. Liu Sing Piu, Chris, Mr. Lee Kuo Ching, Stewart, and Miss Chong Kally. The principal duties of the Audit Committee include the review of the Company's financial reporting procedures, internal controls and results of the Group. The unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee and Deloitte Touche Tohmatsu, the external auditors of the Company.

REMUNERATION COMMITTEE

The Board has set up a Remuneration Committee with written terms of reference with effect from 10th September, 2005. The Remuneration Committee comprises five members, of which three are independent non-executive directors, namely Mr. Liu Sing Piu, Chris (Chairman), Mr. Lee Kuo Ching, Stewart and Miss Chong Kally, one is executive director, namely Mr. Wong Chung Tak, and one is non-executive director, namely Chen Chao.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The information required by paragraphs 46(1) to 46(9) inclusive of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk in due course.

By order of the Board
Wong Chung Tak
Chairman

Hong Kong, 12th September, 2005

As at the date of this announcement, the Board of the Company comprises four executive directors, namely Mr. Wong Chung Tak, Mr. Gong Hanbing, Mr. Deng Wenyun and Mr. Tse Kam Fai, two non-executive directors, namely Mr. Chen Chao and Mr. Wong Ngo, Derick, and three independent non-executive directors, namely Mr. Lee Kuo Ching, Stewart, Mr. Liu Sing Piu, Chris, and Miss Chong Kally.