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 30 JUNE 2004

RESULTS

The board of directors (the "Board") of Shenzhen High-Tech Holdings Limited (the "Company") would like to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2004 together with the comparative figures as follows:

Condensed consolidated income statement

	Notes	Six months ended 30 June (Unaudited) 2004 HK$'000	2003 HK'000
Turnover	3	**157,462**	91,436
Cost of sales and services		**(124,474)**	(69,746)
Gross profit		**32,988**	21,690
Other operating income		**1,740**	1,083
Selling and distribution costs		**(16,198)**	(17,389)
Administrative expenses		**(35,446)**	(25,127)
Other operating expenses		**(20,409)**	(18,808)
Loss from operations	4	**(37,325)**	(38,551)
Finance costs		**(998)**	–
Share of results of associates		**4,269**	(21)
Share of results of jointly controlled entities		**(1,412)**	(293)
Gain on disposal of subsidiaries	5	**50,739**	–
Profit (loss) before taxation		**15,273**	(38,865)
Taxation	6	**(406)**	(748)
Profit (loss) before minority interests		**14,867**	(39,613)
Minority interests		**103**	604
Profit (loss) attributable to shareholders		**14,970**	(39,009)
Earnings (loss) per share – Basic	7	**HK0.11 cent**	(HK0.58 cent)

Notes:

1. Basis of preparation

The unaudited condensed consolidated 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 Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. Principal accounting policies

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2003.

3. Segment information

Business segments

For management purpose, the Group is currently organized into four main operating divisions as follows:

- High-tech computers and servers manufacturing and related business
- Property investment, development and trading
- Provision of ophthalmology treatment services
- Securities investment

For the six months ended 30 June (Unaudited)

	High-tech computers and servers manufacturing and related business		Property investment, development and trading		Ophthalmology treatments		Securities investment		Others		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	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	**131,377**	66,440	**10,585**	24,957	**3,074**	–	**12,197**	39	**229**	–	**–**	–	**157,462**	91,436
Inter-segment sales	**–**	–	**388**	1,300	**–**	–	**–**	–	**–**	4,824	**(388)**	(6,124)	**–**	–
Total	**131,377**	66,440	**10,973**	26,257	**3,074**	–	**12,197**	39	**229**	4,824	**(388)**	(6,124)	**157,462**	91,436
SEGMENT RESULTS	**(6,354)**	(28,736)	**5,266**	607	**(703)**	–	**(653)**	(702)	**(20,180)**	4,824	**(388)**	(6,124)	**(23,012)**	(30,131)
Unallocated other revenue													**598**	234
Unallocated corporate expenses													**(14,911)**	(8,654)
Loss from operations													**(37,325)**	(38,551)
Finance costs													**(998)**	–
Share of results of associates	**(34)**	(21)	**649**	–	**–**	–	**–**	–	**3,654**	–	**–**	–	**4,269**	(21)
Share of results of jointly controlled entities	**(1,412)**	(293)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(1,412)**	(293)
Gain on disposal of subsidiaries	**–**	–	**50,739**	–	**–**	–	**–**	–	**–**	–	**–**	–	**50,739**	–
Profit (loss) before taxation													**15,273**	(38,865)
Taxation													**(406)**	(748)
Profit (loss) before minority interests													**14,867**	(39,613)
Minority interests													**103**	604
Profit (loss) attributable to shareholders													**14,970**	(39,009)

4. Loss from operations

	Six months ended 30 June (Unaudited) 2004 *HK$'000*	2003 *HK$'000*
Loss from operations has been arrived at after charging:		
Amortisation of goodwill included in other operating expenses	**20,409**	18,254
Depreciation of property, plant and equipment	**3,505**	1,562
Net unrealized holding losses on investments in securities	**1,147**	554
and after crediting:		
Gross rental income	**8,825**	6,767
Less: Outgoings	**(2,028)**	(1,763)
Net rental income	**6,797**	5,004
Bank interest income	**602**	716

5. Gain on disposal of subsidiaries

During the period, the Group disposed of 100% of the issued share capital of Genace Development Limited and La Residence Development (Shanghai) Co., Ltd., resulting in a gain of approximately HK$50,739,000.

6. Taxation

	Six months ended 30 June (Unaudited) 2004 *HK$'000*	2003 *HK$'000*
The taxation charge (credit) comprises:		
The Company and subsidiaries:		
Hong Kong Profits Tax		
– Overprovision in prior period	**–**	(213)
	–	(213)
People's Republic of China (the "PRC") Enterprise Income Tax		
– Current period	**50**	129
– Underprovision in prior period	**356**	832
	406	961
Net taxation charge	**406**	748

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 temporary differences of some subsidiaries as the recoverability of this potential deferred tax assets is uncertain.

7. Earnings (loss) per share

The calculation of the basic earnings (loss) per share for the periods is based on the profit attributable to shareholders for the period of approximately HK$14,970,000 (1.1.2003 to 30.6.2003: loss of HK$39,009,000) and on the weighted average of 13,538,453,612 (30.6.2003: 6,730,491,250) shares in issue during the period.

The computation of the diluted loss per share for the six months ended 30 June 2003 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 period ended 30 June 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The turnover of the Group for the six months ended 30 June 2004 amounted to HK$157,462,000, representing an increase of 72.2% when compared with HK$91,436,000 in the corresponding period of the previous year. During the period under review, the Group's loss from operations and the net profit attributable to shareholders, including amortisation of goodwill of HK$20,409,000 (HK$18,254,000 in the corresponding period of 2003), were recorded at HK$37,325,000 and HK$14,970,000 respectively. The overall gross profit ratio for the first half of 2004 was 20.9%, which is lower as compared to 23.7% in the corresponding period of the previous year. Such decrease is mainly due to the intense market competition in servers manufacturing as our core business narrowing the gross profit margin. The newly joint management is dedicated to improve the Group's operations by adopting effective measures in increasing revenue and controlling cost, further reorganizing the Group's loss-making companies and making every effort to reduce liabilities which have already come into effect. The Group's turnover increased significantly as compared with the previous period and profit attributable to shareholders of approximately HK$15,000,000 was achieved. It was the first profitable year after making loss for years, showing a good developmental trend of the Group.

The loss from operations was recorded at HK$37,325,000, representing a decrease of 3.2% when compared with HK$38,551,000 of loss in the corresponding period of the previous year. The reasons of continued loss from operations were (1) the administration expenses of an associated company engaging in ophthalmology treatments, which were excluded in the name of the Group in prior period, were consolidated with the Group starting from January of this year. (2) the administration expenses increased arising from the increase of turnover; and (3) the necessary expenses for the purpose of expanding our operations increased as a result of the growth of the management teams.

Furthermore, other operating expenses of the Group for the first half year totalled HK$20,409,000, which was wholly the amount of amortisation of goodwill arising from acquisition of Yunnan Green-Land Biological and Science Co., Ltd. The remaining balance of goodwill of the acquisition, amounted to HK$3,401,000 as at 30 June 2004, will be fully amortised in July, then no further amortisation will be needed. It is expected that the amortisation of goodwill for the full year will be up to HK$24,000,000, representing a significant decrease as compared to HK$48,358,000 for the year ended 31 December 2003.

FINANCIAL REVIEW

On 23 February 2004, the Group purchased from an independent third party 3 residential buildings of Shun Jing Yuan ("Shun Jing Yuan") located in Beijing, the PRC at a cash consideration of approximately RMB300 million (equivalent to approximately HK$280 million); the property has been accounted for as properties held for sale. The Group has set up an agency company in Beijing and is prepared to launch the sale of the property in the second half of the year (the fourth quarter).

In March 2004, the Group formed a new company, Joy Value Limited ("Joy Value"), with an independent third party. The Group owns 45% interests in the share capital in Joy Value, which is engaged in the trading and investment in PRC property; for investment and business purposes, approximately HK$57,600,000 has been injected in Joy Value as at 30 June 2004.

Use of Proceeds

On 3 March 2004, the Company through a placing agent issued a total of 2,392,000,000 new ordinary shares of HK$0.01 each, at an offer price of HK$0.056 per share to not less than six independent placees. The net proceeds from the new issued shares was approximately HK$129,000,000, after deducting the related expenses. The net proceeds of approximately HK$129,000,000 from the issue of new shares has been applied as part of the consideration for acquisition of Shun Jing Yuan. Further details of this placement of shares were set out in the announcement to shareholders of the Company dated 23 February 2004.

Liquidity, Financial Resources and Liability

The Group managed to maintain its liquidity at healthy level, the Group's cash and bank deposits amounted to in aggregate approximately HK$93,613,000 as at 30 June 2004 (31 December 2003: approximately HK$416,465,000). The Group endeavoured to ensure the liquidity of the working capital by observing strict credit control of receivables. As at 30 June 2004, total accounts receivable balance was approximately HK$69,423,000 (31 December 2003: approximately HK$47,330,000) and the current ratio was 3.52 while that of year end 2003 was 2.74. As at 30 June 2004, the Group raised unsecured bank loan in Renminbi amounting to approximately HK$47,204,000 (31 December 2003: nil) with fixed interest rate of 5.5755%. Although the said bank loan should be repaid by the end of the year, the management has reviewed the liquidity of the Group which includes the cash flow for the coming half of the year, and concluded that the Group has ample internal resources for the repayment. As at 30 June 2004, the Group's gearing ratio (on the basis of total borrowings divided by shareholders' equity) was maintained at a level of 0.06 (31 December 2003: 0).

Pledge of Assets

As at 30 June 2004, the Group had no pledge of bank deposits and fixed assets in order to obtain banking facilities or short term bank borrowings.

Employees' Remuneration and Benefits

The Group had about 800 employees including managerial, executive and technical staff and production labour at 30 June 2004 (31 December 2003: about 800). The level of remuneration, promotion and the magnitude of remuneration adjustment are justified according to their job duties, working performance and professional experience. All staff and executive directors in Hong Kong office have already participated in mandatory provident fund. Other employees' benefits include the granting of share options by the Board of the Group.

Foreign Exchange and Currency Risk

The funds derived from incomes and applied to purchases of raw materials, spare parts and equipment and the payments of salaries were dominated in Hong Kong dollars and Renminbi; therefore, there was no need to use any financial instruments for hedging purpose, and the Group's exposure to the fluctuation of the exchange risk was minimal. During the period, the Group has not engaged in any hedging activities. As at 30 June 2004, cash in hand and bank balances of the Group were denominated in Hong Kong dollars, US dollars and Renminbi.

Contingent Liabilities

On 9 January 2003, the Company provided a guarantee to a bank in the PRC to secure a loan facility of RMB5,000,000 (equivalent to approximately HK$4,692,000) granted by the bank to a jointly controlled entity of the Group. As at 30 June 2004, the said loan facility has been fully utilized. Save as disclosed above, the Group had no other material contingent liability at the balance sheet date.

BUSINESS REVIEW

Manufacturing of High-Tech Computers and Servers and Related Business

Dawning

During the period under review, Dawning recorded satisfactory results in sales despite of intense market competition by actively exploring the market shares, strengthening its sales team and implementing a comprehensive budget management system. Sales increased approximately 99.7% as compared to those in the corresponding period of the previous year. Sales of servers and related business for the six months ended 30 June 2004 amounted to HK$129,851,000. Administration costs increased by HK$2,697,000 to HK$11,697,000, representing a growth of 30.0% when compared with the corresponding period of 2003. However, administration expenses decreased from 13.8% of turnover to 9.0% of turnover actually.

Regarding sales and marketing, sales of high performance servers was satisfactory and the forecasted sales target for the first half of the year has already been achieved. However, gross profit ratio decreased from 24.7% of the first half of 2003 to 17.3% of 2004 due to intense market competition and lower sales price. The growth of industry sales remained steady. With the provision of its quality high performance servers, Dawning continued to participate in network construction projects related to high schools in Western China and "Xiao Xiao Tong" project in Beijing. Dawning has captured market shares in such areas as crude oil exploration and astronautics for its high performance servers.

Through the reorganization of its corporate structure at the beginning of the year, Dawning has re-divided its market regions and formulated sales strategies based on the demand of each market region in order to address the problems caused by weak distribution channels and incompetent agents in the past. The growth of turnover driven by its re-organized distribution channels was satisfactory.

Regarding product research and development, Dawning launched Dawning 4000A adopting 2,560 pieces of 64-byte AMD OPTERON CPU with 40 mainframes, being the first super computer with computing speed exceeding 10,000 Giga Floating Point Operation per Second in the PRC. It was launched and installed in Shanghai Supercomputer Center. The Dawning 4000A manufactured by Dawning is ranked No. 10 in the latest published list of TOP 500 Supercomputers, the first time for China to eliminate the monopolies from U.S.A. and Japan of being the TOP 10 Supercomputers in the list for years. Dawning super servers have successfully been used in more than 30 areas such as weather forecast, data processing on crude oil and earthquakes, research and utilization of nuclear power, computation of fluid dynamics, analysis of gene and protein, material science, astronautics technology and national defence, showing its powerful functions of scientific computation, administration and information services. Dawning super servers are totally comparable to quality of high performance computers produced by the United States and Japan in terms of size, power and functions while its costs are much lower than those produced by such countries. Hence, it enjoys strong competitiveness in the market.

Furthermore, Dawning completed the development and commercialisation of its GodEye-HIDS detection product, which is the first software that passed the "Enhanced Invasion Detection Product for Mainframe" test conducted by the Ministry of Public Security and completed the development and commercialisation of DHA highly applicable softwares.

Jingke Information

Wu Han Jingke Information Industry Co., Ltd. ("Jingke Information") are mainly engaged in manufacturing quartz oscillators (semi-finished products) used in the various electronic products, resonators (final products), SMD and related devices. In February 2004, Jingke Information moved into the new premises in the "Jingke Industrial Park" constructed and invested by the company in the Investment Zone of Taiwan Merchants in Wujiashan, Dongxihu District, Wuhan. The installation of the existing and newly acquired equipments was completed, providing Jingke Information with a quality production base. Subsequently, the newly reorganized board of directors and the newly appointed management undertook a clear reorganisation of the structure of Jingke Information, which on one hand, comprehensively regulated its internal management, created sound company culture, and enhanced management in production and improvement of technology and procedures of production, and on the other hand, actively maintained its relationship with existing customers and solicited new customers. It also adopted the market-oriented principle and improved the image of the company. In the first half of 2004, the sales of quartz resonators was approximately RMB3,450,000, an 87.5% increase compared with RMB1,840,000 in the corresponding period of the previous year. However, no profit has been recorded for quartz resonators due to the fact that the new plant and the machinery and equipment have only become operational recently.

Jingke Information emphasizes on market and product development and will thus develop various frequency channels for quartz resonators in the second half of this year to increase the profitability of the company.

Ophthalmology Treatments

China Vision Medical Development (Shenzhen) Co., Ltd ("China Vision"), which became a subsidiary of the Group in the second half of 2003, has interests in the ophthalmology treatments and optical centres in a number of regions in the PRC. It generated a service income of HK$3,070,000 for the Group in the first half year of 2004.

Property

Proceeds from sales of property decreased substantially in the first half of the year. It was mainly because no property held for sale was sold out other than two units in Macro Garden in Sheung Wan, which generated revenue of HK$1,760,000 for the Group.

The Group's property, La Residence in Shanghai and Dawning Tower in Shenzhen, recorded an occupation rate of over 75% and 95% respectively and generated steady rental income of approximately HK$8,825,000 in total for the first half of the year.

Financial Services

Financial services, the non-core division, were not active and the new money lending business involves loan to a jointly controlled entity. The Group also participated in securities investment as its medium to long term investment on a prudential basis.

BUSINESS OUTLOOK

Manufacturing of High-tech Computers and Servers and Related Business

Dawning

After its high-end product being ranked first in the PRC, Dawning will continue to make efforts to keep its leading position in the world and make its high-end macro computers become one of the top brands both in the PRC and the world. Meanwhile, Dawning will also place emphasis on low-end market in the future and strike for the best result. "Dawning" has ranked one of the top three in the domestic low-end market, and the company is confident that it can achieve the top in both high-end and low-end market. The company will continue, through vertical and horizontal expansion, to enhance the management and control of the distribution channels, implement strict control in product quality, efficiently reduce the cost of materials and expenses, strengthen the training for management personnel and technicians, and raise its position in the low-end market with the reputation of the "Dawning" brand established by "Dawning" 4000A and a series of marketing activities. Dawning I200 series of "天 闊 " servers will be a very competitive low-end product with a sales target of 10,000 units for the year.

Regarding industry sales, Dawning's high performance servers will continue to be a product with competitive edge, and Dawning will continue to retain its customers in the market and expand the industry 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 tender for the contract of modern distance learning related project 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 network and communications.

Product price will be the essence of the customers' perspective in a market with intense competition. In order to control costs and expenses, Dawning will review and control the costs and expenses in all aspects of the supply chain in an effort to reduce cost and increase profit margin of its products.

Jingke Information

Jingke Information is committed to improve its internal management, solicit new customers and adopt a market-oriented objective. The Company believes that Jingke Information will generate profits for the Group upon the launching of quartz oscillators of various new frequency channels.

Ophthalmology Treatments

China vision will continue to identify partners with sound management and medical technology throughout the PRC in order to expand the ophthalmology treatments network led by China Vision and broaden the income stream.

Property

For property in Shun Jing Yuan, the Group's properties held for sale, will be launched for sale in the second half of 2004, the Group expects that revenue derived from sales of property in the second half of 2004 will increase compared with the first half of 2004. Shun Jing Yuan is a quality luxurious residential property situated in Beijing and is expected to be sold at attractive price.

With a satisfactory rate of leasing for La Residence in Shanghai and Dawning Tower in Shenzhen, the Group expects that stable income will be generated.

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

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2004 (six months ended 30 June 2003: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

CODE OF BEST PRACTICE

The Company has complied at any time throughout the six months ended 30 June 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except that the independent non-executive directors were not appointed for a specific term as set out in Appendix 14 of the Listing Rules but are subject to retirement by rotation and re-election at annual general meetings in accordance with the bye-laws of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors which include Mr. Liu Sing Piu, Chris, Mr. Lee Kuo Ching, Stewart, and Miss Chong Kally. The unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee and Deloitte Touche Tohmatsu, the external auditors of the Company.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules on the Stock Exchange will be published on the website of the Stock Exchange in due course.

By order of the Board
Wong Chung Tak
Chairman

Hong Kong, 20 August 2004

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.