CASTEL

CASIL TELECOMMUNICATIONS HOLDINGS LIMITED

(航天科技通信有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code :1185)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

The board of directors (the "Directors") of CASIL Telecommunications Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	NOTES	**1.1.2005 to 30.6.2005 *HK$'000* *(Unaudited)***	1.1.2004 to 30.6.2004 *HK$'000* *(Unaudited)*
Turnover	*4*	**97,321**	68,006
Cost of sales		**(62,843)**	(37,639)
Gross profit		**34,478**	30,367
Other operating income		**2,038**	558
Distribution costs		**(4,277)**	(6,171)
Administrative expenses		**(28,719)**	(17,638)
Finance costs	*5*	**(2,618)**	(2,560)
Share of results of an associate		**(139)**	—
Profit before taxation	*6*	**763**	4,556
Taxation	*7*	**(143)**	(2,931)
Profit for the period		**620**	1,625
Attributable to:			
Equity holders of the parent		**287**	2,343
Minority interests		**333**	(718)
		620	1,625
Earnings per share — Basic	*9*	**HK0.03 cents**	HK0.24 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	NOTES	**30.6.2005 *HK$'000* *(Unaudited)***	31.12.2004 *HK$'000* *(Audited and restated)*
Non-current assets			
Property, plant and equipment		**46,402**	47,202
Goodwill		**1,734**	4,275
Intangible assets		**34,027**	36,391
Interests in associates		**1,130**	1,269
		83,293	89,137
Current assets			
Inventories		**46,586**	70,523
Debtors and prepayments	*10*	**151,601**	124,170
Amounts due from related companies		**15,291**	15,291
Amount due from an associate		**28,797**	19,122
Taxation recoverable		**—**	210
Pledged bank deposits		**3,483**	1,264
Bank balances and cash		**26,342**	37,616
		272,100	268,196
Current liabilities			
Creditors and accrued charges	*11*	**64,915**	68,312
Amounts due to related companies		**3,743**	3,743
Amount due to immediate holding company of a shareholder		**906**	906
Amounts due to associates		**821**	870
Taxation payable		**196**	296
Bank and other borrowings due within one year		**39,358**	39,358
		109,939	113,485
Net current assets		**162,161**	154,711
Total assets less current liabilities		**245,454**	243,848
Non-current liabilities			
Bank and other borrowings due after one year		**60,586**	59,831
Deferred taxation		**2,906**	2,675
		63,492	62,506
		181,962	181,342
Capital and reserves			
Share capital		**101,714**	101,714
Reserves		**79,119**	78,832
Equity attributable to equity holders of the parent		**180,833**	180,546
Minority interests		**1,129**	796
Total equity		**181,962**	181,342

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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 on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis. The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 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 ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 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 and share of tax of associates have 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 that have an effect on how the results for the current or prior accounting periods are prepared and presented:

(1) Business combinations

In the current period, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1 January 2001 was held in reserves, and goodwill arising on acquisitions after 1 January 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves has been transferred to the Group's accumulated losses on 1 January 2005. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

In the current period, the Group has also applied HKAS 21 "The Effects of Changes in Foreign Exchange Rates" which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 January 2005 is treated as a non-monetary foreign currency item of the Company. Therefore, no prior period adjustment has been made.

(2) 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. The application of HKAS 32 has had no material effect on the presentation of financial instrument in the financial statements of the Group. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. No adjustment to the previous carrying amounts of assets or liabilities are required upon adoption of HKAS 39.

(3) 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 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. Since 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.

The Group has not early applied the following new Standards or Interpretations ("Int") that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

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	Rights to Interests arising from decommissioning, Restoration and Environmental Rehabilitation Funds

3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effect of the changes in the accounting policies described in note 2 above on the results for the current and prior periods are as follows:

	1.1.2005 to 30.6.2005 *HK$'000* *(Unaudited)*	1.1.2004 to 30.6.2004 *HK$'000* *(Unaudited)*
Decrease in amortisation of goodwill	**127**	—
Increase in profit for the period *(Note)*	**127**	—

Note: The increase in profit for the period presented a decrease in administrative expenses of approximately HK$127,000 (six months ended 30 June 2004: nil) according to their function.

The cumulative effect of the application of the new HKFRSs on the balance sheet at 31 December 2004 and 1 January 2005 are summarised below:

	At 31 December 2004 (originally stated) *HK$'000*	**Adjustment** *HK$'000*	**At 31 December 2004 (restated)** *HK$'000*	**Adjustment** *HK$'000*	**At 1 January 2005 (restated)** *HK$'000*
Goodwill reserve	(14,221)	—	(14,221)	14,221	—
Accumulated losses	(501,853)	—	(501,853)	(14,221)	(516,074)
Total effects on equity	(516,074)	—	(516,074)	—	(516,074)

4. SEGMENT INFORMATION

Business segments

The Group's primary format for reporting segment information is business segments.

Six months ended 30 June 2005

	Communication Products HK$'000	Intelligent Transportation System HK$'000	Video Conference System HK$'000	Broadband Wireless Access HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover						
External sales	10,645	14,870	6,118	65,688	—	97,321
Inter-segment sales*	—	—	—	535	(535)	—
Total	10,645	14,870	6,118	66,223	(535)	97,321

* *Inter-segment sales are charged at prevailing market rates.*

	Communication Products HK$'000	Intelligent Transportation System HK$'000	Video Conference System HK$'000	Broadband Wireless Access HK$'000	Eliminations HK$'000	Consolidated HK$'000
Result						
Segment result	(1,992)	(4,072)	(5,124)	15,946	—	4,758
Unallocated corporate expenses						(1,238)
Finance costs						(2,618)
Share of loss of an associate	—	(139)	—	—	—	(139)
Profit before taxation						763
Taxation						(143)
Profit for the period						620

Six months ended 30 June 2004

	Communication Products HK$'000	Intelligent Transportation System HK$'000	Video Conference System HK$'000	Broadband Wireless Access HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover							
External sales	14,142	2,338	9,344	42,169	13	—	68,006
Inter-segment sales*	—	—	—	470	—	(470)	—
Total	14,142	2,338	9,344	42,639	13	(470)	68,006

* *Inter-segment sales are charged at prevailing market rates.*

	Communication Products HK$'000	Intelligent Transportation System HK$'000	Video Conference System HK$'000	Broadband Wireless Access HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Result							
Segment result	2,366	(5,956)	784	10,470	(378)	—	7,286
Unallocated corporate expenses							(170)
Finance costs							(2,560)
Profit before taxation							4,556
Taxation							(2,931)
Profit for the period							1,625

5. FINANCE COSTS

	1.1.2005 to 30.6.2005 ***HK$'000***	1.1.2004 to 30.6.2004 *HK$'000*
Interest on:		
Bank borrowings		
— wholly repayable within five years	**1,390**	1,322
— not wholly repayable within five years	**244**	248
Other borrowings wholly repayable within five years	**984**	990
	2,618	2,560

6. PROFIT BEFORE TAXATION

	1.1.2005 to 30.6.2005 ***HK$'000***	1.1.2004 to 30.6.2004 *HK$'000*
Profit before taxation has been arrived at after charging and (crediting):		
Amortisation of goodwill *(note a)*	**—**	127
Amortisation of intangible assets *(note b)*	**2,364**	2,152
Depreciation of property, plant and equipment	**3,439**	2,223
Impairment losses recognised in respect of goodwill *(note a)*	**2,438**	—
Allowance for inventories	**292**	—
Property, plant and equipment written off	**—**	8
Interest income	**(103)**	(67)

Notes:

(a) The amount is included in administrative expenses.

(b) During the six months ended 30 June 2005, amortisation of intangible assets of approximately HK$1,988,000 (2004: HK$1,777,000) and HK$376,000 (2004: HK$375,000) were included in cost of sales and administrative expenses respectively.

7. TAXATION

	1.1.2005 to 30.6.2005 ***HK$'000***	1.1.2004 to 30.6.2004 *HK$'000*
Current tax:		
Hong Kong Profits Tax		
— current period	**—**	74
— underprovision in prior period	**17**	824
The People's Republic of China (the "PRC") Income Tax		
— current period	**—**	220
— overprovision in prior year	**(105)**	—
	(88)	1,118
Deferred taxation:		
Current period	**231**	1,813
	231	1,813
Taxation attributable to the Group	**143**	2,931

No provision for Hong Kong Profits Tax made in the current period as the Company's subsidiaries incurred tax losses for the period.

Tax provision of Hong Kong Profits Tax made in six months ended 30 June 2004 was calculated at 17.5% of the estimated assessable profit for the period.

Pursuant to relevant laws and regulations in PRC, the Company's subsidiaries registered in the PRC are entitled to exemption from income tax under certain tax holidays and concessions. Income tax is calculated at rates given under the respective concessions.

8. DIVIDENDS

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005.

9. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to entity holders of the parent of HK$287,000 (2004: HK$2,343,000) and the number of shares of 1,017,139,763 (2004: weighted average number of shares of 974,832,071) in issue throughout the period.

10. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK$133,034,000 (31 December 2004: HK$85,987,000). The Group allows credit periods ranging from 45 to 180 days to its customers for sales of goods. At the discretion of the directors, several major customers were allowed to settle their balances beyond credit terms up to one year. The average credit period of one year will be given to customers for revenue from service contracts. The following is an aged analysis of trade debtors:

	30.6.2005 ***HK$'000***	31.12.2004 *HK$'000*
Within 30 days	**38,184**	44,241
Between 31 and 90 days	**45,827**	7,951
Between 91 and 180 days	**5,980**	20,734
Between 181 and 365 days	**35,371**	8,913
Over 1 year	**7,672**	4,148
	133,034	85,987

11. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of HK$11,593,000 (31 December 2004: HK$14,186,000). The following is an aged analysis of trade creditors:

	30.6.2005 ***HK$'000***	31.12.2004 *HK$'000*
Within 30 days	**2,760**	6,760
Between 31 and 90 days	**1,972**	1,766
Between 91 and 180 days	**1,280**	377
Between 181 and 365 days	**1,110**	1,762
Over 1 year	**4,471**	3,521
	11,593	14,186

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS SUMMARY

For the six months ended 30 June 2005, the Group's turnover and net profit was approximately HK$97,321,000 and HK$287,000 respectively as compared to the turnover of HK$68,006,000 and its net profit of HK$2,343,000 for the corresponding period of 2004.

Reorganisation

On 22 January 2005, China Aerospace International Holdings Limited ("CASIL") and China Academy of Launch Vehicle Technology Limited ("CALT") entered into a Sale and Purchase Agreement for the purpose of effecting the group reorganisation (the "Sale and Purchase Agreement"). Pursuant to the Sale and Purchase Agreement, for an aggregate cash consideration of HK$143,758,081, CASIL agreed to sell, and CALT agreed to purchase, CASIL's entire 100% equity interest in and the entire shareholder's loan due from Astrotech Group Limited, which, in turn, holds 449,244,000 ordinary shares (representing approximately 44.17% equity interest) in the Company. Upon completion of the Sale and Purchase Agreement, CASIL will no longer hold any direct or indirect equity interest in the Company.

Pursuant to the Sale and Purchase Agreement, China Aerospace Science & Technology Corporation ("CASC") will be the ultimate shareholder of the company via the immediate shareholding of CALT, which provides the opportunity for the Company to establish its unique profile in the marketplace.

Major Transaction

The Joint Venture Contracts in respect of 江蘇龍源風力發電有限公司 Jiangsu Longyuan Wind Energy Company Limited ("Jiangsu Longyuan") and 吉林三源風力發電有限公司 Jilin Sanyuan Wind Energy Company Limited ("Jilin Sanyuan") were entered into by Crownplus International Limited ("Crownplus"), a wholly owned subsidiary of the Company, in respect of the building, maintenance and operation of wind energy plants and facilities in the PRC respectively on 15 April 2005.

1) Jilin Sanyuan (a Sino-foreign equity joint venture enterprise to be established in Jilin Province, the PRC)

Business scope	:	wind power generation; wind field survey and design and construction works; full-set installation, testing, and maintenance and repairs of wind-driven generators; sale of electricity; and related technical consultancy and training.
Term of joint venture	:	25 years
Construction size	:	100 megawatt
Total investment	:	RMB811,960,000 (HK$766,000,000)
Total registered capital	:	RMB269,020,000 (HK$253,792,453) (Crownplus's share: 25% HK$63,448,113)
Return	:	prior to the production of 30,000 hours of electricity, Jilin Sanyuan would be entitled to an electricity rate of RMB0.509 per hour for each kilowatt. After the production of electricity has reached 30,000 hours until the end of the authorised operation period, the electricity price will be calculated according to the average local grid electricity rate. The actual rate would be determined by the relevant price authority.

2) Jiangsu Longyuan (a Sino-foreign equity joint venture enterprise to be established in Jiangsu Province, the PRC)

Business scope	:	wind power generation; wind field survey and design and construction works; full-set installation, testing, and maintenance and repairs of wind-driven generators; sale of electricity; and related technical consultancy and training.
Term of joint venture	:	25 years
Construction size	:	100.5 megawatt
Total investment	:	RMB872,620,000 (HK$823,226,415)
Total registered capital	:	RMB211,610,000 (HK$199,632,075) (Crownplus's share: 25% HK$49,908,019)
Return	:	prior to the production of 30,000 hours of electricity, Jiangsu Longyuan would be entitled to an electricity rate of RMB0.519 per hour for each kilowatt. After the production of electricity has reached 30,000 hours until the end of the authorised operation period, the electricity price will be calculated according to the average local grid electricity rate. The actual rate would be determined by the relevant price authority.

The Group would benefit from the entering into of the Joint Venture Contracts, as the transactions will widen the business scope and earning base of the Group. Given the shortage of electricity supplies in the PRC and the global trend towards renewable energy for environment reasons, the investment by the Company into such power supply project is also fulfilling the Group corporate responsibility.

Business Review And Prospect

During the first half year of 2005 the Group had continuously deployed resources on broadband wireless communication technology and its application and had fully fostered and supported Intelligent Transportation System Business, Video Conferencing System Business and Communication Products Business, resulting in the lucrative Broadband Wireless Communication Business amounting to approximately 68% of the Group's total turnover that the Group's turnover during the period was HK$97,321,000, increased by 43% as compared to its corresponding period of 2004, by effective means of exploring new markets, applying cost control and expense cutting. However, highly competitive pressure in the marketplaces of Intelligent Transportation system Business and communication Product Business are leading to the decline in the Group's overall gross margin ratio by 9% as compared to its corresponding period of 2004, which is contributable to the profit for the period HK$287,000 as compared to its decrease in its profit of the corresponding period of 2004 HK$2,343,000 by 88%.

The Group's products of broadband wireless access systems had been continuously selected as network construction equipment by large operators and internet service provider (ISP) during the year, such as China Telecom, China Netcom, China Unicom, China Mobile, China Railcom and CETC Communications. Business orders had been placed in the region of Greater China, such as Beijing, Shanghai, Guangdong, Jiangsu, Henan, Jiangxi, Sichuan, Guizhou, Yunnan, Gansu, Qinghai, Hong Kong, Macau and Taiwan.

The Group's CB-ACCESS broadband wireless access system and its successfully self-developed CB-MUX series product, used for voice and data comprehensive assessing, had been launched, installed and operated in a commercially influential scale. In terms of commercially reliable applications, good functionality and economic price, those products had maintained a clear competitive edge in the communication market.

The Broadband Wireless Communication Business's turnover (to outsiders) was, in the first half year of 2005, increased by 56% to HK$65,688,000, as compared to its turnover of HK$42,169,000 for the corresponding period of 2004.

The Group had utilized two types of self-developed product, namely, the mobile control unit based on GSM/GPRS communication network and the software of vehicle despatching and control system based on internet-related operation centres, providing the total solutions as well as operation services to the public.

In order for product segmentation to provide tailor-made services, the Group would, under the brand name HangTianQiHua, provide the mobile vehicle monitoring and despatching services to the target clientele of taxi and rented vehicle in the region of Beijing and Tangshan. The Group would also, under the band name SpaceiNet, serve the target clientele of privately owned vehicles in the region of Shanghai, Shenzhen and Hong Kong.

The Group's GPS vehicle service oriented clientele base was significantly widened from 2,000 units for the last year end to 10,000 units or above for the time being, as the taxi business in the region of Beijing was rapidly developed in the first half year of 2005.

The Group's Video Conferencing System Business had, during the year, launched new products based on MPEG4 technique, together with existing MPEG2 video conferencing system, which constituted MPEG2/MPEG4 dual-mode system to fulfil different requirements of end-users and the product chain of video conferencing systems.

Because of the achievement of the design in core parts regarding MPEG2/MPEG4 encoder in the first half year of 2005, the costing of Video Conferencing System Business will be significantly reduced, thus consolidating the existing market foundation and aggressively promoting the specialized system concurrently.

In terms of strict quality control, in time delivery and valued services, the Group had, during the first half year of 2005, developed good working relationship with oversea buyers so as to continuously collect OEM orders.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2005, the Group has 43 employees (2004: 38 employees) in the Hong Kong head office and 387 employees (2004: 237 employees)in the China Mainland offices. Remuneration of employee is determined according to individual employee's performance and the prevailing trends in different areas and reviewed on an annual basis. The Group also provides Mandatory Provident Fund and medical insurance to its employees. In addition, discretionary performance related bonus and share option schemes are available and are at the discretion of the Directors.

FINANCIAL REVIEW

Liquidity and Financial Resources

Total borrowings of the Group as at 30 June 2005 was HK$ 99,944,000 (31 December 2004: HK$99,189,000), of which HK$53,723,000 (31 December 2004: HK$52,789,000) was fixed rate borrowings and the remaining was floating rate. All borrowings of the Group were determined at market interest rate. The Group has not issued any financial instruments for hedging or other purposes.

Gearing ratio (total borrowings over shareholders' equity) as at 30 June 2005 was 55 % (31 December 2004: 55 %).

Pledge of Assets

At 30 June 2005, the Group had pledged certain land and buildings with carrying value of HK$10,375,000 (31 December 2004: HK$10,663,000) to secure the banking facilities granted to the Group. At 30 June 2005, bank deposits amounted to HK$3,483,000 (31 December 2004: HK$1,264,000) have been pledged to secure short term borrowings and are therefore classified as current assets.

Exchange And Other Exposures

Most of the Group's business transactions were conducted in Hong Kong dollars, Renminbi and United States dollars. The Group expected that the exposure to exchange rates fluctuation was minimal and therefore have not engaged in any hedging activities.

At 30 June 2005, the Group was committed to investment of approximately HK$113 million (equivalent to RMB120,157,500) for the capital contribution into two Sino-foreign joint ventures regarding wind facilities in the PRC. Details of the transaction were set out in an announcement made by the Company on 18 April 2005.

INTERIM DIVIDEND

The Board of the Company did not recommend any interim dividend for the six months ended 30 June 2005 (2004: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the six months period ended 30 June 2005.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Group's financial statements for the period ended 30 June 2005 have been reviewed by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE

The Group has adopted all of the Code Provisions in Appendix 14 of the Listing Rules except the following deviations:

1. The Board of Directors of the Company is in the process of defining the composition and terms of reference of the Remuneration Committee. It is expected that such process will be completed around late September 2005 where a board meeting is scheduled.

2. All of the Independent Non-executive Directors are not appointed for specific term but are subject to retirement and rotation and re-election at the Company's Annual General Meeting.

The Group has adopted procedures governing directors' securitites transactions in compliance with the Model Code as set out in Appendix 10 of the Listing rules.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited as soon as practicable.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of the Company comprises six executive directors, namely Mr. Rui Xiaowu, Mr Wang Xiaodong, Mr. Zhou Xiaoyun, Mr. Han Jiang, Mr. Guo Xianpeng and Mr. Xu Jian Hua and one non-executive director namely Mr. Ma Yucheng and four independent non-executive directors, namely, Mr. Zhu Shixiong, Mr. Moh Kwen Yung and Mr. Yiu Ying Wai and Mr. Wong Fai, Philip.

On behalf of the Board
Wang Xiaodong
Managing Director

Hong Kong, 20 September 2005

** For identification only*