

SHENZHEN SEG CO., LTD.

SUMMARY OF SEMI-ANNUAL REPORT 2005

§ 1. Important Notice

1.1 The Board of Directors of SHEN ZHEN SEG CO., LTD. and its directors individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading.

The summary of semi-annual report 2005 is abstracted from the semi-annual report; and full text of the semi-annual report is published on the website designated by CSRC for publishing the semi-annual report: <http://www.cninfo.com.cn> in the meantime. The investors are suggested to read the full text of semi-annual report to understand more details.

1.2 No director stated that he (she) could not ensure the correctness, accuracy and completeness of the contents of the Semi-annual Report or has objection for this report.

1.3 Independent Director Ms. Deng Erkang was absent from the Board meeting, entrusted in writing Independent Director Mr. Xin Huanping to attend the meeting and execute the voting right on her behalf.

1.4 The semi-annual financial report of the Company has not been audited.

1.5 Mr. Zhang Weimin, person in charge of the Company, Mr. Li Lifu, person mainly in charge of accounting work and Mr. Zhang Changhai, person in charge of accounting organization and Head of Financial Department hereby confirm that the financial report enclosed in this semi-annual report 2005 is true and complete.

§ 2. Company Profile

2.1 Basic information

Short form of the stock	SHEN SEG, SHEN SEG-B	
Stock code	000058, 200058	
Listed stock exchange	Shenzhen Stock Exchange	
	Secretary of the Board	Securities Affairs Representative
Name	Zheng Dan	----
Contact address	31/F, Tower A, Stars Plaza, Huaqiang Road (N), Futian District, Shenzhen	----
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2.2. Major financial data and indexes

2.2.1 Major accounting data and financial indexes

Unit: RMB

	At the end of this report period	At the end of last year	Increase/decrease at the end of this report period compared with that at the beginning of last year (%)
Current assets	1,602,102,594.88	1,775,451,367.71	-9.76%
Current liabilities	1,339,552,598.07	1,520,199,971.57	-11.88%
Total assets	3,648,759,175.34	3,860,604,836.79	-5.49%
Shareholders' equity (excluding minority interests)	1,400,308,031.50	1,404,719,098.30	-0.31%
Net assets per share	1.93	1.93	0.00%
Net assets per share after adjustment	1.77	1.78	-0.56%
	In this report period (Jan. - Jun. 2005)	The same period of last year	Increase/decrease year-on-year (%)
Net profit	-4,726,242.74	45,522,429.59	-110.38%
Net profit after deducting non-recurring gains and losses	-878,770.34	47,553,802.00	-101.85%
Earnings per share	-0.01	0.06	-116.67%
Earnings per share (note)	-0.01	-	-
Earnings ratio of net assets	-0.34%	3.17%	-3.51%
Net cash flow arising from operating activities	2,715,668.31	68,161,528.70	-96.02%

2.2.2 Item of non-recurring gains and losses

Applicable Inapplicable

Unit: RMB

Item of non-recurring gains and losses	Amount
Net non-operating income/expenses	-3,847,472.40
Total	-3,847,472.40

2.2.3 Differences between CAS and IAS:

Applicable Inapplicable

§3. Changes in Share Capital and Particulars about Shareholders

3.1 Statement of change in shares

Applicable Inapplicable

Unit: share

	Before the change	Increase/decrease in this change (+, -) Subtotal	After the change
I. Unlisted Shares			
1. Promoters' shares	411,477,898	0	411,477,898
Including: State-owned shares	237,359,666	0	237,359,666

Domestic legal person's shares	174,118,232	0	174,118,232
Foreign legal person's shares	0	0	0
Others	0	0	0
2. Raised legal person's shares	0	0	0
3. Inner employees' shares	0	0	0
4. Preference shares or others	0	0	0
Total unlisted shares	411,477,898	0	411,477,898
II. Listed Shares			
1. RMB ordinary shares	86,626,238	0	86,626,238
2. Domestically listed foreign shares	228,041,727	0	228,041,727
3. Overseas listed foreign shares	0	0	0
4. Others	0	0	0
Total listed shares	314,667,965	0	314,667,965
III. Total Shares	726,145,863	0	726,145,863

The amount of shares offered by funds, inner employees' shares traded in the counter, shares offered by strategic investor and shares offered ordinary legal person should be disclosed respectively

Applicable Inapplicable

3.2 Particulars about shares held by the top ten shareholders

Unit: share

Total shareholders at the end of report period		79,432				
Particulars about shares held by the top ten shareholders						
Full name of shareholders	Increase / decrease in this report period	Shares held at the end of the period	Proportion (%)	Type of shares (circulating or non-circulating)	Number of shares pledged or frozen	Nature of shareholders (state-owned shareholder or foreign-funded shareholder)
SHENZHEN SEG GROUP CO., LTD.	0.00	237,359,666.00	32.69%	Non-circulating	104,500,000.00	State-owned shareholder
GUANGZHOU FUDA ENTERPRISE GROUP CO., LTD.	0.00	129,968,232.00	17.90%	Non-circulating	129,968,232.00	Other
DEUTSCHE BANK AG LONDON	3,524,180.00	6,751,306.00	0.93%	Circulating	0.00	Foreign-funded shareholder
SHANGHAI ZHONGNAN INVESTMENT MANAGEMENT CO., LTD.	0.00	6,300,000.00	0.87%	Non-circulating	0.00	Other
SHANGHAI QILE TRADING CO., LTD.	0.00	6,000,000.00	0.83%	Non-circulating	0.00	Other
SHENZHEN SHENGYI INDUSTRIAL DEVELOPMENT CO., LTD.	0.00	5,000,000.00	0.69%	Non-circulating	0.00	Other
SHANGHAI TAILI SCIENCE AND TECHNOLOGY DEVELOPMENT CO., LTD.	0.00	4,000,000.00	0.55%	Non-circulating	313,860.00	Other

Unit: RMB'0000

Main operations classified according to industries						
	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations year-on-year (%)	Increase/decrease in cost of main operations year-on-year (%)	Increase/decrease in gross profit ratio year-on-year (%)
Manufacture of electronic devices	69,784.31	67,545.87	3.21%	-39.64%	-34.55%	-7.52%
Other industries	10,149.18	5,605.29	44.77%	-26.69%	-38.20%	10.28%
Including: related transactions	0.00	0.00	0.00%	0.00%	0.00%	0.00%
Main operations classified according to products						
Production of color kinescope	69,784.31	67,545.87	3.21%	-39.64%	-34.55%	-7.52%
Others	10,149.18	5,605.29	44.77%	-26.69%	-38.20%	10.28%
Including: related transactions	0.00	0.00	0.00	0.00	0.00	0.00
Pricing rules	Inapplicable					

Including: total amount of related transactions that the listed company sold products to the controlling shareholder and its subsidiaries was RMB 0.00 in the report period.

5.2 Particulars about main operations classified according to areas

Unit: RMB'0000

Areas	Income from main operations	Increase/decrease in income from main operations year-on-year (%)
Domestic	34,558.31	-45.18%
Overseas	45,375.18	-31.67%
Total	79,933.49	-38.25%

5.3 Other operations exerting material influence on net profit

Applicable Inapplicable

5.4 Operation of share-holding companies

Applicable Inapplicable

Unit: RMB'0000

Name of shareholding company	Shenzhen SEG Samsung Co., Ltd.		
Investment earnings contributed in the period	2,403.00	The percentage taking up the net profit of the listed company	508.00%

Shareholding company	Business scope	Production and sale of glass shell of various type	
	Net profit	11,246.00	
Name of shareholding company		Shenzhen SEG Navigation Science and Technology Holding Co., Ltd.	
Investment earnings contributed in the period		190.00	The percentage taking up the net profit of the listed company 40.17%
Shareholding company	Business scope	It mainly engages in production and operation website service for products of SEG Auto Master GPS	
	Net profit	544.00	

5.5 Explanation on reasons of material changes in main operations and their structure

Applicable Inapplicable

5.6 Explanation on reasons of material changes in profitability of main operations (gross profit ratio) than that of the last year

Applicable Inapplicable

In the report period, profit of main operations for the Company's main product CPT totaled RMB 22.38 million, accounting for 35% of the Company's profit from main operation, profitability has decreased by a large margin comparing with a percentage of 74% of the previous year. Sharp decrease in sales price and volume of CPT is the main reason accounted for this decline in profitability.

5.7 Analysis on reasons of material changes in profit structure compared with the previous year

Applicable Inapplicable

In the report period, the Company's profit mainly consists of the investment yield, operating profit of electronics market and property leasing, and the profit from foreign transportation and bonded warehousing business of Shenzhen SEG Samsung Co., Ltd. (hereinafter referred to as SEG Samsung), a share-holding company of the Company. Of this, investment yield from SEG Samsung amounted to RMB 24.0321 million, while the net profit from foreign transportation and bonded warehousing business totaled RMB 3.26 million.

The chief reason for the decrease of profitability of main operations was due to the sharp decrease of sales price and volume of CPT.

5.8 Application of the raised proceeds

5.8.1 Use of the raised proceeds

Applicable Inapplicable

5.8.2 Particulars about the changed projects

Applicable Inapplicable

5.9 Plan of the Board on amending the business plan for the second half of the year

Applicable Inapplicable

5.10 Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change

6.2 Guarantees

Applicable

Inapplicable

Unit: RMB'0000

Particulars about external guarantees (excluding guarantees for controlling subsidiary company)						
Name of warrantee	Date of happening (date of agreement signing)	Amount of guarantee	Type of guarantee	Term of guarantee	Accomplished or not	Guarantee for related parties or not (yes or no)
Total amount of guarantees in the report period					0.00	
Total balance of guarantees in the report period					0.00	
Particulars about the Company's guarantee for controlling subsidiary company						
Total amount of guarantees in the report period					21,861.50	
Total balance of guarantees in the report period					21,861.50	
Particulars about total amount of guarantees (including guarantee for controlling subsidiary company)						
Total amount of guarantees					21,861.50	
The percentage that the total amount of guarantee takes up the net assets of the Company					15.61%	
Particulars about irregular guarantees						
Total amount of guarantees for other related parties which are controlled less than 50% by the Company or the controlling shareholder					0.00	
The liability guarantee amount provided directly or indirectly for warrantees with a assets-liability ratio exceeding 70%					2,861.50	
The part of the amount of the total guarantee exceeding the 50% line of the net assets					0.00	
Total amount of irregular guarantees					2,861.50	

6.3 Related financial claims and liabilities

Applicable

Inapplicable

Unit: RMB'0000

Related parties	Relationships with the listed company	Capital provided to related parties by the listed company		Capital provided by related parties to the listed company	
		Amount	Balance at period-end	Amount	Balance at period-end
Shenzhen SEG Group Co., Ltd.	Controlling shareholder	0.00	11,930.31	0.00	0.00
SEG (Hong Kong) Company	Legal person controlled by the controlling shareholder	0.00	296.38	0.00	0.00
Shenzhen SEG Samsung Co., Ltd.	Shareholding company of the controlling shareholder and the Company	3.19	3.19	0.00	0.00

Total	3.19	12,229.88	0.00	0.00
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Including: The amount of capital provided by the listed company to the controlling shareholder and its subsidiaries was RMB 0.00 with the balance amounting to RMB 119.3031 million in the report period.

6.4 Material lawsuits and arbitrations

Applicable Inapplicable

1. As to the overdue guarantee that has been provided by the Company for the RMB 10 million loan Shenzhen SEG Dasheng Co., Ltd. (hereinafter referred to “Shen Dasheng”) had obtained from Shenzhen Development Bank Co., Ltd., the Company has already sued to the court and won the lawsuit. On Jan. 12, 2005, the Company applied for compulsory execution to Shenzhen Intermediate People’s Court. This issue has already been disclosed in the Company’s Annual Report 2004.

2. The lawsuit on the overdue guarantee for the RMB 8.9 million loan that Shen Dasheng had obtained from Guangdong Development Bank:

This guaranteed loan originally amounted to RMB 10 million, and was provided by the Company to help this company’s normal production and operation during the period when the Company relatively controlled this company. After this loan expired on Jul. 22, 2003, Shen Dasheng had failed to repay. On Aug. 29, 2003, Guangdong Development Bank withdrew RMB 10 million from the HKD 10 million pledged by the Company after conversion. After that, Shen Dasheng had promised the Company in written form that it would repay RMB 1 million each month from October 2003 to January 2004 and RMB 2 million each month from February 2004 to April 2004. On Nov. 4, 2003, RMB 1 million was recovered, another RMB 0.1 million was recovered on Mar. 9, 2004, and the debt was reduced from RMB 10 million to RMB 8.9 million. Since Shen Dasheng had failed to continue to perform its commitment from then on, the Company took Shen Dasheng to court for the remaining debt. In the meantime, to better ensure its interest, the Company sequestered the legal person shares of three listed companies held by Shen Dasheng (1.1 million legal person shares of Changchun Eurasia Group Co., Ltd. (Stock Code 600697); 3,801,600 legal person shares of Jiangsu Sihuan Bioengineering Co., Ltd. (Stock Code 000518); 30 thousand legal person shares of Shanghai Kaikai Industrial Co., Ltd. (Stock Code 600272)), and part of the house property of Shen Dasheng and Shenzhen SEG Dasheng Real Estate Development Co., Ltd. who had provided guarantee for Shen Dasheng was also sealed up by the Company in turn. The registered value of the house property sealed up in turn by the Company totaled RMB 1,074,621.

The court judged that the Company win the case in the first instance. However, Shen Dasheng did not agree with the judgment and has appealed to Shenzhen Intermediate People’s Court.

3. By Jun. 30, 2005, out of the account payable of SEG Hitachi, indirectly controlled by the Company, RMB 76.55 million had been taken to the court and the company had won the case. As to this issue, the Company has disclosed it in the Annual Report 2004. However, by Jun. 30, 2005, this debt still has not been recovered and SEG Hitachi has had to withdrawn a bad debt reserve amounting to RMB 20.82 million

according to the bad debt policy.

6.5 Other significant events and explanation on analysis to their influences and solutions

Applicable Inapplicable

§7. Financial Report

7.1 Auditing opinion

Financial Report	Unaudited	Audited
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7.2 Financial Statement

7.2.2 Profit and profit distribution statement

Domestic Statement

Unit: RMB

Items	This period		The same period of the previous year	
	Consolidated	Parent company	Consolidated	Parent company
. Income from main operations	799,334,910.75	38,492,543.57	1,294,497,956.11	35,813,541.95
Less: Cost of main operations	731,515,825.83	16,202,694.45	1,122,694,800.97	13,761,529.26
Taxes and other charges of main operations	3,983,097.21	1,690,647.38	3,533,835.35	1,533,997.11
. Profit from main operations (Loss is listed with “-”)	63,835,987.71	20,599,201.74	168,269,319.79	20,518,015.58
Add: Other operating profit (Loss is listed with “-”)	4,870,093.46		4,108,476.20	474,000.00
Less: Operating expenses	32,381,981.98		47,061,848.93	988,083.54
Management expenses	74,446,836.70	6,439,010.64	71,952,367.25	6,446,714.95
Financial expenses	17,277,795.26	12,721,342.07	9,306,235.98	9,627,503.80
. Operating profit (Loss is listed with “-”)	-55,400,532.77	1,438,849.03	44,057,343.83	3,929,713.29
Add: Investment yield (Loss is listed with “-”)	27,643,878.41	-2,741,332.88	22,191,161.31	42,111,515.30
Subsidy income				
Non-operating income	226,959.23	3,334.00	472,843.91	314,693.28
Less: Non-operating expenses	5,325,397.70	2,392,577.86	2,504,216.32	
. Total profit (Loss is listed with “-”)	-32,855,092.83	-3,691,727.71	64,217,132.73	46,355,921.87
Less: Income tax	771,805.91		4,740,433.42	945,583.62
Minority interests	-29,215,831.94		13,618,924.61	
Add: unconfirmed investment losses occurred this period	-315,175.94		-335,345.11	
. Net profit (Loss is listed with “-”)	-4,726,242.74	-3,691,727.71	45,522,429.59	45,410,338.25
Add: Retained profit at the year-begin	181,480,772.62	193,452,253.55	200,697,997.77	212,726,825.12

Other transfer-ins				
. Profit available for distribution	176,754,529.88	189,760,525.84	246,220,427.36	258,137,163.37
Less: Statutory surplus public reserve				
Statutory public welfare reserve				
Employee bonus and welfare funds				
Reserve funds				
Enterprise development funds				
Profit put into investment				
. Profit available for distribution to investors	176,754,529.88	189,760,525.84	246,220,427.36	258,137,163.37
Less: dividend for preference shares payable				
Discretionary surplus reserves				
Dividends for ordinary shares payable			81,328,336.66	81,328,336.66
Dividends for ordinary shares converted to capital (or share capital)				
. Retained profit	176,754,529.88	189,760,525.84	164,892,090.70	176,808,826.71
Profit statement (Supplemental information) :				
1. Income from selling or disposing branch or invested units				
2. Losses due to natural disaster				
3. Increase (or decrease) in total profit due to the changes of accounting policies				
4. Increase (or decrease) in total profit due to the changes of accounting estimation				
5. Loss on debts restructure				
6. Others	-3,847,472.40	-2,389,243.86	-2,031,372.41	314,693.28

7.3 Notes to financial report

7.3.1 If there has been any change in the accounting policies, or accounting estimation, or adjustment of accounting errors, give the contents, reasons and the influenced numbers

Applicable Inapplicable

7.3.2 Reasons and influenced number explanation on material changes in consolidated scope in the report period

Applicable Inapplicable

7.3.3 List notes related to the involved issues if the Company is issued a qualified opinion

Applicable Inapplicable