SHENZHEN HUAFA ELECTRONICS CO., LTD.
2002 SEMI- ANNUAL REPORT

Important: Board of Directors of SHENZHEN HUAFA ELECTRONICS CO., LTD. (hereinafter referred to as the Company) hereby confirms that there are no any important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents. Director Zhou Daozhi was absent from the meeting of the Board.

Contents

I. COMPANY PROFILE

(I) Brief Introduction

1. Name of the Company
   In Chinese: 深圳华发电子股份有限公司
   In English: SHENZHEN HUAFA ELECTRONICS CO., LTD.

2. Stock Exchange Listed with: Shenzhen Stock Exchange
   Short Form of the Stock: SHENHUAFA A, SHENHUAFA B
   Stock Code: 000020, 200020
   E-mail: webmaster@huafa.com

3. Registered Address: 411/Bldg., Huafa N. Rd., Futian District, Shenzhen
   Office Address: 6/F, 411/Bldg., Huafa N. Rd., Futian District, Shenzhen
   Post Code: 518031
   Company' s Internet Web Site: http://www.huafa.com

4. Legal Representative: Wu Dehua

5. Secretary of the Board of Directors: Hu Jianping
   E-mail: jphu@huafa.com
   Authorized Representative in charge of Securities affairs: Liu Yang
   E-mail: lyang@huafa.com
   Liaison Address: 6/F, 411/Bldg., Huafa N. Rd., Futian District, Shenzhen
   Tel: (86) 755-3352207
   Fax: (86) 755-3352207

6. Newspapers for Disclosing the Information of the Company:
   Securities Times and Ta Kung Pao
   Internet Web Site for Publishing the Annual Report: http://www.cninfo.com.cn
   The Place Where the Semi-Annual Report is Prepared and Placed:
   6/F, 411/Bldg., Huafa N. Rd., Futian District, Shenzhen

7. Other Relevant Information of the Company
   Original registration date and place or changed registration date and place:
   Registration date: May 1992
   Registration place: 411/Bldg., Huafa N. Rd., Futian District, Shenzhen
   Registered number of enterprise juristic person' s business license: 100296
   Tax registered number: 113260
   Certified Public Accountants engaged by the Company:
   Name: Zhongtian Huazheng (Shenzhen) Certified Public Accountants
   Address: 16/F of Aihua Mansion, Shennan M. Rd., Shenzhen
   Name: HO and HO & Company Certified Public Accountants
   Address: No. 2-12 Queen West Avenue, Hong Kong

(II) Financial Highlights and Business Highlights

Unit: RMB

Item	Jan. – Jun. 2002	Jan. – Jun. 2001
Net profit	2,848,491.57	1,617,699.41
Net profit after deducting non-recurring gains and losses	-2,752,365.43	1,617,699.41
Return on equity (%)	0.97	0.54
Earnings per share	0.01	0.006
Net cash flows per share arising from operating activities	-0.003	0.065
Item	**June 30, 2002**	**Dec. 31, 2001**
Shareholders' equity (excluding minority interests)	293,625,292.95	290,776,801.38
Net assets per share	1.037	1.027
Net assets per share after adjustment	1.003	0.98

Note: 1. The non-recurring gains and losses deducted are RMB 5,600,857.00 margin of fixed assets.

2. Difference between the domestic and overseas financial statements: The Company is a listed company with A and B shares, and there is no difference between the auditing results of net profit in line with CAS and IAS respectively.

II. CHANGES IN CAPITAL SHARES AND SHAREHOLDERS

(I) Changes in Share capital

There were no changes in total share capital and the structure caused by bonus share distribution, transferring capital public reserve into share capital, additional issuance of new shares, issuance of T-bonds or others.

(II) By the end of the report period, the Company had totally 22,032 shareholders, including 10,945 shareholders of A-share and 11,087 shareholders of B-share.

(III) Shareholding of Top Ten Shareholders ended Jun. 30, 2002/8/5

No.	Shareholders' name	Increase or Decrease (+/-)	Number of holding shares at Period-end (share)	Proportion in the total shares (%)	Type
①	Shenzhen SEG Group Co., Ltd.	---	62,462,914	22.06	A share
②	China Zhenhua Electronics Industrial Co.	---	62,462,914	22.06	A share
③	SEG (Hong Kong) Co., Ltd.	---	16,569,560	5.85	B share
④	GOOD HOPE CORNET INVESTMENTS LTD	---	13,900,000	4.91	B share
⑤	ADVANCE FUTURE GROUP LIMITED	---	10,500,000	3.71	B share
⑥	Shanghai Jiade Properties & Resources Consultation Co., Ltd.	-107,300	2,280,372	0.81	A share
⑦	Shanghai Qianhong Business Development Co., Ltd.	+2,134,350	2,134,350	0.75	A share
⑧	Shanghai Jiaying Property Development Co., Ltd.	+2,060,081	2,060,081	0.73	A share
⑨	Hainan Liming Trade Co., Ltd.	+1,838,234	1,838,234	0.65	A share
⑩	Shenjiang Development and Construction (Group) Co., Ltd.	+1,732,209	1,732,209	0.61	A share

[Note 1] The top two shareholders as listed above are the juristic person shareholders of the Company and shares held by them have not been listed for circulation.
[Note 2] The 46,542,304 juristic person's A-share of the Company held by Shenzhen SEG Group Co., Ltd. have been pledged for loan.
[Note 3] SEG (Hong Kong) Co., Ltd. is an overseas wholly-owned subsidiary of Shenzhen SEG Group Co., Ltd..

(IV) There was no change in the control shareholders of the Company.

III. DIRECTOR, SUPERVISOR, SENIOR EXECUTIVE

(I) There are no changes in shares held by directors, supervisors or senior executives of the Company in the report period.
(II) Changes in Directors, Supervisors and Senior Executives

1. On May 27, 2002, the 2nd Provisional Meeting of the 4th Supervisory Committee of the Company approved the resignation of Ms. Li Wanping from the position of supervisor, and after democratic election, elected Mr. Li Liangzhen as the supervisor (employees' representative) of the 4th Supervisory Committee.
2. On June 29, 2002, the 2002 Provisional Shareholders' General Meeting approved the resignations of Mr. Huang Jun and Mr. Lin Wenjiu from the position of director and elected Mr. Zhou Daozhi and Mr. Zhao Junrong as the independent directors of the Company.

IV. EXECUTIVE STATEMENT

(I) Operational Results and Financial Review
In the first half of 2002, the Company presented a trend of increase in the work of every aspect, realized a net profit of RMB 2,848,500, profit from main business lines of RMB 3,384,400, return on equity of 0.97%, net cash flows per share arising from operating activities of RMB –0.003.
Entering 2002, the Company developed work in every aspect in order with good preparation, outstanding focuses and clear target.

1. The whole staff had a high spirit and enthusiasm for the enterprise, forming a team keen on studying. The team spirit was consolidated to form a pleasant working atmosphere and environment.
2. The Company achieved great enhancement in administration. The brand new administrative idea and operation methods were implemented, level of system administration ideology was improved gradually, and administration of technology, quality, costs and human resources had started in every respect and made great progress, operation innovation was carried out by the advanced TPM administration methods.
3. The production of Colour Television Plant, Circuit Board Plant and Plastic plants didn't suffer slump in low seasons, the business increased greatly compared to the same period of previous year. Property letting achieved significant breakthrough, realized the transforming of the Property administration mode.

(II) Financial Indexes and Changes Compared to Same period of Previous Year

Unit: RMB

Items	Jan.- June 2002	Jan. – June 2001	Increase/ Decrease (+/ -)
Income from main business lines	68,714,404.90	41,768,426.49	64.51%
Profit from main business lines	3,384,363.48	-2,098,128.42	---
Net profit	2,848,491.57	1,617,699.41	76.08%
Net increase in cash and cash equivalents	-7,367,385.55	14,847,272.04	---

Reasons for changes:

1. Income from main business lines increased by 64.51%, mainly due to the expending of the sales channels, increasing the market share and enhancing the amount of sales and processing.
2. Profit from main business lines increased, on one hand due to the increase in amount of sales and on the other hand due to better administration of costs and control of expenditure
3. Net profit increased 76.08%, mainly due to better main business lines and margin of fixed assets.
4. Net cash flows decreased mainly due to expenditure of PCB technical innovation project.

Items	June 30, 2002	Dec. 31, 2001	Increase/ Decrease (+/-)
Total assets	473,473,096.13	450,225,732.33	5.16%
Shareholders' equity	293,625,292.95	290,776,801.38	0.98%

(III) Business Review

1. Main Business Scope and Business

1 The Company is principally engaged in production and sales of color TV, printed circuit board, and plastics products etc. In the first half of 2002, the Company realized income from main business lines of RMB 68.7144 million, profit from main business lines of RMB 3.3844 million, including income from processing color TV of RMB 7.7623 million, profit from processing of RMB 17.5 thousand, increased RMB 4.3975 million compared to the same period of previous year, turning losses into profit. Revenue and profit from sales of electric circuit board reached RMB 34.2857 million and RMB 4.1687 million respectively, income and profit from sales of plastics amounted to RMB 2.0853 million and RMB 5.5 thousand respectively.

2. Income from Main Business Lines and Costs in Geographic Segments

Unit:RMB

	Jan. – June 2002		Jan. – June 2001	
	Income from main business lines	Costs on main business lines	Income from main business lines	Costs on main business lines
Domestic	41,735,678.13	38,330,237.98	40,006,715.57	42,568,476.54
Overseas	26,978,726.77	26,999,803.44	1,761,710.92	1,255.270.62
Total	68,714,404.90	65,330,041.42	41,768,426.49	43,823,747.16

3. Scope of other business and operation

In the report period, other business bearing great impacts on the net profit of the Company is the letting of property of the Company. In the first half 2002 the Company realized an income from letting of RMB 11.1822 million. On June 15, Vanguard, who rent first to fourth floor of Huafa Building, went into operation smoothly. As a result, Huafa Building gathered more and more people and maintain a stable income from the rents.

(IV) Investments

1. The Company raised funds RMB 108,8119 million from share allotment in Dec. 1997, fulfilled the removal of the Circuit Board Plant with an actual investment amounting to RMB 35.54 million in 1998. In 2001, the Company completed the expending of construction of multi-floor production line of circuit board, with an actual investment amounting to RMB 69.30 million.

2. The Company had no significant investments with non-raised funds.

(V) Business Plan for the second half 2002

2002 is the key year for the development of the Company, the focus of the second half 2002 is to enhance the quality and quantity of the circuit board production, to innovate the color TV plant and add the amount of the processing of color TV, to further improve the level of property administration and service, to make the income from letting property more stable, to establish and perfect the marketing system, reinforce marketing, so as to fully realize the business target of 2002.

V. SIGNIFICANT EVENTS

(I) In the report period, in accordance with Rules for the Administration of the Listed Companies, the Company made efforts to perfect the juristic person administrative structure, details are as follows:

1. In accordance with Rules for the Administration of the Listed Companies and relevant regulations, the Company made amendments on the Articles of Association, Procedures of the Board of Directors, Procedures of the Supervisory Committee and made Procedures of Shareholders' General Meeting. Pursuant to the Guide Opinions on the Establishment of Independent System for Listed Companies, the Company established Independent Director System. The above-mentioned rules and systems were examined and approved in 2002 Provisional Shareholders' General Meeting.

2. On June 29,2002, the 2001 Provisional Shareholders' Meeting elected Mr. Zhou Daozhi and Mr. Zhao Junrong as the Independent Directors. At present, there are 7 members in the Board of Directors, including 2 Independent Directors.

(II) There was no implementation of profit distribution, public reserve transferring into share capital or issuance of new shares.

(III) There were no significant litigation and arbitration in the report period.

(IV) There were no significant purchase, sales or disposal of assets in the report period.

(V) There were no significant associated transactions in the report period.

(VI) There were no significant contracts, pledge or entrustments in the report period.

(VII) Neither the Company nor its shareholders with above 5% equity made any commitments in the report period.

VI. FINANCIAL REPORT (un-audited)

(I) Financial Statements (Attached)

(II) Notes to the Financial Statements (Attached)

VII. DOCUMENTS FOR INSPECTION

(I) Semi-annual report carried with signature of the Chairman of the Board;

(II) Financial statements carried with the signature and seal of the legal representative, chief accountant and person in charge of accounting;

(III) All documents published in Securities Times and Hong Kong Ta Kung Pao in the report period.

(IV) Articles of Association of the Company.

[Note] This report has been prepared in Chinese and English respectively. In the event of any difference in interpretation between the two versions, the Chinese report shall prevail.

Board of Directors of
Shenzhen Huafa Electronics Co., Ltd.
August 15, 2002

CONSOLIDATED INCOME STATEMENT
SIX MONTHS ENDED 30TH JUNE 2002

	NOTES	Six months ended 30th June 2002 RMB'000	2001 RMB'000
Revenue	4	82,573	55,666
Cost of sales		(71,795)	(44,663)
Gross profit		10,778	11,003
Other revenue		5,980	1,271
Selling and distribution costs		(800)	(1,151)
Administrative expenses		(9,348)	(6,161)
Profit from operations	6	6,610	4,962
Bank interest income		77	261
Finance costs	7	(3,838)	(3,605)
Net profit for the period		2,849	1,618
Earnings per share	10	RMB0.0101	RMB0.0057

CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2002

	NOTES	At 30th June 2002	At 31st December 2001
		RMB' 000	RMB' 000
ASSETS			
Non-current assets			
Property, plant and equipment	11	231,384	228,416
Construction in progress	12	77,475	68,586
		308,859	297,002
Current assets			
Inventories	13	42,920	46,715
Trade and other receivables		71,514	52,186
Deposits and prepayments		3,933	545
Cash and bank balances	14	46,246	53,614
		164,613	152,145
Total assets		473,472	449,147
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	283,161	283,161
Reserves	16	10,464	7,615
		293,625	290,776
Current liabilities			
Trade and other payables		44,613	33,631
Receipt-in-advance		11,234	8,740
Bank loans	17	124,000	116,000
		179,847	158,371
Total equity and liabilities		473,472	449,147

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 30TH JUNE 2002

a) Six months ended 30th June 2002

		Reserves				
	Share capital	Capital reserve	Surplus reserve	Accumulated losses	Reserve sub-total	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Balance at 1st January 2002	283,161	98,461	77,391	(168,237)	7,615	290,776
Net profit for the period	-	-	-	2,849	2,849	2,849
Balance at 30th June 2002	283,161	98,461	77,391	(165,388)	10,464	293,625

b) Six months ended 30th June 2001

Balance at 1st January 2001	283,161	98,461	77,391	(170,126)	5,726	288,887
Net profit for the period	-	-	-	1,618	1,618	1,618
Balance at 30th June 2001	283,161	98,461	77,391	(168,508)	7,344	290,505

CONSOLIDATED CASH FLOW STATEMENT

SIX MONTHS ENDED 30TH JUNE 2002

	NOTES	Six months ended 30th June 2002 RMB' 000	2001 RMB' 000
OPERATING ACTIVITIES			
Cash generated from operations	19	4,932	20,059
Interest paid		(3,825)	(3,603)
NET CASH FROM OPERATING ACTIVITIES		1,107	16,456
INVESTING ACTIVITIES			
Interest received		77	261
Purchase of property, plant and equipment		(8,111)	(433)
Increase in construction in progress		(8,889)	(5,160)
Proceeds from disposals of property, plant and equipment		448	23
NET CASH USED IN INVESTING ACTIVITIES		(16,475)	(5,309)
FINANCING ACTIVITIES			
Increase in bank loans		53,300	29,800
Repayment of bank loans		(45,300)	(26,100)
NET CASH FROM FINANCING ACTIVITIES		8,000	3,700
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(7,368)	14,847
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		53,614	67,231
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		46,246	82,078

1. CORPORATE INFORMATION

The Company was established in the People's Republic of China (the "PRC") on 8th December 1981 and was approved and reform into a sino-foreign joint stock limited company on 3rd December 1991. The Company's shares were listed and have been traded on the Shenzhen Stock Exchange since 28th April 1992.

The Company and its subsidiary are principally engaged in the manufacture and sales of electronic products, property investment and provision of property management services.

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Accounting Standards (the "IAS").

The financial statements are presented in Renminbi (RMB) since that is the currency in which the majority of the Group's transactions are denominated.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below :-

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company ("its subsidiaries") made up to 30th June 2002. Control is achieved where the Company has the power to goven the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

All significant inter-company transactions and balances between group enterprises are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

(b) Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Rental income is recognised on straight-line basis over the respective lease terms.

Interest income is accrued on a time basis, by reference to the outstanding principal and at the applicable interest rate.

(c) Taxation

The charge for current taxation is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(d) Operating leases

Leases where substantially all of the risks and rewards of ownership of the assets remain with the lessors are accounted for as operating leases. Rental expenses under operating lease is recognised on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

(e) Foreign currencies

Transactions in currencies other than Renminbi are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising from exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

(f) Property, plant and equipment

(i) Investment property

Investment property, which is land and buildings held to earn rentals and/or for capital appreciation. Investment properties are initially recognised at cost. Cost represents the cash and cash equivalents paid for acquisition or construction of the assets. After initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment.

(ii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Depreciation is calculated to write off the cost of investment properties and other property, plant and equipment on a straight line basis over their estimated useful lives which are as follows:-

3. SIGNIFICANT ACCOUNTING POLICIES - continued

(f) Property, plant and equipment - continued

(ii) Other property, plant and equipment (Continued)

Leasehold land	Over the lease terms
Buildings	20-50 years
Machinery and equipment	5-10 years
Motor vehicles	5 years
Furniture and fixtures	5 years

(g) Construction in progress

Construction in progress represents properties under construction and equipment purchased prior to installation and is stated at cost.

Cost comprises direct cost, attributable overheads and borrowing costs capitalised in accordance with the Group's accounting policy.

No depreciation is provided on construction in progress prior to their completion upon which they will be reclassified into the appropriate categories of property, plant and equipment and depreciation will be provided.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(i) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

(i) Impairment (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

(j) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Trade and other receivables are stated at cost as reduced by appropriate allowances for estimated irrecoverable amounts.

(ii) Bank borrowings

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(iii) Trade and other payables

Trade and other payables are stated at cost.

(k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

Provision for restructuring costs are recognized when the Group has a detailed formal plan for the restructuring which has been notified to affected parties

3. SIGNIFICANT ACCOUNTING POLICIES - continued

(l) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(m) Retirement benefit costs

The employees of the Group are members of a state-managed retirement benefit scheme operated by the PRC government. The Scheme undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the income statement as incurred.

(n) Cash equivalents

Cash equivalents represent short-term, highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

4. REVENUE

An analysis of the Group's revenue is as follows:

	Six months ended 30th June	
	2002	2001
	RMB'000	RMB'000
Continuing operations:		
Sales of electronic goods	71,391	38,519
Property investment	11,182	14,688
	82,573	53,207
Discontinuing operations:		
Operation of supermarket	-	2,459
	82,573	55,666

5. SEGMENTAL REPORT

Business segment

For management purposes, the Group organised into two operating divisions—electronic goods and property investment. These divisions are the basis on which the Group reports its primary business segment.

Electronic goods - manufacture and sales of electronic products

Property investment - leasing of property and providing property management services

At March 2001, the Group resolved to cease the business operation of the supermarket so as to generate cash flow for the expansion of the Group's other businesses.

2002	Six months ended 30th June 2002			
	Continuing operations		Discontinuing operations	
	Electronic goods	Property investment	Supermarket	Consolidated total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
REVENUE	71,391	11,182	-	82,573
RESULT				
Operating profit/(loss) segment	(2,433)	9,043	-	6,610
Bank interest income				77
Finance costs				(3,838)
Net profit for the period				2,849

	As at 30th June 2002			
	Continuing operations		Discontinuing operations	
	Electronic goods	Property investment	Supermarket	Consolidated total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
ASSETS				
Segment assets	455,680	17,792	-	473,472
LIABILITIES				
Segment liabilities	157,716	22,131	-	179,847

5. SEGMENTAL REPORT - continued

Business segment - continued

2001	Six months ended 30th June 2001			
	Continuing operations		Discontinuing operations	
	Electronic goods	Property investment	Supermarket	Consolidated total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
REVENUE	38,519	14,688	2,459	55,666
RESULT				
Operating (loss) /profit segment	(6,692)	11,872	(218)	4,962
Bank interest income				261
Finance costs				(3,605)
Net profit for the period				1,618

	As at 30th June 2001			
	Continuing operations		Discontinuing operations	
	Electronic goods	Property investment	Supermarket	Consolidated total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
ASSETS				
Segment assets	425,780	24,898	4,233	454,911
LIABILITIES				
Segment liabilities	131,517	28,185	4,704	164,406

6. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	Six months ended 30th June	
	2002	2001
	RMB'000	RMB'000
Depreciation on property, plant and equipment	4,695	4,945
Write-off of pre-operating expenses	-	168
Staff costs	10,407	10,762

7. FINANCE COSTS

	Six months ended 30th June	
	2002	2001
	RMB'000	RMB'000
Interest expenses	3,825	3,603
Bank charges	13	2
	3,838	3,605

8. TAXATION

PRC income tax has not been provided for in the financial statements as the Group has tax losses brought forward to offset the assessable profit for the year.

Deferred taxation has not provided for in the financial statements as in the opinion of directors, the effect of temporary timing differences is immaterial.

9. DIVIDENDS

The Board of Directors has not recommend the payment of a dividend for the period.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:-

	Six months ended 30th June	
	2002	2001
Profit for the period	RMB2,849,000	RMB1,618,000
Weighted average of shares in issue	283,161,000	283,161,000

As the Company does not have any shares in issue with dilutive effect, no diluted earnings per share is presented.

11. PROPERTY, PLANT AND EQUIPMENT

	Investment Properties	Land and buildings	Machinery and equipment	Furniture and Fixtures	Motor vehicles	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
COST						
At 1st January 2002	95,488	141,847	40,709	10,585	6,121	294,750
Additions	-	5,317	294	539	1,493	7,643
Transferred from construction in progress	-	468	-	-	-	468
Disposals	-	-	(448)	-	-	(448)
At 30th June 2002	95,488	147,632	40,555	11,124	7,614	302,413
At 1st January 2002	95,488	141,847	40,709	10,585	6,121	294,750
ACCUMULATED DEPRECIATION						
At 1st January 2002	12,926	16,075	29,414	4,387	3,532	66,334
Charge for the period	1,371	842	584	1,729	169	4,695
Written back on disposals	-	-	-	-	-	-
At 30th June 2002	14,297	16,917	29,998	6,116	3,701	71,029
NET BOOK VALUE						
At 30th June 2002	81,191	130,715	10,557	5,008	3,913	231,384
At 31st December 2001	82,562	125,772	11,295	6,198	2,589	228,416

At the balance sheet date, the Group's investment properties, land and buildings with net book value of approximately RMB148,015,780(At 31st December 2001 : RMB136,516,000) were pledged to banks for the bank borrowings.

The gross rental income generated from the investment properties for the six months ended 30th June 2002 was RMB11,182,000 (2001: RMB14,688,000). Direct operating expenses arising from the investment properties for the period amounted to RMB2,139,000 (2001 : RMB2,815,000).

12. CONSTRUCTION IN PROGRESS

	RMB'000
Balance at 1st January 2001	11,291
Additions	57,788
Transfer to property, plant and equipment	(493)
Balance at 31st December 2001 and 1st January 2002	68,586
Additions	9,357
Transfer to property, plant and equipment	(468)
Balance at 30th June 2002	77,475

13. INVENTORIES

	At 30th June 2002	At 31st December 2001
	RMB'000	RMB'000
Raw materials	10,244	11,258
Work-in-progress	11,301	11,672
Finished goods	21,375	23,785
	42,920	46,715

The inventories were carried at net realisable value.

14 CASH AND BANK BALANCES

At the balance sheet date, cash and bank balances of RMB3,072,000 (At 31st December 2001: RMB8,339,000) were guarantee deposits used for the purposes of opening letter of credit.

15 SHARE CAPITAL

	At 30th June 2002	At 31st December 2001
	RMB'000	RMB'000
Registered, issued and fully paid share capital:		
181,165,391 "A" shares of RMB1.00 per share	181,165	181,165
101,995,836 "B" shares of RMB1.00 per share	101,996	101,996
	283,161	283,161

'A' share and "B" share rank pair passu in terms of shareholders' right.

There was no movements in the Company's shares in six months ended 30th June 2002 and the year ended 31st December 2001.

16 RESERVES

	At 30th June 2002	At 31st December 2001
	RMB'000	RMB'000
Capital reserve	98,461	98,461
Surplus reserve	77,391	77,391
Accumulated losses	(165,388)	(168,237)
	10,464	7,615

Capital reserve

According to relevant PRC regulations, capital reserve can only be utilised to increase share capital.

Surplus reserves

Surplus reserve includes surplus fund and welfare fund.

According to the relevant PRC regulations, surplus fund can be used to absorb losses and to issue bonus shares to shareholders according to their shareholding. Other than absorbing losses, any other usage should not result in the fund balance falling below 25% of the registered capital.

Welfare fund can only be utilised for the purposes of employee welfare facilities.

17 BANK LOANS

	At 30th June 2002 RMB' 000	At 31st December 2001 RMB' 000
Bank loans repayable within one year:		
Secured	117,000	109,000
Unsecured	7,000	7,000
	124,000	116,000

The annual interest rates of the bank loans are ranged from 5.36% to 6.44% (2001: 6.14% to 6.44%)

18 FINANCIAL INSTRUMENTS

Financial assets of the Group include cash and bank balances, trade and other receivables and amount due from a related company. Financial liabilities of the Group include bank loans, trade and other payables. The Group exposes to credit and interest rate risk arising from the normal course of the Group business.

(a) Credit risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

(b) Interest rate risk

The interest rates and terms of repayment of the bank loans of the Group are disclosed in note 20.

(c) Fair value

The carrying amounts of significant financial assets and liabilities approximate to their respective fair values at balance sheet date.

(i) Cash and bank balances

Cash and bank cash balances represent cash and short-term deposit in the bank. The carrying amount of these assets approximates their fair value.

(ii) Trade and other receivables and amount due from a related company

An allowance has been made for estimated irrecoverable amounts of the trade and other receivables, and amount due from a related company by reference to past default experience. The Directors consider that the carrying amount of these assets approximates their fair value.

18 FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

(iii) Bank loans

The carrying amount of bank loans approximates its fair value based on the borrowing rates current available for bank loans with similar terms and maturity.

(iv) Trade and other payables

Trade and other payables are of short-term in nature, their fair value approximates their carrying value.

19. CASH GENERATED FROM OPERATIONS

	Six months ended 30th June	
	2002	2001
	RMB'000	RMB'000
Net profit for the period	2,849	1,618
Adjustment:		
Bank interest income	(77)	(261)
Interest expenses	3,825	3,603
Write-off of pre-operating expenses	-	168
Depreciation	4,695	4,945
Decrease in inventories	3,795	13,306
Decrease in amount due from a related company	-	1,032
Increase in trade and other receivables	(20,243)	(6,231)
(Increase) / decrease in deposits and prepayments	(3,388)	3,280
Increase / (decrease) in trade and other payables	10,982	(1,540)
Increase in receipt-in-advance	2,494	139
Cash generated from operations	4,932	20,059

20. RELATED PARTY TRANSACTIONS

Directors' remuneration

During the year, the remuneration paid to directors is as follows :-

	Six months ended 30th June	
	2002	2001
	RMB'000	RMB'000
Salaries	95	83
Discretionary bonuses	-	-
Benefits in kind	-	-
	95	83

21. DETAILS OF A SUBSIDIARY

Particulars of the Company's subsidiary as at 30th June 2002 are as follows :-

Name of subsidiary	Place of incorporation and operation	Proportion of equity interest	Principal activities
Shenzhen Huafa Property Tenancy Management Co., Ltd.	PRC	60%	Property leasing and management

22. CAPITAL COMMITMENTS

At the balance sheet date, the Group has capital commitments for the acquisition of property, plant and equipment amounting to RMB3,840,000 (at 31st December 2001: RMB14,533,000).

23. RETIREMENT BENEFIT PLANS

The employees of the Group are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefit scheme is to make the specified contributions.

24. IMPACT OF THE IAS ADJUSTMENT ON THE NET PROFIT FOR THE PERIOD AND NET ASSETS

There was no difference in the net profit for the period and net assets preparing in accordance with IAS and PRC SSAP.

25. COMPARATIVE FIGURES

Certain comparative figures had been reclassified to conform with the presentation of the financial statements for the period.