SHENZHEN HUAFA ELECTRONICS CO., LTD.

SEMI-ANNUAL REPORT 2003

Important Notice

The Board of Directors and its members of Shenzhen Huafa Electronics Co., Ltd. (hereinafter referred to as the Company) 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. Chairman of the Board of the Company Mr. Wu Dehua, General Manager Mr. Zhang Yongcheng, Deputy General Manager and concurrently Chief Accountant Mr. Hu Jianping and Head of Financial Department Mr. Wang Yiqing hereby confirm that the financial report of the 2003 semi-annual report is true and complete.

Content

I. Company Profile

(I) Company information

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
3. Registered Address: 411 Bldg., Huafa North Road, Futian District, Shenzhen
   Office Address: 6/F, 411 Bldg., Huafa North Road, Futian District, Shenzhen
   Post Code: 518031
   Company's Internet Website: http://www.hwafa.com
4. Legal Representative: Wu Dehua
5. Secretary of the Board of Directors: Hu Jianping
   Authorized Representative in charge of Securities Affairs: Liu Yang
   E-mail: sz000020@163.net
   Contact Address: 6/F, 411 Bldg., Huafa North Road, Futian District, Shenzhen
   Tel: (86) 755-83352207
   Fax: (86) 755-83352207
6. Newspapers for Disclosing the Information of the Company:
   China Securities and Ta Kung Pao
   Internet Website for Publishing the Semi-annual Report: http://www.cninfo.com.cn
   The Place Where the Semi-annual Report is Prepared and Placed: 6/F, 411 Bldg., Huafa North Road, Futian District, Shenzhen
7. Other Relevant Information of the Company
   Initial registered date and place or changed registered date and place:
   Registered date: May 1992
   Registered place: 411 Bldg., Huafa North Road, Futian District, Shenzhen
   Registered number of enterprise legal person's business license: 100296
   Registered number of tax: 113260

(II) Major financial data and indexes

Unit: RMB

Items	**Jan. Jun. 2003**	**Jan. Jun. 2002**
Net profit	496,007.85	-2,745,986.23
Net profit after deducting non-recurring gains and losses	-217,077.71	-2,745,986.23
Net cash flow arising from operating activities	11,965,915.87	-745,552.27
Return on equity (%)	0.17	-0.93
Earnings per share	0.002	-0.010
Items	**June 30, 2003**	**Dec. 31, 2002**
Current assets	168,067,274.74	167,107,993.03
Current liabilities	183,019,990.83	185,031,492.60
Total assets	477,501,236.80	479,016,730.72

Shareholders' equity (excluding minority interests)	294,481,245.97	293,985,238.12
Net assets per share	1.040	1.038
Net assets per share after adjustment	0.976	0.973

Note: 1. Item of deducting non-recurring gains and losses is net income/expenditure of non-operating of RMB 713,085.56.

2. Explanation on difference between domestic and overseas statement: Shenzhen Huafa Electronics Co., Ltd. is a listed company of both A-share and B-share. There existed no difference in net profit of the Company as calculated according to Chinese Accounting Standards (CAS) and International Accounting Standards (IAS) and the relevant system respectively.

II. Change in Share Capital and Particulars about Shares Held by Main Shareholders

(I) Particulars about change in share capital

There were no changes in total share capital and the structure caused by bonus share, transferring capital public reserve into share capital, additional issuance of new shares, convertible bond of the Company or others.

(II) By the end of the report period, the Company had totally 32,871 shareholders, including 21,837 shareholders of A-share and 11,034 shareholders of B-share.

(III) Ended Jun. 30, 2003, particulars about shares held by the top ten shareholders

No.	Shareholders' name	Increase or Decrease in this period (+/-)	Number of holding shares at year-end (share)	Proportion of total shares (%)	Type of share
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 CORNER INVESTMENTS LTD	-	13,900,000	4.91	B share
⑤	ADVANCE FUTURE GROUP LIMITED		7,975,810	2.82	B share
⑥	Shanghai Jiaying Property Development Co., Ltd.	+1,204,249	3,264,330	1.15	A share
⑦	Shanghai Laisili Hairstyle	-	719,859	0.25	A share
⑧	Shanghai Haojia Trade Co., Ltd.	-	709,950	0.25	A share
⑨	Yang Ya Hong	-	680,000	0.24	B share
⑩	Yin Gang	+185,350	645,145	0.23	B share

[Note 1] The top two shareholders as listed above are the legal person shareholders of the Company and shares held by them were unlisted shares.

[Note 2] 46,542,304 legal person's share (A-share) of the Company held by Shenzhen SEG Group Co., Ltd. was pledged for loan.

[Note 3] SEG (Hong Kong) Co., Ltd. is overseas wholly-owned subsidiary of Shenzhen SEG Group Co., Ltd..

(IV) The holding shareholder of the Company remained unchanged.

III. Particulars about Directors, Supervisors and Senior Executives

(I) There was no change in shares held by directors, supervisors or senior executives of the Company in the report period.

(II) In the report period, the engagement and dismission of directors, supervisors and senior executives did not happen.

IV. Discussion and Analysis of the Management

(I) Analysis of operation result and financial situation

The Company took many measures in main business in the first half of 2003 and strictly controlled cost of production but due to the influence of low season of the industry and SARS, it caused the shortage of orders, decrease of output, rising of cost of product and the Company did not complete the goal of budget. The above influence has been relieved in June and as a whole, the trend of looking up occurred.

Unit: RMB

Item	Jan.-June, 2003	Jan.-June, 2002	Increase/ Decrease (+,-)
Income from main business	35,934,357.06	68,714,404.90	-47.70%
Profit from main business	1,103,425.21	3,384,363.48	-67.40%
Profit from other business	11,842,152.32	6,258,285.58	89.22%
Net profit	496,007.85	-2,745,986.23	---
Net increase of cash and equivalent	5,441,905.96	-7,367,385.55	---

Note:

1. Income from main business and profit from main business decreased respectively 47.70% and 67.40% compared with the same period of last year and it was caused by the influence of low season of the industry and SARS and a large decrease of output;

2. Profit from other business increased 89.22% compared with the same period of last year and it was caused by the normal situation of rent business of property and a large increase of rent;

3. Net increase of cash and equivalent increased RMB 12,809,300 compared with the same period of last year and there are two main reasons: the first one is the Company strengthened to dun payments for good and the second one is taken-back rent of property increased in a large scope.

(II) Operation in the report period

1. The scope and operation of the main business

The main business of the Company is the production and sale of color TVs, printing and manufacturing the electronic products of circuit boards and plastic injection hardware etc. The Company realized RMB 35,934,400 income from main business and RMB 1,103,400 profit from main business.

Classified according to products	Income from core business	Cost of core business	Gross profit ratio (%)	Increase/decrease of income from core business compared with the same period of previous year (%)	Increase/decrease of cost of core business compared with the same period of previous year (%)	Increase/decrease of gross profit ratio compared with the same period of previous year (%)
Color TVs	870.28	951.38	-9.32	-73.09	-71.29	-6.88
Circuit boards	2,293.38	2,153.12	6.12	-33.11	-28.51	-6.04

Plastic injection hardware	429.77	378.59	11.91	106.10	82.03	11.65
Among: related transaction	0	0				
Rule of pricing of related transactions	Inapplicable					
Explanation of need and durative	Inapplicable					

2. The composing of profit, main business and its structure, earning abilities of main business in the report period have no significant change.

3. Scope and operation of other businesses

In the report period, other operating business having significant influence on net profit of the Company is rent of property. The Company continuously improved the level of management of property and descended the influence of SARS in the biggest degree and the rent income increased steadily. The Company realized RMB 16,503,900 income of property's rent and RMB 11,846,200 rent profit in the first half year, respectively increasing by 64% and 72.31%

4. Problems and difficulties in operation

At present, the production of color TVs in the main business of the Company is mainly OEM processing and the orders and price are impacted greatly external influence. It is hard to maintain earning. In the last half year, the Company will further develop new customers under the precondition of continuing to consolidate old customers, expend orders constantly, added output to descend cost of processing.

The production technology of multi-layer circuit board needs to be improved. The Company will speed up the introduction into and cooperation and improve quality of products through improving process and standardizing production craftwork and meanwhile, descended cost through cost management in all aspects.

(III) In the report period, the Company has no raised capital and item of investment.

V. Significant Events

(I) According to the requirement of relevant documents of CSRC, the Company strictly required, operated normatively and actively improved the legal person administration Structure of the Company. Now, the Board of Directors has seven members, two of them are independent directors whose majors are respectively finance and law. According to the regulation of CSRC, one of independent directors must major in accounting, the Company will improve as soon as possible. The Board of Directors of the Company has few members and the Company did not establish special committees temporarily and relevant matters will be examined together by all members of the Board of Directors. Except for that, the Company is basically in compliant with relevant normative documents.

(II) In the report period, the Company has not implemented proposal of profit distribution, transfer from capital reserve to share capital and issue of new share.

(III) In the report period, the Company has no significant lawsuits and arbitrations.

(IV) In the report period, the Company has no significant purchase, sale and disposal of assets.
(V) In the report period, the Company has no significant related transactions.
(VI) In the report period, the Company has no significant contracts, guarantee and entrust.
(VII) The Company and the shareholders holding over 5% shares have no commitment in the report period.
(VIII) The financial report of the Company is not audited.
(IX) In the report period, the Company, the directors and senior executives of the Company have not been checked and punished by the supervisory departments.

VI. Financial Report (non-audited)

(I) Accounting statements (attached)
(II) Notes of accounting statements (attached)

VII. Documents Available for Reference

1. Semi Annual Report carried with the signature of Chairman of the Board.
2. Accounting statements carried with the signatures and seals of legal representative, chief accountants and person in charge of accounting.
3. Original of all documents disclosed on China Securities News and Ta Kung Pao in the report period.
4. Articles of Association of the Company.

Note: this report is prepared respectively in Chinese and English versions. Should there be any difference in interpretation of the two versions, the Chinese version shall prevail.

Chairman of the Board: Wu Dehua

Board of the Directors of
Shenzhen Huafa Electronics Co., Ltd.
Aug. 28, 2003

CONSOLIDATED INCOME STATEMENT

SIX MONTHS ENDED 30TH JUNE 2003

	NOTES	Six months ended 30th June 2003 RMB'000	2002 RMB'000
Revenue	5	53,595	81,438
Cost of sales		(40,650)	(71,795)
Gross profit		12,945	9,643
Other revenue		1,010	1,515
Selling and distribution costs		(1,308)	(800)
Administrative expenses		(8,701)	(9,236)
Other operating expenses		(22)	(106)
Profit from operations	7	3,924	1,016
Bank interest income		159	77
Finance costs	8	(3,587)	(3,838)
Net profit/(loss) for the period		496	(2,745)
Earnings/(loss) per share	11	RMB0.0018	(RMB0.0097)

CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2003

	NOTES	At 30th June 2003 RMB'000	At 31st December 2002 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	304,492	310,652
Construction in progress	13	4,942	1,256
Other investment	14	-	-
		309,434	311,908
Current assets			
Inventories	15	53,581	45,139
Bills receivable		500	-
Trade and other receivables		59,759	73,631
Deposits and prepayments		2,911	2,464
Cash and bank balances	16	51,316	45,874
		168,067	167,108
Total assets		477,501	479,016
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	283,161	283,161
Reserves	18	11,320	10,824
		294,481	293,985
Current liabilities			
Trade and other payables		46,008	48,892
Receipt-in-advance		13,012	12,139
Bank loans	19	124,000	124,000
		183,020	185,031
Total equity and liabilities		477,501	479,016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 30TH JUNE 2003

a) Six months ended 30th June 2003

	Share capital	Capital reserve	Surplus reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1st January 2003	283,161	98,461	77,391	(165,028)	293,985
Net profit for the period	-	-	-	496	496
Balance at 30th June 2003	283,161	98,461	77,391	(164,532)	294,481

b) Six months ended 30th June 2002

	Share capital	Capital reserve	Surplus reserve	Accumulated losses	Total
Balance at 1st January 2002	283,161	98,461	77,391	(170,388)	288,625
Net loss for the period	-	-	-	(2,745)	(2,745)
Balance at 30th June 2002	283,161	98,461	77,391	(173,133)	285,880

CONSOLIDATED CASH FLOW STATEMENT

SIX MONTHS ENDED 30TH JUNE 2003

	Six months ended 30th June	
	2003	2002
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Net profit/(loss) for the year	496	(2,745)
Adjustment:		
Bank interest income	(159)	(77)
Interest expenses	3,568	3,825
Depreciation	8,749	4,689
Gain on disposals of property, plant and equipment	(25)	(57)
Overage of property, plant and equipment	(33)	-
(Increase)/decrease in inventories	(8,442)	3,795
Increase in bills receivable	(500)	-
Decrease/(increase) in trade and other receivables	13,872	(20,243)
Increase in deposits and prepayments	(447)	(3,388)
(Decrease)/increase in trade and other payables	(2,884)	10,982
Increase in receipt-in-advance	873	2,494
Cash generated from/(used in) operations	15,068	(725)
Interest paid	(3,568)	(3,825)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	11,500	(4,550)
INVESTING ACTIVITIES		
Interest received	159	77
Purchase of property, plant and equipment	(2,287)	(2,043)
Increase in construction in progress	(3,970)	(9,357)
Proceeds from disposals of property, plant and equipment	40	505
NET CASH USED IN INVESTING ACTIVITIES	(6,058)	(10,818)

CONSOLIDATED CASH FLOW STATEMENT – continued

SIX MONTHS ENDED 30TH JUNE 2003

	Six months ended 30th June	
	2003	2002
	RMB'000	RMB'000
FINANCING ACTIVITIES		
New bank loans	89,800	53,300
Repayment of bank loans	(89,800)	(45,300)
NET CASH FROM FINANCING ACTIVITIES	-	8,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,442	(7,368)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	45,874	53,614
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	51,316	46,246

SIX MONTHS ENDED 30TH JUNE 2003

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 holding company of the company is Shenzhen Group Ltd.(the "SEG Group"), a state-owned enterprise registered in the PRC.

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

Particulars of the Company's subsidiary as at 30th June 2003 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

2. PRESENTATION OF FINANCIAL STATEMENTS

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

(b) The group maintains its accounting records and prepares its statutory Financial statements in accordance with the accounting principles and the relevant Financial regulations applicable to Foreign investment enterprises in the PRC.

(c) The financial statements have been prepared in accordance with International Financial Reporting Standards (the "IFRS"). The accounting policies and basis adopted to the preparation of the statutory financial statements differ in certain respects from IFRS. The differences arising from the restatement of the results of operations and the net assets for compliance with IFRS are adjusted in financial statements but will not be taken up in the accounting records of the Group.

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 2003. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of the relevant subsidiaries 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 recognized.

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.

(b) Revenue recognition

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

Rental income is recognized on straight-line basis during the rental period.

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

(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 balance sheet 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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 recognized if the temporary difference arises from goodwill (or negative goodwill) or 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 recognized 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 in the period when the asset is realized 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) 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 on exchange are included in

3. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Foreign currencies - continued

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 recognized as income or as expenses in the period in which the operation is disposed of.

(e) 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 recognized 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 year 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 capitalized 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 recognized in income.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

(e) Property, plant and equipment - continued

(ii) Other property, plant and equipment - continued

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:-

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

(f) 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 capitalized in accordance with the Group's accounting policy. Costs on completed construction works are transferred to the appropriate asset category. Costs incurred on construction in progress are recognized as an expense immediately when the work is terminated.

No depreciation is provided on construction in progress until it is completed and put into commercial operation.

(g) Other investments

Other investments are stated at cost less any accumulated impairment loss.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

(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 recognized as an expense immediately.

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 recognized as income immediately.

(j) Financial instruments

Financial assets and financial liabilities are recognized 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 their nominal value 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

(j) Financial instruments - continued

(iii) Trade and other payables

Trade and other payables are stated at their nominal value.

(k) Provisions

Provisions are recognized 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.

(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. FINANCIAL RISKS MANAGEMENT

Financial assets of the Group include cash and bank balances, bills receivable, trade and other receivables. 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 19.

(c) Fair value estimation

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) Bills receivable, trade and other receivables

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

(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.

5. REVENUE

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

	Six months ended 30th June	
	2003	2002
	RMB'000	RMB'000
Sales of electronic goods	35,934	70,256
Property investment	17,661	11,182
	53,595	81,438

6. SEGMENTAL REPORT

(a) 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

In previous years, the Group also engaged in supermarket operations, but it was resolved to be ceased business in March 2001.

6. SEGMENTAL REPORT - continued

(a) Business segment - continued

2003	Six months ended 30th June 2003			
	Continuing operations		Discontinuing operations	
	Electronic goods	Property investment	Supermarket	Consolidated total
	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	35,934	17,661	-	53,595
RESULT				
Operating (loss)/profit segment	(5,029)	8,953	-	3,924
Bank interest income				159
Finance costs				(3,587)
Net profit for the period				496

	As at 30th June 2003			
	Continuing operations		Discontinuing operations	
	Electronic goods	Property investment	Supermarket	Consolidated total
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Segment assets	360,165	117,003	333	477,501
LIABILITIES				
Segment liabilities	181,942	918	160	183,020

6. SEGMENTAL REPORT - continued

(a) Business segment - continued

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	70,256	11,182	-	81,438
RESULT				
Operating (loss) /profit segment	(8,027)	9,043	-	1,016
Bank interest income				77
Finance costs				(3,838)
Net loss for the period				(2,745)

	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	368,895	98,650	333	467,878
LIABILITIES				
Segment liabilities	157,716	21,971	160	179,847

(b) Geographical segments

Over 90% of the Group's operations and markets are located in the PRC.

7. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	Six months ended 30th June	
	2003	2002
	RMB'000	RMB'000
Retirement benefit costs	658	576
Depreciation on property, plant and equipment	8,749	4,695
Staff costs	9,582	10,407
Gain on disposals of property, plant and equipment	(25)	(57)
Overage of property, plant and equipment	(33)	-

8. FINANCE COSTS

	Six months ended 30th June	
	2003	2002
	RMB'000	RMB'000
Interest expenses	3,568	3,825
Bank charges	19	13
	3,587	3,838

9. TAXATION

The Group is subject to PRC income tax at a rate of 15% on its the estimated assessable profit. No provision for tax has been made in the financial statements as the Group has tax losses brought forward to offset the assessable profit for the period.

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

10. DIVIDENDS

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

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the following data:-

	Six months ended 30th June	
	2003	2002
Profit/(loss) for the period	RMB496,000	(RMB2,745,000)
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/(loss) per share is presented.

12. 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'00 0
COST						
At 1st January 2003	108,658	168,941	91,052	16,285	6,200	391,136
Additions	1,408	106	242	564	-	2,320
Transferred from Construction in progress	-	-	-	284	-	284
Disposals	-	-	(149)	-	-	(149)
At 30th June 2003	110,066	169,047	91,145	17,133	6,200	393,591
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS						
At 1st January 2003	15,161	19,417	34,375	8,451	3,080	80,484
Charge for the period	1,779	1,801	3,904	967	298	8,749
Written back on disposals	-	-	(134)	-	-	(134)
At 30th June 2003	16,940	21,218	38,145	9,418	3,378	89,099
NET BOOK VALUE						
At 30th June 2003	93,126	147,829	53,000	7,715	2,822	304,492
At 31st December 2002	93,497	149,524	56,677	7,834	3,120	310,652

12. PROPERTY, PLANT AND EQUIPMENT - continued

At the balance sheet date, certain of the Group's investment properties, land and buildings with net book value of approximately RMB117,340,000 (At 31st December 2002 : RMB130,346,000) were pledged to banks for the bank borrowings.

The gross rental income generated from the investment properties for the six months ended 30th June 2003 was RMB17,661,000 (2002: RMB11,182,000). Direct operating expenses incurring for the investment properties for the period amounted to RMB5,819,000 (2002 : RMB3,810,000).

13. CONSTRUCTION IN PROGRESS

	RMB'000
Balance at 1st January 2003	1,256
Additions	3,970
Transfer to property, plant and equipment	(284)
Balance at 30th June 2003	4,942

14. OTHER INVESTMENT

	At 30th June 2003	At 31st December 2002
	RMB'000	RMB'000
Cost	900	900
Less: impairment loss	(900)	(900)
	-	-

15. INVENTORIES

	At 30th June 2003	At 31st December 2002
	RMB'000	RMB'000
Raw materials	12,730	11,077
Work-in-progress	9,624	11,278
Finished goods	31,227	22,784
	53,581	45,139

The inventories were carried at net realisable value.

16. CASH AND BANK BALANCES

At the balance sheet date, cash and bank balances included guarantee deposits of RMB312,000 (At 31st December 2002: RMB918,000) securing for the purposes of opening letter of credit and deposits approximately of RMB8,925,000 (HK$8,500,000) (At 31st December 2002: NIL) securing for the bank loans granted.

17. SHARE CAPITAL

	At 30th June 2003	At 31st December 2002
	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 were no movements in the Company's shares during the six months ended 30th June 2003 and the year ended 31st December 2002.

18. RESERVES

	At 30th June 2003	At 31st December 2002
	RMB'000	RMB'000
Capital reserve	98,461	98,461
Surplus reserve	77,391	77,391
Accumulated losses	(164,532)	(165,028)
	11,320	10,824

Capital reserve

According to relevant PRC regulations, capital reserve can only be utilised to increase share capital and to absorb losses. The amount for absorbing losses is restricted to the share premium, cash donation, in the capital reserve.

18. RESERVES - continued

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.

19. BANK LOANS

	At 30th June 2003	At 31st December 2002
	RMB'000	RMB'000
Bank loans repayable within one year:		
Secured(note12 and note16)	117,000	117,000
Unsecured	7,000	7,000
	124,000	124,000

The annual interest rates of the bank loans are ranged from 5.31% to 5.841% (2002: 5.31% to 6.435%)

20. 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.

The total cost charged to income of RMB658,000 (2002: RMB576,000) represents contributions payable to these plans by the group at rates specified in the rules of the plans.

21. IMPACT OF THE IFRS ADJUSTMENT ON THE NET PROFIT FOR THE PERIOD AND NET ASSETS

There is no difference in the net profit for the period and net assets preparing in accordance with IFRS and Accounting Standards of the PRC.

22. COMPARATIVE FIGURES

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

The financial statements were approved by the Board of Directors and authorised for issue on and signed on its behalf by:

Director   Director