Stock code: 000020, 200020 Short form of the stock: SHENHUAFA A, SHENHUAFA B

Public Notice No.: 2004-09

SHENZHEN HUAFA ELECTRONICS CO., LTD. 2003 ANNUAL REPORT SUMMARY

(Overseas Version)

§1. Important Notes

1.1 The Board of Directors 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. The 2003 annual report summary is abstracted from the annual report; the investors are suggested to read the full text of annual report to understand more details.

1.2 Shenzhen Nanfang Min-He Certified Public Accountants and Ho and Ho & Company Certified Public Accountants audited the 2003 financial report of the Company and issued the standard unqualified Auditors' Report respectively.

1.3 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 Annual Report is true and complete.

§2. Company Profile

2.1 Basic information

Short form of the stock	SHENHUAFA A, SHENHUAFA B
Stock code	000020, 200020
Listed stock exchange	Shenzhen Stock Exchange
Registered address and office address	411 Bldg., Huafa North Road, Futian District, Shenzhen
Post code	518031
Internet web site of the Company	http://www.hwafa.com
E-mail of the Company	szhf@hwafa.com

2.2 Contact person and method

	Secretary of the Board of Directors	Representative in charge of Securities Affairs
Name	Hu Jianping	Liu Yang
Contact address	6th Floor, 411 Bldg., Huafa North Road, Futian District, Shenzhen	
Telephone	(86) 755-83352207	
Fax	(86) 755-83323169	
E-mail	Sz000020@163.net	

§3. Summary of Accounting Data and Financial Indexes

3.1 Main Accounting Highlights

Unit: RMB'000

	2003	2002	Increase/decrease over last year（%）
Operating Income	151,392	164,082	-7.73%
Profit before Tax	-7,734	1,110	---
Net profit	-7,734	1,110	---
	At the end of 2003	**At the end of 2002**	**Increase/decrease over last year**
Total assets	476,381	466,311	2.16%
Total equity	276,579	281,280	-1.67%
Net cash from operating activities	822	1,920	-57.19%

3.2 Financial Indexes:

Unit: RMB

	2003	2002	Increase/decrease over last year
Earnings per share	-0.027	0.004	---
Return on equity Ratio	-2.80%	0.39%	-3.19%
Net cash from operating activities per cash	0.017	0.024	-29.17%
	At the end of 2003	**At the end of 2002**	**Increase/decrease over last year**
Net assets per share	0.98	0.99	-1.01%

3.3 Difference of the CAS and IAS

□Applicable √Inapplicable

The Company is a listed company of both A-share and B-share. The net profit of the Company as calculated according to CAS and IAS and relevant system was no difference.

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in share capital

(Unit: share)

Items	Before the change	Increase/decrease of this time (+, -)						After the change
		Allotment of share	Bonus shares	Capitalization of public reserve	Additional issuance	Others	Subtotal	
Ⅰ. Unlisted shares								
1. Promoters' shares								
Including:								
Domestic legal person's shares	124,925,828						0	124,925,828
Foreign legal person's shares								
Others (Domestic legal person's transferred allotted shares)								
2. Raised legal person's shares								

3. Inner employees' shares								
4. Preference shares or others								
Total unlisted circulating shares	124,925,828						0	124,925,828
II. Listed shares								
1. RMB ordinary shares	56,239,563						0	56,239,563
2.Domestically listed foreign shares	101,995,836						0	101,995,836
3.Foreign listed foreign shares								
4.Others								
Total listed circulating shares	158,235,399						0	158,235,399
III. Total shares	283,161,227						0	283,161,227

4.2 Statement of shares held by the top ten shareholders and Statement of shares held by the top ten circulating shareholders

Total number of shareholders at the end of report year	37,342					
Particulars about shares held by the top ten shareholders						
Full name of Shareholders	**Increase / decrease in the report year (share)**	**Holding shares at the year-end (share)**	**Proportion (%)**	**Type of shares (Circulating/Non-circulating)**	**Number of share pledged/ frozen (share)**	**Nature of shareholders (State-owned shareholder/foreign shareholder)**
Shenzhen SEG Group Co., Ltd.		62,462,914	22.06	Non-circulating	38,860,410	Domestic Legal person shareholder
China Zhenhua Electronics Industrial Co.		62,462,914	22.06	Non-circulating	0	Domestic Legal person shareholder
SEG (Hong Kong) Co., Ltd.		16,569,560	5.85	Circulating	0	Circulating shareholder
GOOD HOPE CORNET INVESTMENTS LTD		13,900,000	4.91	Circulating	0	Circulating shareholder
ADVANCE FUTURE GROUP LIMITED	-4,301,400	3,674,410	2.82	Circulating	0	Circulating shareholder
Yin Gang	+720,145	720,145	0.25	Circulating	0	Circulating shareholder
DBS VICKERS (HONG KONG) LTD A/C CLIENTS	+548,262	548,262	0.19	Circulating	0	Circulating shareholder
Huang Min	+373,620	373,620	0.13	Circulating	0	Circulating shareholder
Zhuang Xinjian	+362,350	362,350	0.13	Circulating	0	Circulating shareholder
BEST RELIANCE INVESTMENTS LTD	+350,306	350,306	0.12	Circulating	0	Circulating shareholder
Explanation on associated relationship among the top ten shareholders or consistent action	SEG (Hong Kong) Co., Ltd. is overseas wholly-owned subsidiary of Shenzhen SEG Group Co., Ltd.. The Company is unaware of whether there existed related relationship among the other shareholders.					

Particulars about shares held by the top ten circulating shareholders		
Shareholders' name (Full Name)	Holding shares at the year- end (share)	Type (A, B, H or others)
SEG (Hong Kong) Co., Ltd.	16,569,560	B share
GOOD HOPE CORNET INVESTMENTS LTD	13,900,000	B share

ADVANCE FUTURE GROUP LIMITED	3,674,410	B share
Yin Gang	720,145	B share
DBS VICKERS (HONG KONG) LTD A/C CLIENTS	548,262	B share
Huang Min	373,620	B share
Zhuang Xinjian	362,350	A share
BEST RELIANCE INVESTMENTS LTD	350,306	B share
WONG, CHI HO	300,000	B share
Ye Baicai	291,400	B share
Explanation on the relationship of the top ten circulating shareholders	The Company is unaware of whether there existed related relationship among the top ten circulating shareholders.	

4.3 Particulars about controlling shareholders and actual controller of the Company

4.3.1 Particulars about change on controlling shareholders and actual controller of the Company

□Applicable √Inapplicable

Name of the controlling shareholder: Shenzhen SEG Group Co., Ltd.

Legal representative: Sun Yulin

Date of foundation: Aug. 23, 1984

Registered capital: RMB 1,355.42 million

Business scope: Production and research of electronic products, electrical home appliances; undertake various electronic system project (Import and export business and exclusive dealings commodities were conducted according to the regulation); raise development funds and invest credit; development of technology and information service and maintenance; high-floor sightseeing, supporting food and drink, marketplace and exhibition of SEG Plaza.

Shenzhen Investment Holding Corporation is the First Principle Shareholder of Shenzhen SEG Group Co., Ltd., and holds 46.52% equity of Shenzhen SEG Group Co., Ltd..

§5. Particulars About Directors, Supervisors, Senior Executives

5.1 Particulars about changes in shares held by directors, supervisors and senior executives

Name	Gender	Age	Title	Office term	Number of holding shares (share)		
					At the year-begin	Increase /Decrease	At the year-end
Wu Dehua	Male	58	Chairman of the Board	Apr. 2001-Present	0	0	0
Feng Quanbao	Male	58	Vice Chairman of the Board	Apr. 2001-Present	0	0	0
Zhang Yongcheng	Male	52	Director, General Manager	Apr. 2001-Present	0	0	0
Che Wenshen	Male	55	Director	Apr. 2001-Present	0	0	0
Wang Chu	Male	46	Director	Dec. 2001-Present	0	0	0
Zhou Daozhi	Male	53	Independent Director	Jun. 2002-Present	0	0	0
Zhao Junrong	Male	40	Independent Director	Jun. 2002-Present	0	0	0

Ye Daming	Male	59	Chairman of the Supervisory Committee	Apr. 2001-Present	30,433	0	30,433
Liu Jingju	Female	49	Supervisor	Apr. 2001-Present	0	0	0
Li Liangzhen	Male	39	Supervisor	Jun. 2002-Present	0	0	0
Cai Guiyong	Male	56	Deputy General Manager	Jun. 2001-Present	33,645	1.900	35,545
Hu Jianping	Male	42	Deputy General Manager, Chief Accountant, Secretary of Board of Directors	Apr. 2001-Apr. 2004	0	0	0
Sun Lei	Male	39	Deputy General Manager	Jun. 2001-Apr. 2004	0	0	0

5.2 Particulars about directors and supervisors holding the post in Shareholding Company

√ Applicable ☐ Inapplicable

Name	**Name of Shareholding Company**	**Title in Shareholding Company**	**Office term**	**Drawing the payment from the Shareholding Company (Yes / No)**
Wu Dehua	China Zhenhua Electronics Group Co. Shenzhen Electronics Co., Ltd.	General Manager	Apr, 2001 to now	Yes
Feng Quanbao	Shenzhen SEG Group Co., Ltd.	Deputy General Manager	Jun. 1992 to now	Yes
Che Wenshen	China Zhenhua Electronics Group Co.	Chief Accountant	Aug. 2000 to now	Yes
Wang Chu	Shenzhen SEG Group Co., Ltd.	Assistant Manager	Aug. 2001 to now	Yes
Liu Jingju	Shenzhen SEG Group Co., Ltd.	Deputy Secretary	May 1997 to now	Yes

5.3 Particulars about the annual payment of directors, supervisors and senior executives

Total annual payment	RMB 1,707,000
Total annual payment of the top three directors drawing the highest payment	RMB 399,000
Total annual payment of the top three senior executives drawing the highest payment	RMB 854,000
Allowance of independent director per person/ year	RMB 36,000
Other treatment of independent directors	No
Name of directors and supervisors receiving no payment or allowance from the Company	Wu Dehua, Feng Quanbao, Che Wenshen, Wang Chu, Liu Jinju
Payment	Number of persons
Under RMB 50,000	2
RMB 200,000 ～ RMB 300,000	5
Over RMB 300,000	1

§ 6. Report of the Board of Directors

6.1 Discussion and analysis to the whole operation in the report period

1. According to the accounting policy approved by the resolution of the Board, the houses in the Company's fixed assets were formerly appropriated depreciation according to the estimated usable year-limit of 50 years. The partial house property of the Company bought in 1982 and 1985 obtained real estate certification in Nov. 1999 and at the beginning of 2003 and the usable year-limit stated in the real estate certification was 30 years. According to the usable year-limit stated in the real estate certification and as approved by the resolution with SHFDZ [2004] NO.4 of the 1st provisional Board of Directors of the Company in 2004 (the notice was published on China Securities and Ta Kung Pao dated Mar. 23, 2004), the Company changed the estimated usable year-limit of the above house property into 30 years and appropriated depreciation of net value of fixed assets on account by amortizing as beeline method within the left year-limit since the 2nd month after receiving the real estate certification. Because of the change of the above accounting assessment, the Company increased the accumulated depreciation amounting to RMB 4,903,800 in 2003 and correspondingly decreased profit; made backward adjustment and correspondingly decreased the retained earnings amounting to RMB 12,705,500 at the beginning of 2003. 2、At the end of this year, the amount of the inventory of the Company was RMB 81,892,300. The Company appropriated provision for inventory's depreciation caused by derogation, price-falling and other factors according to the regulars of provision calculation. The provision for price-falling appropriated this year was RMB 3,665,900. 3. At the beginning of 2003, Chinese color-TV enterprises encountered the anti-dumping case of the occident countries, which hampered the product export business of many color-TV manufacturers in the country and meanwhile because of the influence of SARS, the purchase ability of the civil market descended in a large range and it caused the large decrease of the orders of OEM customers of the Company; the dissension of patent right of DVD caused the large decrease of output of the civil DVD manufacturers and had large influence on the sale of the Double Sided PCB of the Company; the processing expense of color-TV and the sale price of PCB dropped consistently and it had a serious influence on the income from main business. Whereas the scurviness of the market environment, the Company made efforts to improve the technology level and earning ability, made the development of the products toward multi-structure and multi-field, cast off the simplex complexion of the products and customers, actively searched the market, descended cost and raised performances. 4. The property lease of the Company is mainly commercial use. "SARS" directly effected the normal operation of the renters, so the Company debated partial rent. Whereas so, the rent rate of the Company's property, the rent income of the whole year still created the highest level since renting and the actual received rent in the whole year was RMB 33.08 million.

6.2 Statement of main operations classified according to products

Classified according	Income from main	Cost of main operations	Gross profit	Increase/decrease in income from	Increase/decrease in cost of main	Increase/decrease in gross profit

to products	operations (RMB’0000)	(RMB’0000)	ratio (%)	main operations over the last year (%)	operations over the last year (%)	ratio over the last year (%)
Color TVs:						
Processing	1,637.93	1,619.40	1.13	-8.94	-3.56	-5.52
Inside sale of inventories	73.13	240.85	---	-74.10	-51.16	---
Outside sale	1,115.73	1,065.56	4.50	-52.33	-54.46	4.48
Circuit Board	7,850.07	7,008.22	10.72	1.56	1.86	-0.27
Plastic injection hardware	1,175.38	972.23	17.28	57.76	54.36	1.82
Including: related transaction	0	0				
Pricing principle of related transaction	Inapplicable					
Explanation on necessity and consistency of related transaction	Inapplicable					

6.3 Particulars about main operations classified according to areas

□Applicable √Inapplicable

The product sale of the main business of the Company is mainly in the South China.

6.4 Particulars about the customers of purchase and sales

Unit: RMB’0000

Total amount of purchase from the top five suppliers	4,668.55	Proportion in the total amount of purchase	51.06%
Total amount of sale to the top five sale customers	7,012.76	Proportion in the total amount of sale	59.17%

6.5 Operation of share-holding companies

□Applicable √Inapplicable

6.6 Explanation on reasons of material changes in main operations and its structure

□Applicable √Inapplicable

6.7 Explanation on reasons of material changes in profitability capability of main operations than that in the last year

☐Applicable √Inapplicable

6.8 Analysis to reasons of material changes in operating results and profit structure compared with the previous year

☐Applicable √Inapplicable

Analysis to reasons of material changes in the whole financial position than that in the last year

☐Applicable √Inapplicable

6.9 Explanation on the past, current and future important effects of the material changes in production and operation environment, macro-policies and regulations on the Company's financial position and operating results

☐Applicable √Inapplicable

6.10 Completion of the profit estimation

☐Applicable √Inapplicable

6.11 Completion of the business plan

☐Applicable √Inapplicable

6.12 Application of the raised proceeds

☐Applicable √Inapplicable

Particulars about the changed projects

☐Applicable √Inapplicable

6.13 Application of the proceeds not raised through shares offering

☐Applicable √Inapplicable

6.14 Explanation of the Board of Directors on the "Non-standard Opinion" made by the Certified Public Accountants

☐Applicable √Inapplicable

6.15 Business plan as of the next year of the Board of Directors

√Applicable ☐Inapplicable

The Company will push in large step and concentrate on doing the following works in 2004:

1. Regulating the product structure of Circuit Board, extending product market, improving product quality, increasing the product competition ability and earning profits space;

2. Making the OEM production of color TVs and SMI greater and stronger by improving the production ability and dropping cost.

3. Stabilizing property income and supporting the Company's development continually.

Profit estimation of the next year

☐Applicable √Inapplicable

6.16 The preplan on the profit distribution and capitalization of capital public reserve of the Board of Directors

Neither profit distribution nor capitalization of capital public reserve in 2003.

§7. Significant Events

7.1 Purchase of assets

☐Applicable √Inapplicable

7.2 Sales of assets

□Applicable √Inapplicable

7.3 Important guarantee

□Applicable √Inapplicable

7.4 Related credits and liabilities current

□Applicable √Inapplicable

7.5 Entrusted assets

□Applicable √Inapplicable

7.6 Implementation of commitment items

□Applicable √Inapplicable

7.7 Significant lawsuit and arbitration

□Applicable √Inapplicable

7.8 Particulars about the performance of obligations of Independent Directors

□Applicable √Inapplicable

According to relevant regulations of Company Law, Administration Rules for Listed Company, Articles of Association of the Company and Independent Director System, Independent Director, Mr. Zhou Daozhi and Mr. Zhao Junrong performed their duties of Independent Director in a patient and responsible way, attended every meeting of the Board according to request and expressed professional opinion on the proposals of the meetings; examined the financial statement of the Company each month and mastered the operation status and financial situation of the Company in time; actively participated in the decision-making of the significant events of the Company, contributed stratagem and decision to the development of the Company in the professional view and meanwhile played a good role in the normative administration of the Company.

§8. Report of the Supervisory Committee

The Supervisory Committee believes that there existed no problems in operation according to laws, financial situation, usage of raised capital, transactions of purchase and sale of assets and related transactions.

§9. Financial Report

Consolidated Income Statement, Balance Sheet, Equity Change Statement and Cash Flow Statement (attached)

Board of Directors of
Shenzhen Huafa Electronics Co., Ltd.
Apr. 24, 2004

CONSOLIDATED INCOME STATEMENT

1. YEAR ENDED 31ST DECEMBER 2003

	NOTE	2003	2002
		RMB'000	RMB'000
Revenue	4	151,392	164,082
Cost of sales		(125,374)	(134,475)
Gross profit		26,018	29,607
Other revenue		96	486
Selling and distribution costs		(3,335)	(1,841)
Administrative expenses		(23,001)	(19,400)
Other operating expenses		(750)	(497)
(Loss)/Profit from operations	5	(972)	8,355
Net finance costs	6	(6,762)	(7,245)
Net (Loss)/ Profit from ordinary activities before taxation		(7,734)	1,110
Income tax expenses	7	-	-
(Loss)/profit attributable to shareholders		(7,734)	1,110
(Loss)/earnings per share – Basic	9	(RMB0.027)	RMB0.004

CONSOLIDATED BALANCE SHEET

2. AS AT 31ST DECEMBER 2003

	NOTE	2003	2002
		RMB'000	RMB'000
(a) ASSETS			(Restated)
I.			
II. Non-current assets			
Property, plant and equipment	11	290,183	297,947
Construction in progress	12	469	1,256
Other investment	13	-	-
Total non-current assets		290,652	299,203
Current assets			
Inventories	14	45,192	45,139
Bills receivable		4,042	-
Trade accounts receivable		63,870	51,810
Prepaid expenses and other current assets	15	25,355	24,285
Cash and cash equivalents	16	47,270	45,874
Total current assets		185,729	167,108
Total assets		476,381	466,311
EQUITY AND LIABILITIES			
III.			
IV. Capital and reserves			
Share capital	17	283,161	283,161
Share premium	18	98,461	98,461
Property revaluation reserve	19	3,033	-
Surplus reserves	20	77,391	77,391
Accumulated losses		(185,467)	(177,733)
		276,579	281,280
(b) Current liabilities			
Trade accounts payable		42,720	37,390
Accrued expenditures and other payables	21	23,082	23,641
Short-term bank borrowings	22	134,000	124,000
Total current liabilities		199,802	185,031
Total equity and liabilities		476,381	466,311

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(c) YEAR ENDED 31ST DECEMBER 2003

	Share capital	Share premium	Property revaluation reserve	Surplus reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1st January 2002						
- As previous reported	283,161	98,461	-	77,391	(170,388)	288,625
- Prior period adjustment(note 2)	-	-	-	-	(8,455)	(8,455)
- As restated	283,161	98,461		77,391	(178,843)	280,170
Profit attributable to shareholders						
- As previous reported	-	-	-	-	5,360	5,360
- Prior period adjustment(note 2)	-	-	-	-	(4,250)	(4,250)
- As restated	-	-	-	-	1,110	1,110
Balance at 31st December 2002 and 1st January 2003	283,161	98,461	-	77,391	(177,733)	281,280
Revaluation surplus	-	-	3,033	-	-	3,033
Loss attributable to shareholders	-	-	-	-	(7,734)	(7,734)
Balance at 31st December 2003	283,161	98,461	3,033	77,391	(185,467)	276,579

CONSOLIDATED CASH FLOW STATEMENT

(d) YEAR ENDED 31ST DECEMBER 2003

	2003	2002
	RMB'000	RMB'000
OPERATING ACTIVITIES		
(Loss)/profit before taxation	(7,734)	1,110
Adjustment:		
Bank interest income	(293)	(361)
Interest expenses	7,131	7,540
Depreciation	22,702	17,641
Gain on disposals of property, plant and equipment	(10)	(156)
Written off construction-in-progress	19	17
(Increase)/decrease in inventories	(53)	1,576
Increase in trade and other receivables	(18,580)	(36,567)
Increase in trade and other payables	4,771	18,660
Cash generated from operations	7,953	9,460
Interest paid	(7,131)	(7,540)
V. NET CASH FROM OPERATING ACTIVITIES	822	1,920
INVESTING ACTIVITIES		
Interest received	293	361
Purchase of property, plant and equipment	(2,985)	(3,950)
Increase in construction in progress	(6,779)	(14,657)
Proceeds from disposals of property, plant and equipment	45	586
NET CASH USED IN INVESTING ACTIVITIES	(9,426)	(17,660)
FINANCING ACTIVITIES		
New bank loans	172,000	124,000
Repayment of bank loans	(162,000)	(116,000)
NET CASH FROM FINANCING ACTIVITIES	10,000	8,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,396	(7,740)
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	47,270	45,874