Stock code: 000020, 200020 Short Form of the Stock: ST HUAFA-A, ST HUAFA-B
Notice No.: 2004-23

SHENZHEN HUAFA ELECTRONICS CO., LTD. SUMMARY OF SEMI-ANNUAL REPORT 2004 （OVERSEAS VERSION）

§1. Important Notice

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 summary of semi-annual report 2004 is abstracted from the semi-annual report; and full text of the semi-annual report is published on the Internet website http://www.cninfo.com.cn in the mean time. The investors are suggested to read the full text of semi-annual report to understand more details.
1.2 No director stated that he (she) could not ensure the correctness, accuracy and completeness of the contents of the Semi-annual Report or had objection for this report.
1.3 All directors attended the Board meeting.
1.4 The semi-annual financial report of the Company has not been audited.
1.5 Chairman of the Board of the Company Mr. Wu Dehua, General Manager Mr. Zhang Yongcheng, Deputy General Manager Mr. Hu Jianping and Manager of Financial Department Mr. Wang Yiqing hereby confirm that the financial report of the semi-annual report 2004 is true and complete.

§2. Company Profile

2.1 Basic information

Short form of the stock	ST HUAFA-A, ST HUAFA-B	
Stock code	000020, 200020	
Listed stock exchange	Shenzhen Stock Exchange	
	Secretary of the Board of Directors	**Securities Affairs Representative**
Name	Hu Jianping	Liu Yang
Contact address	6th Floor, 411 Bldg., Huafa North Road, Futian District, Shenzhen	6th Floor, 411 Bldg., Huafa North Road, Futian District, Shenzhen
Telephone	(86) 755-83352207	(86) 755-83352207
Fax	(86) 755-83323169	(86) 755-83323169
E-mail	sz000020@163.net	sz000020@163.net

2.2 Major financial data and indexes

2.2.1 Major accounting data and financial indexes

Unit: RMB'000

Items	At the end of this report period	At the end of last year
Current assets	181,154	185,729
Current liabilities	189,644	199,802
Total assets	464,292	476,381
Shareholders' equity	274,648	276,579
Net assets per share	0.97	0.98
Items	**In this report period (Jan. to Jun. 2004)**	**The same period of last year**
Operating income	68,628	53,595
Gross profit	11,319	10,629
Loss	-1,931	-1,956
Loss per share (RMB)	-0.0068	-0.0069
Net cash arising from operating activities	13,816	11,500

2.2.2 Difference of the CAS and IAS

√Applicable ☐Inapplicable

Unit: RMB'000

	CAS	IAS
Net profit	-1,931	-1,931

Accounting statement of the Company as prepared according to Chinese Accounting Standards and System and IFRS respectively was no difference except for the difference in classification of the certain items in the accounting statement.

§3. Changes in Share Capital and Particulars about Shareholders

3.1 Statement of change in shares

☐Applicable √Inapplicable

3.2 Particulars about shares held by the top ten shareholders

Unit: share

Total shareholders at the end of report period						32,640
Particulars about shares held by the top ten shareholders						
Full name of shareholders	**Increase / decrease in this report period**	**Shares held at the period-end**	**Proportion (%)**	**Type of shares (circulating or non-circulating)**	**Number of share pledged or frozen**	**Nature of shareholders (state-owned shareholder or foreign shareholder)**
SHENZHEN SEG GROUP CO., LTD.	0	62,462,914	22.06	Non-circulating	15,920,610	Shareholder of state-owned share
CHINA ZHENHUA ELECTRONICS GROUP CO. LTD.	0	62,462,914	22.06	Non-circulating	0	Shareholder of state-owned share
SEG (HONG KONG) CO., LTD.	0	16,569,560	5.85	Circulating	Unknown	B-share

GOOD HOPE CORNER INVESTMENTS LTD	0	13,900,000	4.91	Circulating	Unknown	B-share
ADVANCE FUTURE GROUP LIMITED	0	3,674,410	1.30	Circulating	Unknown	B-share
BOHAI SECURITIES CO., LTD.	2,481,293	2,481,293	0.88	Circulating	Unknown	A-share
BANK OF CHINA – JIASHI GROWTH INCOME SECURITIES INVESTMENT FUND	2,354,162	2,354,162	0.83	Circulating	Unknown	A-share
YIN GANG	215,000	935,145	0.33	Circulating	Unknown	B-share
DBS VICKERS (HONG KONG) LTD A/C CLIENTS	100,000	648,262	0.23	Circulating	Unknown	B-share
CHINA MERCHANTS COMMUNICATION SECURITIES CO., LTD.	520,000	520,000	0.18	Circulating	Unknown	B-share

Particulars about shares held by the top ten shareholders of circulation share

Full name of Shareholders	Circulation share held at the period-end	Type (A-share, B-share, H-share or others)
SEG (HONG KONG) CO., LTD.	16,569,560	B-share
GOOD HOPE CORNER INVESTMENTS LTD	13,900,000	B-share
ADVANCE FUTURE GROUP LIMITED	3,674,410	B-share
BOHAI SECURITIES CO., LTD.	2,481,293	A-share
BANK OF CHINA – JIASHI GROWTH INCOME SECURITIES INVESTMENT FUND	2,354,162	A-share
YIN GANG	935,145	B-share
DBS VICKERS (HONG KONG) LTD A/C CLIENT	648,262	B-share
CHINA MERCHANTS COMMUNICATION SECURITIES CO., LTD.	520,000	B-share
REN YONG RAN	478,400	B-share
WANG FU CHANG	475,000	B-share
Explanation on associated relationship or consistent actions among the above shareholders	The Company was unaware of whether there existed associated relationship among top ten shareholders of circulation share.	

3.3 Particulars about change in controlling shareholder and actual controller of the Company

☐Applicable √Inapplicable

§4. Particulars about Directors, Supervisors and Senior Executives

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

☐Applicable √Inapplicable

§5. Discussion and Analysis of the Management

5.1 Statement of main operations classified according to products

Unit: RMB’000

Industries	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations over the same period of last year (%)	Increase/decrease in cost of main operations over the same period of last year (%)	Increase/decrease in gross profit ratio over the same period of last year (%)
Color TVs	4,661	5,369	-15.20	-46.44	-43.56	-5.88
Circuit boards	41,722	38,959	6.62	81.92	80.94	0.50
Plastic injection hardware	5,821	4,606	20.88	35.45	21.65	8.97
Including: related transactions	0.00	0.00	-			
Pricing rules for related transactions	The Company had no related transaction in the report period.					

Including: total amount of related transactions that the Company sold products to its controlling shareholder and its subsidiaries was RMB 0 in the report period.

5.2 Particulars about main operations classified according to areas
The product sales of the Company were mainly in South China area.

5.3 Other operations affecting material influence on net profit
√Applicable ☐Inapplicable

Unit: RMB’000

Other operations	Gains and losses accrued	Proportion in net profit
Property lease	8,049	-

5.4 Operation of share-holding companies (applicable to the situation where investment earnings takes over 10% of its net profit)
☐Applicable √Inapplicable

5.5 Explanation on reasons of material changes in main operations and its structure
☐Applicable √Inapplicable

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

5.7 Analysis to reasons of material changes in profit structure compared with the previous year
☐Applicable √Inapplicable

5.8 Application of the raised proceeds

5.8.1 Use of the raised proceeds

☐Applicable √Inapplicable

5.8.2 Particulars about the changed projects

☐Applicable √Inapplicable

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

☐Applicable √Inapplicable

5.10 Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

√Applicable ☐Inapplicable

Since price of the raw material, namely circuit boards, continued to increase, it was rather hard for the Company to get profitability in the 3rd quarter, thus it was expected that the Company would be still in losses during January to September 2004.

5.11 Explanation of the Management on "Qualified Opinion" from the Certified Public Accountants in the report period

☐Applicable √Inapplicable

5.12 Explanation of the Management on changes and disposal of the issues involved in "Qualified Opinion" from the Certified Public Accountants in the last year

☐Applicable √Inapplicable

§6. Significant Events

6.1 Acquisition and sales of assets and assets restructure

6.1.1 Assets acquired

☐Applicable √Inapplicable

6.1.2 Assets sold

☐Applicable √Inapplicable

6.1.3 Progress of these events and its influence on the operating results and financial status in the report period after the report on assets restructure or public notice on acquisition and sales of assets being published

☐Applicable √Inapplicable

6.2 Guarantees

☐Applicable √Inapplicable

6.3 Current related credits and liabilities

☐Applicable √Inapplicable

6.4 Material lawsuits and arbitrations

□Applicable √Inapplicable

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

□Applicable √Inapplicable

§7. Financial Report

7.1 Auditing opinion

Financial Report	√Unaudited □Audited
Auditing opinion	□Unqualified □Qualified √Unaudited

7.2 Income statement of comparative consolidation and parent company

Consolidated Income Statement

For the Six Months Ended 30th June 2004

(Expressed in RMB Thousand Yuan)

	Six months ended 30th June	
	2004	2003
	RMB'000	RMB'000
Revenue	68,628	53,595
Cost of sales	(57,309)	(42,916)
Gross profit	11,319	10,629
Other revenue	853	735
Selling and distribution costs	(1,701)	(1,308)
Administrative expenses	(8,069)	(8,887)
Other operating expenses	(895)	(22)
Profit from operations	1,507	1,197
Net finance costs	(3,438)	(3,153)
Net loss from ordinary activities before taxation	(1,931)	(1,956)
Income tax expenses	-	-
Loss attributable to shareholders	(1,931)	(1,956)
Loss per share – Basic	(RMB0.0068)	(RMB0.0069)

Board of Directors of

Shenzhen Huafa Electronics Co., Ltd.

Aug. 4, 2004