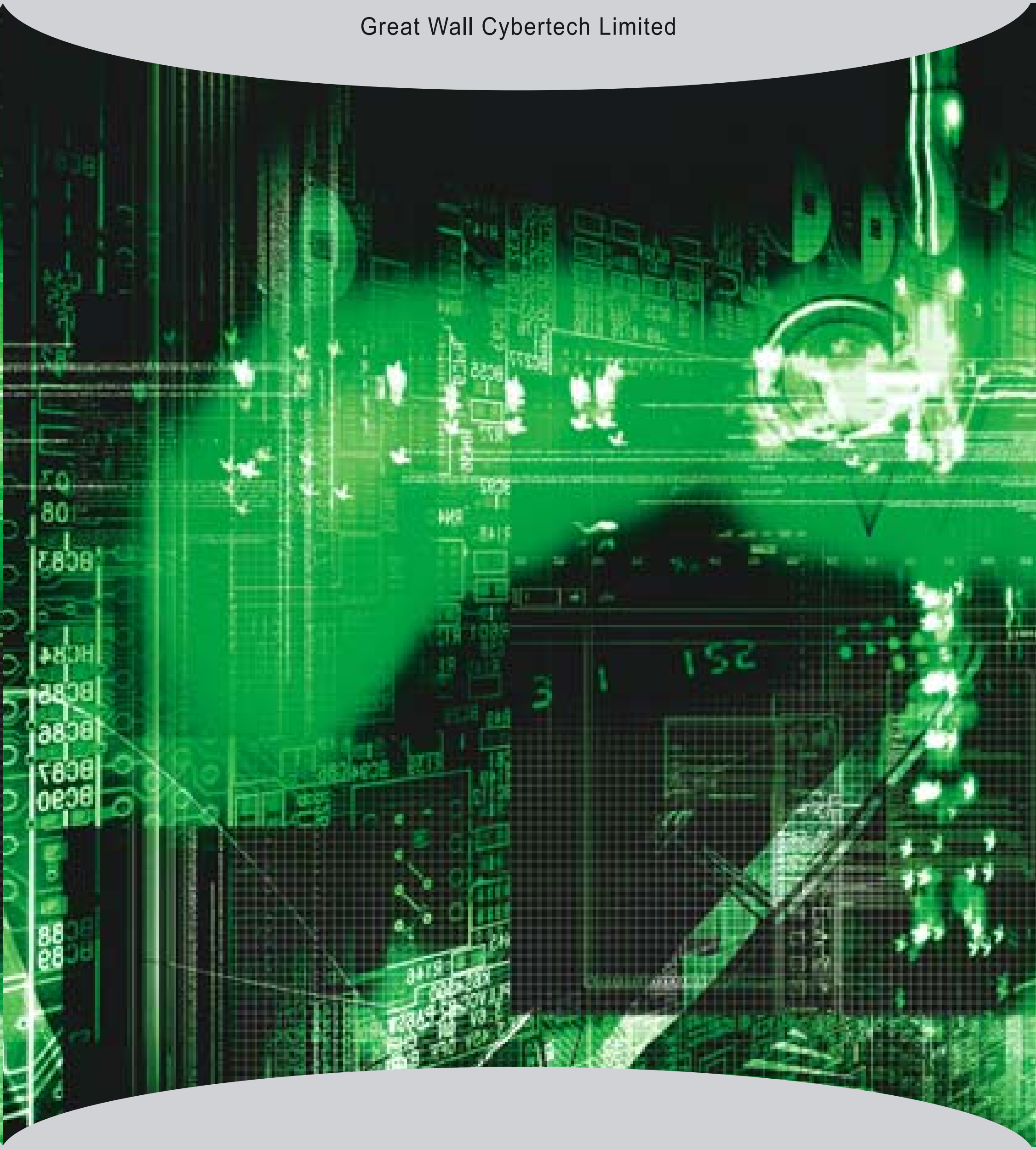
Great Wall Cybertech Limited



INTERIM REPORT 2002

The Board of Directors of Great Wall Cybertech Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2002.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Unaudited) Six months ended 30 September	
		2002	2001
	Notes	***HK$'000***	*HK$'000*
Turnover	4	**361,120**	1,099,198
Cost of sales		**(390,070)**	(1,103,324)
Gross loss		**(28,950)**	(4,126)
Other revenue		**5,256**	3,703
Selling and distribution expenses		**(20,748)**	(30,568)
Administrative expenses		**(58,887)**	(69,549)
Other operating expenses		**(21,231)**	(10,094)
Loss from operations	4,5	**(124,560)**	(110,634)
Finance costs		**(16,407)**	(28,106)
Share of profits less losses of associates		**60**	(1,580)
Share of losses of jointly controlled entities		**(3,060)**	(400)
Loss before tax		**(143,967)**	(140,720)
Tax credit	6	**1,745**	—
Loss before minority interests		**(142,222)**	(140,720)
Minority interests		**1,392**	(215)
Net loss from ordinary activities attributable to shareholders		**(140,830)**	(140,935)
Loss per share	8		
Basic		**(1.7 cents)**	(5.8 cents)
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	(Unaudited) 30/9/2002 *HK$'000*	(Audited) 31/3/2002 *HK$'000*
NON-CURRENT ASSETS			
Fixed assets		**708,857**	738,151
Intangible assets		**8,702**	9,288
Other receivable		**8,991**	8,991
Interests in jointly controlled entities		**16,708**	19,744
Interests in associates		**4,172**	4,113
Interests in property development projects		**35,323**	35,323
		782,753	815,610
CURRENT ASSETS			
Inventories		**366,791**	446,288
Trade and bills receivables	9	**108,361**	98,882
Trade receivables from associates	10	**390,490**	349,507
Prepayments, deposits and other receivables		**36,887**	45,979
Pledged bank deposits		**28,908**	261,211
Cash and cash equivalents		**32,745**	97,394
		964,182	1,299,261
CURRENT LIABILITIES			
Trade and bills payables	11	**346,724**	510,488
Trade payables to associates	10	**1,144**	678
Tax payable		**23,605**	25,470
Other payable and accruals		**366,159**	344,093
Interest-bearing bank and other borrowings		**656,628**	743,135
		1,394,260	1,623,864
NET CURRENT LIABILITIES		**(430,078)**	(324,603)
TOTAL ASSETS LESS CURRENT LIABILITIES		**352,675**	491,007
NON-CURRENT LIABILITIES			
Finance lease payables		**14,178**	16,422
Deferred tax		**407**	407
		14,585	16,829
Minority interests		**8,349**	9,740
		329,741	464,438
CAPITAL AND RESERVES			
SHARE CAPITAL	12	**80,763**	80,763
RESERVES	13	**248,978**	383,675
		329,741	464,438

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited) Six months ended 30 September	
	2002	2001
	HK$'000	*HK$'000*
Total equity at beginning of the period	**464,438**	1,356,273
Exchange differences on translation of the financial statements of foreign entities not recognised in the profit and loss account	**6,133**	2,163
Net loss for the period attributable to shareholders	**(140,830)**	(140,935)
Share repurchased	**—**	(385)
Premium paid in respect of share repurchased	**—**	(44)
Total equity at end of the period	**329,741**	1,217,072

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) Six months ended 30 September	
	2002	2001
	HK$'000	*HK$'000*
Net cash used in operating activities	**(218,884)**	(16,131)
Net cash from investing activities	**237,252**	37,397
Net cash from/(used in) financing activities	**(80,121)**	54,142
Increase/(decrease) in cash and cash equivalents	**(61,753)**	75,408
Cash and cash equivalents at beginning of the period	**(409)**	46,605
Effect of changes in foreign exchange rate, net	**5,734**	2,396
Cash and cash equivalents at end of the period	**(56,428)**	124,409
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**32,745**	144,047
Bank overdraft	**(4,294)**	(1,033)
Short term loans with original maturity of less than three months when acquired	**(84,879)**	(18,605)
	(56,428)	124,409

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants (the "HKSA") and Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim financial statements are the same as those adopted in the Group's audited financial statements for the year ended 31 March 2002, except the following revised SSAPs have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

- SSAP 1 (revised) Presentation of Financial Statements
- SSAP 11 (revised) Foreign Currency Translation
- SSAP 15 (revised) Cash Flow Statements

The adoption of SSAP 1 (revised) results in a change in the format of presentation of the statement of changes in equity.

The revisions to SSAP 11 (revised) have eliminated the choice of translating the profit and loss account of overseas operations at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rate prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange fluctuation reserve. Such translation differences are recognised as income or expenses in the period in which the overseas operations are disposed of. This change in accounting policy has not had any significant effect on the results for the current or prior accounting periods.

In accordance with SSAP 15 (revised), cash flows are classified according to operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as financing and investing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. The condensed consolidated cash flow statement for the six months ended 30 September 2001 has been presented on a consistent basis.

3. CORPORATE UPDATE AND BASIS OF PRESENTATION

As more fully explained in the audited consolidated financial statements for the year ended 31 March 2002, the Group has actively negotiated with major bankers with a view to converting the Group's existing bank borrowings into long term loans. Should the Group be unable to obtain continuing financial support from the major bankers and continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current.

4. SEGMENT INFORMATION

An analysis of the Group's turnover and segment results by geographical segments is as follows:

	(Unaudited) Turnover Six months ended 30 September		**(Unaudited) Contribution to loss from operations Six months ended 30 September**	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
People's Republic of China ("PRC")	**146,933**	589,736	**(66,264)**	(28,729)
Europe	**100,404**	151,918	**(16,761)**	(6,389)
Asia & Middle East (exclude PRC)	**69,239**	102,708	**(17,490)**	(21,350)
Oceania & Africa	**40,026**	154,459	**(15,392)**	(30,816)
America	**4,518**	100,377	**(1,780)**	(19,599)
	361,120	1,099,198	**(117,687)**	(106,883)
Interest income			**294**	2,384
Unallocated expenses			**(7,167)**	(6,135)
Loss from operations			**(124,560)**	(110,634)

In view of the fact that the Group was mainly engaged in manufacture and sale of audio-visual products during the period ended 30 September 2002 and 2001, no business segmental information is presented.

5. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging and (crediting):

	(Unaudited) Six months ended 30 September	
	2002	2001
	HK$'000	*HK$'000*
Depreciation	**27,151**	31,809
Amortisation of goodwill	**—**	98
Negative goodwill recognised as income during the period	**(24)**	—
Amortisation of intangible assets	**586**	862
Interest income	**(294)**	(2,384)

6. TAX CREDIT

The amount represents over-provision of taxation in prior years. No provision for taxation had been made in the financial statements for both period ended 30 September 2002 and 2001 as the Group had incurred a tax loss for both period.

There was no significant unprovided deferred tax for the period.

7. DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 September 2002 (2001: Nil).

8. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of HK$140,830,000 (2001: HK$140,935,000) and the weighted average number of 8,076,257,020 ordinary shares in issue during the period. The weighted average number of ordinary shares in issue for the period ended 30 September 2001 and hence the basic loss per share for that period have been adjusted for the effect of the open offer during the year ended 31 March 2002 to 2,424,831,088 and HK$5.8 cents, respectively.

Diluted loss per share

Diluted loss per share for the six months ended 30 September 2002 and 2001 have not been shown as the effect of the dilutive potential ordinary shares for these periods is anti-dilutive.

9. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of not more than four months to its customers. The following is an aging analysis of trade and bills receivables:

	(Unaudited) 30/9/2002 *HK$'000*	(Audited) 31/3/2002 *HK$'000*
Within 30 days	**30,896**	56,480
Between 31 days and 60 days	**15,296**	2,167
Between 61 days and 90 days	**15,158**	3,526
Between 91 days and 120 days	**14,869**	1,395
Over 120 days	**32,142**	35,314
	108,361	98,882

10. TRADE RECEIVABLES FROM AND PAYABLES TO ASSOCIATES

The following is an aging analysis of trade receivables from associates (net of provision):

	(Unaudited) 30/9/2002 *HK$'000*	(Audited) 31/3/2002 *HK$'000*
Within 30 days	**—**	790
Between 31 days and 60 days	**1,939**	1,430
Between 61 days and 90 days	**12,482**	8,182
Between 91 days and 120 days	**15,642**	4,975
Over 120 days	**360,427**	334,130
	390,490	349,507

The trade receivables from associates are unsecured, interest-free and repayable within three months.

The following is an aging analysis of trade payables to associates:

	(Unaudited) 30/9/2002 *HK$'000*	(Audited) 31/3/2002 *HK$'000*
Within 30 days	**1,144**	678

11. TRADE AND BILLS PAYABLES

The following is an aging analysis of trade and bills payables:

	(Unaudited)	(Audited)
	30/9/2002	31/3/2002
	HK$'000	*HK$'000*
Within 30 days	**9,260**	113,069
Between 31 days and 60 days	**11,177**	51,419
Between 61 days and 90 days	**23,156**	95,838
Between 91 days and 120 days	**67,628**	85,722
Over 120 days	**235,503**	164,440
	346,724	510,488

12. SHARE CAPITAL

	Ordinary shares of HK$0.01 each	
	Number of shares	*HK$'000*
Authorised:		
At 1 April 2002 and at 30 September 2002	25,000,000,000	250,000
Issued and fully paid:		
At 1 April 2002 and at 30 September 2002	8,076,257,020	80,763

13. RESERVES

	Share premium *HK$'000*	Goodwill reserve *HK$'000*	Contributed surplus account *HK$'000*	Capital redemption reserve *HK$'000*	Revaluation reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained profits/ (Accumulated losses) *HK$'000*	Total *HK$'000*
At 1 April 2001	795,533	(7,598)	—	9,539	46,564	(10,738)	361,063	1,194,363
Reduction in nominal value of shares	—	—	145,372	—	—	—	—	145,372
Transfer of nominal value of share repurchased	—	—	—	385	—	—	(385)	—
Premium paid in respect of shares repurchased	(46)	—	—	—	—	—	—	(46)
Share issue expenses	(3,476)	—	—	—	—	—	—	(3,476)
Exchange realignments	—	—	—	—	—	(911)	—	(911)
Impairment of goodwill	—	7,598	—	—	—	—	—	7,598
Net loss for the year	—	—	—	—	—	—	(959,225)	(959,225)
At 31 March 2002	792,011	—	145,372	9,924	46,564	(11,649)	(598,547)	383,675
At 1 April 2002	792,011	—	145,372	9,924	46,564	(11,649)	(598,547)	383,675
Exchange realignments	—	—	—	—	—	6,133	—	6,133
Net loss for the period	—	—	—	—	—	—	(140,830)	(140,830)
At 30 September 2002	792,011	—	145,372	9,924	46,564	(5,516)	(739,377)	248,978

14. CONTINGENT LIABILITIES

(a)

	(Unaudited) **30/9/2002** ***HK$'000***	(Audited) 31/3/2002 *HK$'000*
Guarantees given to banks in respect of credit facilities granted to associates and jointly controlled entities	**372,411**	384,008
Bills discounted with recourse	**2,843**	11,576
	375,254	395,584

As at 30 September 2002, the guarantees given to banks in connection with facilities granted by the Group to associates and jointly controlled entities were utilised to the extent of approximately HK$254 million (at 31 March 2002: HK$196 million).

(b) An associate of the Group is currently a defendant in a lawsuit brought by a customer alleging that certain goods of approximately US$300,000 (approximately HK$2,340,000) delivered were defective and that the Group had breached the sales agreement which prohibited the Group from selling the goods to its competitors. Having considered advice from the Group's legal counsel, the directors believe that they have valid defences for the litigation and adequate provision for any liabilities to the Group resulting from this contingency has been made and, therefore, that any unprovided liability that could arise will not have a material adverse effect on the financial position of the Group.

(c) In 1995, a customs review was performed on an overseas subsidiary of the Group and certain customs claims of approximately HK$24,500,000 subsequently emerged. During the year, the Customs Services reduced the duty rate applied to the claims, as such, such customs claims amount had been reduced to approximately HK$4,800,000. Negotiations with the Custom Services are still in progress. Having taken legal advice, the directors believe that they have valid defences for the claims and that adequate provisions have been made for any liabilities to the Group resulting from the contingencies.

15. PLEDGE OF ASSETS

At 30 September 2002, certain properties of the Group with net book value of HK$370,529,000 (at 31 March 2002: HK$355,390,000) and HK$3,270,000 (at 31 March 2002: HK$3,422,000) are pledged to secure the Group's and an associate's borrowing, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's consolidated turnover for the six months ended 30 September 2002 was approximately HK$361 million, representing a decrease of 67% against the comparative period in 2001. The Group sustained a loss attributable to shareholders for the six months ended 30 September 2002 of approximately HK$141 million, compared to a loss of approximately HK$141 million for the comparative period in 2001.This was mainly because the Group has gone through a clearance exercise for inventory items. In addition, costs for redundancy of staff and workers were incurred during the period.

Loss per ordinary share for the six months ended 30 September 2002 was HK$1.7 cents as compared to HK$5.8 cents for the comparative period in 2001.

Future Business and Prospects

A debt restructuring proposal has been submitted to the bankers in Hong Kong and an independent financial adviser will be appointed to compile and make arrangement to execute the restructuring plan. To further improve the Group's financial performances, the Group will be cautious on implementing appropriate cost control and restructuring plans with a view to improving fixed asset utilization. The Group has been focusing its business into mobile phone and air-conditioner.

Liquidity, Financial Resources and Funding

As at 30 September 2002, the Group's net assets value stood at approximately HK$330 million with total assets of approximately HK$1,747 million and total liabilities of approximately HK$1,409 million. The Group had net current liabilities of approximately HK$430 million. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 September 2002 is 4.3.

Significant Investments and Material Acquisition/Disposals

During the interim period the Group had formed a joint venture company, Team Way Limited with TCL Holdings (BVI) Limited to take over the export business of audio-visual products of the Group. The Group has 30% equity shareholding in Team Way Limited.

Employees

As at 30 September 2002, the Group had about 150 employees of whom 37 are based in Hong Kong and 113 are based in the Group's industrial plant and office in the PRC.

The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2002, the following interest of 10% or more of the share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"):

Name	Number of shares	%
Vandor Profits Limited ("Vandor") *(Note)*	2,430,660,545	30.10

Note:

Vandor is beneficially owned by Mr. Wu Shaozhang.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' Interests in Shares", had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2002, the interests of the directors in the share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as below:

Director	Nature of interests	Number of shares held
Mr. Wu Shaozhang *(Note)*	Corporate interest	2,430,660,545

Note:

These shares are held by Vandor (see the section "Substantial Shareholders"). Under the SDI Ordinance, a director is taken to be interested in shares if a corporation is interested in the shares and the director is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of that corporation.

Save as disclosed above and other than certain nominee shareholdings in subsidiaries held in trust for the Group by certain directors, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the six months ended 30 September 2002 was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PRACTICE NOTE 19 DISCLOSURE

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Practice Note 19 ("PN19") of the Listing Rules.

Advances to an Entity (Paragraph 3.2.1 of PN19)

Details of the advances made by the Group to Qingyuan Rowa Electronics Co. Ltd. ("QY Rowa") and its affiliated companies, Guangdong Rowa Air-Conditioner Ltd. ("GD Rowa")and Taiyuan Caixing Electronics Equipment Co. Ltd. ("TY Caixing"), as at 30 September 2002 is as follows:

Affiliated Companies	Percentage of Interest	Net Trade Receivables	Guarantee Given	Guarantee Utilised
		(A)	(B)(a)	(B)(b)
		HK$'000	*HK$'000*	*HK$'000*
QY Rowa	50%	390,490	81,209	81,209
GD Rowa	40.1%	—	127,442	55,747
TY Caixing	37.5%	—	79,070	79,070
Total		390,490	287,721	216,026
A+B(a)		678,211		
A+B(b)		606,516		

Advances to the aforesaid affiliated companies were funded by internal resources and/or bank borrowings and were made for the purpose of providing investment fund and/or working capital.

All the said advances were unsecured, interest-free and had no fixed repayment terms except for the trade receivables from QY Rowa having a credit term of 90 days.

Financial Assistance and Guarantees to Affiliated Companies (Paragraph 3.3 of PN19)

Details of the financial assistance provided to and guarantees given to affiliated companies by the Group are set out below:

Affiliated Companies	Percentage of Interest	Net Trade Receivables (A) *HK$'000*	Guarantee Given (B)(a) *HK$'000*	Guarantee Utilised (B)(b) *HK$'000*
QY Rowa & its affiliated companies		390,490	287,721	216,026
Eltic Electronics Company Ltd.	50%	—	9,209	9,209
Great Wall Electronics Ltd.	50%	—	25,000	3,408
Huifeng Electronics (China) Ltd.	25%	—	50,481	25,116
Total		390,490	372,411	253,759
A+B(a)		762,901		
A+B(b)		644,249		

Relevant details in respect of the financial assistance provided to and guarantees given to QY Rowa and its affiliated companies are disclosed above under Paragraph 3.2.1 of PN19.

All the said financial assistance and guarantees were unsecured, interest-free and had no fixed repayment terms except for the trade receivables from the affiliated companies having a credit term of 90 days.

A proforma combined balance sheet of the affiliated companies and the Group's attributable interests in these affiliated companies are presented below:

	Proforma combined balance sheet *HK$'000*	**Group's attributable interest** *HK$'000*
Non-current assets	575,565	252,827
Current assets	2,190,917	1,048,372
Current liabilities	(3,369,727)	(1,541,735)
Non-current liabilities	(5,260)	(2,630)
Net liabilities	(608,505)	(243,166)

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2002.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the appropriateness and consistent application of significant accounting principles and policies adopted by the Group, and discussed judgmental issues, accounting estimates, adequacy of disclosures and internal consistency of the interim financial report for the six months ended 30 September 2002.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the interim report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

By Order of the Board of Directors
Wu Shaozhang
Chairman

Hong Kong, 30 December 2002