GREAT WALL CYBERTECH LIMITED

長城數碼廣播有限公司*

(Provisional Liquidators Appointed)

(Stock Code: 689)

(incorporated in Bermuda with limited liability)

Interim Report 2003

* *For identification purposes only*

The Board of Directors (the "Directors" or the "Board") of Great Wall Cybertech Limited (Provisional Liquidators Appointed) (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 June 2003.

DELAY IN PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2003

Due to various litigation against the Group and prolonged suspension of shares trading in The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), most of the responsible officers had left the Group. The Company has not been able to announce its unaudited interim results for the period ended 30 June 2003 and dispatch the Interim Reports within the due date as required by the Rules Governing the Listing of Securities (the "Listing Rules").

The delay in publication of the Interim Results and the dispatch of the Interim Report constitute breaches of the Rules 13.48(1) and 13.49(6) of the Listing Rules by the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	(Unaudited) **01.01.2003– 30.06.2003** ***HK$'000***	01.04.2002– 30.09.2002 *HK$'000*
Turnover	*5*	**36,355**	361,120
Cost of sales		**(47,597)**	(390,070)
Gross loss		**(11,242)**	(28,950)
Other revenue		–	5,256
Selling and distribution expenses		**(358)**	(20,748)
Administrative expenses		**(5,982)**	(58,887)
Provision against amounts due from subsidiaries not consolidated		**(5,658)**	–
Other operating expenses		**(1,637)**	(21,231)
Loss from operations	*6*	**(24,877)**	(124,560)
Finance costs		**(559)**	(16,407)
Share of profits less losses of associates		–	60
Share of losses of jointly controlled entities		–	(3,060)
Loss before tax		**(25,436)**	(143,967)
Tax credit	*7*	–	1,745
Loss before minority interests		**(25,436)**	(142,222)
Minority interests		–	1,392
Loss for the period attributable to shareholders		**(25,436)**	(140,830)
Loss per share	*9*		
Basic		**(0.3 cent)**	(1.7 cents)
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited)	
		30.06.2003	30.09.2002
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Fixed assets		**22,852**	708,857
Intangible assets		–	8,702
Other receivable		–	8,991
Interests in jointly controlled entities	*10*	–	16,708
Interests in associates	*11*	–	4,172
Interests in property development projects		–	35,323
		22,852	782,753
CURRENT ASSETS			
Interest in subsidiaries not consolidated	*13*	–	–
Inventories		**24,523**	366,791
Trade and bills receivables		**3,840**	108,361
Trade receivables from associates		–	390,490
Prepayments, deposits and other receivables		**7,095**	36,887
Pledged bank deposits		–	28,908
Cash and cash equivalents		**1,893**	32,745
		37,351	964,182
CURRENT LIABILITIES			
Trade and bills payables		**6,658**	346,724
Trade payables to associates		–	1,144
Tax payable		–	23,605
Amount due to subsidiaries not consolidated		**219,502**	–
Other payable and accruals		**307,310**	366,159
Interest-bearing bank and other borrowings		–	656,628
Current portion of finance lease obligations		**3,347**	–
		536,817	1,394,260
NET CURRENT LIABILITIES		**(499,466)**	(430,078)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(476,614)**	352,675

	Notes	(Unaudited) **30.06.2003** ***HK$'000***	30.09.2002 *HK$'000*
NON-CURRENT LIABILITIES			
Finance lease payables		**11,657**	14,178
Deferred tax		–	407
		11,657	14,585
Minority interests		–	8,349
		(488,271)	329,741
CAPITAL AND RESERVES			
SHARE CAPITAL	*14*	**80,763**	80,763
RESERVES	*15*	**(569,034)**	248,978
		(488,271)	329,741

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)	
	01.01.2003–30.06.2003	01.04.2002–30.09.2002
	HK$'000	*HK$'000*
Total equity at beginning of the period	**(472,431)**	464,438
Exchange differences on translation of the financial statements of foreign entities not recognized in the profit and loss account	**9,596**	6,133
Loss for the period attributable to Shareholders	**(25,436)**	(140,830)
Total equity at end of the period	**(488,271)**	329,741

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2003

1. CORPORATE UPDATE

The Company's shares have been suspended for trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 March 2003. Joint and several provisional liquidators ("Provisional Liquidators") have been appointed for the Company since 21 June 2003. Details of the Company's legal and financial situations refer to note 2 to the results announcement dated 29 October 2004 for the audited final results for the period ended 31 December 2002 (the "Final Results Announcement").

The Company changed its financial year end from 31 March to 31 December with effect from 29 November 2002. Therefore, the current interim accounting period covers a period of six months from 1 January 2003 to 30 June 2003 while the last corresponding interim accounting period covered a period of six months from 1 April 2002 to 30 September 2002.

2. WINDING-UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS

The Company and its subsidiaries have been experiencing financial difficulties since about 2002. A subsidiary's creditor, the Bank of East Asia Limited ("BEA"), had issued statutory demands to the Company and the subsidiary, Video Epoch Limited ("VEL"), on 2 December 2002 and 27 November 2002 respectively. In the statutory demand, BEA has demanded the Company to settle a total outstanding debt of approximately HK$17.8 million which the Company as a guarantor had guaranteed for VEL.

On 25 March 2003, BEA petitioned for the winding-up of the Company as the Company failed to comply with the statutory demand issued by BEA on 2 December 2002. Upon the application of the Company by summons filed on 30 April 2003, Mr. Derek K.Y. Lai and Mr. Joseph K.C. Lo of Deloitte Touche Tohmatsu were appointed as joint and several provisional liquidators of the Company by the High Court of Hong Kong Special Administrative Region (the "High Court") on 21 June, 2003 so as to enforce and preserve the assets and business of the Company, to consider and review all restructuring proposals and/or scheme of arrangement to be proposed by any party.

3. BASIS OF PREPARATION

The basis of preparation adopted in the preparation of these interim accounts is the same as those adopted in the Group's audited accounts for the period ended 31 December 2002.

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 Institute of Certified Public Accountants (the "HKICPA") 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").

Due to the failure to access the books and records of certain subsidiaries and the resignation of the major management personnel during the shares suspension period, the Directors do not have sufficient data available to compile the Interim Report so as to comply with the disclosure requirements as specified in the Appendix 16 "Disclosure of financial information" of the Listing Rules and "SSAP" No. 25 "Interim Financial Reporting". The following information has been omitted from the Interim Report:

1. Cash flow statement as required by the SSAP 15 "Cash Flow Statements" and the Listing Rules

2. Segment information for the Group's turnover and contribution to results by principal activities and geographical areas of operations as required by the SSAP 26 (Revised) "Segment Reporting"

3. Credit policy of the debtors and ageing analysis of accounts receivable and accounts payable as required by the Listing Rules

4. Related party transactions as required by the SSAP 20 "Related Party Disclosures"

4. PRINCIPAL ACCOUNTING POLICIES

The principal accounting polices adopted in the preparation of these accounts are set out as below:

The accounts have been prepared under the historical cost convention.

In the current period, the Group has adopted the SSAP 12 (revised) "Income taxes" issued by the HKICPA which is effective for accounting periods commencing on and after 1 January 2003.

The adoption of this revised SSAP has no material effect on the Group's and Company's net liabilities and the Group's results for the current or prior accounting periods. Accordingly, no current or prior period adjustment is required.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to the balance sheet date, other than those excluded for the reasons referred to note 13 to the condensed financial statements. The results of the subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively.

Where the Company holds more than half of the issued share capital of a subsidiary, but does not control the composition of the Board of Directors or equivalent governing body, the accounts of that subsidiary are not consolidated because it would be misleading to do so. Where the Company is in a position to exercise significant influence, such investments are dealt with as associates as appropriate. Otherwise, they are dealt with as investments in securities.

All significant inter-company transactions and balances within the Group, other than with subsidiaries not consolidated, are eliminated on consolidation.

Certain subsidiaries within the Group have not been consolidated from the consolidated accounts for the period ended 30 June 2003 because in the opinion of the Directors, the Group has lost control over these subsidiaries and it will be misleading to the users if these subsidiaries are consolidated into the Group's results and assets and liabilities.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. Investments in subsidiaries are included in the Company's balance sheet at cost, less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively.

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of jointly-controlled entities, which was not previously eliminated or recognised in consolidated reserves, is included as part of the Group's interests in jointly-controlled entities.

Associates

An associate is an entity, not being a subsidiary or jointly-controlled entity, in which an equity interest is held for the long term and significant influence is exercised in its management. The consolidated profit and loss account includes the Group's share of the results of the associates for the period, and the consolidated balance sheet includes the Group's share of net assets of the associates and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 10 years. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful lives of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates and jointly-controlled entities, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Property development projects

Property development projects are stated at cost, which comprises the cost of land, development expenditure and financial expenses, less any impairment losses.

Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land	Over the unexpired lease terms
Buildings	2% – 4%
Plant and machinery	10% – 33$^1/_3$%
Moulds	20% – 30%
Furniture, fixtures and equipment	20% – 33$^1/_3$%
Motor vehicles and vessels	12$^1/_2$% – 33$^1/_3$%

Freehold land is not depreciated. No depreciation is provided on properties under development until they are completed and put into use.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets

Trademarks

The Group's trademarks are held on a long term basis and are stated at cost less accumulated amortisation and any impairment losses. The trademarks are amortised on the straight-line basis over the estimated commercial life of 15 years.

Deferred development expenditure

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the estimated useful lives of the assets on the same basis as owned fixed assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on fixed assets, revaluation of certain non-current assets and of investments, provisions for pensions and other post retirement benefits and tax losses carried forward; and, in relation to acquisition, on the differences between the fair values of the net assets acquired and their tax base. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy. The change in the accounting policy on deferred taxation did not have material impact on the condensed consolidated financial statements for the period ended 30 June 2003 and the period ended 30 September 2002.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, as the underlying services are provided;

(c) rental income, on a time proportion basis over the lease terms; and

(d) interest income, on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Foreign currencies

Monetary assets and liabilities in foreign currencies at the period end date are translated into Hong Kong Dollars at approximately the market rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Hong Kong Dollars at exchange rates ruling at the transactions dates. Profits and losses arising on exchange are dealt with in the profit and loss account.

The balance sheets of subsidiaries, jointly controlled entities and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss items are translated at an average rate. Exchange differences are dealt with as a movement in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates defined contribution retirement benefits schemes including the scheme set up under the Mandatory Provident Fund Schemes Ordinance, for its employees who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the Group prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. In respect of the Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme"), the Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully.

As stipulated by the regulations of the PRC government, each of the Group's subsidiaries in the PRC participates in the Central Pension Scheme operated by the PRC government for all of their staff. These PRC subsidiaries are required to contribute a certain percentage of their covered payroll to the scheme to fund the benefits. The only obligation of the Group with respect to the scheme is to pay the ongoing required contributions under the scheme. Contributions under the scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

5. TURNOVER

Turnover represents the net amounts received and receivable from sale of consumer electronic products to customers, less returns and discounts, during the current period.

6. LOSS FROM OPERATIONS

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

	(Unaudited)	
	01.01.2003–30.06.2003	01.04.2002–30.09.2002
	HK$'000	*HK$'000*
Staff cost	**12,799**	58,487
Depreciation	**1,372**	27,151
Operating leases on land and buildings	**120**	247
Negative goodwill recognised as income during the period	–	(24)
Amortisation of intangible assets	–	586
Provision for amounts due from subsidiaries not consolidated	**5,658**	–
Interest income	–	(294)

7. **TAX CREDIT**

The amount for the period ended 30 September 2002 represented over-provision of taxation in prior periods. No provision for taxation had been made in the accounts for both six months ended 30 June 2003 and 30 September 2002 as the Group had incurred a tax loss for both periods.

There was no significant unprovided deferred tax for the period.

8. **DIVIDEND**

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2003 (2002: Nil).

9. **LOSS PER SHARE**

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders for the period of HK$25,436,000 (2002: HK$140,830,000) and the weighted average number of 8,076,257,020 ordinary shares in issue during the period.

Diluted loss per share

Diluted loss per share for both six months ended 30 June 2003 and 30 September 2002 have not been shown as the effect of the dilutive potential ordinary shares for these periods is anti-dilutive.

10. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

Details of the Company's jointly-controlled entities are as follows:

Name	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable equity interest of the Company		Principal activities
		Direct	Indirect	
Guangdong Rowa Air-Conditioner Limited+	RMB68,000,000	–	40.1%	Manufacture and sale of air-conditioning products
Wuhan Hualong Bio-Chemical Pharmaceutical Company Limited+	RMB40,000,000	–	42.5%	Manufacture of bio-chemical and pharmaceutical products

\+ registered and operating in the People's Republic of China as a sino-foreign equity joint venture

The balance with the jointly-controlled entity was unsecured, interest-free and had no fixed terms of repayment. Interests in the jointly-controlled entities do not equity accounting for during the current period upon deconsolidation of subsidiaries which owned these jointly-controlled entities.

11. INTERESTS IN ASSOCIATES

Summary particulars of the Group's principal associates held by subsidiaries not consolidated as at 30 June 2003 were as follows:

Name	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable equity interest of the Company		Principal activities
		Direct	Indirect	
Eltic Electronics Company Limited	HK$5,000,000	–	50%	Manufacture and sale of audio visual products
Eltic Electronics (Huizhou) Limited[+]	HK$7,000,000	–	50%	Manufacture and sale of audio visual products
Great Wall Electronics Limited	HK$1,000 HK$4,000,000[++]	–	50%	Manufacture and sale of audio products
Welsona Polyfoam Limited	HK$2,500,000	–	40%	Manufacture and sale of polyfoam products

+ registered and operating in the People's Republic of China as wholly foreign owned enterprise.

++ Non-voting deferred shares.

The above associates were incorporated and operating in Hong Kong, except as otherwise noted.

12. INTEREST IN SUBSIDIARIES

Details of the Company's subsidiaries as at 30 June 2003 which have been consolidated in these accounts are as follows:

Name	Nominal value of issued and fully paid ordinary share capital	Attributable equity interest of the Company		Principal activities
		Direct	Indirect	
Great Wall Electronics Group Limited	USD100	100%	–	Investment holding
Lipon Products Limited	USD50,000	–	100%	Investment holding
Great Wall France SA	Euro 6,171,525	–	100%	Manufacture and sale of television products

Notes:

1. The subsidiaries, Great Wall Electronics Group Limited and Lipon Products Limited, are incorporated in the British Virgin Islands.

2. The subsidiary, Great Wall France SA, incorporated and operating in France is the only principal subsidiary within the Group having its business of sourcing, manufacturing, marketing, distribution and sales of television and other audio products in Europe.

13. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED

(a) The consolidated accounts for the current period ended 30 June 2003 do not include the following subsidiaries, which (i) are either themselves or their immediate holding companies are in the course of liquidation or (ii) the major assets and production facilities of the subsidiaries have been under seizure by the Mainland China Court Orders as a security for the unsettled claims against the Group. Accordingly, the Directors of the Company were unable to have access to the books and records of these subsidiaries.

Details of these subsidiaries where the Directors considered that control has been lost are as follows:

Name of the principal subsidiaries	Proportion of nominal value of issued capital held by the Company indirectly
Video Epoch Limited*	100%
Video Epoch Electronic (Huizhou) Limited	100%
Huizhou City Caixing Electrical Appliance Limited	75%
Huizhou City Hua Xing Packing Material Company Limited	88%
Huizhou City Hang Tung Paper Products Printing Limited	70%
Brilliant Plastic Manufacturing Limited*	100%
Brilliant Plastic and Mould Manufacturing (Huizhou) Limited	90%
Brilliant Plastic Industrial (Huizhou) Limited	100%
Art-Tech Speakers Manufacturing (Huizhou City) Limited	67%
Art-Tech Electronics (Huizhou) Limited	100%
Great Wall Industries Company Limited	100%
Guangzhou Rowa Electronics Company Limited	60%

* private companies incorporated and operated in Hong Kong

The above subsidiaries were incorporated and operating in the People's Republic of China, except as otherwise noted.

The consolidated accounts do not include the results of these subsidiaries up to the respective dates of appointment of liquidators as ordered by the courts as, in the opinion of the Directors, the accounts prepared on the captioned basis present more fairly the results and state of affairs of the Group as a whole in light of liquidation and seizure of the assets of subsidiaries.

(b) The accounts of the Group do not consolidate the accounts of the following subsidiaries set out below as in the opinion of the Directors, the non-consolidation of the results of these subsidiaries would not significantly affect the results of the Group for the current period and the cost of obtaining this information would exceed the value of this information to the members of the Company.

Details of these principal subsidiaries not consolidated as at 30 June 2003 are as follows:

Name of the principal subsidiaries	Proportion of nominal value of issued capital held by the Company Directly	Indirectly
Great Wall Capital Management Limited	–	100%
Great Wall Electronics Holding Limited	100%	–
Great Wall Strategic Holdings (BVI) Limited#	–	100%
Shenzhen Rowa Digital Network Technology Limited*	–	90%
Star Source Industries Limited	–	100%
Well Concur Limited	–	100%

incorporated in the British Virgin Islands

* registered and operating in the People's Republic of China as a sino-foreign equity joint venture

The above subsidiaries were incorporated and operating in Hong Kong, except as otherwise noted.

(c) The Directors have formed the opinion that the Group's interests in the above subsidiaries have been impaired and such impairment losses have been recognized in the accounts in the previous period.

14. SHARE CAPITAL

	(Unaudited) **30.06.2003** ***HK$'000***	30.09.2002 *HK$'000*
Authorised:		
25,000,000,000 ordinary shares of HK$0.01 each	**250,000**	250,000
Issued and fully paid:		
8,076,257,020 ordinary shares of HK$0.01 each	**80,763**	80,763

15. RESERVES

	Share premium account *HK$'000*	**Goodwill reserve** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Contributed surplus account** *HK$'000*	**Revaluation reserve** *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Retained profits/ (accumulated losses)** *HK$'000*	**Total** *HK$'000*
At 1 April 2002	792,011	–	9,924	145,372	46,564	(11,649)	(598,547)	383,675
Exchange realignment	–	–	–	–	–	6,133	–	6,133
Loss for the period	–	–	–	–	–	–	(140,830)	(140,830)
At 30 September 2002	792,011	–	9,924	145,372	46,564	(5,516)	(739,377)	248,978
At 1 January 2003	792,011	–	9,924	145,372	–	(5,100)	(1,495,401)	(553,194)
Exchange realignment	–	–	–	–	–	9,596	–	9,596
Loss for the period	–	–	–	–	–	–	(25,436)	(25,436)
At 30 June 2003	792,011	–	9,924	145,372	–	4,496	(1,520,837)	(569,034)

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Situation and Restructuring of the Group

As a result of the Group's difficult financial position, Provisional Liquidators were appointed on 21 June 2003. Details of the Group's legal and financial situations refer to note 2 to the 2002 Final Results Announcement. The progress of the restructuring of the Group refers to the note 3(i) to the 2002 Final Results Announcement and the announcement of the Company dated 10 June 2004.

Failure to Access the Books and Records of Certain Subsidiaries

Due to (a) the liquidation of certain subsidiaries or their immediate holding companies; and (b) the seizure of the major assets and production facilities of the subsidiaries under the court orders as security for the unsettled claims, the Directors have not been able to obtain access to the books and records of these subsidiaries and considered that control to have been lost.

Business Review & Prospects

During the period under review, the Group registered a loss of approximately HK$25 million, compared to a loss of HK$141 million in the previous period. The Group has turnover of only approximately HK$36 million during the current period compared to HK$361 million in the previous period. During the current period, Great Wall France SA, an overseas subsidiary operating in France was the only operating subsidiary of the Group. Due to shortage of fund to maintain the operation, since November 2002, the Group's major production facilities at the Huizhou Industrial Estate, the PRC, including the factory premises, machines and equipment, have been leased to TCL King Electrical Appliance (Huizhou) Co. Ltd., an independent third party. However, the rental income and the production facilities have subsequently been seized pursuant to PRC court orders for repayment of bank loans. The Group's business activities have been significantly reduced since then.

At present, the Group has still maintained its principal activities of manufacture and sales of consumer electronic products which mainly include conventional television, home theatre and DVD. To improve the profit margin, the Group has been engaged in research and development of TFT-LCD TV and a R&D team has been established in the PRC. Sales of TFT-LCD TV has started in the first half of 2004. Since the Group's main production facilities in Huizhou has been leased and frozen as mentioned above, the Group at present is mainly engaged in providing customers with our product design, specification and solution in the manufacturing process while the production is subcontracted to subcontractors.

Liquidity, Financial Resources & Funding

Given that the Group has been under provisional liquidation, all banking facilities have been frozen. Financial assistance from the investor and cash inflow from operation are, at present, the major sources of funding for the Group. It is expected that the creditors' indebtedness due by the Company will be released and discharged in its entirety if the restructuring for the Group can be successfully completed so that the Group will have sufficient working capital to restore its normal operations.

Contingent Liabilities & Employees

Due to the failure to obtain access to the books and records of certain subsidiaries as explained above, no detailed analysis on contingent liabilities and employees' training & remuneration policy are made for the period ended 30 June 2003.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURE ORDINANCE ("SFO")

At 30 June 2003, shareholders who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange of Hong Kong ("Stock Exchange") under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

Long position of substantial shareholders in the shares of the Company

Name	Number of shares	Percentage
Vandor Profits Limited *(Note)*	2,430,660,545	30.1%

Note: Vandor Profits Limited ("Vandor") is beneficially owned by Mr. Wu Shaozhang.

Save as disclosed above, the Company has not been notified by any person (other than the Directors of the Company) who had interests or short positions in the Shares or underlying Shares which would have to be disclosed to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2003, the interests or short positions of the Directors and Chief Executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO which were notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and Stock Exchange pursuant to the Listing Rules were as follows:

Long position in the shares of the Company

Director	Type of interest	Capacity	Number of shares held	% of the issued share capital of the Company
Mr. Wu Shaozhang *(Note)*	Corporate	Beneficial owner	2,430,660,545	30.1%

Note: These shares are held by Vandor (see the section "Interests and short position of shareholders discloseable under SFO)

Save as disclosed above, no Directors or Chief Executive have any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and Stock Exchange pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the six month ended 30 June 2003 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

CONTINUING OBLIGATIONS DISCLOSURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES

Due to incomplete financial information available as mentioned in the "Failure to Access the Books and Records of Certain Subsidiaries" above, the Directors did not have adequate data to compile the information for disclosure pursuant to the disclosure requirements of Rule 13.13 Advance to an entity and Rule 13.16 Financial Assistance and Guarantees to Affiliated Companies of the Listing Rules for the period ended 30 June 2003 to illustrate the changes from the previous corresponding period.

REVIEW BY THE AUDIT COMMITTEE

Due to the severe financial difficulties of the Group and the prolonged suspension in trading of the shares of the Company on the Stock Exchange, up to the date of this report the Company is unable to appoint one additional Independent Non-Executive Director as required by Rule 3.10 of the Listing Rules. However, the audited accounts of the Group for the period ended 30 June 2003 have been reviewed by the Audit Committee of the Company which comprises the two Independent Non-Executive Directors namely Messrs. Lee Shue Shing and Mr. Wu Xiaoke.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Listing Rules, throughout the accounting periods 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 Company's bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Trading in the Shares of the Company have been suspended since 24 March 2003 and the Directors are of the opinion that since the date of shares trading suspension, the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules are not applicable.

BOARD OF DIRECTORS

As at the date of this report, the Board consists of Mr. Wu Shaozhang, Mr. Wong Kwok Wing, Mr. Tse On Kin, Mr. Yuen Chung Yan, John, Mr. Chen Weixiong as executive Directors, Mr. Lee Shue Shing and Mr. Wu Xiaoke as Independent Non-Executive Directors.

By Order of the Board of Directors
Wu Shaozhang
Chairman

Hong Kong, 3 November 2004