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 2004

* *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 2004.

DELAY IN PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2004

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 2004 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) Six months ended 30 June 2004 HK$'000	2003 HK$'000
Turnover	5	**10,276**	36,355
Cost of sales		**(10,388)**	(47,597)
Gross loss		**(112)**	(11,242)
Selling and distribution expenses		**(31)**	(358)
Administrative expenses		**(2,144)**	(5,982)
		(2,287)	(17,582)
Gain on deconsolidation of subsidiaries	6	**205,229**	–
Provision against amounts due from subsidiaries not consolidated		**(19)**	(5,658)
Other operating expenses		**–**	(1,637)
Profit (Loss) from operations	7	**202,923**	(24,877)
Finance costs		**–**	(559)
Profit (Loss) before taxation		**202,923**	(25,436)
Taxation	8	**–**	–
Profit (Loss) attributable to Shareholders		**202,923**	(25,436)
Earnings (Loss) per share	11		
Basic		**2.5 cents**	(0.3 cents)
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	(Unaudited) **30.06.2004** ***HK$'000***	30.06.2003 *HK$'000*
NON-CURRENT ASSETS			
Fixed assets		–	22,852
		–	22,852
CURRENT ASSETS			
Interest in subsidiaries not consolidated	*13*	–	–
Inventories		–	24,523
Trade and bills receivables		**200**	3,840
Prepayments, deposits and other receivables		–	7,095
Cash and cash equivalents		**1**	1,893
		201	37,351
CURRENT LIABILITIES			
Trade and bills payables		**6,658**	6,658
Amount due to subsidiaries not consolidated		**7,789**	219,502
Other payable and accruals		**285,859**	307,310
Current portion of finance lease obligations		–	3,347
		300,306	536,817
NET CURRENT LIABILITIES		**(300,105)**	(499,466)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(300,105)**	(476,614)
NON-CURRENT LIABILITIES			
Finance lease obligations		–	(11,657)
		(300,105)	(488,271)
CAPITAL AND RESERVES			
SHARE CAPITAL	*15*	**80,763**	80,763
RESERVES	*16*	**(380,868)**	(569,034)
		(300,105)	(488,271)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited) Six months ended 30 June	
	HK$'000	*HK$'000*
Total equity at beginning of the period	**(497,558)**	(472,431)
Exchange differences on translation of the financial statements of foreign entities not recognized in the consolidated income statement	**–**	9,596
Release of exchange fluctuation reserve upon subsidiaries deconsolidated	**(5,470)**	–
Profit (Loss) for the period attributable to Shareholders	**202,923**	(25,436)
Total equity at end of the period	**(300,105)**	(488,271)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2004

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").

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. In addition, the winding up petition was adjourned to 9 September 2005.

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 and the year ended 31 December 2003.

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 obtain access to 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 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"

Going Concern

As detailed in note 2 to the condensed consolidated financial statements, one of the creditors of the Company had filed writs of summon to demand petition for the winding up of the Company on 25 March 2003. Following the petition, the Company applied to the court for stay of the winding-up proceedings and for the appointment of the provisional liquidators for the purpose of restructuring of the Company.

On 10 June 2004, the Company announced that, inter alia, an escrow and exclusivity agreement ("Escrow Agreement") was entered into on 4 June 2004 amongst (i) the Company, (ii) the potential investor, (iii) the provisional liquidators and (iv) the escrow agent (together the "Relevant Parties"). In the Escrow Agreement, the potential investor submitted a restructuring proposal which outlined the major terms for restructuring of the Company. Pursuant to the Escrow Agreement, it was agreed to grant the potential investor an exclusivity period for discussion and finalisation of the restructuring proposal. Due to additional time is required for finalization of the restructuring proposal, the Relevant Parties agreed to extend the exclusive period. The principal elements of the restructuring proposal are as follows:

(a) *Capital reorganization*

The Company will undergo capital reorganization, involving share consolidation and cancellation, capital reduction and unissued share subdivision.

(b) *Subscription*

The net funds of approximately HK$40 million, after expenses, raising from subscription of new shares will be used as to HK$21.5 million for the creditors' settlement, as to approximately HK$13.5 million for working capital of the Company and as to HK$5 million for the professional fees.

(c) Debt restructuring

It is proposed that all indebtedness of the Company will be restructured pursuant to the scheme of arrangement ("Creditors' Scheme"). According to the Creditors' Scheme, all the company's secured debts will be satisfied by their respective collateralized property or assets and all the unsecured debts will be settled by way of a cash payment on a pro-rata basis out of the HK$21.5 million from the proceeds of the subscription as mentioned in (b) above. Upon the implementation of this Creditors' Scheme under section 99 of the Companies Act of Bermuda and under section 166 of the Companies Ordinance of Hong Kong, the Company's total indebtedness, including the accrued interest will be cancelled.

The capital reorganization, subscription and debt restructuring are conditional upon the fulfillment of, including but not limited to, certain terms and conditions as detailed in the Escrow Agreement. In the opinion of the Directors, the restructuring proposal is still subject to contract and detailed terms and conditions of the restructuring are yet to be finalized.

The Directors have prepared the accounts on the basis that the Escrow Agreement and the restructuring of the Company will be successfully implemented and that the Group will be able to improve its financial position and business upon completion of restructuring. As at the date of approval of accounts, the Directors are not aware of any circumstances or reasons that would likely affect the successful finalization of the restructuring proposal and the intention of the potential investor. In light of the foregoing, the Directors opined that it is appropriate to prepare the accounts on a going concern basis. The accounts do not incorporate any adjustments for possible failure of the above mentioned restructuring proposal and the continuance of the Group as a going concern.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these potential adjustments has not been incorporated in the accounts.

Subsidiaries not Consolidated

(a) The accounts have been prepared based on the books and records maintained by the Company and its subsidiaries. However, due to (a) the liquidation of certain significant subsidiaries or their immediate holding companies; or (b) the seizure of the major assets and production facilities of the major 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 has been lost. The results, assets and liabilities of these subsidiaries were not consolidated into the accounts of the Group. Details of these subsidiaries deconsolidated from the group accounts since 1 April 2002 are set out in note 13(a).

As explained by the Directors, since 5 November 2004, being the date on which last year's accounts approved by the Directors, they had not received any further information concerning the progress and possible outcome of the liquidation or seizure of the assets of the aforesaid subsidiaries or their immediate holding companies. Any changes to the above status of liquidation or possible outcome from the seizure of assets of these subsidiaries or their immediate holdings companies might have a consequential effect on the net liabilities of the Group and the Company as at 30 June 2004 and the results of the Group for the period ended 30 June 2004.

One of the subsidiaries, Great Wall France SA, has been put into liquidation pursuant to a France court order issued during the year 2004. The Directors considered that control over Great Wall France SA and its immediate holding companies, Lipon Products Limited and Great Wall Electronics Group Limited, (together "GW France group") have been lost. In the previous period, the results, assets and liabilities of the GW France group were included in the consolidated accounts of the Group. The Directors confirmed that they were unable to have assess to any books and records and unable to obtain any further financial information of the GW France Group due to the liquidation therefore this group were deconsolidated from the group accounts for the six months period ended 30 June 2004, resulting in a gain of HK$205,229,000 which was included in the consolidated income statement for the six months period ended 30 June 2004. Details of these three subsidiaries are set out in note 13(a) to the accounts.

(i) In the opinion of the Directors, the accounts for the six months period ended 30 June 2004 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of liquidation or seizure of the assets of subsidiaries.

(ii) In addition, the Directors considered that the non-consolidation of the results, assets and liabilities of subsidiaries as set out in note 13(b) to the accounts would not significantly affect the results of the Group for the current period as the cost of obtaining this information would exceed the value of this information to the members of the Company.

Details of subsidiaries not consolidated in the accounts are set out in note 13(a) and 13(b) to the accounts.

4. PRINCIPAL ACCOUNTING POLICIES

Impact of recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the accounts for the six months period ended 30 June 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

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

The accounts have been prepared under the historical cost convention.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to the period end, other than those excluded for the reasons referred to note 13 to the accounts. 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 intercompany 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 as of 1 January 2002 or the date the Company has been unable to obtain access to any financial information of these subsidiaries 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.

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 year 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 year 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.

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 year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the 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% - $33^1/_3$%
Furniture, fixtures and equipment	20% - $33^1/_3$%

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.

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.

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:

– 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;

Foreign currencies

Monetary assets and liabilities in foreign currencies at the year 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.

5. TURNOVER

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

6. GAIN ON DECONSOLIDATION OF SUBSIDIARIES

	(Unaudited) Six months ended 30 June	
	2004	2003
	HK$'000	*HK$'000*
Gain on deconsolidation of subsidiaries	**205,229**	–

The above amounts represents a gain on deconsolidation of the subsidiaries, Great Wall France SA which has put into liquidation during the year 2004, together with its immediate holding companies, after the release of exchange fluctuation reserve of approximately HK$5,470,000.

7. PROFIT (LOSS) FROM OPERATIONS

Profit (Loss) from operations is arrived at after charging:

	(Unaudited) Six months ended 30 June	
	2004	2003
	HK$'000	*HK$'000*
Staff cost	**1,070**	12,799
Depreciation	**–**	1,372
Operating leases on land and buildings	**436**	120
Provision for amounts due from subsidiaries not consolidated	**–**	5,658

8. TAXATION

No provision for taxation had been made in the accounts for both six months ended 30 June 2004 and 30 June 2003 as the Group had no accessible profits for the periods.

There were no significant unprovided deferred taxes for both six months ended 30 June 2004 and 30 June 2003.

9. INDEMNIFIED LIABILITIES OF SUBSIDIARIES NOT CONSOLIDATED

The Company has given indemnities to certain bankers and vendors of its subsidiaries and associates, which are at present under liquidation or their assets are now under seizure pursuant to the court orders for the unsettled claims, in respect of loans advanced and services rendered to those subsidiaries and associates. The Company's obligations under these indemnities crystallized upon default payment on the part of those subsidiaries and associates.

10. DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2004 (2003: NIL).

11. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the Profit attributable to Shareholders for the period of HK$ 202,923,000 (Loss attributable to Shareholders for the period ended 30 June 2003: HK$25,436,000) and the weighted average number of 8,076,257,020 ordinary shares (for the period ended 30 June 2003: 8,076,257,020 ordinary shares) in issue.

12. INTERESTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 30 June 2004 which have been consolidated in the condensed financial statements are as follows:

Name	Nominal value of issued and fully paid ordinary share capital	Attributable equity interest of the Company		Principal activities
		Direct	Indirect	
Fortune Hand Industries Limited	USD1	100%	–	Investment holding
Great Wall Infrastructure Limited	USD1	–	100%	Sales of audio-Visual products
Innovision Enterprises Limited	HKD1	–	100%	Sales of audio-Visual products

Notes:

1. The subsidiaries, Fortune Hand Industries Limited and Great Wall Infrastructure Limited, were incorporated in the British Virgin Islands and operated in Hong Kong.

2. The subsidiary, Innovision Enterprises Limited, was incorporated and operated in Hong Kong.

13. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED

(a) The consolidated accounts for the period ended 30 June 2004 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	
	Directly	**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%
Great Wall France SA (**)	–	100%
Lipon Products Limited (***)	–	100%
Great Wall Electronics Group Limited (***)	100%	–

* private companies incorporated and operated in Hong Kong
** private companies incorporated and operated in France
*** private company incorporated in the British Virgin Islands 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 2004 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 previous years.

14. ASSOCIATES

Summary particulars of the Group's principal associates held by subsidiaries not consolidated as at 30 June 2004 were as follows:

Name	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by subsidiaries not consolidated	Principal activities
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 PRC as a wholly foreign owned enterprise.

++ Non-voting deferred shares.

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

15. SHARE CAPITAL

	(Unaudited) 30.06.2004 *HK$'000*	30.06.2003 *HK$'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

16. 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 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)
At 1 January 2004	792,011	–	9,924	145,372	–	5,470	(1,531,098)	(578,321)
Exchange realignment	–	–	–	–	–	(5,470)	–	(5,470)
Profit for the period	–	–	–	–	–	–	202,923	202,923
At 30 June 2004	792,011	–	9,924	145,372	–	–	(1,328,175)	(380,868)

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Situation and Restructuring of the Group

As a result of the Group's financial position, Provisional Liquidators were appointed on 21 June 2003. Details of the Group's financial situation refer to note 2 to the condensed consolidated financial statements. An investor has expressed his interest to invest in the Company and has submitted a restructuring proposal to the Provisional Liquidators for the restructuring of the Company, details of which are set out in 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 has been lost.

Business Review & Prospects

The Group's turnover HK$36 million for the six months ended 30 June 2003 was mainly contributed by Great Wall France SA, an overseas subsidiary operating in France. This subsidiary and its immediate holding companies have been put into liquidation during the year 2004 and their results were deconsolidated from the consolidated accounts for the period under review. The group's turnover for the six months ended 30 June 2004 significantly reduced to HK$10 million.

The Group registered a net profit of HK$203 million for the six months ended 30 June 2004, compared to a net loss of HK$25 million in the last corresponding period. The profit was mainly attributable to a gain of approximately HK$205 million on deconsolidation of Great Wall France SA and its immediate holding companies as mention above.

In June 2004, an investor agreed to advance funds on an interim basis and seconded management to the Group. With her financial support, the Group continued to maintain 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. Sales of TFT-LCD TV have started in the first half of 2004. Since the Group's main production facilities in Huizhou have been leased and frozen in November 2002, 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 access 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 2004.

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

At 30 June 2004, 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 (the "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
Citigroup Inc.	1,811,940,295	22.4%
Vandor Profits Limited *(Note)*	618,720,250	7.7%

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 the 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 2004, 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 the 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 the 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	618,720,250	7.7%

Note: These shares are held by Vandor (see the section "Interests and short positions of shareholders discloseable under the 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 the 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 the Stock Exchange pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the six month ended 30 June 2004 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 2004 to illustrate the changes since the period ended 30 September 2002.

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 interim accounts of the Group for the period ended 30 June 2004 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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 A.4.1 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, 18 July 2005