



GREAT WALL CYBERTECH LIMITED

長城數碼廣播有限公司*

(Stock Code: 689)

(incorporated in Bermuda with limited liability)

Interim Report 2006

* *For identification purposes only*

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. Wong Chi Wing Joseph

Deputy Chairman

Mr. Cheng Hairong

Executive Director

Mr. Chu Kwok Chi Robert

Independent Non-Executive Directors

Mr. Lee Shue Shing

Mr. Wu Xiaoke

Mr. Poon Kwok Shin, Edmond

COMPANY SECRETARY

Mr. Hong Kin Choy, Bryan

QUALIFIED ACCOUNTANT

Mr. Hong Kin Choy, Bryan

AUDITORS

Ting Ho Kwan & Chan

9/F., Tung Ning Building

249-253 Des Voeux Road Central

Hong Kong

HONG KONG LEGAL ADVISERS

Vincent T.K. Cheung, Yap & Co.

15/F Alexandra House

16-20 Chater Road

Hong Kong

BERMUDA LEGAL ADVISERS

Conyers Dill & Pearman

Room 2901, One Exchange Square

8 Connaught Place

Central, Hong Kong

PRINCIPAL REGISTRAR

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

BRANCH REGISTRAR

Tengis Limited

26/F., Tesbury Centre

28 Queen's Road East

Hong Kong

PRINCIPAL PLACE OF BUSINESS

Room 2503B-2505, Harcourt House

39 Gloucester Road

Wanchai, Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

The board of directors (the “Directors” or the “Board”) of Great Wall Cybertech Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2006.

DELAY IN PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2006

Owing to the fact that the resources of the Company were tied up by the recent completion of the restructuring proposal, details of which were set out in the announcement of the Company dated 21 September 2006, the Company cannot publish the Interim Results Announcements in the newspapers on/before 30 September 2006 as required under Rule 13.49(6). In addition, the Company omitted to give 7 clear business days’ notice to the Stock Exchange for the holding of the Board Meeting as required under Rule 13.43 and the notice was submitted to the Stock Exchange on 29 September 2006.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Situation and Restructuring of the Group

Details of the Group’s financial situation and the progress of the Company Restructuring refer to note 2 to the interim results announcement.

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.

Following the Creditors’ Schemes, the Group has no liability or any contingent liabilities with respect to these subsidiary companies.

Business Review & Prospects

During the period 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. 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.

For the six month period ended 30 June 2006, the Group made a turnover of HK\$191 million; a 9% increase in turnover comparing to HK\$174 million for the six month period ended 30 June 2005. The decrease in profit for the current period from HK\$3 million for the corresponding period in 2005 to HK\$1 million was mainly due to increase in restructuring expenses.

The Group continues to exploit the business opportunities in non-ferrous metal business and relevant announcements would be released in due course.

Liquidity, Financial Resources & Funding

Given that the Group has completed its restructuring proposal and has been emerged from provisional liquidation, the Group will have sufficient working capital to restore its normal operations.

Contingent Liabilities

No material contingent liabilities of the Group were noted as at 30 June 2006.

Employees

As at 30 June 2006, the Group employed a total of 10 staff in Hong Kong. The employees' remuneration, promotion and salary adjustment are assessed based on their work performance, working and professional experiences and the prevailing market practice.

Change of the Board

All existing Executive Directors, namely Mr. Wu Shaozhang, Mr. Wong Kwok Wing, Mr. Tse On Kin, Mr. Yuen Chung Yan John and Mr. Chen Weixiong have resigned with effect from the appointment of the new Executive Directors and Mr. Wong Chi Wing Joseph, Mr. Cheng Hairong and Mr. Chu Kwok Chi Robert have been appointed as Executive Directors with effect from 20 September 2006, the date of completion of Restructuring Proposal.

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended 30 June	
		2006	2005
	Note	HK\$'000	HK\$'000
Sales turnover	5	190,613	174,290
Cost of goods sold		<u>(185,559)</u>	<u>(167,542)</u>
Gross profit		5,054	6,748
Selling and marketing costs		(116)	(85)
Administrative expenses		(3,636)	(2,548)
Operating profit	6	1,302	4,115
Finance costs		(15)	(103)
Profit before income tax		1,287	4,012
Income tax expense	7	(212)	(741)
Profit for the period		<u>1,075</u>	<u>3,271</u>
Attributable to:			
Equity holders of the Company		1,075	3,271
Minority interest		–	–
		<u>1,075</u>	<u>3,271</u>
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK\$ per share)	10		
– basic		<u>0.01 cent</u>	<u>0.04 cent</u>
– diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 June 2006 (Unaudited) HK\$'000	At 31 December 2005 (Audited) HK'000
ASSETS			
Non-current assets			
Property, plant and equipment		53	67
		<u>53</u>	<u>67</u>
Current assets			
Trade and other receivables	13	12,785	13,856
Cash and cash equivalents		163	59
		<u>12,948</u>	<u>13,915</u>
Total assets		<u>13,001</u>	<u>13,982</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	80,763	80,763
Other reserves		947,307	947,307
Retained earnings		(1,321,372)	(1,322,447)
Total equity		<u>(293,302)</u>	<u>(294,377)</u>
LIABILITIES			
Current liabilities			
Trade and other payables	15	296,192	298,607
Amount due to subsidiaries not consolidated		7,881	7,885
Current income tax liabilities		2,230	1,867
		<u>306,303</u>	<u>308,359</u>
Total equity and liabilities		<u>13,001</u>	<u>13,982</u>
Net current liabilities		<u>(293,355)</u>	<u>(294,444)</u>
Total assets less current liabilities		<u>(293,302)</u>	<u>(294,377)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2006***(Unaudited)****Attributable to equity holders of the parent**

	Share capital	Share premium account	redemption reserve	Capital Contributed surplus account	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2006	80,763	792,011	9,924	145,372	(1,322,447)	(294,377)
Profit for the period	—	—	—	—	1,075	1,075
At 30 June 2006	<u>80,763</u>	<u>792,011</u>	<u>9,924</u>	<u>145,372</u>	<u>(1,321,372)</u>	<u>(293,302)</u>
At 1 January 2005	80,763	792,011	9,924	145,372	(1,330,648)	(302,578)
Profit for the period	—	—	—	—	3,271	3,271
At 30 June 2005	<u>80,763</u>	<u>792,011</u>	<u>9,924</u>	<u>145,372</u>	<u>(1,327,377)</u>	<u>(299,307)</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	104	(1,102)
Net cash used in investing activities	<u>–</u>	<u>(19)</u>
Net increase/(decrease) in cash and cash equivalents	104	(1,121)
Cash and cash equivalents at 1 January	<u>59</u>	<u>1,159</u>
Cash and cash equivalents at 30 June	<u>163</u>	<u>38</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>163</u>	<u>38</u>

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND UPDATE

The Company was incorporated in Bermuda with limited liabilities and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

2. COMPLETION OF THE RESTRUCTURING PROPOSAL

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.

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 refer to the announcements of the Company dated 10 June 2004.

On 26 September 2005, the Review Committee of the Stock Exchange has granted conditional approval for the Restructuring Proposal subject to the fulfillment of certain conditions. Details of which refer to the announcement of the Company dated 2 December 2005.

The SGM held on 22 June 2006 duly passed the resolutions approving the Capital Reorganization, the Restructuring Agreement, the Subscription Agreement, the Open Offer, the Underwriting Agreement, the New Shares Placing Agreement, the Capital Reorganization, the Whitewash Waiver and the General Mandates.

The Creditors Schemes were duly approved by the Scheme Creditors at the Scheme Creditors’ meetings held on 17 July 2006.

On 20 September 2006, by two respective orders of the Court, the Petition lodged against the Company on 25 March 2003 was withdrawn and the Provisional Liquidators were released. Accordingly, the Company has emerged from provisional liquidation. On the same date, the Restructuring Proposal including the Capital Reorganization, the Subscription, the Creditors' Schemes, the Open Offer, the Placing and the Group Reorganization, was also completed.

Upon completion of the Open offer, the placing and the Group reorganization, the Group has no debt and has bank balances amounting to HK\$90 million after providing for the restructuring expenses.

3. BASIS OF PRESENTATION

(I) Going Concern

In addition to the Company's financial difficulties as mentioned in note 2 to the financial statements, the Company announced on 10 June 2004 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. 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 finalisation of the restructuring proposal.

On 26 September 2005, the Review Committee of the Stock Exchange has granted conditional approval for the restructuring proposal, subject to the fulfillment of certain conditions.

As set out in the Company's announcement dated 21 April 2006, the Company, the investor and the provisional liquidators entered into a restructuring agreement on 13 April 2006 for implementation of the restructuring proposal.

The principal elements of the restructuring proposal are as follows:

(a) Capital reorganisation

The Company will implement capital reorganisation, involving share consolidation, capital reduction and capital reserve reduction.

(i) Share consolidation

Every 100 issued shares of HK\$0.01 each will be consolidated into one consolidated share of HK\$1 each. Fractional consolidated shares will not be issued to the shareholders but will be aggregated and sold for the benefit of the Company.

(ii) Capital reduction

Immediately upon the share consolidation becoming effective, the Company will carry out a reduction of the nominal value of each consolidated share from HK\$1 each to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.99 on each issued consolidated share. The adjusted shares will have par value of HK\$0.01 each upon the capital reduction becoming effective.

(iii) Capital reserve reduction

The Company will carry out a cancellation of the entire amount standing to the credit of its share premium account, capital redemption reserve account and capital reserve account.

(b) *Subscription*

Pursuant to the subscription agreement with the Company's potential investor, the investor will subscribe for 2,075,000,000 subscription shares at a consideration of HK\$83 million. In addition, 352,750,000 additional shares will be issued and allotted to the investor, credited as fully paid, on the basis of 17 additional shares for every 100 subscription shares subscribed by the investor.

An amount of HK\$21.5 million out of the subscription proceeds will then be transferred to the scheme administrators for the creditors' settlement and the balance of the subscription proceeds will be used for working capital and investments of the Company.

(c) *Creditors' schemes*

It is proposed that all indebtedness of the Company will be restructured pursuant to the creditors' schemes. An amount of HK\$21.5 million out of the subscription proceeds as stated in (b) above and the entire interests in the Scheme HK Group and Scheme BVI Group (comprising members of the Group which will be excluded from the restructured group but some of which are either in the process of winding up and/or the Company considers control to have been lost) as defined and detailed in the Company's announcement dated 21 April 2006, will be transferred to the scheme administrators for administration. According to the creditors' schemes, all the Company's secured debts will be satisfied by their respective collateralised 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 ("Distribution Proceeds"), subject to deduction of the related petition costs and the scheme administration cost up to HK\$1 million in aggregate. The Distribution Proceeds and, if any, amounts raised from realisation of assets of the Scheme HK Group

and Scheme BVI Group will be used to repay the scheme creditors for the discharge and settlement in full of the indebtedness. Upon the implementation of the creditors' schemes, the Company's indebtedness will then be fully discharged and settled.

(d) *Open offer*

As part of the measures to restore the 25% public float and as required under the Listing Rules and to enable the existing shareholders to participate in the restructuring proposal, an open offer of 9 offer shares for every 5 adjusted shares held by the qualifying shareholders on the record date at the price of HK\$0.06 per offer share will be made.

(e) *Placings*

As part of the measures to restore the 25% public float and as required under the Listing Rules, 374,627,374 new shares and 156,500,000 sale shares will be placed to no less than six independent investors who are third parties independent of the Company and its connected persons and the investor at no less than HK\$0.06 each by the placing agent on a best effort basis.

The completion of the above restructuring agreement is conditional upon the fulfillment of certain terms and conditions, details of which have been included in the Company's announcement dated 21 April 2006.

The Directors have prepared the financial statements on the basis that the restructuring proposal 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 compilation of the financial statements, the Directors are not aware of any circumstances or reasons that would likely affect the successful implementation 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 financial statements on a going concern basis. The financial statements do not incorporate any adjustments for possible failure of the above mentioned restructuring proposal and the continuance of the Group as a going concern.

(II) Subsidiaries Not Consolidated

- (a) The financial statements 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 to have been lost. The results, cash flows, assets and liabilities of these subsidiaries were not consolidated into the financial statements of the Group.

In the opinion of the Directors, the financial statements for the period ended 30 June 2006 prepared on the aforementioned basis present more fairly the results and cash flows and state of affairs of the Group as a whole in light of liquidation or seizure of the assets of subsidiaries.

- (b) In addition, the Directors considered that the non-consolidation of the results, cash flows, assets and liabilities of subsidiaries would not significantly affect the results and cash flows and state of affairs of the Group for the current year as the cost of obtaining this information would exceed the value of this information to the members of the Company.
- (c) Due to limited books and records available to the Directors, the following have not been made in the financial statements:
 - Disclosures in respect of finance lease obligations as required by Hong Kong Accounting Standard (“HKAS”) 17 “Leases”;
 - Details of analysis of pledge of assets as required by the Hong Kong Companies Ordinance;
 - Segment information disclosures as required by HKAS 14 “Segment Reporting” and the Listing Rules;
 - Details of deferred taxation as required by HKAS 12 “Income Taxes”;
 - Details of related party disclosures as required by HKAS 24 “Related Party Disclosures”;
 - Details of the Group’s financial risk management objectives and policies as required by HKAS 32 “Financial Instruments: Disclosure and Presentation”; and
 - Details of contingent liabilities and commitments as required by the Hong Kong Companies Ordinance and the relevant HKASs.
- (d) Due to insufficient information and documentary evidence available to the Directors, they were unable to ascertain the completeness of the disclosures of the Company’s share options as required by the Listing Rules.

Any adjustments arising from the matters described in above would affect the net liabilities of the Company and the Group as at 30 June 2006 and the profit and cash flows of the Group for the period then ended.

4. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention. These unaudited condensed consolidated interim financial statements have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited and is in compliance with Hong Kong Accounting Standard (“HKAS”) 34 “interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2005 except as described below.

The Group had not appointed the auditors to carry out any review of the comparative interim financial statements for the six months ended 30 June 2006 in accordance with SAS 700 in respect of the comparative figures.

In the current period, the Group has applied for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2006. The application of these new HKFRSs did not have any material impact on how the financial statements of the Group are prepared and presented for the current or prior accounting period.

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The Group has commenced considering the potential impact of these new standards and interpretations but is not yet in a position to determine whether these new statements and interpretations would have a significant impact on how its results of operations and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital disclosure ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) - INT8	Scope of HKFRS 2 ³
HK(IFRIC) - INT9	Reassessment of embedded derivatives ⁴
HK(IFRIC) - INT10	Interim financial reporting and impairment ⁵

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

5. TURNOVER AND SEGMENT INFORMATION

a) Sales turnover

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

b) Segment information

For the six month ended 30 June 2006, the Group only has a single business segment, which is the sale of various models of DVD players. Any analysis of the Group's unaudited revenue and results by geographical segment, which is its primary reporting format basis, is as follows:

Six months ended June 2006:

	The People's Republic of China including HK HK\$'000	United States of America HK\$'000	Europe HK\$'000	Total HK\$'000
Turnover				
External Sales	<u>129,463</u>	<u>53,929</u>	<u>7,221</u>	<u>190,613</u>
Results				
Segment Results	<u>1,879</u>	<u>648</u>	<u>189</u>	2,716
Restructuring expenses				(1,414)
Finance costs				(15)
Income tax expenses				<u>(212)</u>
Profit for the period				<u>1,075</u>

Due to insufficient accounting information available to the Directors, there is no segment analysis for the corresponding period ended 30 June 2005.

6. OPERATING PROFIT

Operating profit is arrived at after charging:

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff cost		
– Salaries, bonus, allowances and benefits in kind	1,271	1,522
Depreciation	14	11
Operating leases on land and buildings	370	371
Restructuring expenses	<u>1,414</u>	<u>400</u>

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimate assessable profits for the six months ended 30 June 2006 and the six months period ended 30 June 2005.

8. 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.

9. DIVIDENDS

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2006 (2005: NIL).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to equity holders for the period of HK\$1,075,000 (for the period ended 30 June 2005: HK\$3,271,000) and the weighted average number of 8,076,257,020 ordinary shares (for the period ended 30 June 2005: 8,076,257,020 ordinary shares) in issue.

11. INTERESTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 30 June 2006 which have been consolidated in these 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%	Dormant
Innovision Enterprises Limited	HK\$1	–	100%	Sales, marketing, product design of audio-visual products

Note:

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.

12. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED

- (a) The consolidated financial statements for the year ended 30 June 2006 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 to have 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%
Great Wall France SA (**)	100%

* private companies incorporated and operated in Hong Kong

** private company incorporated and operated in France

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

The consolidated financial statements do not include the results and cash flows 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 financial statements prepared on the captioned basis present more fairly the results and cash flows and state of affairs of the Group as a whole in light of liquidation and seizure of the assets of subsidiaries.

- (b) The financial statements of the Group do not consolidate the financial statements of the following subsidiaries set out below as in the opinion of the Directors, the non-consolidation of the results, cash flows and assets and liabilities of these subsidiaries would not significantly affect the results and cash flows and state of affairs of the Group for the year 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 2006 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%
Lipon Products Limited	–	100%
Great Wall Electronics Group 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 had been fully impaired and such impairment losses had been recognized in the financial statements in previous years.

13. TRADE AND OTHER RECEIVABLES

The Group normally allows credit terms of 60 days after delivery to its trade customers.

An analysis of the trade receivables, net of provision, as at the balance sheet date, based on the invoice date of the sale is as follows:

	(Unaudited) 30/06/2006 <i>HK\$'000</i>	(Audited) 31/12/2005 <i>HK\$'000</i>
Trade receivables		
Due:		
Within 30 days	2,910	1,965
1 to 3 months	2,038	3,668
4 to 6 months	1,971	2,252
More than 6 months	–	45
	<hr/> 6,919	<hr/> 7,930
Other receivables and prepayments	5,866	5,926
	<hr/> 12,785 <hr/>	<hr/> 13,856 <hr/>

14. SHARE CAPITAL

	(Unaudited) 30/6/2006 <i>HK\$'000</i>	(Audited) 31/12/2005 <i>HK\$'000</i>
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

Share options

On 15 April 2002, the Company terminated the old share option schemes, which had been adopted in 1991 and 1997, and adopted a new share option scheme (the “New Scheme”). The exercisable period for all the options granted under the old share option schemes which entitled the holder to subscribe for the shares of the Company had been expired on 6 March 2003.

The New Scheme shall be valid and effective for a period of 10 years from 15 April 2002, after which period no further share will be granted but the provisions of the New Scheme shall remain in full force and effect in all other respects.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares. Since the date of the adoption of New Scheme, no options have ever been granted.

15. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables as at the balance sheet date:

	(Unaudited) 30/06/2006 HK\$'000	(Audited) 31/12/2005 HK\$'000
Trade payables		
Due:		
1 to 3 months	251	2,791
Other payables and accruals	295,941	295,816
	<u>296,192</u>	<u>298,607</u>

Included in other payables and accruals were the liabilities under indemnities given to subsidiaries not consolidated of approximately HK\$291,130,000.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2006, 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 had been 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 are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Shareholders	Capacity/Nature of interest	Number of shares held		Approximate Percentage of shareholding in the Company
		Long position	Short position	
Mr. Wu Shaozhang (<i>Note</i>)	Interest of controlled corporation	618,720,250	–	7.7%

Note: These shares are held by Vandor Profits Limited, a company indirectly controlled by Mr. Wu.

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 required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required in the Listing Rules pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the six month ended 30 June 2006 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital were as follows:

Name of Shareholders	Capacity/Nature of interest	Number of shares held		Approximate Percentage of shareholding in the Company
		Long position	Short position	
Bank of China (HK) Nominees Limited	Corporate	1,811,940,295	–	22.4%
Sonic Power Group Limited (<i>Note 1</i>)	Corporate	1,811,940,295	–	22.4%
Mr. Siu Yau Keung	Interest of controlled corporation	1,811,940,295	–	22.4%
Vandor Profits Limited	Corporate	618,720,250	–	7.7%
Macross Profits Limited (<i>Note 2</i>)	Interest of controlled corporation	618,720,250	–	7.7%
Mr. Wu Shaozhang	Interest of controlled corporation	618,720,250	–	7.7%
Ms. Wong Chin Yen (<i>Note 3</i>)	Interest of spouse	618,720,250	–	7.7%

Note

- (1) Based on the notice of disclosure of interest filed, Sonic Power Group Limited is a company wholly owned by Mr. Siu Yau Keung and the interest of Sonic Power Group Limited over these Shares is security interest.
- (2) Macross Profits Limited, which directly controlled by Mr. Wu Shaozhang, controls Vandor Profits Limited and therefore is deemed to be interested in shares in the Company held by Vandor Profits Limited.
- (3) Madame Wong Chin Yen is the spouse of Mr. Wu Shaozhang and therefore is deemed to be interested in shares in the Company which Mr. Wu Shaozhang are interested and Madame Wong Chin Yen's interest include those of Wu Sin Yee., Wu Man Ching and Wu Man Yin who are children of such wedlock.

Saved as disclosed herein, no person as at 30 June 2006, so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executive of the Company, no persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or has any options in respect of such capital.

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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's code on corporate governance practices was adopted by reference to the provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company conducts regular reviews of its corporate governance practices to ensure compliance with the CG Code. The Directors are not aware of any non-compliance with the code provisions under the CG Code for the period ended 30 June 2006, except for the deviations mentioned below:

Code Provision A.1.3 stipulated that notices of at least 14 days should be given of a regular Board Meeting to give all Directors an opportunity to attend. For all other Board Meetings, reasonable notice should be given.

During the period ended 30 June 2006, not all notices of regular Board Meetings were issued to the Directors of the Company at least 14 days prior to the relevant Board Meeting.

Code Provision A.4.1 stipulated that Non-Executive Directors should be appointed for a specific term subject to re-election.

The Non-Executive Directors of the Company for the period ended 30 June 2006 were not appointed for a specific term. However, all Non-Executive Directors were subject to the retirement and rotation requirements in accordance with Company's Bye-laws.

Code Provision C.3.3 stipulated the term of reference of the audit committee.

The terms of reference of the audit committee have not been fully documented in accordance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all directors have confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited consolidated accounts for the six months ended 30 June 2006 with the Directors.

BOARD OF DIRECTORS

As at the date of this announcement, the Board consists of Mr. Wong Chi Wing Joseph, Mr. Cheng Hairong, Mr. Chu Kwok Chi Robert as Executive Directors, Mr. Lee Shue Shing, Mr. Wu Xiaoke and Mr. Poon Kwok Shin, Edmond as Independent Non-Executive Directors.

By Order of the Board
Mr. Wong Chi Wing Joseph
Chairman

Hong Kong, 29 September 2006