

GWT
長城科技股份有限公司
Great Wall Technology Company Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0074)

2007 ANNUAL RESULTS ANNOUNCEMENT

The board of directors of Great Wall Technology Company Limited (the “Company”) is pleased to announce to the shareholders the audited consolidated annual results of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2007 together with comparative figures for the corresponding year of 2006 as follows. These results have been prepared in accordance with accounting principles generally accepted in Hong Kong and have been reviewed by the Company’s Audit Committee.

Highlights:

Results

The audited profit after taxation attributable to the shareholders of the Company for the year ended 31 December 2007 amounted to RMB308,768,000. The loss of the corresponding period of last year amounted to RMB122,196,000.

The earnings per share of the Group for the year ended 31 December 2007 amounted to RMB0.2578, compared with the loss per share of RMB0.102 for the year ended 31 December 2006.

The Group recorded sales revenue of RMB23,682,455,000 for the year ended 31 December 2007, representing an increase of 18.89% when compared with the corresponding period last year.

Dividend

The Board does not recommend payment of a final dividend for the year ended 31 December 2007 (2006: Nil).

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
REVENUE	3	23,682,455	19,919,261
Cost of sales		(22,357,157)	(18,540,402)
Gross profit		1,325,298	1,378,859
Other income and gains	3	297,107	226,907
Gain on disposal of available-for-sale investments	4	572,806	–
Selling and distribution costs		(290,243)	(309,942)
Administrative expenses		(505,738)	(444,656)
Other expenses		(271,155)	(205,837)
Finance costs	5	(54,451)	(23,283)
Loss on share reforms of subsidiaries		–	(426,636)
Share of profits and losses of associates		(11,584)	(35,943)
PROFIT BEFORE TAX	4	1,062,040	159,469
Tax	6	(221,437)	7,820
PROFIT FOR THE YEAR		840,603	167,289
Attributable to:			
Equity holders of the parent		308,768	(122,196)
Minority interests		531,835	289,485
		840,603	167,289
DIVIDENDS			
Proposed final	7	–	–
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic – For profit/(loss) for the year		RMB25.78 Cents	RMB(10.2) Cents

CONSOLIDATED BALANCE SHEET

31 December 2007

	<i>Notes</i>	2007 RMB'000	2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,197,616	2,116,321
Investment properties		883,920	560,540
Prepaid land lease payments		88,396	86,775
Goodwill		–	–
Other intangible assets		3,375	2,790
Interests in associates		448,183	627,369
Available-for-sale investments		1,148,207	437,884
Pledged deposits		15,602	13,838
Prepayments		17,253	58,011
Deferred tax assets		67,305	63,995
		<hr/>	<hr/>
Total non-current assets		4,869,857	3,967,523
CURRENT ASSETS			
Inventories		913,370	845,840
Trade and bills receivables	9	2,898,602	1,977,672
Prepayments, deposits and other receivables		371,885	371,729
Due from fellow subsidiaries		5,343	1,675
Due from associates		4,651	60,915
Pledged deposits		23,937	10,279
Cash and cash equivalents		2,719,237	2,980,882
		<hr/>	<hr/>
Total current assets		6,937,025	6,248,992
CURRENT LIABILITIES			
Trade and bills payables	10	3,027,224	2,234,294
Other payables and accruals		700,105	662,987
Interest-bearing bank borrowings		865,000	446,365
Tax payable		222,620	92,643
Provisions		59,773	53,002
Due to associates		13,625	69,422
Due to fellow subsidiaries		24,418	2,294
Due to the intermediate holding company		2,445	1,364
		<hr/>	<hr/>
Total current liabilities		4,915,210	3,562,371
NET CURRENT ASSETS		2,021,815	2,686,621
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,891,672	6,654,144
		<hr/>	<hr/>

	<i>Notes</i>	2007 RMB'000	2006 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		–	2,882
Financial guarantee contracts		12,886	29,410
Deferred tax liabilities		59,703	64,389
Other long term payables		23,640	41,737
		<hr/>	<hr/>
Total non-current liabilities		96,229	138,418
		<hr/>	<hr/>
Net assets		6,795,443	6,515,726
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		1,197,742	1,197,742
Reserves		2,509,071	2,362,074
Proposed final dividend		–	–
		<hr/>	<hr/>
		3,706,813	3,559,816
		<hr/> <hr/>	<hr/> <hr/>
Minority interests		3,088,630	2,955,910
		<hr/>	<hr/>
Total equity		6,795,443	6,515,726
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Notes:

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investment with quoted market price available, which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries.

1.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	<i>Financial Instruments: Disclosures</i>
HKAS 1 Amendment	<i>Capital Disclosures</i>
HK(IFRIC)-Int 8	<i>Scope of HKFRS 2</i>
HK(IFRIC)-Int 9	<i>Reassessment of Embedded Derivatives</i>
HK(IFRIC)-Int 10	<i>Interim Financial Reporting and Impairment</i>

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group’s financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included where appropriate.

(b) Amendment to HKAS 1 Presentation of Financial Statements – Capital disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 44 to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has not issued equity instruments to its employees, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the electronic parts and components segment produces magnetic heads, monitors, switch power supplies, hard disk drives and disk substrates mainly for use in personal computer ("PC");

- (b) the computer segment produces PCs, printers, network electric meters, servers and PC peripheral products;
- (c) the property investment segment invests in prime office space for its rental income potential; and
- (d) the “others” segment comprises, principally, the software and system integration and other businesses.

In determining the Group’s geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) **Business segments**

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Year ended 31 December 2007	Electronic parts and components <i>RMB'000</i>	Computer <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Segment revenue:						
Sales to external customers	21,424,469	1,274,500	100,349	883,137	–	23,682,455
Other income and gains	103,818	–	–	8,142	–	111,960
Intersegment sales	285,835	–	35,598	–	(321,433)	–
Total	21,814,122	1,274,500	135,947	891,279	(321,433)	23,794,415
Segment results before increase in fair value of investment properties	466,587	(23,401)	103,005	7,218	(5,942)	547,467
Increase in fair value of investment properties	–	–	91,472	–	–	91,472
Segment results after increase in fair value of investment properties	466,587	(23,401)	194,477	7,218	(5,942)	638,939
Interest and dividend income and unallocated gains						666,481
Corporate and other unallocated expenses						(177,345)
Finance costs						(54,451)
Share of profits and losses of associates	24,471	5,287	–	(41,342)	–	(11,584)
Profit before tax						1,062,040
Tax						(221,437)
Profit for the year						840,603
Assets and liabilities:						
Segment assets	4,992,070	1,083,151	883,920	388,142	–	7,347,283
Interests in associates	312,690	65,391	–	70,101	–	448,182
Corporate and other unallocated assets						4,011,417
Total assets						11,806,882
Segment liabilities	2,972,762	552,677	–	297,276	–	3,822,715
Corporate and other unallocated liabilities						1,188,724
Total liabilities						5,011,439

Year ended 31 December 2007	Electronic parts and components	Computer	Property investment	Others	Eliminations	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other segment information:						
Depreciation and amortisation	269,380	30,974	-	2,344	-	302,698
Corporate and other unallocated amounts						5,973
						<u>308,671</u>
Capital expenditure	631,278	42,432	-	895	-	674,605
Corporate and other unallocated amounts						392
						<u>674,997</u>
Impairment losses recognised in the income statement	36,229	(21,550)	-	16,109	-	30,788
Corporate and other unallocated amounts						198,060
						<u>228,848</u>
Fair value gain on investment properties	-	-	(91,472)	-	-	(91,472)
Product warranty provision	6,771	-	-	-	-	6,771
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Year ended 31 December 2006	Electronic parts and components <i>RMB'000</i>	Computer <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Segment revenue:						
Sales to external customers	17,447,498	1,269,023	82,107	1,120,633	-	19,919,261
Other income and gains	70,478	48,413	-	3,598	-	122,489
Intersegment sales	341,808	-	33,868	-	(375,676)	-
Total	<u>17,859,784</u>	<u>1,317,436</u>	<u>115,975</u>	<u>1,124,231</u>	<u>(375,676)</u>	<u>20,041,750</u>
Segment results before increase in fair value of investment properties	593,329	(1,889)	90,839	(441)	(14,964)	666,874
Decrease in fair value of investment properties	-	-	(24,388)	-	-	(24,388)
Segment results after increase in fair value of investment properties	<u>593,329</u>	<u>(1,889)</u>	<u>66,451</u>	<u>(441)</u>	<u>(14,964)</u>	642,486
Interest and dividend income and unallocated gains						104,418
Corporate and other unallocated expenses						(101,573)
Finance costs						(23,283)
Share of profits and losses of associates	31,750	(6,293)	-	(61,400)	-	(35,943)
Loss on share reforms of subsidiaries	(194,209)	(232,427)	-	-	-	(426,636)
Profit before tax						159,469
Tax						7,820
Profit for the year						<u>167,289</u>
Assets and liabilities:						
Segment assets	4,174,752	1,153,743	560,540	499,824	-	6,388,859
Interests in associates	238,581	112,214	-	276,574	-	627,369
Corporate and other unallocated assets						3,200,287
Total assets						<u>10,216,515</u>
Segment liabilities	2,147,452	496,023	-	395,046	-	3,038,521
Corporate and other unallocated liabilities						662,268
Total liabilities						<u>3,700,789</u>

Year ended 31 December 2006	Electronic parts and components <i>RMB'000</i>	Computer <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Other segment information:						
Depreciation and amortisation	260,587	22,471	–	3,711	–	286,769
Corporate and other unallocated amounts						3,979
						<u>290,748</u>
Capital expenditure	538,208	48,446	–	6,965	–	593,619
Corporate and other unallocated amounts						29,096
						<u>622,715</u>
Impairment losses recognised in the income statement	919	16,844	–	4,579	–	22,342
Corporate and other unallocated amounts						86,791
						<u>109,133</u>
Other non-cash expense	194,209	232,427	–	–	–	426,636
Fair value loss on investment properties	–	–	24,388	–	–	24,388
Product warranty provision	41,377	–	–	–	–	41,377
	<u>41,377</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>41,377</u>

(b) **Geographical segments**

The Group's manufacturing and sales operations and property investments are located in Hong Kong and in Mainland China.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods or services:

	Turnover by geographical market	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC (including Hong Kong)	9,380,048	4,523,904
Asia Pacific (excluding the PRC)	4,861,049	8,092,131
North America	8,710,371	6,723,683
Others	730,987	579,543
	<u>23,682,455</u>	<u>19,919,261</u>

The analysis of the carrying amount of segment assets, and additions to property, plant and equipment and construction in progress, analysed by the geographical area in which the assets are located has not been presented as they are substantially located in the PRC.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the values of services rendered; and gross rental income received and receivable from investment properties during the year.

An analysis of revenue, other income and gains is as follows:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Revenue		
Sale of goods	23,487,554	19,767,726
Rendering of services	94,552	69,428
Gross rental income	100,349	82,107
	<u>23,682,455</u>	<u>19,919,261</u>
Other income		
Royalty income	20,799	50,590
Interest income	69,941	78,614
Dividend income from available-for-sale unlisted investments	57,521	25,779
Refund of value added tax	632	3,108
Sale of scrap materials	3,639	21,845
Others	21,958	31,011
	<u>174,490</u>	<u>210,947</u>
Gains		
Gain on disposal of subsidiaries	–	15,960
Gain on disposal of equity investment at fair value through profit or loss	31,145	–
Fair value gains on investment properties	91,472	–
	<u>122,617</u>	<u>15,960</u>
	<u>297,107</u>	<u>226,907</u>

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Cost of inventories sold	22,316,740	18,485,480
Cost of services provided	13,402	29,785
Depreciation	304,789	290,334
Amortisation of other intangible assets*	1,080	414
Research and development costs	95,091	81,916
Minimum lease payment under operating lease of land and buildings	6,025	7,490
Auditors' remuneration	7,535	7,175
Employee benefits expense (including directors' remuneration:		
Wages and salaries	444,162	429,894
Pension scheme contributions**	27,566	20,708
	<u>471,728</u>	<u>450,602</u>
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	27,015	25,035
Foreign exchange differences, net	42,561	34,128
Impairment of items of property, plant and equipment	8,113	16,401
Impairment of trade receivables	(1,794)	5,941
Impairment of loan to an associate	161,798	86,791
Impairment of other receivables	19,772	1,582
Write-down of inventories to net realisable value	11,753	11,922
Reversal of inventories provision	(14,223)	(17,257)
Net rental income	(73,334)	(56,970)
Additional product warranty provision	26,209	41,377
Fair value (gain)/loss on investment properties***	(91,472)	24,388
Interest income		
Bank interest income	(65,873)	(54,273)
Interest income arising from loans to associates	(4,068)	(24,341)
Dividend income from available-for-sale investments	(57,521)	(25,779)
Loss on disposal of items of property, plant and equipment	20,792	13,782
(Gain)/loss on disposal of subsidiaries	6,349	(15,960)
Gain on disposal of available-for-sale investments****	<u>(572,806)</u>	<u>-</u>

* The amortisation of other intangible assets for the year are included in "Other expenses" on the face of the consolidated income statement.

** At 31 December 2007, the Group had no amount capitalised and forfeited contributions available to reduce its contributions to the pension schemes in the future years (2006: Nil).

*** Fair value gain on investment properties and gain on disposal of subsidiaries are included in "Other income and gains" while fair value loss on investment properties and loss on disposal of subsidiaries are included in "Other expenses".

**** The Group acquired 15,000,000 non-tradable shares of CITIC Securities Co., Ltd ("CITIC"), 0.72% of CITIC's totals shares in 1999. CITIC performed share reform in August 2005. Under the rules of share reform, the non-tradable shares held by the Group can be traded freely in Shanghai Stock Exchange after August 2006. From 4 January to 27 December 2007, the Group sold all of the shares of CITIC and realized the investment gain of RMB 572,806,000.

5. FINANCE COSTS

	Group	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans, wholly repayable within five years	45,026	22,286
Interest on discounted banking facilities	9,425	1,802
	<hr/>	<hr/>
Total interest expenses	54,451	24,088
Less: Interest capitalised	–	(805)
	<hr/>	<hr/>
	54,451	23,283
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6. TAX

	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Group:		
Current – Hong Kong		
Charge for the year	6,202	7,595
Current – Mainland China		
Charge for the year	178,862	59,966
Overprovision in prior years	(8,546)	(13,820)
Deferred	44,919	(61,561)
	<hr/>	<hr/>
Total tax charge/(credit) for the year	221,437	(7,820)
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A reconciliation of the income tax expense applicable to profit before tax using the statutory income tax rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2007	%	2006	%
	RMB'000		RMB'000	
Profit before tax	1,062,040		159,469	
Tax at the applicable tax rate (15%)	159,306	15.0	23,920	15.0
Lower tax rate for specific provinces or local authorities	(23,366)	(2.2)	(35,034)	(22.0)
Effect on opening deferred tax of increase in rates	(6,937)	(0.7)	–	
Profits and losses attributable to associates	2,820	0.3	5,634	3.5
Income not subject to tax	(11,468)	(1.1)	(10,300)	(6.5)
Expenses not deductible for tax	61,316	5.8	17,087	10.7
Tax losses utilised from previous periods	–		4,135	2.6
Tax losses not recognised	4,972	0.5	556	0.3
Effect of different tax rate of subsidiaries' operations in other jurisdictions	–		2	
Adjustment in respects of current tax of previous periods	34,794	3.3	(13,820)	(8.7)
Tax charge/(credit) at the Group's effective rate	221,437	20.9	(7,820)	(4.9)

Taxation in Mainland China is calculated at the rate prevailing in Mainland China. Some of the subsidiaries of the Group are approved to be high technology enterprises and income tax is calculated at a rate of 15% of the estimated assessable profit for the year.

Certain subsidiaries operating in Mainland China are entitled to exemptions from income tax for the two years commencing from its first profit-making year of operation and thereafter, entitled to a 50% relief from income tax for the next three years.

One subsidiary operating in the Cayman Islands is not required to pay any taxes on either income or capital gains arising in the Cayman Islands.

Hong Kong profits tax is calculated at a rate of 17.5% of the estimated assessable profit for the year.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises, which results in an increase of income tax rate applicable to Group from 15% to 25% gradually (2008: 18%, 2009: 20%, 2010: 22%, 2011: 24%, 2012: 25%). The effect of this change has been reflected in the calculation of deferred income tax as at 31 December 2007.

7. DIVIDENDS

	2007	2006
	RMB'000	RMB'000
Proposed final per ordinary share	<u> -</u>	<u> -</u>

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

A diluted earnings per share amounts for the years ended 31 December 2007 and 2006 have not been disclosed as no diluting events existed during the year.

The calculation of basic earnings per share is based on:

	2007	2006
	RMB'000	RMB'000
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>308,768</u>	<u>(122,196)</u>
	Number of shares	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>1,197,742,000</u>	<u>1,197,742,000</u>

9. TRADE AND BILLS RECEIVABLES

	Group	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	3,227,519	2,292,734
Impairment	(328,917)	(315,062)
	<u>2,898,602</u>	<u>1,977,672</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of three months, extending up to six to twelve months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the balance sheet date, the Group has certain concentrations of credit risk as 20% (2006: 33%) and 58% (2006: 34%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. Trade receivables are non-interest-bearing.

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

	Group	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	2,853,824	1,815,949
91 to 180 days	19,718	77,521
181 to 365 days	4,304	59,702
Over 365 days	20,756	24,500
	<u>2,898,602</u>	<u>1,977,672</u>

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	315,062	273,223
Transfer from financial guarantee contracts	23,845	37,442
Amount written off as uncollectible	(5,240)	(42)
Impairment losses recognised/(reversed)	(1,794)	5,941
Foreign exchange gain	(2,956)	(1,502)
	<u>328,917</u>	<u>315,062</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB295,778,000 (2006: RMB281,774,000) with a carrying amount of RMB499,710,000 (2006: RMB478,670,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	Group	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	1,847,846	1,175,901
Less than 1 month past due	100,343	166,558
1 to 3 months past due	92,869	84,325
Over 3 months past due	75,263	80,147
	2,116,321	1,506,931

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at the balance sheet date, certain trade receivables with a carrying amount of RMB131,799,000 were pledged to secure guarantee from Beijing Zhongguancun Science Technology Guarantee Co., Ltd. for the short term bank loans.

10. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group		Company	
	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Within 90 days	2,786,141	2,046,712	–	–
91 to 180 days	78,763	143,340	–	–
181 to 365 days	128,298	7,114	–	–
Over 365 days	34,022	37,128	217	217
	<u>3,027,224</u>	<u>2,234,294</u>	<u>217</u>	<u>217</u>

The trade and bills payables are non-interest-bearing and are normally settled on terms of 30 to 90 days terms. The carrying amount of trade and bills payables approximates to their fair value.

11. CONTINGENT LIABILITIES

- (a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Guarantees given to banks in connection with facilities granted to:				
Associate	450,000	470,000	450,000	470,000
Third parties	56,680	153,098	–	–
	<u>506,680</u>	<u>623,098</u>	<u>450,000</u>	<u>470,000</u>

- (b) As at 31 December 2007, the banking facilities guaranteed by the Group to an associate were utilised to the extent of approximately RMB450,000,000 (2006: RMB470,000,000)

12. POST BALANCE SHEET EVENTS

(a) Disposal of an associate

On 31 March 2008, the Group entered into a sales and purchase agreement to dispose of its entire interest in International Business Machine Lease Co., Ltd., an associate as at 31 December 2007, to an independent third party for a total consideration of RMB31,796,400. The loss on disposal before tax is expected to be approximately RMB2,633,600.

(b) Increase the capital of an associate

On 7 April 2008, all the shareholders of Great Wall Broadband unanimously resolved that the registered capital of Great Wall Broadband shall be increased from RMB600,000,000 to RMB900,000,000. The increased registered capital of RMB300,000,000 of Great Wall Broadband shall be contributed as to RMB150,000,000 by the Company and the remaining RMB150,000,000 by CITIC Networks Co., Ltd. Upon completion of the contribution, the equity interest of the Company in Great Wall Broadband will increase from 35% to 40%. The Group's total equity interest in Great Wall Broadband remains unchanged at 50% after the contribution.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's business covers computer parts and components, computer manufacturing GSM/CDMA mobile phone production, software and system integration and broadband network services. The Group's computer parts and components products include hard disk drives (abbreviated as "HDDs") magnetic heads, HDD substrates, HDDs, monitors, switching power supplies, cards etc.. In the area of computer manufacturing and its relevant businesses, products mainly include personal computers (abbreviated as "PCs"), notebook computers, servers, network smart electric meters, and tax controlling cashing machines etc. In the field of software and system integration, the Group is principally engaged in the design, sale and contracting of software etc. Regarding broadband network services, the Group is principally engaged in the connection to broadband network and relevant value-added services. The above businesses were mainly attributable to subsidiaries and associates of the Company.

China Great Wall Computer (Shenzhen) Co., Ltd. (abbreviated as "CGC"), Shenzhen Great Wall Kaifa Technology Co., Ltd. (abbreviated as "Greawt Wall Kaifa"), Shenzhen Kaifa Magnetic Recording Co. Ltd. (abbreviated as "Kaifa Magnetic"), ExcelStor Technology (Shenzhen) Limited (abbreviated as "ExcelStor Technology"), ExcelStor Great Wall Technology Limited (abbreviated as "ExcelStor Great Wall"), Great Wall Computer Software and Systems Incorporation Limited (abbreviated as "GWCSS"), Beijing DigiPro Information Technology Company Limited (abbreviated as "DigiPro") and Great Wall Broadband Network Service Co., Ltd (abbreviated as "GWBNS").

REVIEW OF 2007

1. Steady growth in sales income and total profit

In 2007, the Group realized sales revenue of RMB23,682,455,000, representing an increase of 18.89% from the same period last year. The audited profit after taxation attributable to shareholders was RMB308,768,000. The loss of the corresponding period of last year amounted 122,196,000.

2. *Rationalizing product mix and highlighting the advantages of leading products*

In 2007, Great Wall Technology proactively optimized its industry structure and product mix, and carried out its business activities under the principle of “expanding and strengthening the core components of computers, reinforcing our advantages and strengths, and making our principal business stand out.” Some self-owned brands made rapid growth this year: our 2.5” mobile hard disk business broke through the zero and fulfilled batch production. Tax controlling products developed with good momentum. A series of leading products and key products were developed with outstanding advantages, and the income mix of principal business became even more rationalized.

At present, our scientific researches on, and technology for production of, magnetic heads, substrates, and hard disks are aligned with international standards. Among the product chains of our international peers, with our unique technology, a complementary balancing between market and production resources, high quality products, forefront production technology and a logistics management system of international standards, we have formed an operation mode with competitive advantages and a product value chain, playing an increasingly important role in the international arena for the manufacturing of hard disks and their components.

In the area of magnetic head production technology, the Company used “world-class services” as a breakthrough point. With our worldwide leading technology for magnetic heads (HSA) manufacture entering the international hard disk industry chain successfully, we maintained strategic cooperative relationships with the international big names in hard disk manufacture.

Regarding the production of substrates, on the basis of RN3 products, we developed the RN3e series of products and increased the precision of polishing substrates. We improved our automatic cleaning line and thereby increased our passing rate to 5%, increased our efforts on technology innovation, carried out market-oriented optimization of production technology, researched on and developed technological raw materials, hence ensuring the good economic benefits of our substrates and our leading position in the field of international magnetic recording technology.

Regarding the production of hard disks, our self-developed brands saw a rapid growth in their businesses. The technology for the 160G GSTOR series of security hard disks became increasingly mature with enhanced economic benefits.

Regarding computer manufacturing and related products, the “high-end strategy” of the Company was significantly effective and 70 types of new computer products were developed, hence good economic benefits achieved. Regarding monitors, the Company took the lead to develop large-screen LCD-TV of 82”, 70”, 65”, 55”, and 47”, hence capturing the first opportunity with prominent comparative and competitive advantages. Great Wall Power saw a significant growth in its export.

Regarding software and system integration, GWCSS has become an important participant in the development of informatization in China and provided large-scale application software and system integration services in respect of electronic administrative affairs.

In the area of broadband network and value-added services, the Group's associated company, GWBNS, has brought its self-owned resources into full use for network optimization, and further enhanced the network quality. Meanwhile, the construction of service platform was enhanced; efforts on independent research and development were stepped up; a business system with self-owned intellectual property right was actively developed, and an operating service system was formed through integration.

3. *Proactive implementation of internationalization strategy and further growth in import and export businesses*

The enterprises of the Group proactively pursued a “management foundation” development, enhanced technology innovation, rapidly developed products based on our scientific achievements, and expanded export business strenuously. Since the beginning of this year, the export business of the Company has been growing satisfactorily. First, the total import and export amount is rising continuously. Second, the number of trading countries is increasing, and the exported products are of increasingly higher grades. The products are sold over 50 countries and areas. Third, our exported products are increasing in varieties. There was a big year-on-year increase in the export of liquid crystal displays, power supply switches, infineon, circuit boards and electronic accessories, and optical magnetic products. Fourth, the increasing export of self-owned brands means a breakthrough from zero. On the basis of our self-owned brands' product export, such as Great Wall Desktop Computers (長城台式電腦) and Great Wall Notebook Computers (筆記本), currently we fulfilled the successful export of Great Wall Servers (長城服務器) and 2.5” ExcelStor Mobile Hard Disk (2.5英寸易拓移動硬盤).

4. *Adjustments to corporate structure is being carried out actively*

Adjustments to corporate structure is being implemented proactively to expand our industry scale and to integrate our advantageous resources.

Great Wall Computer (“CGC”), a subsidiary of the Group, has laid a good industry foundation over long period of development and become the largest monitor producer in China. Nevertheless, it is a mid-stream player in the whole monitor market of China, and its market share and scale are relatively small when compared with those of the industry leaders. CGC acquired sale shares representing approximately 10.27% of total issued share capital of TPV Technology held by BOE Technology Group Company Limited (京東方科技集團股份有限公司) and the transaction was completed on 24 December 2007. By fully utilizing an opportunity to reshuffle in the whole industry, CGC could have timely equity participation in the world's largest monitor manufacturer ---- TPV

Technology Limited. It will be in no doubt to enhance the international operation ability of CGC, to realize the act of mixing two big names while attaining synergy on business and in turn consolidate a sound foundation for further international development in the future of the Company.

Another subsidiary of the Company, S. Kaifa, proposed to acquire 43% of the equity interests of Shenzhen Kaifa Magnetic Recording Joint-stock Co., Ltd. (“Magnetic Recording”) held by the Company by issuing additional shares to the Company. Upon completion of such acquisition, S. Kaifa will enhance the production scale of current magnetic recording products, expand its production lines, improve the industry chain and further penetrate for in-depth development and expansion of S. Kaifa hard disk industry through stepping up investment, so as to form a more centralized and specialized production scale, to speed up industry development, to have economies of scale, and to cope with intense global competitions effectively. The main business line of the Company will be more outstanding and hence a significant growth in profitability is expected. Such acquisition proposal is still under negotiation as of the date of this announcement.

Setting up China Electronics Corporation Beihai Industry Park (中國電子北海產業園) is an important issue of the implementation of a strategic cooperation between China Electronics and Guangxi. We actively involve in cooperation with Pan-Beibu Wan area and support the considerable strategic measures in developing China’s western region. Great Wall Technology had swiftly started the construction of Beihai base. We insist on market orientation and content-based development in order to link up technological reforms with an adjustment of area structure and construction of “export base”. As such, a “bridgehead facing South Asia and the East alliance” will be established.

5. *Stepping up infrastructure projects, supporting enterprise to be strong and large*

In order to meet urgent demands in the market, each subsidiary under the Company stepped up investment in technological improvement and hence lifted the overall competitiveness of the Company, of which S. Kaifa reformed adaptability of projects named “expansion of lines in electronic factories” and “Seagate magnetic heads”; CGC carried out a technological reform on computer manufacturing, monitors and production line of power source; Magnetic Recording conducted a project of “Phase 2 of production expansion of substrates”; Shenzhen ExcelStor performed an upgrade reform on “Hitachi 3.5” hard disk production line”.

6. *Perfecting internal management, strengthening efficiency monitoring*

Each member of Great Wall Technology has formed a comprehensive corporate governance structure. In addition, acting in accordance with the management requirements of such systems as ISO9000, ISO14000, OHSAS18000, 6SIGMA, we had reinforced the internal corporate management by means of continuing to look into details in different sections and areas with prominent results.

7. *Conserve energy and reduce emission, protect the environment and combat pollution, switch to new domains of scientific development*

First, to reinforce education through publicity in order to promote the awareness of the public.

Second, let the truth speak up for itself. Some units, such as S. Kaifa, specialized in improving the technologies of “Energy-efficient Variable Frequency” and “Energy-efficient Illumination” (by converting the T8 fluorescent lamp into T5 energy-saving lamp) which resulted in approximately a 30% drop in electricity consumption that we managed to meet the target of energy conservation. According to our initial estimation, both the “Comprehensive Energy Consumption Per 10,000 Yuan GDP” and “Comprehensive Energy Consumption Per 10,000 Yuan Value-Added GDP” of our Company in the first half of 2007 dropped by 3% respectively, compared with those of the end of last year. Both S. Kaifa and ExcelStor Technology were honored with the titles of “Clean production-typed enterprise” and “Green enterprise” respectively by Guangdong Province and Shenzhen Municipal in the first half of this year.

Third, to innovate environmental protection technologies and to promote the development of a recycling economy. Great Wall Kaifa Magnetic Recording Co., Ltd. (長城開發磁記錄有限公司) invested in the new construction of the sewage treatment and water recycle system. Due to the application of biological and multi-coating reuse technologies, reclaimed water reached good standard and thus achieved zero emission of “hazardous heavy metal”.

Fourth, regarding energy efficiency as an opportunity through setting up “energy conservation industry” and launching energy-saving products. The Power Supply Business Section of CGC pioneered to launch the “Energy-efficient power supply” products aiming at enhancing the efficiency and power factor in which an intelligent power-saving dormant function is installed. Approximately, 0.644 unit of electricity can be saved every day for each terminal of power source and 235 units in a year. This will contribute to build an energy-saving society with tremendous benefits.

LOOKING FORWARD TO 2008

The year 2008 is a crucial year for the development of Great Wall Technology. We have to take a firm hold of new business opportunities brought about by the “globalization of world economy, upward movement of user levels, integration of industry chains as well as group-forming of enterprises”. Also, we have to keep equipping ourselves with superb manufacturing capacity and high standard of management cadre to take up the international high-end industry transfer. Moreover, we have to strategically secure a vantage point in our industry by stepping up our capital operations and getting ready for industry batch transfer. We must strive to strengthen our Group by means of building a comprehensive industry chain and strengthening internal strengths to pave the way for our “stepping out”. Specific mind maps are as follows:

1. Fully utilize the financing facilities of capital market to enlarge the reserve for our Group’s future development;
2. Thoroughly streamline the hierarchy of the Group, create an environment for pragmatic policy-making within a core industry with a view to build up more strengths for further development;
3. Realize the goals of transformation to high-end production while perfecting the industry chain;
4. Make the best use of the constructions and facilities in Beihai base and “transfer of industries”;
5. Be customer-oriented and serve high-end clients. Apart from providing excellent services, we propose to keep close contact with our clients by “building factories nearby” approach;
6. Hold the three major lines tight, namely management, technology and sales. Through continuous optimizing the product structures, promoting and perfecting the strategies for computer component industry, striving for enlarging the market share of products such as hard disks, magnetic heads and monitors. Meanwhile, proactively enhance the businesses of related products such as security hard disks and high-end monitors. Furthermore, we should reinforce our production management, introduce advanced technologies and lower the production cost. Above all, it is necessary to upgrade the related technologies in manufacturing computer components and enhance its productivity so as to gain better economies of scale and to realize the Company’s goal of sustainable development.

FINANCIAL REVIEW

During the Reporting Period, the Group realized a turnover of RMB23,682,455,000, representing an increase of RMB3,763,194,000 as compared to the corresponding period of last year, and profit after tax attributable to the shareholders of the Company amounted to RMB308,768,000.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group's total cash and bank balances were RMB2,719,237,000 and the Group's total borrowings were RMB865,000,000. The structure of such borrowings was as follows:

- (1) 100% was denominated in Renminbi;
- (2) 25% was made on fixed interest rates.

None of the above borrowings was due and repayable within 2 to 5 years.

As at 31 December 2006, the Group's total cash and bank balances were RMB2,980,882,000 and the Group's total borrowings were RMB449,247,000. The structure of such borrowings was as follows:

- (1) 48.94% was denominated in Renminbi;
- (2) 75% were made on fixed interest rates.

None of the above borrowings was due and repayable within 2 to 5 years.

SEGMENT INFORMATION

Detailed segment information in respect of the Group's turnover and contribution to profit from operations for the year ended 31 December 2007 as well as other information by business segment and geographical segment is shown in note 2 to the financial statements of this announcement.

GEARING RATIO

As at 31 December 2007, the Group's total borrowings and shareholder's equity were RMB865,000,000 and RMB3,706,813,000 respectively, as compared to RMB449,247,000 and RMB3,559,816,000 respectively as at 31 December 2006.

As at 31 December 2007, the gearing ratio was 23.34%, and the gearing ratio as at 31 December 2006 was 12.62%. The gearing ratio was defined as the ratio between total borrowings and shareholder's equity.

CURRENT RATIO AND WORKING CAPITAL

As at 31 December 2007, the Group's current assets and current liabilities amounted to RMB6,937,025,000 and RMB4,915,210,000 respectively, and the Group's working capital was RMB2,021,815,000 while the current ratio was 1.41.

As at 31 December 2006, the Group's current assets and current liabilities amounted to RMB6,248,992,000 and RMB3,562,371,000 respectively, and the Group's working capital was RMB2,686,621,000 while the current ratio was 1.75.

CHARGE OF GROUP ASSETS

As at 31 December 2007, the Group had pledged to banks its bank savings of approximately RMB8,933,000 to secure general banking facilities for the Group. As at 31 December 2007, no borrowings were guaranteed by CEC, the ultimate holding company of the Group.

As at 31 December 2006, the Group had pledged bank savings approximately of RMB9,581,000. As at 31 December 2006, no borrowings were guaranteed by the CEC, the ultimate holding company of the Group.

CONTINGENT LIABILITIES

The Group's contingent liabilities are set out in detail in note 11 of this announcement.

EXCHANGE RATE FLUCTUATIONS

During the Reporting Period, approximately over 79% of the Group's turnover was revenue in US dollars. If US dollars had fallen against RMB, it would have had a negative impact upon the Group.

BUSINESS RISKS AND RISK MANAGEMENT POLICIES

The Company's associate, GWBNS, was established in 2000. Up to the date of this annual report, GWBNS is owned as to 50% by 中信網絡有限公司, and the Company also holds a 35% direct interest in GWBNS and each of Great Wall Kaifa and CGC, both being subsidiaries of the Company, holds a 7.5% interest in GWBNS.

Due to the fierce competition in the industry and substantial capital requirement, as at the end of 2007, GWBNS has recorded an accumulated loss of RMB1,081 million. As at 31 December 2007, the Company has provided a guarantee in respect of the loan granted to GWBNS, which amounted to RMB450 million and provided a loan of approximately RMB457 million to GWBNS, of which approximately RMB35 million was accumulated loan interest. There are certain risks inherent to the above guarantee and repayment of the loan due to increasing competition in the PRC broadband service industry and the State's macro-economic policies.

In order to maintain control over its risk exposure, the operation team of GWBNS has implemented a series of reforms under the leadership of the board of GWBNS. The 2007 results of GWBNS have improved such that the annual loss for the financial year 2007 was RMB4.94 million less than that of last year.

EMPLOYEES

As at 31 December 2007, the number of employees of the Group was approximately 17,000. The salaries of the employees were determined according to the rank in and contribution to the respective company of any individual employee with reference to the remuneration and incentive system of the respective company.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: Nil).

PURCHASE, SALE AND REPURCHASE OF THE LISTED SECURITIES OF THE COMPANY OR ANY OF ITS SUBSIDIARIES

During the year 2007, the Company had not purchased, sold or repurchased any listed securities of the Company or any of its subsidiaries.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has obtained written confirmations from all Independent Non-executive Directors concerning their independence in accordance with Rule 3.13 of the Listing Rules of the Stock Exchange. The Directors are of the opinion that the existing Independent Non-executive Directors are independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

LITIGATION

Note dispute and loan dispute between CGC and Sichuan Yintong Computer System Co. Ltd.

CGC was involved in a note dispute and loan dispute with Sichuan Yintong Computer System Co. Ltd. (abbreviated as “Yintong”) and Chengdu Commercial Bank (abbreviated as “Chengdu Bank”). By its civil case judgment (2000) Chuan Jing Chu Zi 17, the Sichuan Higher People’s Court has ruled in favour of CGC. However, since Chengdu Bank, which had a joint guarantee liability related to the subject matter of the case, has raised objections in relation to the proceedings and other matters and made an application for re-trial, the Sichuan Higher People’s Court has suspended the enforcement of the said judgment by its verdict (2001) Chuan Jing Jian Zi 53 on 3 February 2001. On 17 December 2003, the Sichuan Higher People’s Court issued the Urgent Notice Regarding the Trial and Enforcement of Cases in Relation to the Rectification of Investment and Trust Companies by the Provincial Government (Chuan Gao Fa 2003 486). The notice stipulated that prior to 30 June 2004, there would be no acceptance, trial or enforcement regarding cases in which any of five financial institutions, including Chengdu Bank, was/were the debtors.

By the civil case judgment (2005) Min Er Zhong 181 dated 17 March 2006, the Supreme Court of the People’s Republic of China reserved Sichuan Higher People’s Court’s civil case judgment (2000) Chuan Jing Chu Zi 17 and made the decision final.

In accordance with the final judgment rendered by the Supreme Court of the People’s Republic of China on a dispute on bills and debts between CGC, Sichuan Yintong Computer System Co. Ltd. and Chengdu Commercial Bank (civil case judgment (2005) Min Er Zhong Zi No. 181), on 21 June 2006, CGC received from Chengdu Commercial Bank a total payment of RMB34,199,781.03, which was broken down into RMB33,630,650 and RMB569,131.03, being payment of the principal and the costs of the case respectively. As the interest of the case of RMB17,086,558.57. CGC already received that payment at 11 June 2007.

GUARANTEE FOR INDEPENDENT THIRD PARTY

As at 31 December 2007, the Group had provided a guarantee of approximately RMB53,076,183 in respect of bank facilities granted to third parties of which our subsidiary Great Wall Kaifa, and China National Machinery & Equipment Import & Export Corporation (hereinafter as “CMEC”) have collaborated on the export of Italy ENEL Smart Meter. The Bank of China had issued a performance bond for the project with CMEC as the applicant of the bond.

As at 31 December 2007, the Group has pledged some property amounted to Zhongguancun Science Technology RMB47,096,000 to acquire guarantee for bank loans from Beijing Guarantee Co., Ltd. As at 31 December 2007, the Group has provided guarantee to third party amounted to RMB3,603,000 for bank loans.

As at 31 December 2007, certain trade receivables with a carrying amount of RMB131,799,000 were pledged to secure guarantee from Beijing Zhongguan Science Technology Guarantee Co., Ltd. for the Loans.

GUARANTEE FOR ASSOCIATED COMPANY

As at 31 December 2007, the Group had provided guarantee of approximately RMB450 million in respect of bank facilities granted to GWBNS, an associated company.

Balance sheet of the above associated company is extracted from its audited management account as at 31 December 2007 and is set out as follows:

	<i>RMB'000</i>
Non-current Assets	1,233,279
Current Assets	297,846
Current Liabilities	1,649,404
Shareholders' Equity	(129,121)
Interests attributable to the Group	(64,561)

ADVANCE TO ASSOCIATED COMPANY

As at 31 December 2007, the balance of advance of RMB575,673,000 represented amount due from associated companies. The balances were incurred from the ordinary course of business of the Group. The balance of advance is interest bearing of which an amount of RMB80,090,000 bears interest at the rate of 5.05% per annum an amount

of RMB456,625,000 has an accumulated interest of approximately RMB34,905,000. All amounts due from associated companies had no fixed repayment period. Combined balance sheet of the associated companies are extracted from their management accounts as at 31 December 2007 and is set out as follows:

	<i>RMB'000</i>
Non-current Assets	1,427,087
Current Assets	345,308
Current Liabilities	1,688,428
Shareholders' Equity	(97,870)
Interests attributable to the Group	(49,248)

PRE-EMPTIVE RIGHTS

According to the Articles of Association of the Company and the laws of the PRC, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

MAJOR CUSTOMERS

Sales to the Group's single largest customer and the Group's top five largest customers accounted for approximately 27% and 45% respectively, of the total turnover of the Group for the year ended 31 December 2007.

As far as the Directors are aware, none of the Directors or any of their associates (within the meaning of the Listing Rules), or those shareholders which own more than 5% of the share capital of the Company have an interest in any of the above customers of the Group during the year.

SUFFICIENCY OF PUBLIC FLOAT

According to the public information that is available to the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the latest practicable date of this annual report.

CORPORATE GOVERNANCE

The Company has complied with the applicable provisions of the Code on Corporate Governance Practises as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2007.

AUDITORS

A resolution will be proposed at the forthcoming AGM to appoint Messrs. Ernst & Young and Messrs. Ernst & Young Hua Ming as the international and domestic auditors of the Company respectively for the financial year ending 31 December 2008.

AUDIT COMMITTEE

The Company has established an Audit Committee which comprises of the three independent non-executive directors of the Company. The Audit Committee, together with the management, has reviewed the accounting policies, accounting regulations and methods adopted by the Group, and discussed with management about the audit, internal controls and financial reporting. The Committee also reviewed the audited accounts and results announcement for the year 2007.

FINANCIAL REPORTING

The financial reports of the Company for the year ended 31 December 2007 have been audited by Ernst & Young (certified public accountants in Hong Kong) and Ernst & Young Hua Ming (certified public accountants in the PRC) in accordance with HKGAAP and PRC accounting standards. Their respective auditors' reports were without any qualified opinion nor explanatory statement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code of Securities Transactions by Directors by Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct to regulate dealings in securities of the Company by directors and supervisors of the Company. Having made specific enquires to all directors, all directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2007.

CLOSURE OF H SHARE REGISTER

The H Share register of members of the Company will be closed from 20 May 2008 to 19 June 2008, both days inclusive, during which period no transfer of Shares will be effected. To be entitled to attend the 2007 Annual General Meeting of the Company, all share certificates with completed transfer forms must be lodged with the Company's H Shares Register, Hong Kong Registrars Limited, Rooms 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 19 May 2008.

PUBLICATION OF RESULTS ON WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The results announcement will be published on the website of The Stock Exchange of Hong Kong Limited, which is www.hkex.com.hk.

A NOTE OF THANKS

On behalf of the Board, I would like to take this opportunity to offer sincere thanks to management members and the Group's staffs for their efforts and sacrifice during the past year. Lastly, I would like to thank the financial institutions, shareholders and investors for their trust and support.

By Order of the Board

Lu Ming
Chairman

Shenzhen, China, 18 April 2008

As at the date of this announcement, the Company's Executive Directors are Mr. Lu Ming, Mr. Tam Man Chi, Mr. Wang Jincheng, Mr. Yang Jun and Mr. Su Duan; and the Company's Independent Non-Executive Directors are Li Sanli, Ms. Wang Qinfang and Mr. Kennedy Ying Ho Wong.