GWT

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

Stock Code 股份代號：0074

ANNUAL REPORT
2009 年報

CONTENTS

Corporate Information

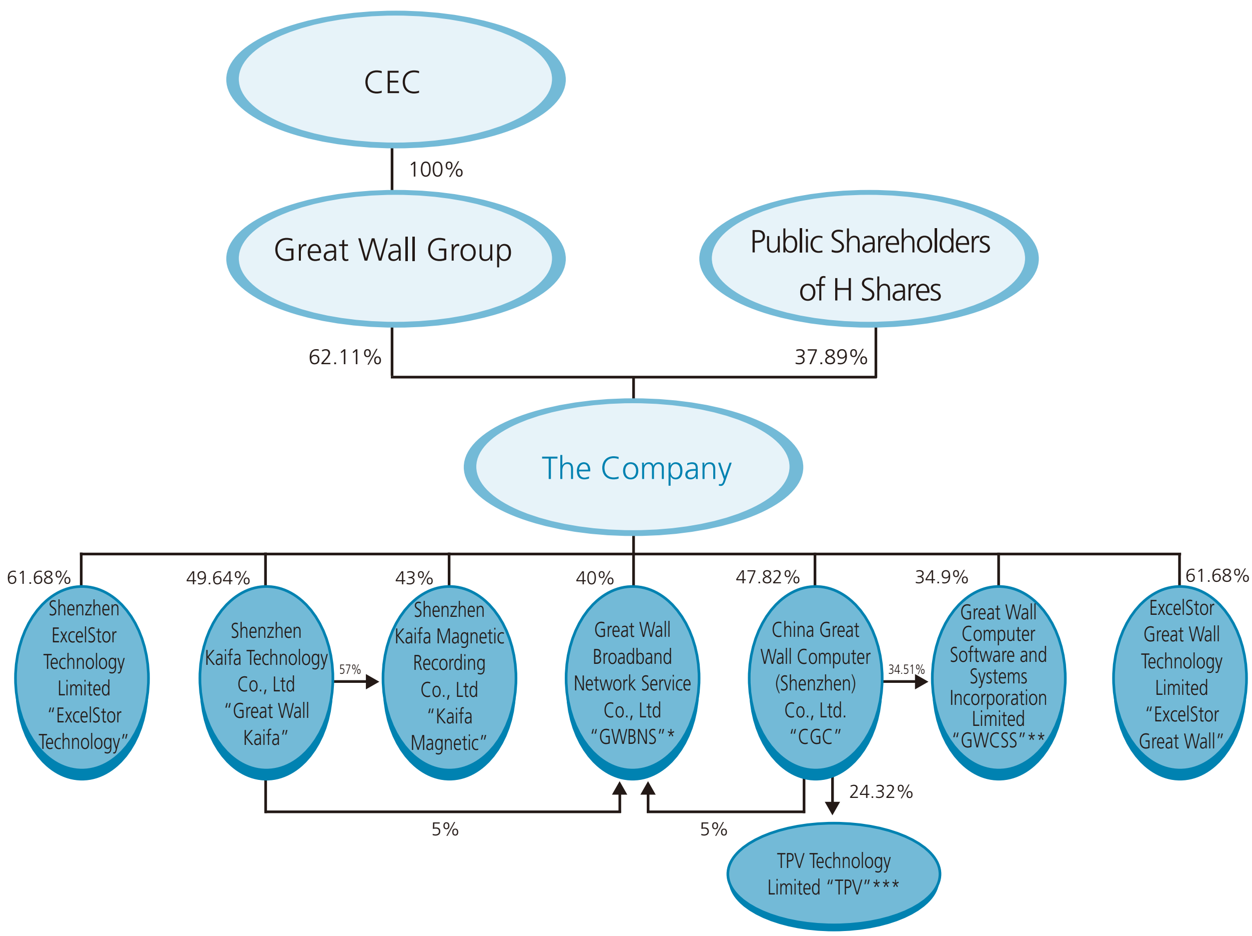
Company Name in Chinese	:	長城科技股份有限公司
Company Name in English	:	Great Wall Technology Company Limited
Place of Registration	:	No. 2 Keyuan Road, Technology & Industry Park, Nanshan District, Shenzhen, China
Tel	:	86-755-2672 8686
Fax	:	86-755-2650 4493
Postal Code	:	518057
Executive Directors	:	Lu Ming (Chairman) Tam Man Chi Wang Jincheng Yang Jun Su Duan Fu Qiang
Independent Non-executive Directors	:	Li Sanli Wang Qinfang Kennedy Ying Ho Wong
Supervisors	:	Lang Jia Kong Xueping Song Jianhua
Company Legal Representative	:	Lu Ming
Company Secretary	:	Siu Yuchun
Authorized Representatives	:	Lu Ming Siu Yuchun
International Auditors	:	SHINEWING (HK) CPA Limited Certified Public Accountants Hong Kong
Domestic Auditors	:	Shinewing CPA
Legal Advisor (as to Hong Kong law)	:	Jones Day
Place of Listing H Shares	:	The Stock Exchange of Hong Kong Limited
Stock Short Name	:	Great Wall Tech
Stock Code	:	00074
H Shares Registrar and Transfer Office	:	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

China Great Wall Computer Group Company ("Great Wall Group") was the sole promoter of Great Wall Technology Company Limited (the "Company"). The Company was formally established in Shenzhen, China on 20 March 1998 with a registered capital of RMB743,870,000 and was listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 5 August 1999. Currently, the registered capital of the Company is RMB1,197,742,000. The Company was classified as "Information Technology Stock" in May 2000 by the Hong Kong Hang Seng Index Services Limited.

On 2 August 2005, the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") has announced the Notifications on the Restructuring of 6 Enterprises including China Electronics Corporation (《關於中國電子信息產業集團公司等6戶企業重組的通報》), pursuant to which Great Wall Group would be consolidated into China Electronics Corporation ("CEC") for restructuring (the "Restructuring"). The Company was notified by Great Wall Group on 15 September 2006 that the Restructuring has been approved by the State Administration For Industry and Commerce ("SAIC") on 18 August 2006. As a result of the Restructuring, Great Wall Group has become a wholly-owned subsidiary of CEC. CEC has become the ultimate controlling shareholder of the Company through its control of 62.11% of the Great Wall Group. CEC is an enterprise directly administered by SASAC. It is principally engaged in the design and manufacturing of integrated circuits, software and integrated system services and research, development and manufacturing of other communication products.

The business of the Company and its subsidiaries (hereinafter collective referred to as the "Group") covers computer components, computer manufacturing, GSM/CDMA mobile phone production, software and system integration and broadband network services.

GROUP STRUCTURE



* GWBNS is an associated company of the Company.

** The Company ceased to hold any interests in GWCSS as from 12 March 2010.

*** TPV is a subsidiary of the Company.

Chairman's Statement

Dear Shareholders,

2009 was a remarkable year. Confronted with the global financial crisis, the Company unified its thoughts, consolidated its confidence to proactively address market challenges, and timely formulated the strategy of "acquisition first, improvement second and cultivation (creation of new growth areas) the third", pursuant to which we have intensified market development, technical innovation, new growth area cultivation, M&A, reorganization and capital operation as well as external cooperation that we boosted the development of science in addressing challenges and achieved desirable results.

During the reporting period, the Company was promoted and ranked twelfth in Top-100 China Electronic Enterprises and Great Wall Kaifa was again awarded the title of "Top-Ten Listed Companies with Comprehensive Strength in Guangdong". "Great Wall" was again named "China Top-Ten Leading Brands of Consumer Electronic Products", and the Company was awarded with the "China's Pre-eminent Enterprise in Social Responsibility in 2009", all signifying that we have attainted certain achievements in aspects including science and technology innovation, channel building, overseas market expansion and the State's Home Appliances Subsidy Policy for Rural Areas. Aided by capital operation, the Company gained new increments to realize leap-forward growth in revenues from principal operations. Also, we have broadened our room for future growth by capitalizing on the effective integration of upstream and downstream resources of the industry.

In the new year, we shall continue our unrelenting efforts to forge our Group into an innovative conglomerate characterized by "core technology, high-end manufacture, and renowned brands", so as to generate sustainable and steady investment return for shareholders, and to make great strides in development.

On behalf of the Board, I would like to take this opportunity to sincerely appreciate all management members and staff 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
23 April 2010

A summary of the published results and the assets and liabilities of the Group is as follows:

Results

	Year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
TURNOVER	**37,085,314**	22,528,185	23,682,455	19,919,261	14,924,774
Cost of sales	**(35,151,169)**	(21,482,358)	(22,357,157)	(18,540,402)	(13,928,766)
Gross profit	**1,934,145**	1,045,827	1,325,298	1,378,859	996,008
Other income and gains	**402,259**	390,004	297,107	226,907	178,754
Net realised and unrealised gain on foreign exchange forward contracts	**106,853**	–	–	–	–
Compensation for termination of contracts	**114,084**	104,471	–	–	–
Termination fee income	**–**	52,235	–	–	–
Discount on acquisition of a subsidiary	**357,330**	4,609	–	–	–
Gain on disposal of available-for-sale investments	**–**	–	572,806	–	–
Selling and distribution costs	**(732,094)**	(265,092)	(290,243)	(309,942)	(220,447)
Administrative expenses	**(726,264)**	(518,501)	(776,893)	(650,493)	(587,888)
Research and development expenses	**(276,524)**	(40,582)	–	–	–
Finance costs	**(64,968)**	(74,864)	(54,451)	(23,283)	(27,921)
Gain on disposal of associates	**–**	–	–	–	338,194
Loss on share reforms of subsidiaries	**–**	–	–	(426,636)	–
Share of results of associates	**42,154**	(66,712)	(11,584)	(35,943)	51,545
PROFIT BEFORE TAX	**1,156,975**	631,395	1,062,040	159,469	728,245
Income tax expense	**(150,093)**	(7,579)	(221,437)	7,820	(103,254)
PROFIT FOR THE YEAR	**1,006,882**	623,816	840,603	167,289	624,991
Attributable to:					
Equity holders of the Company	**397,605**	359,984	308,768	(122,196)	321,936
Minority interests	**609,277**	263,832	531,835	289,485	303,055
	1,006,882	623,816	840,603	167,289	624,991
DIVIDENDS					
Proposed final	**143,729**	65,876	–	–	23,955
EARNINGS PER SHAE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Basic					
– For (loss)/profit for the year	**33.20 cents**	30.06 cents	RMB25.78 cents	RMB(10.2) cents	RMB26.9 cents

Assets, Liabilities and Minority Interests

	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	**36,415,499**	10,335,759	11,806,882	10,216,515	9,430,229
Total Liabilities	**22,625,336**	3,885,412	5,011,439	3,700,789	3,645,078
Minority Interests	**9,348,292**	2,614,910	3,088,630	2,955,910	2,220,399

2009 REVIEW

A. Drastic increase in sales revenue and a remarkable improvement in economic effectiveness

During 2009, the Group managed to address the rigorous macro-economic challenges, sustain growth and seek development amid crisis. In the first half of the year, the Group effectively curbed operation downturns by virtue of the policy of "stabilizing regular customers and developing new markets". In the second half, the Group's "combined countermeasures" against the financial turmoil yielded marked results. The Group achieved sales revenue of RMB37.08 billion for the year, representing an increase of 64.62% over the same period last year. Our audited profit after taxation attributable to shareholders amounted to RMB397 million, representing an increase of 10.45% over/from the same period last year. The Group had its development foundation consolidated and its economic effectiveness enhanced.

B. Painstaking expansion of markets at home and abroad in proactive response to the crisis

Member companies of the Group adopted an array of effective measures to secure growth against the crisis, providing significant support for development during the year.

The first is to retain regular customers and persistently maintain existing orders. The outburst of the financial tsunami has forced many key customers of the Company to curtail salaries, headcounts and even orders, which in turn led to plunge in orders for major products of enterprises under the Company. Certain products, such as disk substrates and magnetic heads, decreased by as many as 70% while orders for mobile phones also decreased by over 50%. To reverse the unfavourable situation of the sharp decrease in orders, key management personnel of the member companies of the Group took the command in person and rushed about in flights at home and abroad to negotiate for business and to secure orders, sparing no effort to develop international and domestic markets. Through these incessant efforts, production and sales volume as well as sales revenue for regular orders exceeded those of the same period last year by the end of the third quarter. In September 2009, monthly production and sales volume of disk substrates of Kaifa Magnetic also resumed the level of the previous year.

The second is to secure new customers to expand new markets. In 2009, members of the Group introduced numerous new customers to enrich their product lines. Apart from mobile phone processing business, Great Wall Kaifa introduced notebook computer and PCBA processing business. As for Smart Meters, Great Wall Kaifa collaborated with IBM for the national project of Malta and obtained an order of EURO7million. Meanwhile, Great Wall Kaifa succeeded in obtaining the first batch of wireless set-top boxes and wireless water-meters. Kaifa Magnetic zealously endeavoured to capture more market shares. The international business of CGC notebook computer made significant breakthrough as it managed to develop agent customers in Sudan, Madagascar, Algeria and Nigeria. In traditional markets in South and North America, Europe and Asia-Pacific, our agents also grew in number.

In the domestic market, the Company fully initiated expansion strategies. Facing the industry recession, CGC has taken a step further to expand its market. In the conspicuous bidding for the PC part under the State's "Home Appliances Subsidy Policy for Rural Areas", CGC has achieved the Grand Slam with all of its participating products won. In July, CGC succeeded in attaining orders for thousands of notebooks from Jiangxi City University, procuring the first "Great Wall Notebook University" in China.

C. Enhance innovation capability against crises by stressing technical innovation and promoting transformation

Members of the Group have imperturbably addressed the financial crisis by way of self-independent innovation. Great Wall Kaifa established an international advanced application lab and launched vertical magnetic high-end products by firmly grasping the successful concept of "upstream competition for superiority". Standing at the forefront, Great Wall Kaifa took the lead in launching the full automatic magnetic head production line and was named the "Characteristic Industry Park for Information Storage" by the People's Government of Shenzhen. As the main draftsman, CGC's power supply division participated in the energy saving standard for power supply of national computers. Great Wall power supply was a pioneer in passing China's energy saving certification; and in May 2009, the Company launched the "Energy-Saving King (節电王)" power supply which passed the U.S. strict energy saving test 80PLUS standard for power supply. With unique energy saving patent technology applied, underload and overload of the series was respectively higher than 80%, and its typical load even exceeded 82%, thus, successfully entering U.S. markets. CGC's monitor (division) actively developed both upstream and downstream on the industry chain as it actively researched and developed a wide range of industry display terminal applications, such as ad players, in-car TVs, touch-screen monitors, CCTV monitors and monitoring walls. The division also launched energy-saving LED backlight monitors by diversifying products. CGC's information application division launched various new consumer electronics including digital photo frame, PDTV, E-book and WDTV which were well received in domestic and foreign markets.

During the year, members of the Group undertook 11 national technical projects, 4 provincial and ministerial technical projects and 6 local technical projects in total, of which 3 were awarded prizes of provincial and ministerial technical projects for the year.

D. Capture economic growth engines to break new ground by restructuring and improvement

The Company capitalized on favourable opportunities of the State's substantial support for strategic emerging industries to strengthen the research and exploitation of LED and solar energy sectors.

The first is to enter new areas to vigorously develop strategic emerging industries. In April 2009, ExcelStor Great Wall, a member of the Group, developed emerging areas like green energy and photovoltaic generation by capturing the favourable opportunity of industry structural adjustment; and currently it has succeeded in transformation. In May 2009, ExcelStor Great Wall managed to launch "30KW-500KW" solar power supply inverter of varied specifications so as to provide "bridging" devices for solar power stations, and began to supply goods for foreign customers in bulk in last May. In August 2009, the "solar cell module" project of ExcelStor Great Wall was formally put into production.

Having established a joint venture, namely Shenzhen Kaifa Auto Technology Company Limited (深圳開發技研汽車電子有限公司), with a business partner, Great Wall Kaifa entered the auto electronics area and specialized in auto air-conditioner control systems.

The second is to extend product lines and expand applications to form new growth segments. CGC introduced talents to produce the "Notebook Battery", which has now been put into mass production and entered Guangxi Beihai CEC Industrial Park. Great Wall power supply division also actively developed non-desktop computer power supply business, and now it has successfully developed power supplies for FPTV, home appliance, industrial use, in-car application, communication and adaptors.

E. Integrate resources and optimize allocation by emphasizing capital operation and taking combined measures

In 2009, the Group proactively made overall arrangement by focusing on the "Monitor Industry Chain". Leveraging advantageous opportunities in the capital market during the financial crisis, the Group resolutely decided to increase the shareholdings of TPV Technology Limited ("TPV") at a relatively low cost. Moreover, the Group finally consolidated TPV's financial results into its financial statements and thus improved its annual results through an array of moves including successful acquisition of Great Wall (HK) via CGC and reorganization of the Board of TPV, which influenced production operation for the year in the following way:

The first is to make the Group's principal operations more prominent and rapidly raise its position in the sectors, sharpening its comprehensive edges. The second is to dramatically foster the Group's innovation ability, and introduce international top-ranking management and R&D teams. The third is to make the strategic layout of the Company's monitor industry chain more scientific and perfect, enable vertical integration of upstream and downstream resources and horizontal division of labour to take shape, and form a complete industry chain, and thereby accelerate its advancement towards a world-class enterprise.

F. Stress the promotion of rapid corporate growth by putting efforts on external cooperation and broadening vision

In 2009, the Group centred on development strategies and business needs to proactively procure resources such as capital, technology, talent and market at home and abroad, strengthening external communication and cooperation.

The first is to further boost the cooperation with local governments. The Group has cooperated with local governments in Shenzhen, Suzhou, Beihai, Guilin and Changsha and so on and yielded positive results. On 8 December, CEC (Shenzhen) Research Institute was officially inaugurated. In 2009, Great Wall Kaifa (Suzhou) Phase II Project was officially commenced, which occupies an area of 55,000 sq. m. and gross floor area of 120,000 sq. m with total investment of over RMB300 million. CGC has also further deepened its cooperation with Changsha, Guilin and Beihai.

The second is to reinforce the cooperation on production, study and research. Members of the Group have established the technology exchange cooperation mechanism with organizations including Hong Kong Applied Science and Technology Research Institute, Research Institute of Tsinghua University, China CEPREI Laboratories, Shenzhen 863 Program Research and Development Centre for Surface Technology, Harbin Institute of Technology Shenzhen Graduate School and Shenzhen University, laying a solid foundation for future growth. The cooperation of Great Wall Kaifa and CGC with multinational corporations including Samsung, Seagate, IBM, Intel, Kingston was furthered as cooperation areas being widened.

While endeavouring to secure growth and accomplishment of operation targets in 2009, members of the Group have also made efforts in building an honest and upright conduct in the Party, safe production and harmonious corporate development, with an aim to vigorously ensure the stable and rapid growth of their production and operation.

LOOKING FORWARD TO 2010

Centred on the mission of strengthening and enlarging principal operations and accelerating restructuring and industry upgrade in 2010, the Company is set to promote growth by adjusting the structure, improving level and enhancing management. The Company is to upgrade comprehensively corporate growth attributes and economic effectiveness mainly by shift in corporate development path, which will be driven by computers and core components and EMS segments, with specific ideas as follows:

I. Energetically improve self-independent product R&D and industrialization capability by leveraging the integrated growth opportunity of the new generation network economy and 4CI, expediting to adjust the industry and product mix with key technical projects as carrier;

II. Forge prestigious "Great Wall" brand series to enhance their global brand effect;

III. Quicken new economic driver cultivation by blazing new trails;

IV. Procure corporate enhancement and expansion by way of capital operation.

All staff of the Group will create value for the Group maximize return for all shareholders by dedicating themselves to work with firm confidence, full enthusiasm and high-spirited morale.

FINANCIAL REVIEW

During the year ended 31 December 2009 ("Reporting Period"), the Group realized a turnover of RMB37,085,314,000 representing an increase of 64.62% as compared to the corresponding period of last year, and profit after tax attributable to the equity holders of the Company amounted to RMB397,605,000 representing an increase of 10.45% as compared to the corresponding period of last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group was financed by a combination of its equity capital base, cash flow generated from operation and bank borrowings. As usual, bank and other liabilities were being met upon their maturities in the normal course of business.

As at 31 December 2009, the Group's total cash and bank balances were RMB4,050,766,000 (31 December 2008: 2,637,646,000) and the Group's total borrowings were RMB3,243,368,000. The structure of such borrowings was as follows:

(1) 18.9% and 81.1% were denominated in Renminbi and US dollars respectively;

(2) 99% was made on fixed interest rates.

The Group's borrowing repayment profile as at 31 December 2009 is shown in note 32 to the financial statements.

SEGMENT INFORMATION

Detailed segment information in respect of the Group's turnover and contribution to profit from operations for the year ended 31 December 2009 as well as other information by business segment and geographical segment is shown in note 11 to the financial statements.

GEARING RATIO

As at 31 December 2009, the Group's total borrowings and shareholder's equity were RMB3,243,368,000 and RMB4,441,871,000 respectively, as compared to RMB805,980,000 and RMB3,835,437,000 respectively as at 31 December 2008.

As at 31 December 2009, the gearing ratio was 73.02%, and the gearing ratio as at 31 December 2008 was 21.01%. The gearing ratio was defined as the ratio between total borrowings and shareholder's equity.

CURRENT RATIO AND WORKING CAPITAL

As at 31 December 2009, the Group's current assets and current liabilities amounted to RMB28,604,935,000 (31 December 2008: RMB5,677,244,000) and RMB22,059,540,000 (31 December 2008: RMB3,769,103,000) respectively, and the Group's working capital was RMB6,545,395,000 (31 December 2008: RMB1,908,141,000) while the current ratio was 1.30. (31 December 2008: 1.51).

CHARGES ON GROUP ASSETS

As at 31 December 2009, certain of the Group's term deposit with a carrying value of approximately RMB339,900,000 (31 December 2008: RMB37,356,000) were pledged to banks to secure general banking facilities and performance bond for the Group.

ACQUISITIONS/DISPOSAL OF SUBSIDIARIES

On 30 April 2009, CGC entered into a share transfer agreement with Great Wall Group to acquire from Great Wall Group the shares representing 99.9999% of the issued share capital of China Great Wall Computer (H.K.) Holding Limited ("Great Wall (HK)") at a consideration of RMB10,601,200 and the acquisition was completed on 29 June 2009. CGC acquired the remaining 0.0001% of the issued share capital of Great Wall (HK) for a consideration of HK$10 on 15 June 2009. Great Wall (HK) became a wholly-owned subsidiary of CGC, and therefore a subsidiary of the Company. Great Wall (HK) is principally engaged in the development and sales of computers, procurement of components and major facilities as well as procurement, storage and transportation of raw material. As at the date of this report, Great Wall (HK) held approximately 15.79% shareholding in TPV.

On 28 December 2009, the Company and CGC each entered into a share transfer agreement with China National Software and Service Co. Ltd. ("China Software") to transfer to China Software their respective 34.9% and 34.51% equity interest in GWCSS at a consideration of RMB46,501,600 and RMB45,970,500 respectively. The disposals were approved at the extraordinary general meeting of the Company held on 12 March 2010. The Company and CGC ceased to hold any shares in GWCSS upon completion of the disposal. A gain of approximately RMB7,440,000 was recorded from the disposal.

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 40% direct interest in GWBNS and each of Great Wall Kaifa and CGC, both being subsidiaries of the Company, holds a 5% interest in GWBNS.

Due to the fierce competition in the industry and substantial capital requirement, as at the end of 2009, GWBNS has recorded an accumulated loss of RMB1,105 million. As at 31 December 2009, the Company has provided a guarantee in respect of the loan granted to GWBNS, which amounted to RMB550 million and provided a loan of approximately RMB273 million to GWBNS. 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 2009 results of GWBNS have improved such that the annual loss for the financial year 2009 was RMB33 million less than that of last year. On 15 April 2010, the Group announced that it intended to dispose of all the interests in GWBNS.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the number of employees of the Group was approximately 18,000 (31 December 2008: 16,000). The remuneration of the employees were determined according to industry practices, 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.

RETIREMENT BENEFIT SCHEME FOR EMPLOYEES

Details of the retirement benefit schemes for employees of the Group are set out in note 44 to the financial statements.

PRINCIPAL ACTIVITIES

The Group's business covers various areas, including computer components and parts, computer manufacturing, GSM/CDMA mobile phone product, software and system integration, broadband networks and value-added services. The Group's computer parts and components products include magnetic heads, disk substrates, hard disk drives (abbreviated as "HDDs"), monitors, switching power supplies and cards etc.. Computer supply products include personal computers (abbreviated as "PCs"), notebook computers, servers, ATMs, tax controlling cashing machines, projectors, digital TV sets, and network smart electric meters. In the field of software and system integration, our products include large information systems oriented to applications for the public security, taxation, industry and commerce, and financial sectors. Regarding broadband network and value-added services, we have set up a broadband network covering 30 large cities in China. The Group is one of the leading providers of diversified information products in the Mainland. Such businesses were mainly attributable to subsidiaries and associates of the Company.

RESULTS AND APPROPRIATIONS

The results and appropriations of the Group and the Company for the year ended 31 December 2009 are set out in the consolidated income statement on page 48 of this annual report.

DIVIDEND

The Board recommends the payment of a final dividend of RMB12 cents per share for the year ended 31 December 2009 (2008: RMB5.50 cents).

SHARE OPTION

None of the Company nor any of its subsidiaries has offered any share option excepted TPV.

TPV has adopted a new share option scheme ("New Scheme") on 15 May 2003. The principal terms of the New Scheme are summarized below:

(1)Participants of the New Scheme

Any employee or director including executive and non-executive directors of TPV and its group companies, and any entity in which TPV or any of its subsidiaries holds any equity interest.

(2)Maximum number of shares

There is no more option available for issue under the New Scheme as at the date of this report.

SHARE OPTION (Continued)

(3)Maximum entitlement of each participant

TPV board shall not grant any option (the "Relevant Option") to any participant, which, if exercised, would enable such participant to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including those options exercised, cancelled or outstanding) in the 12-month period up to and including the offer date of the Relevant Options, exceed 1 percent of the shares in issue on such date.

TPV board may grant options to any participant in excess of the individual limit of 1 percent in any 12-month period with the approval of the shareholders in general meeting (with such participant and his associates abstaining from voting). In such situation, TPV will send a circular to the shareholders and the circular must disclose the identity of the participant, the number and terms of the options to be granted (and previously granted to such participant).

(4)Payment on acceptance of options

A participant shall pay TPV HK$1.00 for the grant of an option on acceptance of an option within 28 days after the offer date.

(5)Time of exercise of options

Subject to the provisions of the New Scheme, an option may be exercised at any time during such period notified by the board as not exceeding 10 years from the offer date. The exercise of options may also be subject to any conditions imposed by the board at the time of offer.

(6)Basis of determining the subscription price

The subscription price will be determined by the TPV board and it shall not be less than the highest of, (i) the closing price of the shares of TPV as stated in the daily quotations sheet of Hong Kong Stock Exchange on the date of offer of the options; and (ii) the average closing price of the shares of TPV as stated in Hong Kong Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer; and (iii) the nominal value of a share of TPV.

(7)Remaining life of the New Scheme

The New Scheme is valid until 14 May 2013.

During the year ended 31 December 2009, no share options have been granted or cancelled.

SHARE OPTION (Continued)

Particulars of outstanding options under the New Scheme at the beginning and at the end of the year ended 31 December 2009 and options exercised and lapsed during the year were as follows:

				Number of options			
	Date of grant	Exercise Price HK$	Exercisable Period	As at 01/01/2009	Exercised	Lapsed	As at 31/12/2009
Directors of TPV							
Dr Hsuan, Jason	20/05/2004	4.735 (Note 1)	08/06/2007–19/05/2009	1,500,000	0	(1,500,000)	0
Mr Chan Boon-Teong	12/12/2007	5.750 (Note 2)	12/12/2008–11/12/2012	80,000	0	0	80,000
			12/12/2009–11/12/2012	120,000	0	0	120,000
			12/12/2010–11/12/2012	200,000	0	0	200,000
Dr Ku Chia-Tai	12/12/2007	5.750 (Note 2)	12/12/2008–11/12/2012	60,000	0	0	60,000
			12/12/2009–11/12/2012	90,000	0	0	90,000
			12/12/2010–11/12/2012	150,000	0	0	150,000
Mr Wong Chi Keung	12/12/2007	5.750 (Note 2)	12/12/2008–11/12/2012	60,000	0	0	60,000
			12/12/2009–11/12/2012	90,000	0	0	90,000
			12/12/2010–11/12/2012	150,000	0	0	150,000
Mr Houng Yu-Te	20/05/2004	4.735 (Note 1)	08/06/2005–19/05/2009	600,000	0	(600,000)	0
(Resigned on			08/06/2006–19/05/2009	900,000	0	(900,000)	0
13th October 2009)			08/06/2007–19/05/2009	1,500,000	0	(1,500,000)	0
Employees of TPV	20/05/2004	4.735 (Note 1)	08/06/2005–19/05/2009	4,948,800	0	(4,948,800)	0
			08/06/2006–19/05/2009	14,659,000	0	(14,659,000)	0
			08/06/2007–19/05/2009	38,288,000	0	(38,288,000)	0
	12/12/2007	5.750 (Note 2)	12/12/2008–11/12/2012	4,240,805	0	(169,200)	4,071,605
			12/12/2009–11/12/2012	6,361,208	0	(253,800)	6,107,408
			12/12/2010–11/12/2012	10,602,013	0	(423,000)	10,179,013
				84,599,826	0	(63,241,800)	21,358,026

Notes:

(1) These options are exercisable at HK$4.735 (US$0.61) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 8 June 2005 to 19 May 2009, from 8 June 2006 to 19 May 2009 and from 8 June 2007 to 19 May 2009 are 20 percent, 50 percent and 100 percent respectively. The exercisable period of these options expired on 19 May 2009.

(2) These options are exercisable at HK$5.750 (US$0.73) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 12 December 2008 to 11 December 2012, from 12 December 2009 to 11 December 2012 and from 12 December 2010 to 11 December 2012 are 20 percent, 50 percent and 100 percent respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2009, in accordance with the PRC Company Law, an amount of approximately RMB997 million standing to the credit of the Company's capital reserve account, were available for distribution by way of future capitalization issue. In addition, the lesser amount of the retained profits of the Company as determined in accordance with the PRC GAAP and Hong Kong Financial Reporting Standards is available for distribution as dividend.

RESERVES

Details of the movements during the year ended 31 December 2009 in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 52 of this annual report.

FINANCIAL SUMMARY FOR THE PAST FIVE YEARS

A summary of the results of the Group for the past five years and the summary of the assets and liabilities for the past five years are set out on page 5 of this annual report.

FIXED ASSETS

Details of the movements during the year ended 31 December 2009 in the fixed assets of the Group and the Company are set out in note 19 to the financial statements.

SHARE CAPITAL STRUCTURE

As at 31 December 2009, the total share capital of the Company amounted to RMB1,197,742,000, divided into 1,197,742,000 shares of RMB1.00 each. The share capital of the Company as at 31 December 2009 was as follows:

	As at 31 December 2009 (audited) Number of shares	As at 31 December 2008 (audited) Number of shares
State-owned legal person shares	743,870,000	743,870,000
Oversea listed foreign shares (H Shares)	453,872,000	453,872,000
Total	1,197,742,000	1,197,742,000

Note: There was no change in the share capital structure of the Company during the year and during the period from 31 December 2009 up to the date of this annual report.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below and so far as the Directors, supervisors and chief executives of the Company are aware, as at 31 December 2009, no persons (other than the Directors, supervisors and chief executives of the Company disclosed below) had an interest or short position in the Company's shares or underlying shares, as case may be, which are required to be disclosed to the Company and Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"), or which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or were the substantial shareholders of the Company as such term is defined by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

Name of shareholder	Class of shares	Number of the Company's shares held	Shareholding percentage of issued state-owned legal person shares	Shareholding percentage of total issued shares
Great Wall Group	State-owned legal person shares	743,870,000	100%	62.11%

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2009, the Group had no designated deposits nor had any overdue and unrecoverable time deposits with any financial institutions.

SUBSIDIARIES AND ASSOCIATED COMPANY

Details of the Company's subsidiaries and associated companies as at 31 December 2009 are set out in notes 50 and 23 to the financial statements respectively.

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

Per an announcement on 16 July 2009. The Company and Great Wall Kaifa entered into separate Subscription Agreement with CGC, to subscribe for a total of 110,742,000 new shares of CGC, of which the Company may subscribe for up to 110,742,000 new shares and Great Wall Kaifa may subscribe for up to 17,718,700 new shares at the subscription price of RMB9.03 per share. The consideration for the issue of the total new shares is RMB1 billion, payable in cash.

SUPERVISORS AND THE SUPERVISORY COMMITTEE

According to laws, regulations and Articles of Association of the Company with an attitude responsible to the shareholders as a whole, the Supervisory Committee of the Company had been able to perform conscientiously their obligations, accomplish standardized operation and supervise the Company's financial status and compliance with laws and regulations in the performance of duties by the Directors, general managers and other senior management, and had been able to safeguard the legal interests of the Company and the shareholders as a whole.

SHAREHOLDERS AND GENERAL MEETINGS

The Company had abided by relevant requirements to convene general meetings to ensure that the shareholders may exercise their voting rights according to law. During the Reporting Period, the Company convened an annual general meeting on 19 June 2009 and all procedures of the general meeting had been consistent with the requirements of the Company Law of the PRC and the Articles of Association of the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors or supervisors proposed for re-election at the forthcoming annual general meeting has a service contract in force with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into, or existed of any time, during the year.

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. 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.

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

Other than service contracts, no contract of significance in relation to the Group's business was entered into between the Company's Directors or supervisors and the Company or any of its subsidiaries or holding companies in which any of the Company's Directors or supervisors had a material interest, whether directly or indirectly, during the year ended 31 December 2009.

CONTROLLING SHAREHOLDERS' INTERESTS IN MATERIAL CONTRACTS

No contract of significance for the provisions of services or otherwise in relation to the Group's business was entered into between the Company's controlling shareholder or any of its subsidiaries and the Company or any of its subsidiaries in which such controlling shareholder had a material interest, whether directly or indirectly, during the year.

THE PURCHASE AND SALE OF SHARES BY THE DIRECTORS AND SUPERVISORS

During the year ended 31 December 2009, the Company had not granted any right to any Directors or supervisors and their spouses or children less than 18 years of age to subscribe for shares in the Company. The interests of the Directors and supervisors of the Company in the shares of the Company, its subsidiaries or its associated corporation are set out in the section headed "Directors', Supervisors' and the Company's Chief Executives' Interests in the Share Capital of the Company and its Associated Corporations" below.

DIRECTORS', SUPERVISORS' AND THE COMPANY'S CHIEF EXECUTIVES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2009, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined under Part XV of the SFO) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, supervisors and chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company were as follows:

1. Personal Interests

Name of Director/ Chief Executive	Number of Shares held	Approximate percentage of issued share capital of the company
Mr. Lu Ming	83,952 shares of CGC	0.0153%
Mr. Tam Man Chi	1,113,878 shares of Great Wall Kaifa	0.12%
Mr. Du Heping	30,000 shares of CGC	0.0055%

DIRECTORS', SUPERVISORS' AND THE COMPANY'S CHIEF EXECUTIVES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

2. Corporate Interests

Name of Director	Number of Shares held	Approximate percentage of issued share capital of the company
Mr. Tam Man Chi	71,199,587 shares of Great Wall Kaifa *(Note)*	8.1%

Note:

Broadata (H.K.) Limited (abbreviated as "Broadata") held 8.1% of the overseas legal person shares in Great Wall Kaifa. Flash Bright International Limited held 67.96% shares in Broadata. Mr. Tam and his spouse held 100% equity shares in Flash Bright International Limited.

Save as disclosed above and so far as the Directors, supervisors and chief executives of the Company are aware, as at 31 December 2009, no other Directors, chief executives or supervisors of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which any such Director, chief executive or supervisor is taken or deemed to have under such provisions of the SFO) of which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and supervisors' remuneration and the five highest paid individuals of the Company during the year 2009 are set out in notes 14 and 15, respectively to the financial statements.

CONNECTED TRANSACTIONS

(1) During the year 2009, the following continuing connected transactions were carried out by the Group.

(a) Master Production Agreement

On 17 April 2009, Kaifa Technology (HK) Ltd. ("Kaifa Technology (HK)"), a subsidiary of the Company, entered into a master production agreement ("Master Production Agreement") with Amoi Electronics (Singapore) Pte. Ltd. ("Amoi Electronics"). Pursuant to the Master Production Agreement, Amoi Electronics agreed to engage Kaifa Technology (HK) to provide the production services for mobile phones and related accessories as well as the procurement of relevant raw materials and components. The Master Production Agreement is for a period of one year commencing on 17 April 2009.

Amoi Electronics is a company controlled by CEC, the ultimate controlling shareholder of the Company, is therefore a connected person of the Company within the meaning of the Listing Rules. The transactions amount under the Master Production Agreement is subject to a cap of HK$22,000,000 for year ended 31 December 2009 and the transactions contemplated under the Master Production Agreement are subject to reporting and announcement requirements but are exempted from independent shareholders' approval requirement under the Listing Rules.

For the year ended 31 December 2009, the transactions made under the Master Production Agreement amounted to RMB2,355,000 in total. The Master Production Agreement expired on 16 April 2010.

(b) Cooperation Agreement

On 6 July 2009, CGC, a subsidiary of the Company, entered into a cooperation agreement ("Cooperation Agreement") with Great Wall Information Industry Co., Ltd. ("Great Wall Information") whereby CGC has agreed to grant to Great Wall Information an exclusive right to manufacture and sell computer products comprising desktop computers, laptop computers and servers in Hunan Province. The Cooperation Agreement is for a period of three years ending 31 December 2011.

Great Wall Information is a company controlled by CEC, the ultimate controlling shareholder of the Company, is therefore a connected person of the Company within the meaning of the Listing Rules. The transaction amount under the Cooperation Agreement is subject to an annual cap of RMB35,100,000, RMB93,100,000 and RMB126,350,000 for years ended 31 December 2009, and years ending 31 December 2010 and 2011 respectively and the transactions contemplated under the Cooperation Agreement are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the Cooperation Agreement and the transactions contemplated thereunder was obtained at the extraordinary general meeting of the Company held on 10 November 2009.

For the year ended 31 December 2009, the transactions made under the Cooperation Agreement amounted to RMB18,165,000.

CONNECTED TRANSACTIONS (Continued)

(c) Sale Agreements

On 4 September 2009, CGC, a subsidiary of the Company, entered into the sale agreement ("Sale Agreements") with each of CEC, 湖南長城信息金融設備有限責任公司("Hunan Communications"), 桂林長海科技有限責任公司("Changhai Technology") and 長沙湘計華湘計算機有限公司("Xiangji Huaxiang") in relation to the sale of computer related products to each of CEC, Hunan Communications, Changhai Technology and Xiangji Huaxiang. The Sale Agreements are for a period of one year commencing on 1 January 2009 and ending on 31 December 2009.

CEC is the ultimate controlling shareholder of the Company, and Hunan Communications, Changhai Technology and Xiangji Huaxiang are companies controlled by CEC, each of them is therefore a connected person of the Company within the meaning of the Listing Rules. The aggregate transaction amount under the Sale Agreements is subject to an annual cap of RMB214,000,000 for the year ended 31 December 2009. The transactions contemplated under the Sale Agreements are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the Sale Agreements and the transactions contemplated thereunder was obtained at the extraordinary general meeting of the Company held on 10 November 2009.

For the year ended 31 December 2009, the transactions made under the Sale Agreements amounted to RMB77,560,000.

(d) Financial Services Agreement

On 2 November 2009, the Company entered into a financial services agreement ("Financial Services Agreement") with CEC Finance Co. Ltd. ("CEC Finance") whereby CEC Finance has agreed to provide to the Company the deposit services, loan services, settlements services, general strategic advisory services and other financial services subject to the terms and conditions provided therein.

CEC Finance is a subsidiary of CEC, the ultimate controlling shareholder of the Company, is therefore a connected person of the Company within the meaning of the Listing Rules. The proposed deposit to be placed with CEC Finance under the Financial Services Agreement is subject to an annual cap of RMB100,000,000 and is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The proposed loan and loan guarantee services, settlement services, general strategic advisory services under the Financial Services Agreement are exempted from the reporting, announcement and independent shareholders' approval requirement under the Listing Rules. The Financial Services Agreement is for a period of three years commencing on the date of approval from independent shareholders of the Company is obtained. Independent shareholders' approval for the Financial Services Agreement and the transactions contemplated thereunder was obtained at the extraordinary general meeting of the Company held on 12 March 2010. Accordingly, the term of the Financial Services Agreement is for a period of three years commencing on 12 March 2010 and ending on 11 March 2013.

CONNECTED TRANSACTIONS (Continued)

(e) Intermediation Agreement

On 7 December 2009, China National Software and Service Co. Ltd. ("China Software") and GWCSS, a subsidiary of the Company, entered into an intermediation agreement ("Intermediation Agreement") whereby GWCSS, for a commission, agreed to solicit customers located in the PRC on behalf of China Software and convey to China Software any inquiries, offers or orders received by it in relation to certain licensed software, media and licensed software documentation components and software assurance which may be distributed by China Software to customers. The Intermediation Agreement became effective from the date of execution until 31 August 2010.

China Software is a subsidiary of CEC, the ultimate controlling shareholder of the Company, is therefore a connected person of the Company within the meaning of the Listing Rules. The expected maximum aggregate commission payable for the provision of intermediary services under the Intermediation Agreement for the period from the date of the Intermediation Agreement to 31 December 2009 and the period from 1 January 2010 to 31 August 2010 is RMB450,000 and RMB3,600,000 respectively. The provision of intermediary services under the Intermediation Agreement is subject to reporting and announcement requirements but is exempted from independent shareholders' approval requirement under the Listing Rules.

For the year ended 31 December 2009, the commission received by GWCSS under the Intermediation Agreement amounted to nil.

Confirmation of Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing them (if applicable) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS (Continued)

Confirmation From Auditors Of The Company

The Board of Directors has received a confirmation from the auditors of the Company with respect to the above continuing connected transactions and the letter stated that for the year 2009, the above continuing connected transactions:

(i) have been approved by the Board of Directors;

(ii) have been entered into in accordance with the terms of the agreement governing the transactions; and

(iii) have not exceeded the cap amount announced by the Company.

(2) During the year 2009, the Group carried out the following connected transactions:

(a) Acquisition of shares in China Great Wall Computer (H.K.) Holding Limited

On 30 April 2009, CGC, a subsidiary of the Company, entered into a share transfer agreement ("Share Transfer Agreement") with Great Wall Group to acquire from Great Wall Group the shares representing 99.9999% of the issued share capital of Great Wall (HK) at a consideration of RMB10,601,200.

Great Wall Group, being the substantial shareholder of the Company, is a connected person of the Company within the meaning of the Listing Rules. The transactions contemplated under the Share Transfer Agreement is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the Share Transfer Agreement and the transactions contemplated thereunder was obtained at the extraordinary general meeting of the Company held on 29 June 2009.

(b) Tri-party Agreement and Guarantee Agreement

On 7 December 2009, the Company, China National Software and Service Co. Ltd. ("China Software") and GWCSS, a subsidiary of the Company, entered into a tri-party agreement ("Tri-party Agreement") whereby, among other things, the Company unconditionally and irrevocably agreed to provide a guarantee for not exceeding RMB30,000,000 in favour of Microsoft (China) Co., Ltd. ("Microsoft (China)") in relation to China Software's obligations under the Microsoft channel agreement (large account resellers) dated 30 June 2009. Pursuant to the terms of the Tri-party Agreement, on 7 December 2009, the Company and Microsoft (China) entered into the guarantee agreement ("Guarantee Agreement").

China Software is a subsidiary of CEC, the ultimate controlling shareholder of the Company, is therefore a connected person of the Company within the meaning of the Listing Rules. The provision of guarantee under the Tri-party Agreement and Guarantee Agreement is subject to reporting and announcement requirements but is exempted from independent shareholders' approval requirement under the Listing Rules.

CONNECTED TRANSACTIONS (Continued)

(c) Disposal of GWCSS

On 28 December 2009, the Company and CGC, a subsidiary of the Company, each entered into a share transfer agreement ("Share Transfer Agreements") with China National Software and Service Co. Ltd. ("China Software") to transfer to China Software their respective 34.9% and 34.51% equity interest in GWCSS at a consideration of RMB46,501,600 and RMB45,970,500 respectively.

China Software is a subsidiary of CEC, the ultimate controlling shareholder of the Company, is therefore a connected person of the Company within the meaning of the Listing Rules. The transactions contemplated under the Share Transfer Agreements are subject to reporting, announcement and independent shareholders' approval requirement under the Listing Rules. Independent shareholders' approval for the Share Transfer Agreements and the transactions contemplated thereunder was obtained at the extraordinary general meeting of the Company held on 12 March 2010.

In respect of the continuing connected transactions and connected transactions, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

GUARANTEE FOR INDEPENDENT THIRD PARTY

As at 31 December 2009, the Group provided guarantees of approximately RMB60,384,000 to third parties in respect of bank facilities granted to third parties.

GUARANTEE FOR ASSOCIATED COMPANIES

As at 31 December 2009, the Group provided a guarantee of approximately RMB570,385,000 (2008: RMB550,000,000) in respect of bank facilities granted to associated companies.

LOANS TO ASSOCIATED COMPANIES

As at 31 December 2009, loans to associated companies of approximately RMB378,858,000 (2008: RMB416,213,000) are unsecured, interest-bearing at fixed rates ranging from 5.05%-7.02% (2008: 5.58%-7.02%) per annum and is repayable after twelve months from the balance sheet date.

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.

BORROWINGS AND INTEREST CAPITALISED

Details of bank borrowings of the Group and the Company are set out in note 32 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentages of sales for the year attributable to the Group's major customers are as follows:

Sales

– the largest customer 17.87%
– five largest customers combined 44.48%

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

Purchases

– the largest supplier 16.15%
– five largest suppliers combined 55.6%

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 and suppliers 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 date of this annual report.

CORPORATE GOVERNANCE

Major corporate governance practices adopted by the Company are set out in Corporate Governance Report on pages 32 to 44.

AUDIT COMMITTEE

The Company has set up an audit committee, comprising three independent non-executive Directors. The consolidated financial statements for the year ended 31 December 2009 have been reviewed by the audit committee.

AUDITORS

The consolidated financial statements for the year ended 31 December 2009 have been audited by SHINEWING (HK) CPA Limited who retire and being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting.

By Order of the Board

Lu Ming
Chairman

Shenzhen, China
23 April 2010

DIRECTORS

As at the date of this annual report, the members of the Board of Directors of the Company and their biographical details are as follows:

Executive Directors

Mr. Lu Ming, aged 60, the chairman of the Board and an executive Director. Mr. Lu is vice president of CEC, vice chairman of CGC and director of the Great Wall Group, Great Wall Kaifa and TPV. Mr. Lu graduated from the Chinese Academy of Sciences with a master's degree in computer science and completed postgraduate studies at the High Energy Physics Research Institute in Hamburg, Germany and learned from Professor Samuel C.C. Ting. Mr. Lu is one of the founders of the Great Wall Group and has almost 30 years' of experience in the information technology industry. Mr. Lu was previously the vice president of the Company from 1998 to 2005, and the president of the Company from October 2005 to January 2009. Mr. Lu has been an executive Director of the Company since 1998 and has been the chairman of the Board since January 2008.

Mr. Tam Man Chi, aged 62, an executive Director. Mr. Tam is also president and chairman of Great Wall Kaifa. Mr. Tam has 42 years' of management experience in the international electronics industry. Mr. Tam was previously the vice president of the Company, but he resigned from that position with effect from 23 April 2003. Mr. Tam has been an executive Director of the Company since 1998.

Mr. Wang Jincheng, aged 73, an executive Director. Mr. Wang is a senior engineer. He graduated from the Beijing Science and Technology University (formerly known as the Beijing Industrial Institute) with a major in wireless radar. Mr. Wang, a committee member of the 9th and the 10th Chinese People's Political Consultative Conference, was mayor of Mian Yang, chairman of the board of directors of China Unicom Co. Ltd., chairman of the board of directors and general manager of CEC. He was a member of the National Scientific and Technological Advanced Research's Evaluation Committee, the standing director of the Chinese Aeronautics Committee as well as the chairman of the Electronics Branch of the Chinese "Divine Sword" Space Committee. Mr. Wang has been an executive Director of the Company since January 2005.

Mr. Yang Jun, aged 46, an executive Director. Mr. Yang is a senior engineer. He graduated from West-North Telecommunication Engineering College with a master's degree. Mr. Yang currently holds the positions of vice president of CEC, director of the Great Wall Group, and chairman of Shenzhen Sed Industry Company Limited. He previously held the positions of general manager of China TravelSky Information Centre, chairman of China TravelSky Technology Limited and deputy manager of China TravelSky Holding Company, chairman of China National Software & Service Co., Ltd. Mr. Yang has been an executive Director of the Company since June 2005.

DIRECTORS (Continued)

Executive Directors

Mr. Su Duan, aged 57, an executive Director. Mr. Su is a senior engineer and a college graduate. Mr. Su graduated with an economics and management degree from the Correspondence Institute of the Party School of the Central Committee of the Communist Party of China. Mr. Su is currently a director, the General Manager of the human resources department of CEC. Previously, Mr. Su was a director of Amoi Electronics Co., Ltd. He has worked in various positions in CEC, including director of the presidential office of the management department, director of party-masses and discipline, director of the party-masses work department (the Office of Party Leadership Group), and deputy secretary of the party committee directly under central control and secretary of the discipline inspection committee. Mr. Su has been an executive Director of the Company since November 2006.

Mr. Fu Qiang, aged 54, an executive Director. Mr. Fu is the general manager of the Industrial Development Division of CEC, director of Great Wall Information Industry Co. Ltd, and director of China National Software & Service Co., Ltd. Mr. Fu graduated from Fudan University in Shanghai with a major in computer science and completed his postgraduate studies at Peking University with a major in computer software. Mr. Fu had taken up various positions at Great Wall Computer Software and Systems Incorporation Limited namely software engineer, deputy general manager and secretary to the board of directors. In addition, Mr. Fu was the secretary to the board of directors and head of general office of Great Wall Group, as well as the deputy head of general office of CEC. Mr. Fu has been an executive Director of the Company since June 2008.

Independent Non-executive Directors

Mr. Li Sanli, aged 74, an independent non-executive Director. Mr. Li graduated from Tsinghua University in 1955, and obtained a PhD Degree from the Academy of Sciences of the former USSR in 1960. In 1995 he was elected as an academician of the Chinese Academy of Engineering (CAE). He is currently a professor in the Department of Computer Science & Technology of Tsinghua University and holds a joint position as Dean of the School of Computer Engineering & Science at Shanghai University. He has been engaged in the field of computers for more than 50 years. He has been responsible for building many computer systems, amongst which some have made significant contributions to his country. He is one of the pioneers in the discipline of computer system architecture. Recently, he has been in charge of building several supercomputer systems. Two of them have been listed at the world famous top500 (www.top500.org): "Deep Super 21C" (2003, the 146th place at top500), and "ZiQiang 3000" (2004, the 126th place at top500 then). He had taken the positions of chief scientist in a project of high-performance computer of the "State Climbing Program", co-chairman of the Computer Discipline of the Academic Degree Committee directly attached to the China State Council and president of IEEE China Section (Beijing Section, 95/96). He has been invited as joint professor of various universities including Beijing University, FuDan University, TongJi University. He held various social positions including vice-chairman of the Expert Committee of the Shanghai Government Informatization Leader Group, as well as expert consultant of the HangZhou, SuZhou, ShenZhen Municipal Governments. He has been elected as honorable president of "China Electronic Education Society". Mr. Li has been an independent non-executive Director of the Company since June 2001.

DIRECTORS (Continued)

Independent Non-executive Directors

Ms. Wang Qinfang, aged 67, an independent non-executive Director. Ms. Wang graduated from the Industrial Accounting Faculty of the Shanghai Institute of Finance and Economics. She holds the title of senior accountant and holds a PRC certified public accountant certificate. She was director of the Finance Department of China Electronic Industry Co., Ltd., deputy general manager of China Electronic Industry Co. Ltd., director of the Economic Adjustment Department of the PRC Ministry of Electronics and general manager of the China Electronic Information Trust & Investment Co. Ltd. Ms Wang is currently deputy director of the Electronic Branch of the China Accounting Society. Ms. Wang has been an independent non-executive Director of the Company since January 2005.

Dr. Kennedy Ying Ho Wong, BBS, JP, aged 47, an independent non-executive Director. Dr. Wong is a solicitor of the High Court and a China Appointed Attesting Officer. He is the managing partner of Philip K H Wong, Kennedy Y H Wong & Co, Solicitors & Notaries. He is a member of the National Committee of the Chinese People's Political Consultative Conference and vice chairman of the All China Youth Federation. He was selected as one of the Ten Outstanding Young Persons of Hong Kong in 1998 and one of the Ten Outstanding Young Persons of the World in 2003. Dr. Wong is also a director of a number of listed companies in Hong Kong and England, including Asia Cement (China) Holdings Corporation, China Overseas Land & Investment Limited, Goldlion Holdings Limited, Hong Kong Resources Holdings Company Limited, Qin Jia Yuan Media Services Company Limited, Pacific Alliance Asia Opportunity Fund Limited and Pacific Alliance China Land Limited. Dr. Wong has been an independent non-executive Director of the Company since November 2006.

Supervisors

Mr. Lang Jia, aged 56, Chairman of the Company's supervisory committee. Mr. Lang graduated with a bachelor's degree in Chinese from Liaoning Normal University. Mr. Lang completed a course in world economic research graduate class in Liaoning University. Mr. Lang is currently a director of CEC, a member of the party group, and a director of the discipline inspection group under the party group in CEC and chief legal advisor of the Group companies. Mr. Lang previously served as procurator of Supreme People's Procuratorate of the People's Republic of China, and director of the discipline inspection office and deputy secretary of party committee in the China National School of Administration. Mr. Lang has been a supervisor and chairman of supervisory committee of the Company since November 2006.

Ms. Kong Xueping, aged 41, graduated from Beijing University and holds a master's degree in law. She is a qualified PRC lawyer and a qualified corporate law advisor. She is currently the head of the legal department of CEC. She had previously worked at the editorial department of the sports academy of Shanxi Normal University. Ms. Kong has been a supervisor of the Company since June 2007.

DIRECTORS (Continued)

Supervisors

Mr. Song Jianhua, aged 54, graduated from Xuanhua Artillery Command Academy and completed advanced studies in 2006 SASAC affiliated batch of Central Party School. He had previously served as the camp commander of 35304 company and as deputy manager of the labour department office of Kunming City. Mr. Song joined Great Wall Kaifa in 1990 and has since served as office manager, chief executive, vice chairman of labour union of Great Wall Kaifa. He is currently vice party chairman, secretary of the discipline committee and the chairman of labour union of Great Wall Kaifa, supervisor of Su Zhou Great Wall Kaifa Technology Co., Ltd. He primarily served as supervisor of the 1st supervisory committee of Great Wall Kaifa in December 1993, and thereafter served as supervisor and chairman of the 4th supervisory committee. At the election in May 2006, he was elected again as supervisor and chairman of the 5th supervisory committee. Mr. Song has been a supervisor of the Company since June 2007.

Other Senior Management

Mr. Du Heping, aged 55, President of the Company. Mr. Du is also the Chairman of CGC. He is an in-service postgraduate from the economics management specialty of Central Party school, and is also a Senior Business Operator (高級經營師). He is also a director of Great Wall Kaifa, Guilin Changhai Technology Co., Ltd and a non-executive director of TPV. He is a member of the 4th Shenzhen Municipal People's Congress, chairman of Shenzhen Computer Industry Association (深圳市計算機行業協會), vice chairman of the China Quality Management Association for Electronic Industry (中國電子質量管理協會), vice chairman of Shenzhen Municipal Science and Technology Association (深圳市科學技術協會), vice chairman of Shenzhen Computer Society (深圳市電腦學會), and chairman of the Association of Volunteers for Science Popularization in Shenzhen (深圳市科普志願者協會). He has been the vice president and the Secretary to the board of directors of deputy general manager of CGC, organizing officer in charge and factory manager of Great Wall Power Supplies Factory (長城電源廠), deputy engineer in chief of the state-owned 4393 Factory (國營4393廠). Mr. Du has been awarded the title of "Outstanding Persons on the Nation's Frontier"(全國邊陲優秀兒女), and has also received the title of model worker in Shanxi Province for two times. Mr. Du has received 2 First Class Science Technology Advance Award and 1 Third Class Science Technology Advance Award from the Ministry of Machinery and Electronics Industry, and has also been awarded 1 First Class Science Technology Advance Award and 1 Third Class Science Technology Advance Award in Shenzhen. He has abundant experiences in science and technology development, production management and quality management.

DIRECTORS (Continued)

Other Senior Management (Continued)

Mr. Zhong Jimin, aged 55, was appointed vice chairman of Great Wall Kaifa and vice president of the Company in February 2008. He graduated from Huazhong Institute of Technology, with a qualification of radio engineering. He holds a degree and the title of chief editor. He was a director of the Office of CEC. He was the person-in-charge of the International Cooperation Department of CEC, executive director of CEC International Holdings Limited, chairman and general manager of 香港三訊電子公司, deputy general manager of CTGC, the deputy director of the managerial department of CEC, the (commissioner-level) officer at the General Division of the General Office of the Electromechanical Department, director of the Editorial Department of the China Electronic Press (中國電子報社), and also assistant engineer of the Design Institute of the State-owned Factory no. 798.

Mr. Siu Yuchun, aged 51, is a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Association of Chartered Certified Accountants (ACCA). He also holds a Bachelor degree of Economics from Acadia University of Canada and a Master degree of Business Administration from Dalhousie University of Canada. He was appointed the company secretary of the Company in July 2007, and the Qualified Accountant of the Company on 17 January 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company believes that a high level of corporate governance is pivotal to the protection of shareholders' interest and the sustainability of the Company's long-term development.

The Company attaches great importance to the excellence, soundness and reasonableness of its corporate governance structure. The Company has adopted and applied the principles of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules. The Company has complied with all the provisions in the CG Code during year 2009.

The Board and management of the Company make every effort to comply with the CG Code in order to protect and enhance the benefits of shareholders. Following sustained development and growth of the Company, we will continue to monitor and revise the Company's governance policies in order to ensure that such policies meet the general rules and standards required by the shareholders.

In accordance with relevant laws and regulations, the Company had established inter-restricting management systems comprising general meeting, Board, Board committees, supervisory committee and management, which were characterized by clear division of work and responsibility. In practical operation, the Company had been perfecting its corporate governance structure, regulating itself and strengthening information disclosure.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

For the Reporting Period, the Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as a code of conduct to regulate securities transactions of the Directors and supervisors of the Company.

All Directors and supervisors of the Company have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2009.

BOARD

(a) Board composition

In accordance with the relevant provisions under the Listing Rules, the Board of the Company comprises nine Directors, one of whom is the chairman of the Board, six being executive Directors and three being independent non-executive Directors. The details are as follow:

Executive Directors:

Lu Ming *(Chairman)*
Tam Man Chi
Wang Jincheng
Yang Jun
Su Duan
Fu Qiang

Independent non-executive Directors:

Li Sanli
Wang Qinfang
Kennedy Ying Ho Wong

Pursuant to the Articles of Association of the Company, all Directors are subject to retirement every three years and their re-election is subject to a vote of the shareholders at the general meeting. The last retirement and re-election took place at the annual general meeting of the Company held on 29 June 2007, accordingly, all Directors will retire at the forthcoming annual general meeting.

Directors of the Company had observed strictly their commitments made public and performed their obligations with faithfulness, integrity and diligence. The composition of the Board of the Company was accordant with relevant laws and regulations. The Board of the Company had held itself responsible to shareholders for the leading and steering of the Company. The Board convened regular meetings and extraordinary meetings according to legal procedures and exercised its powers of office according to laws, regulations and Articles of Association and has taken good care of the interests of the Company and shareholders as a whole.

(b) Independent non-executive Directors

The Company has complied with the provisions of Rules 3.10 (1) and 3.10 (2) of the Listing Rule that at least three independent non-executive Directors be appointed by listed issuers and that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors are financially independent from the Company and any of its subsidiaries.

All independent non-executive Directors have entered into service contracts with the Company. None of the independent non-executive Directors has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation other than under statutory compensation.

The Company had received an annual confirmation of independence from each of the independent non-executive Director pursuant to Rule 3.13 of the Listing Rules. The Company was of the view that all the independent non-executive Directors met the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

(c) Attendance record at board meetings

A total of four Board meetings were held during the year ended 31 December 2009.

Attendance rates of individual Board members during the year are as follows:

Name of Board members	**Attendance rates for the year ended 31 December 2009**
Executive Directors	
Mr. Lu Ming *(Chairman)*	4/4
Mr. Tam Man Chi	4/4
Mr. Wang Jincheng	4/4
Mr. Yang Jun	4/4
Mr. Su Duan	4/4
Mr. Fu Qiang	4/4
Independent non-executive Directors	
Mr. Li Sanli	4/4
Ms. Wang Qinfang	4/4
Mr. Kennedy Ying Ho Wong	4/4

CG Code A.1.1 provides that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. In addition, CG Code A.1.3 provides that notice of at least 14 days should be given of a regular Board meeting. The Company has amended the Articles of Association at the annual general meeting held on 29 June 2007 so that Article 102 is amended as the board of directors shall meet at regular intervals and no less than four times a year at approximately quarterly intervals, such meetings to be convened by the chairman of the board. Notice of regular board meetings shall be notified to all directors 14 days prior to the proposed meeting. In case of urgent matters, board meetings may be convened by one third or more of directors or the chief executive or vice chief executive. Regular board meetings shall not include written resolutions passed by directors. Thus, the Company has complied with the requirements under CG Code .

(d) Role and function

Major functions of the Board under the leadership of the Chairman are as follows:

1. to formulate business development strategies;
2. to review and monitor the Group's financial performance;
3. to prepare and approve the Group's financial performance and financial statements;
4. to approve the Group's annual budget, material funding proposals, investment and divestment proposals and operation plans;
5. to monitor and evaluate the Group's internal control, risk management, financial reporting and compliance;
6. to formulate the profit distribution plan and loss recovery plan of the Company;
7. to decide on proposals such as merger, division and dissolution of the Company;
8. to formulate the basic management system of the Company;
9. to formulate proposals concerning amendments to the Company's Articles of Association; and
10. to exercise the Company's powers of raising funds and borrowing money, deciding on the charge, lease, subcontract or transfer of the Company's major assets and to authorize the president or vice presidents to exercise these powers mentioned herein within a certain scope, provided that the relevant laws, statutes, the Company's Articles of Association and relevant regulations are complied with.

The Directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as and when necessary, Directors will consent to the seeking of independent professional advice at the Group's expense, ensuring that board procedures, and all applicable rules and regulations, are followed.

Senior management are responsible for the daily operations of the Group. The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

For the year ended 31 December 2009, the Board:

1. reviewed and monitored the performance of the Group;
2. reviewed and approved the annual results of the Group for the year ended 31 December 2008 and the interim results of the Group for the period ended 30 June 2009;
3. reviewed and approved the transactions constituted notifiable/connected transactions under Chapter 14/14A of the Listing Rules.

To the best knowledge of the Company, there is no financial, business and family relationship among our Directors and between the Chairman and the Chief Executive Officer. All of them are free to exercise their independent judgment.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

It has been the practice of the Company that the positions of Chairman of the Board and Chief Executive Officer of the Company are assumed by different individuals to achieve effective delineation of the operation of the Board and the management of the Group's daily operations. The respective roles of the Chairman of the Board and Chief Executive Officer of the Company are set out below. During the year ended 31 December 2009 and up to the date of this report, Mr. Lu Ming is the Chairman of the Board and Mr. Du Heping is the Chief Executive Officer of the Company.

The Chairman of the Board shall ensure the efficient operation and satisfactory performance of its obligations by the Board, which mainly include:

1. to preside over general meetings and to convene and preside over the Board meetings;
2. to check on the implementation of resolutions of the Board meetings;
3. to sign securities certificates issued by the Company;
4. to ensure all key and appropriate issues are properly briefed and discussed by the Board in a timely manner; and
5. to perform such other duties authorized by the Board.

Chief Executive Officer heads the management and is responsible for daily operation of the Group. He is responsible for the implementation of policies adopted by the Board and reporting to the Board in respect of the overall operation of the Company.

BOARD COMMITTEES

The Board has also established the following Board committees:

- Audit Committee
- Nomination and Remuneration Committee
- Strategic Development and Risk Management Committee

Each Board committee makes decisions on matters within its term of reference and applicable limits of authority to monitor the Company's business in particular aspects and assist directors' performance of their duties. The terms of reference as well as the structure and membership of each committee will be reviewed by the Company from time to time.

(a) Audit Committee

The Audit Committee was established in December 1999. It currently consists of three independent non-executive Directors.

Composition of Audit Committee:
Mr. Kennedy Ying Ho Wong *(Chairman)*
Mr. Li Sanli
Ms. Wang Qinfang

ROLE AND FUNCTION

The Audit Committee is mainly responsible for, inter alia:

1. to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
2. to discuss with the external auditors before the audit commences, the nature and scope of audit and ensure co-ordination where more than one audit firm is involved;
3. to develop and implement policy on engagement of an external auditor to supply non-audit services;
4. to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half year report and to review significant financial reporting contained in them;
5. to discuss problems and reservations arising from the interim and annual audits and matters that the external auditors may wish to discuss (in the absence of the management, where necessary);
6. to review the Group's financial and accounting policies and practices;
7. to review the Company's financial control, internal control and risk management systems;
8. to discuss the Company's internal control system with the management to ensure that the management has discharged its duty to have an effective internal control system.

The following is the attendance record of the Audit Committee meetings for the year ended 31 December 2009:

Committee member	**Attendance record for the year ended 31 December 2009**
Mr. Kennedy Ying Ho Wong *(Chairman)*	2/2
Mr. Li Sanli	2/2
Ms. Wang Qinfang	2/2

During the meetings, the Audit Committee discussed the following matters:

1. Financial Reporting

The Audit Committee reviewed and discussed with the management and external auditors the interim and annual financial statements and system of internal control of the Group. The auditors, the chief executive officer, the company secretary and the financial manager of the Company have also answered questions on the financial results. The management of the Company provided breakdown, analysis and supporting documents to the Audit Committee members in order to ensure that the Audit Committee members were fully satisfied and make proper recommendations to the board.

2. External Auditors

The Audit Committee reviewed the independence and remuneration of the external auditors.

(b) Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established on 8 April 2005. It currently consists of two independent non-executive Directors and one executive Director.

Composition of Nomination and Remuneration Committee:
Mr. Li Sanli *(Chairman)*
Mr. Wang Jincheng
Mr. Kennedy Ying Ho Wong

ROLE AND FUNCTION

The Nomination and Remuneration Committee is mainly responsible for, inter alia, the following directors' nomination and appointment issues:

1. to identify and nominate qualified individuals with reference to educational qualifications, industry background and experiences in the relevant field, subject to the approval of the Board, to be additional directors or to fill vacancy in the Board as and when they arise;
2. to review on an annual basis the Board structure, size and composition and the independence of the Board;
3. to develop the criteria for selection of directors;
4. to assess the independence of independent non-executive directors;
5. to make recommendations to the Board on all new appointments or re-appointments of directors, the establishment of a succession plan for directors, in particular the chairman and chief executive officer.

The Nomination and Remuneration Committee is mainly responsible for, inter alia, the following directors' remuneration issues:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
2. to assess the performance of the executive directors and approve the terms of their service contracts, determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors;
3. to consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;
4. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time;
5. to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
6. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
7. to ensure that no director or any of his associates is involved in deciding his own remuneration; and
8. to advise the shareholders on how to vote in respect of any service contract of director which shall be subject to the approval of shareholders (in accordance with the provisions of Rule 13.68 of the Listing Rules).

The following is the attendance record of the Nomination and Remuneration Committee meetings for the year ended 31 December 2009:

Committee member	**Attendance record for the year ended 31 December 2009**
Mr. Li Sanli *(Chairman)*	1/1
Mr. Wang Jincheng	1/1
Mr. Kennedy Ying Ho Wong	1/1

During the meeting, the Nomination and Remuneration Committee considered the remuneration policy of executive directors, assess their performance and discuss and determine the bonus payments to all senior management.

The remuneration of the Directors, supervisors and senior management of the Company is determined with reference to state policies, the Company's profits realized in the corresponding period and individual achievement.

(c) Strategic Development and Risk Control Committee

The Strategic Development and Risk Control Committee was established on 8 April 2005. It currently consists of six executive directors and three independent non-executive directors.

The Strategic Development and Risk Control Committee met once during the year ended 31 December 2009.

Composition of Strategic Development and Risk Control Committee:
Mr. Lu Ming *(Chairman)*
Mr. Tam Man Chi
Mr. Wang Jincheng
Mr. Yang Jun
Mr. Su Duan
Mr. Fu Qiang
Mr. Li Sanli
Ms. Wang Qinfang
Mr. Kennedy Ying Ho Wong

ROLE AND FUNCTION

The Strategic Development and Risk Control Committee is mainly responsible for, inter alia, the following:

1. to study and make recommendations on the Company's long term development strategies;
2. to study and make recommendations on material investments and financing proposals which are subject to the Board's approval as required under the Articles of Associations;
3. to study and make recommendations on material capital operations, asset operation projects which are subject to the Board's approval as required under the Articles of Associations;
4. to study and make recommendations on any other material issues concerning the Company's development;
5. to examine the implementation of the above issues;
6. to perform such other duties authorized by the Board.

The following is the attendance record of the Strategic Development and Risk Control Committee meeting for the year ended 31 December 2009:

Committee member	**Attendance record for the year ended 31 December 2009**
Mr. Lu Ming *(Chairman)*	1/1
Mr. Tam Man Chi	1/1
Mr. Wang Jincheng	1/1
Mr. Yang Jun	1/1
Mr. Su Duan	1/1
Mr. Fu Qiang	1/1
Mr. Li Sanli	1/1
Ms. Wang Qinfang	1/1
Mr. Kennedy Ying Ho Wong	1/1

During the meeting, the Strategic Development and Risk Control Committee mainly discussed how to enhance internal control so as to contain and minimize the Group's risks.

AUDITORS' REMUNERATION

It is the auditor's responsibility to form an independent opinion, based on their audit, on financial statements. Apart from the provision of audit services, the Company's external auditors also carried out review of the Company's interim results.

For the year ended 31 December 2009, Messrs. SHINEWING (HK) CPA Limited the external international auditors, and Messrs. Shinewing Certified Public Accountants, the external domestic auditors, provided 2009 annual accounting statements audit services and 2009 interim results review services to the Company. Remuneration for the above services is as follows:

	Remuneration *RMB'000*
2008 annual accounting statements audit services in accordance with the accounting principles generally accepted in Hong Kong and the PRC GAAP respectively	3,500
2009 interim results review services	500
Non-audit services	nil

The Audit Committee recommended to the Board (which endorsed the view) that, subject to shareholders' approval at the forthcoming annual general meeting, SHINEWING (HK) CPA Limited and Shinewing Certified Public Accountants, be re-appointed as the external international auditors and external domestic auditors of the Company respectively for 2010.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system, which is aimed at providing reasonable assurance for the effectiveness and efficiency of the operations, reliability of financial reports and compliance with applicable laws and regulations, so as to protect shareholders' investment and the Group's assets. The key procedures that the Group has established to provide effective internal controls and checks and balances include the following:

1. to enhance its risk awareness through education and training;
2. to establish a risk control team to enhance the guidance and leadership on risk control; to carry out checks on points of risk seriously; to further standardize the operation of the enterprise; to plug loopholes in the process of operation and management; and to establish, on a gradual basis, a mechanism to control operation risks with long-term effect;
3. to introduce advanced international management system; and to strengthen the process of supervision and control, for instance, the introduction and implementation of the 6 SIGMA Management Method by Great Wall Kaifa, Kaifa Magnetic and Excelstor Technology, which has effected a substantial savings of costs and an effective supervision and control of the operation process;
4. to strengthen the management of financial funds; to enhance risk resistance and forewarning capability; to procure continuing improvement of financial information quality by subsidiaries; to make serious analysis of the enterprise's risk exposure, so as to bring the forewarning role of financial analysis into full play;
5. to establish an internal audit department to perform independent risk reviews and internal control;
6. to issue self-assessment questionnaires to subsidiaries as a base for assessing internal control environment and risks;
7. to formulate corresponding policies and procedures to safeguard corporate assets, to keep proper accounting records; and to ensure that transactions are conducted within the scope of authority granted by the management;
8. to put in place arrangements for the internal audit department and external auditors, to conduct internal control tests based on results of risk assessment, and to report the test results to the Board, so as to ensure that the internal control measures function as effectively as planned, and to rectify, as necessary, any weakness in internal control which are identified.

Major functions of the Group's internal audit work include:

1. to review the Group's important controls on its business in financial, operational and compliance aspects;
2. to conduct special reviews on and investigations into areas of concern identified by the Group's senior management;
3. to monitor progress of corrective actions recommended by external auditors in their internal control reports.

The Board is responsible for overseeing the Company's internal control system and reviewing its effectiveness, while the Group's internal audit department and management are responsible for reviewing the effectiveness of the internal control systems of the Company and its subsidiaries. To consider the results of investigations done by, and the opinion of, the Group's internal audit department and management regarding the effectiveness of the Company's internal control system, and to report the review results to the Board on an annual basis.

For the year ended 31 December 2009, the Board considers the Group's internal control system reasonable, effective and adequate. The scope of review covers all material aspects of internal control, including finance, operation and compliance control and risk management function.

Price-sensitive information

The procedures and internal control measures of the Company for handling and releasing price sensitive information are as follow:

1. to understand the obligations to be performed by us under the Listing Rules and to publish any price sensitive information immediately after a decision is made;
2. to strictly comply with the Guide on Disclosure of Price-Sensitive Information issued by Hong Kong Stock Exchange in 2002 in handling related matters;
3. to put in place express and specific rules of the Company to prohibit any unauthorised use of confidential or insider information; and
4. to formulate and implement a set of procedures for responding to external enquiries on the Group's affairs, and to authorize the spokesman of the board of directors to respond to enquiries falling within a designated scope.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board, supported by the finance department of the Company, is responsible for the preparation of the financial statements of the Group. The Board acknowledges their responsibilities for the preparation of the financial statements of the Group.

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Group has announced its annual and interim results in a timely manner within the time limits laid down in the Listing Rules.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on pages 46 to 47.

INVESTOR RELATION

The Group is committed to fostering long-term, smooth and positive relationships with shareholders and investors through open and prompt communication. The Group adopts a policy of disclosing relevant information to shareholders in a timely manner. The Group's annual general meeting allows the Directors to meet and communicate with shareholders, and the Company also attends various investment reporting meetings to increase the opportunities for enhancing communication and understanding between the Company and the investors. Our corporate website contains corporate information, interim and annual reports issued by the Group as well as recent developments of the Group which enable shareholders and investors to have timely and updated information of the Group.

To all shareholders:

In 2009, pursuant to the Company Law of the PRC and the articles of association of the Company (the "Articles"), in accordance with the principles of honesty and loyalty, all members of the supervisory committee of the Company (the "Committee") faithfully discharged their duties diligently and loyal to their responsibility in safeguarding the integrity of the Company and to optimize the shareholders' interest.

1. The Committee members attended board meetings in order to exercise effective supervision over whether the management decisions and development plans of the Board of the Company were in full compliance with the relevant laws and regulations and the Articles, as well as being in the interests of its shareholders. During the Reporting Period, no action breaching state laws or regulations or harming the interests of the Company and its shareholders was found.

2. The Committee exercised supervision over the directors, the president and the senior management of the Company in carrying out their duties. In the opinion of the Committee, the directors, the president and the senior management of the Company have fulfilled their responsibilities to faithfully protect the interests of the Company and its shareholders. No violation of laws, regulation or the Articles by the directors, the president or the senior management of the Company was found.

3. The Committee supervised and inspected the financial operations of the Company. Having reviewed the financial report and the financial statements for the year 2009, the Committee was of the opinion that the Company complied with integrated financial management rules and kept clear accounts. Further, the Company's accounting and financial management was in compliance with relevant regulations. No detrimental transactions, situations harming the interests of the shareholders or cases of asset loss of the Company were found.

4. In 2010, the Committee expects the Company to seize the opportunity for better development trend, to accelerate its internal resource integration, improve organizational structure and enhance management standards in order for the Company to realize breakthroughs in terms of capital development, business expansion and technology upgrade, which further brings about a second leap of the Company's business development.

The Committee is confident about the Company's prospects.

The Supervisory Committee
Shenzhen, PRC

23 April 2010

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF GREAT WALL TECHNOLOGY COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Great Wall Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 159, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and the true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
23 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000 (Restated) (Note 5)
Turnover	8	**37,085,314**	22,528,185
Cost of sales		**(35,151,169)**	(21,482,358)
Gross profit		**1,934,145**	1,045,827
Other income and gains	8	**402,259**	390,004
Net realised and unrealised gain on foreign exchange forward contracts		**106,853**	–
Compensation for termination of contracts	9	**114,084**	104,471
Termination fee income	10	**–**	52,235
Discount on acquisition of subsidiaries	41	**357,330**	4,609
Selling and distribution costs		**(732,094)**	(265,092)
Administrative expenses		**(726,264)**	(518,501)
Research and development expenses		**(276,524)**	(40,582)
Finance costs	12	**(64,968)**	(74,864)
Share of results of associates		**42,154**	(66,712)
Profit before tax	13	**1,156,975**	631,395
Income tax expense	16	**(150,093)**	(7,579)
Profit for the year		**1,006,882**	623,816
Attributable to:			
Owners of the Company		**397,605**	359,984
Minority interests		**609,277**	263,832
		1,006,882	623,816
Earnings per share			
– Basic and diluted (RMB per share)	18	**33.20 cents**	30.06 cents

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000 (Restated) (Note 5)
Profit for the year	**1,006,882**	623,816
Other comprehensive income (expenses) for the year		
Change in fair value of available-for-sale investments	**22,615**	(514,759)
Change in fair value of transferred owner-occupied properties at transfer date	**135,215**	16,235
Transfer an available-for-sale investment to investment in subsidiary	**567,638**	–
(Write back of) share of deferred tax on change in fair value of available-for-sale investments	**(83,422)**	83,422
Deferred tax on change in fair value of transferred owner-occupied properties at transfer date	**(29,747)**	(3,247)
Share of other comprehensive income of associates	**(7,988)**	(8,436)
Exchange differences arising on translation	**(3,188)**	(50,906)
Other comprehensive income (expenses) for the year (net of tax)	**601,123**	(477,691)
Total comprehensive income for the year	**1,608,005**	146,125
Total comprehensive income attributable to:		
Owners of the Company	**677,379**	147,940
Minority interests	**930,626**	(1,815)
	1,608,005	146,125

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	**31/12/2009 RMB'000**	31/12/2008 RMB'000 (Restated) (Note 5)	1/1/2008 RMB'000 (Restated) (Note 5)
Non-current assets				
Property, plant and equipment	19	**5,202,167**	2,124,580	2,207,482
Prepaid land lease payments	20	**338,133**	115,281	88,396
Investment properties	21	**1,294,529**	875,130	883,920
Intangible assets	22	**133,856**	4,659	3,375
Interests in associates	23	**392,315**	303,899	448,183
Available-for-sale investments	24	**175,808**	990,812	1,154,854
Term deposits	29	**86,008**	65,008	160,000
Pledged deposits	29	**–**	3,948	15,602
Deposits paid for acquisition of property, plant and equipment		**–**	–	17,253
Deferred tax assets	38	**187,748**	175,198	67,305
		7,810,564	4,658,515	5,046,370
Current assets				
Inventories	25	**6,533,447**	907,838	949,728
Trade and bills receivables	26	**14,389,004**	1,344,377	2,879,973
Prepaid land lease payments	20	**7,317**	3,763	2,846
Prepayments, deposits and other receivables	27	**2,171,247**	238,602	399,755
Financial assets at fair value through profit or loss	28	**30,246**	428	–
Tax recoverable		**4,486**	–	–
Derivative financial instruments	34	**128,589**	–	–
Amounts due from fellow subsidiaries	46	**13,125**	71,182	5,343
Amounts due from associates	46	**62,538**	–	4,651
Term deposits	29	**495,000**	440,000	155,000
Pledged deposits	29	**339,900**	33,408	23,937
Bank balances and cash	29	**4,050,766**	2,637,646	2,449,552
		28,225,665	5,677,244	6,870,785
Assets classified as held for sale	30	**379,270**	–	–
		28,604,935	5,677,244	6,870,785
Current liabilities				
Trade and bills payables	31	**14,789,773**	1,792,572	3,070,651
Other payables and accruals		**2,934,415**	625,172	793,212
Bank and other loans	32	**1,773,011**	805,980	865,000
Convertible bonds of a subsidiary	33	**1,428,541**	–	–
Derivative financial instruments	34	**119,999**	–	–
Tax payable		**167,390**	104,375	223,479
Provisions for products warranties	35	**501,855**	46,239	59,773
Amount due to immediate holding company	46	**2,605**	–	2,445
Amounts due to fellow subsidiaries	46	**56,516**	394,693	24,418
Amounts due to associates	46	**36,473**	72	13,625
		21,810,578	3,769,103	5,052,603
Liabilities associated with assets classified as held for sale	30	**248,962**	–	–
		22,059,540	3,769,103	5,052,603
Net current assets		**6,545,395**	1,908,141	1,818,182
Total assets less current liabilities		**14,355,959**	6,566,656	6,864,552

As at 31 December 2009

	Notes	31/12/2009 RMB'000	31/12/2008 RMB'000 (Restated) (Note 5)	1/1/2008 RMB'000 (Restated) (Note 5)
Capital and reserves				
Share capital	40	**1,197,742**	1,197,742	1,197,742
Reserves		**3,244,129**	2,637,695	2,496,102
Equity attributable to owners of the Company		**4,441,871**	3,835,437	3,693,844
Minority interests		**9,348,292**	2,614,910	3,074,479
Total equity		**13,790,163**	6,450,347	6,768,323
Non-current liabilities				
Bank and other loans	32	**41,816**	–	–
Other payables		**196,372**	–	–
Pension obligations	36	**34,558**	–	–
Financial guarantee contracts	37	**3,637**	21,140	12,886
Deferred tax liabilities	38	**267,038**	87,516	59,703
Government grants	39	**22,375**	7,653	23,640
		565,796	116,309	96,229
		14,355,959	6,566,656	6,864,552

The consolidated financial statements on pages 48 to 159 were approved and authorised for issue by the board of directors on 23 April 2010 and are signed on its behalf by:

Director

Director

For the year ended 31 December 2009

	Attributable to owners of the Company												
	Share capital	Share premium	Merger reserve (note a)	Goodwill reserve	Asset revaluation reserve	Available-for-sale investments revaluation reserve	Statutory reserve (note b)	Translation reserve	Other reserve	Retained profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008, as originally stated	1,197,742	997,498	–	(28,155)	34,569	(25,287)	907,620	(36,459)	–	659,285	3,706,813	3,088,630	6,795,443
Effect of adopting merger accounting for common control combination	–	–	5,341	–	–	–	–	2,425	–	(20,735)	(12,969)	(14,151)	(27,120)
At 1 January 2008, as restated	1,197,742	997,498	5,341	(28,155)	34,569	(25,287)	907,620	(34,034)	–	638,550	3,693,844	3,074,479	6,768,323
Profit for the year	–	–	–	–	–	–	–	–	–	359,984	359,984	263,832	623,816
Other comprehensive income for the year	–	–	–	–	12,988	(206,265)	(8,318)	(10,449)	–	–	(212,044)	(265,647)	(477,691)
Total comprehensive income for the year	–	–	–	–	12,988	(206,265)	(8,318)	(10,449)	–	359,984	147,940	(1,815)	146,125
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	(363,548)	(363,548)
Acquisition of additional interests in a subsidiary (note 50)	–	–	–	–	–	–	–	–	(6,347)	–	(6,347)	(94,206)	(100,553)
Transfer	–	–	–	–	–	–	7,387	–	–	(7,387)	–	–	–
At 31 December 2008, as restated	1,197,742	997,498	5,341	(28,155)	47,557	(231,552)	906,689	(44,483)	(6,347)	991,147	3,835,437	2,614,910	6,450,347
At 1 January 2009, as restated	**1,197,742**	**997,498**	**5,341**	**(28,155)**	**47,557**	**(231,552)**	**906,689**	**(44,483)**	**(6,347)**	**991,147**	**3,835,437**	**2,614,910**	**6,450,347**
Profit for the year	–	–	–	–	–	–	–	–	–	**397,605**	**397,605**	**609,277**	**1,006,882**
Other comprehensive income for the year	–	–	–	–	**51,855**	**234,474**	–	**(6,555)**	–	–	**279,774**	**321,349**	**601,123**
Total comprehensive income (expense) for the year	–	–	–	–	**51,855**	**234,474**	–	**(6,555)**	–	**397,605**	**677,379**	**930,626**	**1,608,005**
Dividends paid	–	–	–	–	–	–	–	–	–	**(65,876)**	**(65,876)**	–	**(65,876)**
Dividend to minority interests	–	–	–	–	–	–	–	–	–	–	–	**(70,528)**	**(70,528)**
Acquisition of subsidiaries (note 41)	–	–	–	–	–	–	–	–	–	–	–	**5,878,816**	**5,878,816**
Merger reserve arising from common control combination	–	–	**(5,069)**	–	–	–	–	–	–	–	**(5,069)**	**(5,532)**	**(10,601)**
Transfer	–	–	–	–	–	–	**42,270**	–	–	**(42,270)**	–	–	–
At 31 December 2009	**1,197,742**	**997,498**	**272**	**(28,155)**	**99,412**	**2,922**	**948,959**	**(51,038)**	**(6,347)**	**1,280,606**	**4,441,871**	**9,348,292**	**13,790,163**

For the year ended 31 December 2009

Notes:

(a) During the year ended 31 December 2009, the Group acquired 100% of the voting shares of China Great Wall Computer (Hong Kong) Co., Ltd from the Group's immediate holding company, China Great Wall Computer Group Company.

The above acquisition was accounted for using merger accounting (see notes 5 for details). Merger reserve represents the difference between the par value of common shares issued and the consideration paid for the acquisition of Great Wall Hong Kong.

(b) In accordance with the relevant People's Republic of China rules and regulations, subsidiaries established in the PRC are required to set aside 10% of their profit after income tax as recorded in the PRC statutory financial statements as statutory reserves, except where the reserve fund balance has reached 50% of the subsidiaries' registered capital. The reserve fund can only be used to make good the subsidiaries' previous years' losses, to expand the subsidiaries' production operations or to increase the capital of the subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000 (Restated) (Note 5)
OPERATING ACTIVITIES		
Profit before tax	1,156,975	631,395
Adjustments for:		
Finance costs	64,968	74,864
Interest income	(65,826)	(66,858)
Interest income from loan to associates	(10,469)	(778)
Share of results of associates	(42,154)	66,712
Discount on acquisition of a subsidiary	(357,330)	(4,609)
Dividend income from listed available-for-sale investment	(21,842)	(40,672)
Dividend income from unlisted available-for-sale investments	(1,021)	(42,617)
Loss (gain) on disposal of property, plant and equipment	4,688	(8,477)
Loss on disposal of an associate	1,255	2,792
Gain on disposal of prepaid land lease payments	–	(6,214)
Unrealised gain on derivative financial instruments	(96,683)	–
Depreciation of property, plant and equipment	534,903	367,076
Fair value gain on investment properties	(95,377)	(40,053)
Amortisation of prepaid land lease payments	4,729	2,846
Amortisation of intangible assets	6,581	1,033
Change in fair value of financial guarantee contracts	(17,503)	8,254
Impairment of loans to associates	–	32,073
Impairment of trade receivables	31,673	33,853
Impairment of other receivables	24,821	31,950
Reversal of impairment of trade receivables	(11,220)	(19,287)
Reversal of impairment of other receivables	(34,975)	(49,089)
Allowance for inventories	15,053	31,976
Reversal of accrued staff costs	–	(13,930)
Reversal of allowance for inventories	(19,185)	–
Reversal of impairment of loan to associates	(18,920)	–
Impairment of property, plant and equipment	25,374	6,046
Gain on disposal of available-for-sale investments	–	(12,563)
Gain on disposal of equity investments at FVTPL	–	(10,070)
Fair value change in equity investments at FVTPL	(2,688)	–
Operating cash flows before movements in working capital	1,075,827	975,653
Decrease in inventories	1,434,042	9,914
(Increase) decrease in trade and bills receivables	(1,283,096)	1,523,792
(Increase) decrease in prepayments, deposits and other receivables	(363,069)	178,819
Increase (decrease) in trade and bills payables	535,216	(1,279,055)
Decrease in other payables and accruals	(68,311)	(334,985)
Increase (decrease) in amount due to the immediate holding company	2,605	(2,445)
Increase (decrease) in provisions for products warranties	18,558	(13,534)
Increase in pension	3,211	–
Cash generated from operations	1,354,983	1,058,159
PRC Enterprise Income Tax ("PRC EIT") and overseas income tax paid	(124,934)	(118,810)
Hong Kong Profits Tax paid	(6,160)	(7,778)
NET CASH FROM OPERATING ACTIVITIES	1,223,889	931,571

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000 (Restated) (Note 5)
INVESTING ACTIVITIES			
Acquisition of subsidiaries	41	**1,240,742**	2,605
Proceeds from disposal of property, plant and equipment		**79,348**	312,276
Interest received		**76,295**	67,636
Dividends received from associates		**69,381**	19,220
Repayment from (advance to) fellow subsidiaries		**58,057**	(65,839)
Repayment of loans to associates		**37,355**	159,460
Dividend received from listed available-for-sale investment		**21,842**	40,672
Proceeds from disposal of available-for-sale investments		**4,081**	19,210
Dividends received from unlisted available-for-sale investments		**1,021**	42,617
Purchase of property, plant and equipment		**(783,015)**	(517,503)
Purchase of available-for-sale investments		**(393,997)**	(347,216)
(Increase) decrease in pledged deposits		**(302,544)**	2,183
Cash on subsidiary reclassified as held for sale		**(79,671)**	–
Increase in term deposits with terms over three months		**(76,000)**	(190,008)
(Advance to) repayment from associates		**(62,538)**	4,651
Capital injection to associates		**(28,000)**	(172,600)
Addition to prepaid land lease payments		**(25,681)**	(28,561)
Purchases of equity investments at FVTPL		**(22,916)**	(19,076)
Payments for common control business combination		**(10,601)**	–
Additions to intangible assets		**(1,092)**	(947)
Proceeds from disposal of an associate		**–**	31,796
Acquisition of additional interests in a subsidiary		**–**	(100,553)
Proceeds from disposal of prepaid land lease payments		**–**	8,301
Proceeds from disposal of equity investments at FVTPL		**–**	28,718
NET CASH USED IN INVESTING ACTIVITIES		**(197,933)**	(702,958)
FINANCING ACTIVITIES			
Repayment of bank and other loans		**(965,817)**	(865,000)
(Repayment to) advance from fellow subsidiaries		**(313,177)**	370,275
Dividends paid to minority interests		**(70,528)**	(182,673)
Interest paid		**(59,514)**	(74,864)
Repayment for derivatives financial instruments		**(13,663)**	–
Government grants used		**(260)**	(21,099)
New bank and other loans raised		**1,762,171**	805,980
Advance from (repayment to) associates		**36,401**	(13,553)
Government grants received		**14,982**	5,112
NET CASH FROM FINANCING ACTIVITIES		**390,595**	24,178
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,416,551**	252,791
CASH AND CASH EQUIVALENTS AT 1 JANUARY, Represented by bank balances and cash		**2,637,646**	2,449,552
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(3,431)**	(64,697)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, Represented by bank balances and cash		**4,050,766**	2,637,646

For the year ended 31 December 2009

1. GENERAL

Great Wall Technology Company Limited (the "Company") is a limited liability company incorporated in the People's Republic of China ("the PRC") and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company is located at No.2 Keyuan Road, Technology and Industrial Park, Nanshan District, Shenzhen, the PRC.

The Company and its subsidiaries (collectively referred to as the "Group") were principally involved in the development, manufacture and sale of TVs and computer and related products including hardware and software products.

In the opinion of the directors, the immediate holding of the Company is China Great Wall Computer Group Company ("Great Wall Group"), and the ultimate holding company of the Company is China Electronics Corporation ("CEC") as a result of the restructuring approved by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") on 18 August 2006. Both of them are state-owned enterprises established in the PRC.

These consolidated financial statements are presented in Renminbi ("RMB") which is the same as the functional currency of the Company while the functional currency of a major subsidiary, TPV Technology Limited ("TPV"), is US dollars.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Hong Kong Accounting Standard ("HKAS") 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008 except for the amendments to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2009 in relation to the amendments to paragraph 80 to HKAS 39
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC)-Interpretation ("INT") 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC)-INT 13	Customer Loyalty Programmes
HK (IFRIC)-INT 15	Agreements for the Construction of Real Estate
HK (IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC)-INT 18	Transfers of Assets from Customers

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only.

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

In addition, the adoption of HKAS1 (Revised 2007) has resulted in the presentation of a third consolidated statement of financial position as at 1 January 2008 as the Group has applied accounting policies retrospectively during the current financial year.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has charged the basis of measurement of the Group's segments profit or loss (see note 11). However, the adoption of HKFRS 8 has not resulted in a re-designation of the Group's reputation segments.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

For the year ended 31 December 2009

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRSs (Amendments)	Amendment to HKFRSs 5 as part of Improvement to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-INT 14 (Amendment)	Prepayment of a Minimum Funding Requirements[6]
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

In addition, as part of Improvements to HKFRSs 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extend to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might not affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisitions of businesses are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving entities under common control (Continued)

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous statement of financial position date or when they first came under common control, whichever is shorter.

Acquisition of additional interest in a subsidiary

When the Group increases its interest in an entity that is already controlled by the Group, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Group's share of the net carrying amount of the identifiable assets, liabilities and contingent liabilities acquired. The difference between the cost of additional interest acquired and the net carrying value of the identifiable assets, liabilities and contingent liabilities attributable to the additional interest acquired is recognised as a reserve movement (other reserve). The amount represents the difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary. On the subsequent disposal of the subsidiary, the reserve is transferred to retained profits.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of subsidiaries represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

Goodwill

Goodwill arising on an acquisition of subsidiaries and associates is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on acquisitions of subsidiaries prior to 1 January 2001 continues to be held in reserves, and will be charged to the retained profits at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any indentified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Non-current assets held-for-sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probably and the assets or disposal groups are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the assets' or disposal groups' previous carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

Dividend income from investments excluding financial assets at fair value through profit or loss is recognised when the shareholder's right to receive payment has been established.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Freehold land is stated at cost less any recognised impairment loss, and is not amortised.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference at that date between the carrying amount and the fair value of the property is accounted for in assets revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated income statement. Any subsequent revaluation surplus is credited to the consolidated income statement to the extent of the deficit previously charged. On subsequent disposal of the investment property, the assets revaluation reserve included in equity may be transferred to retained profits. The transfer from assets revaluation reserve to retained profits is not made through profit or loss. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the consolidated income statement.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating lease and amortised over the lease term on a straight line basis except for those that are classified and accounted for as investment properties under the fair value model.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in RMB, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the consolidated financial statements and will be classified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised in consolidated statement of financial position and transfer to profit or loss over the useful lives of the related assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as "other income and gains".

Retirement benefits costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses with which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets at the end of the previous reporting period are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company has no share option scheme but the Company's subsidiary has issued equity settled share-based payments to certain employees.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expenses on a straight-line basis over the vesting period, with a corresponding increased in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below.)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible assets below).

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

The Group's financial assets at FVTPL comprise financial asset classified as held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, term deposits, other receivables, amounts due from fellow subsidiaries and associates, pledged deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL and loans and receivables.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in available-for-sale investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the available-for-sale investment revaluation reserve is reclassified to profit and loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For certain categories of financial asset, such as trade and bills receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, amounts due to immediate holding company, fellow subsidiaries and associates, financial guarantee contracts and bank and other loans are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds of a subsidiary

Convertible notes issued by a subsidiary that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity of a subsidiary, which is included in the reserve of subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible bonds of a subsidiary (Continued)

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the subsidiary, will remain in convertible notes reserve, which is included in the equity of the subsidiary, until the conversion option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the accumulated profits (losses). No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, the directors of the Company are required to make judgements, management has made the following estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The followings are the critical judgements, apart from those involving estimations that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Land use rights

Despite the Group has paid the full purchase consideration, formal titles of certain of the Group's rights to the use of the land were not yet granted from the relevant government authorities. In the opinion of the directors of the Company, the absence of formal title to these land use rights does not impair the value of the relevant properties to the Group.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

For the year ended 31 December 2009

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying the entity's accounting policies (Continued)

Deferred tax assets

Deferred tax assets are recognised for certain deductible temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of which are disclosed in note 38.

De facto control over subsidiaries

The Group's management exercises its critical judgment when determining whether the Group has de facto control over an entity by evaluating, among other things: (i) the ability to demonstrate effective control during the shareholders' meetings and board meetings; (ii) the extent of reliance of the subsidiary on the financial and operational support from the Group; and (iii) the extent of involvement of directors of the subsidiary nominated by the Group in its operational and financial policy setting and decision making.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources. The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

Estimated impairment of property, plant and equipment

During the year, impairment loss on property, plant and equipment was recognised in the consolidated income statement amounting to approximately RMB25,374,000 (2008: RMB6,046,000). Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimate impairment loss of trade and other receivables

The policy for making impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. During the year, impairment loss on trade and other receivables was recognised in the consolidated income statement amount to approximately RMB56,494,000 (2008: RMB65,803,000). A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

Estimated impairment of loans to associates

During the year, no impairment loss on loans to associates was recognised in the consolidated income statement (2008: RMB32,073,000). Determining whether the loans to associates are impaired requires an estimation of the recoverable amount of the respective loans. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

Estimated allowance for inventories

The management of the Group reviews the inventories listing on a product-by-product basis at the end of the reporting period and makes allowance for slow moving inventory items amounting to approximately RMB15,053,000 (2008: RMB31,976,000). The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions and the historical experience of manufacturing and selling products of similar nature.

Income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Estimation of fair value of financial guarantee contracts

The Group considers information from a variety of sources for the estimation of the fair value of financial guarantee contracts. The principal assumptions for the Group's estimation of the fair value include those related to the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss given the default.

For the year ended 31 December 2009

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Provision for products warranties

As explained in note 35, the Group makes provisions under the warranties it gives on sale of its products taking into account the Group's past experience of the level of repairs and returns. As the Group are continually upgrading its product designs and launching new models it is possible that the past experience of the level of repairs and returns is not indicative of future claims that the Group will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

Pending litigations

The Group had certain pending litigations as at the end of the reporting period. Significant judgment is required in determining whether it is more likely than not that an outflow of resources will be required to settle the pending litigations in which case a provision for the potential litigation expenses is recognised.

Fair value of derivatives and other financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period.

For the year ended 31 December 2009

5. COMMON CONTROL COMBINATION

On 29 June 2009, one of the subsidiaries of the Group, China Great Wall Computer (Shenzhen) Co.,Ltd ("CGC") acquired 99.9999% of the voting shares of China Great Wall Computer (Hong Kong) Co., Ltd ("Great Wall Hong Kong"), an unlisted company based in Hong Kong from the Group's immediate holding company, Great Wall Group at the consideration of RMB10,601,000 settled by cash. CGC acquired 0.0001% of the issued shares of Great Wall Hong Kong for a consideration of HK$10 (approximately RMB8.8). Upon the completion of the acquisition, the Group has 47.82% effective interest in Great Wall Hong Kong. Since the Company, CGC and Great Wall Hong Kong are ultimately controlled by Great Wall Group both before and after the abovementioned acquisitions. The acquisitions have been accounted for using the merger accounting. The following demonstrates the effect of adopting merger accounting for common control combination on the consolidated statement of financial position:

Consolidated statement of financial position as at 31 December 2009:

	The Group (before adopting merger accounting) RMB'000	**Great Wall Hong Kong RMB'000**	**Adjustments (note a) RMB'000**	**Adjustments (note b) RMB'000**	**The Group (after adopting merger accounting) RMB'000**
Original investment in combining entity	**10,601**	**–**	**(10,601)**	**–**	**–**
Non-current assets	**7,098,010**	**712,554**	**–**	**–**	**7,810,564**
Current assets	**28,380,596**	**224,339**	**–**	**–**	**28,604,935**
Current liabilities	**(21,131,126)**	**(928,414)**	**–**	**–**	**(22,059,540)**
Non-current liabilities	**(565,796)**	**–**	**–**	**–**	**(565,796)**
Net assets	**13,792,285**	**8,479**	**(10,601)**	**–**	**13,790,163**
Share capital	**1,197,742**	**11,170**	**(11,170)**	**–**	**1,197,742**
Other reserves	**1,960,125**	**6,538**	**272**	**(3,412)**	**1,963,523**
Retained profits	**1,285,019**	**(9,229)**	**–**	**4,816**	**1,280,606**
Minority interests	**9,349,399**	**–**	**297**	**(1,404)**	**9,348,292**
	13,792,285	**8,479**	**(10,601)**	**–**	**13,790,163**

For the year ended 31 December 2009

5. COMMON CONTROL COMBINATION (Continued)

Consolidated statement of financial position as at 31 December 2008:

	The Group (before adopting merger accounting) RMB'000	Great Wall Hong Kong RMB'000	Adjustments (note a) RMB'000	Adjustments (note b) RMB'000	The Group (after adopting merger accounting) RMB'000
Original investment in combining entity	–	–	–	–	–
Non-current assets	4,200,028	458,487	–	–	4,658,515
Current assets	5,507,529	169,715	–	–	5,677,244
Current liabilities	(3,220,071)	(549,032)	–	–	(3,769,103)
Non-current liabilities	(116,309)	–	–	–	(116,309)
Net assets	6,371,177	79,170	–	–	6,450,347
Share capital	1,197,742	11,170	(11,170)	–	1,197,742
Other reserves	1,592,299	102,274	5,341	(53,366)	1,646,548
Retained profits	1,007,537	(34,274)	–	17,884	991,147
Minority interests	2,573,599	–	5,829	35,482	2,614,910
	6,371,177	79,170	–	–	6,450,347

5. COMMON CONTROL COMBINATION (Continued)

Consolidated statement of financial position as at 1 January 2008:

	The Group (before adopting merger accounting) RMB'000	Great Wall Hong Kong RMB'000	Adjustments (note a) RMB'000	Adjustments (note b) RMB'000	The Group (after adopting merger accounting) RMB'000
Original investment in combining entity	–	–	–	–	–
Non-current assets	5,029,857	16,513	–	–	5,046,370
Current assets	6,777,025	93,760	–	–	6,870,785
Current liabilities	(4,915,210)	(137,393)	–	–	(5,052,603)
Non-current liabilities	(96,229)	–	–	–	(96,229)
Net assets	6,795,443	(27,120)	–	–	6,768,323
Share capital	1,197,742	11,170	(11,170)	–	1,197,742
Other reserves	1,849,786	5,071	5,341	(2,646)	1,857,552
Retained profits	659,285	(43,361)	–	22,626	638,550
Minority interests	3,088,630	–	5,829	(19,980)	3,074,479
	6,795,443	(27,120)	–	–	6,768,323

Notes:

(a) The adjustment represents elimination of the share capital of Great Wall Hong Kong under common control. The difference has been recorded as merger reserve in the consolidated financial statements. Adjustments are also made to minority interests as a result of the combination.

(b) The adjustment represents the sharing of results by the minority interests of Great Wall Hong Kong under common control.

For the year ended 31 December 2009

5. COMMON CONTROL COMBINATION (Continued)

The effects of adopting merger accounting for common control combination on the current and prior year consolidated income statement by line items are as follow:

	2009 **RMB'000**	2008 RMB'000
Increase in turnover	**208,572**	185,832
Increase in profit for the year attributable to:		
Owners of the Company	**11,977**	4,345
Minority interests	**13,068**	4,743
	25,045	9,088

The effects of adopting merger accounting for common control combination on the Group's basic earning per share for the current and prior year:

	2009 **RMB**	2008 RMB
Reported figures before adjustments	**32.20 cents**	29.70 cents
Adjustments arising on common control combination	**1.00 cents**	0.36 cents
Restated figures after adjustments	**33.20 cents**	30.06 cents

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	31/12/2009	31/12/2008	1/1/2008
		(Restated)	(Restated)
	RMB'000	RMB'000	RMB'000
Loans and receivables (including cash and cash equivalents)	**21,410,999**	4,772,121	5,872,632
Available-for-sale investments	**175,808**	990,812	1,154,854
Financial instruments at FVTPL	**158,835**	428	–
	21,745,642	5,763,361	7,027,486

Financial liabilities

	31/12/2009	31/12/2008	1/1/2008
		(Restated)	(Restated)
	RMB'000	RMB'000	RMB'000
At amortised cost	**21,259,522**	3,618,489	4,769,351
Financial guarantee contracts	**3,637**	21,140	12,886
Derivative financial instrument	**119,999**	–	–
	21,383,158	3,639,629	4,782,237

b. Financial risk management objectives and policies

The Group's principal financial instruments comprise available-for-sale investments, financial assets at FVTPL, derivative financial instruments, bank and other loans, convertible bonds of a subsidiary, term deposits, pledged deposits, bank balances and cash, balances with immediate holding company, fellow subsidiaries and associates and financial guarantee contracts. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, deposits and other receivables and trade and bills payables, other payables and accruals, which arise directly from its operations.

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The policies on how to mitigate these risks are set out below. The Group's overall risk management programme focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Credit risk

The Group trades only with recognised and creditworthy third parties and there is no requirement for collateral. The credit risk of the Group's other financial assets, which comprise term and pledged deposits and bank balances and cash, amounts due from fellow subsidiaries and associates, trade and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 37.

At the end of the reporting period, the Group had certain concentrations of credit risk as 12% (2008: 34%) and 35% (2008: 68%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and the contingent liabilities arising from the financial guarantees provided. In addition, the Group reviews the recoverable amount of each individual trade debt and the financial guarantee provided at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate term and pledged deposits, bank balances, bank and other loans, convertible bonds of a subsidiary and interest rate swaps. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank and other loans and interest rate swaps.

Bank and other loans and convertible bonds of a subsidiary at fixed rates, interest rate swaps and financial guarantee contracts involving fixed rates expose the Group to fair value interest rate risk. Details of the Group's bank and other loans, convertible bonds, interest rate swaps and financial guarantee contracts are disclosed in notes 32, 33, 34 and 37, respectively.

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

As at 31 December 2009, if interest rates on variable-rate bank and other loans had been 10 basis points higher/lower with all other variables held constant, the Group's profit before tax for the year would have been approximately RMB41,000 (2008: nil) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by the Group's subsidiaries in currencies other than their respective functional currency, primarily with respect to United States dollar ("US$") and Brazilian Real ("BRL"). The Group's exposure to currency risk is attributable to the trade receivables and trade payables, other receivables and payables, term deposits, pledged deposits, bank balances and cash, bank and other loans and convertible bonds of a subsidiary which are denominated in US$ and BRL. The functional currencies of the relevant group entities are RMB and HK$. The Group has mitigated the currency exposure against U.S dollar and BRL by using foreign exchange forward contract. Moreover, the directors continuously monitor the related foreign currency exposure and will hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$, BRL and other currencies exchange rates, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of monetary assets and liabilities and the Group's equity.

	Increase (decrease) in US$/BRL/ others	**Increase (decrease) in profit before tax and equity**
	%	RMB'000
2009		
If RMB weakens against US$	**5**	**(88,874)**
If RMB strengthens against US$	**–5**	**88,874**
If RMB weakens against BRL	**5**	**62,103**
If RMB strengthens against BRL	**–5**	**(62,103)**
If RMB weakens against other currencies	**5**	**97,747**
If RMB strengthens against other currencies	**–5**	**(97,747)**
2008 (Restated)		
If RMB weakens against US$	5	43,999
If RMB strengthens against US$	–5	(43,999)

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Foreign currency risk (Continued)

Monetary assets and liabilities in the consolidated statement of financial position are mainly the following amounts denominated in currencies other than the functional currency of the group entity to which they relate:

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
Monetary assets			
Trade and bills receivables and other receivables	**16,025,365**	1,159,761	2,229,174
Term deposits, pledged deposits and bank balances and cash	**1,761,344**	937,767	682,999
	17,786,709	2,097,528	2,912,173
Monetary liabilities			
Bank and other loans	**1,200,186**	–	–
Convertible bonds of a subsidiary	**1,428,541**	–	–
Trade and bills payables and other payables	**13,738,450**	1,217,540	1,733,044
	16,367,177	1,217,540	1,733,044

Liquidity risk

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Moreover, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflow on those derivatives that require gross settlement. When amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of these derivatives.

	Less than 1 year	Between 1 and 2 years	Total undiscounted cash flows	Carrying amount at 31 December
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2009				
Non-derivative financial liabilities				
Bank and other loans	**1,810,218**	**42,048**	**1,852,266**	**1,814,827**
Convertible bonds of a subsidiary	**1,476,461**	**–**	**1,476,461**	**1,428,541**
Trade and bills payables	**14,789,773**	**–**	**14,789,773**	**14,789,773**
Other payables and accruals	**2,934,415**	**196,372**	**3,130,787**	**3,130,787**
Amount due to immediate holding company	**2,605**	**–**	**2,605**	**2,605**
Amounts due to fellow subsidiaries	**56,516**	**–**	**56,516**	**56,516**
Amounts due to associates	**36,473**	**–**	**36,473**	**36,473**
Financial guarantee contracts	**60,384**	**570,385**	**630,769**	**3,637**
	21,166,845	**808,805**	**21,975,650**	**21,263,159**
Derivative – net settlement				
Derivative financial instruments	**119,999**	**–**	**–**	**119,999**
Derivative – gross settlement				
Foreign exchange forward contracts				
– inflow	**19,434,211**	**–**	**19,434,211**	**19,434,211**
– outflow	**19,480,855**	**–**	**19,480,855**	**19,480,855**

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December RMB'000
At 31 December 2008 (restated)				
Non-derivative financial liabilities				
Bank and other loans	818,070	–	818,070	805,980
Trade and bills payables	1,792,572	–	1,792,572	1,792,572
Other payables and accruals	625,172	–	625,172	625,172
Amounts due to fellow subsidiaries	394,693	–	394,693	394,693
Amounts due to associates	72	–	72	72
Financial guarantee contracts	633,280	–	633,280	21,140
	4,263,859	–	4,263,859	3,639,629

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 1 December RMB'000
At 1 January 2008 (restated)				
Non-derivative financial liabilities				
Bank and other loans	877,975	–	877,975	865,000
Trade and bills payables	3,070,651	–	3,070,651	3,070,651
Other payables and accruals	793,212	–	793,212	793,212
Amounts due to fellow subsidiaries	24,418	–	24,418	24,418
Amount due to immediate holding company	2,445	–	2,445	2,445
Amounts due to associates	13,625	–	13,625	13,625
Financial guarantee contracts	56,680	450,000	506,680	12,886
	4,839,006	450,000	5,289,006	4,782,237

The amounts included above for financial guarantee contracts represent the maximum amounts that could be required to be paid if the guarantee contracts were called upon in entirety. At the end of the reporting period, the carrying amount of financial guarantee contracts as at 31 December 2009 amounted to approximately RMB3,637,000 (2008: RMB21,140,000, 2007: RMB12,886,000). However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments and financial assets at FVTPL at 31 December 2008 and 2009. The Group's listed investments are valued at quoted market prices at the 31 December 2008 and 2009.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. For the purpose of analysing the equity price risk, the management used the sensitivity rate of 10% (2008: 30%) as a result of the less volatile financial market.

If the prices of the respective equity instruments had been 10% (2008: 30%) higher/lower, with all other variables held constant and based on their carrying amounts at the end of the reporting period, the equity and profit before tax as at 31 December 2009 increase/decrease by approximately RMB4,568,000 (2008 (Restated): RMB272,962,000) and RMB3,025,000 (2008 (Restated): RMB128,000), respectively as a result of the changes in fair value of available-for-sale investments and financial assets at FVTPL.

c. Fair value estimation

Effective 1 January 2009, the Group has adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

The directors of the Company consider the fair values of trade and bills receivables; deposits and other receivables; amounts due from (to) fellow subsidiaries and associates; term and pledged deposits; bank balances and cash; trade and bills payables; other payables and accruals reported in the consolidated statement of financial position approximate their carrying amounts due to their immediate or short-term maturities.

The carrying amounts of current bank and other loans recorded at amortised cost in the consolidated financial statements approximate their fair values because of the loan rate currently available for loans with similar terms and maturities.

The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss given the default.

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of foreign exchange forward contracts is determined using quoted forward exchange market rates at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liabilitiy, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Available-for-sale investments				
–Listed equity securities	15,432	–	–	15,432
–Unlisted equity securities	–	–	6,261	6,261
Financial assets at FVTPL	30,246	–	–	30,246
Derivative financial instruments	–	128,589	–	128,589
	45,678	128,589	6,261	180,528
Liabilities				
Financial guarantee contract	–	3,637	–	3,637
Derivative financial instruments	–	119,999	–	119,999
	–	123,636	–	123,636

There were no transfers between Level 1 and 2 in current year.

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

The reconciliation of level 3 fair value measurements of financial assets is as follows:

	31 December 2009 Unlisted equity securities RMB'000
At 1 January	–
Acquisition of subsidiary	**7,143**
Total gains or losses:	
– in other comprehensive income	**(703)**
Disposal	**(75)**
Exchange realignment	**(104)**
At 31 December	**6,261**

Of the total gains or losses for the year included in profit or loss, RMB2,688,000 (2008: nil) relates to non-derivative financial assets held for trading held at the end of the reporting period. Fair value gains or losses on non-derivative financial assets held for trading are included in 'Other gain and losses'.

Included in other comprehensive income is an amount of RMB22,615,000 (2008: loss of RMB514,759,000) relate to unlisted equity securities held at the end of the reporting period and is reported as changes of ' available-for-sale investment revaluation reserve'.

7. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust, the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the two years ended 31 December 2009 and 2008.

For the year ended 31 December 2009

8. TURNOVER, OTHER INCOME AND GAINS

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 turnover, other income and gains is as follows:

	2009 **RMB'000**	2008 RMB'000 (Restated)
Turnover		
Sale of goods	**36,907,652**	22,326,730
Rendering of services	**86,774**	83,000
Gross rental income (note)	**90,888**	118,455
	37,085,314	22,528,185
Other income		
Bank interest income	**65,826**	66,858
Dividend income from a listed available-for-sale investment	**21,842**	40,672
Dividend income from unlisted available-for-sale investments	**1,021**	42,617
Government grants (note 39)	**68,972**	36,575
Refund of value added tax	**254**	88
Sale of scrap materials	**–**	11,814
Reversal of impairment of trade receivables	**11,220**	19,287
Reversal of impairment of other receivables	**34,975**	49,089
Reversal of impairment of loan to associates	**18,920**	–
Reversal of allowance for inventories	**19,185**	–
Reversal of provision for products warranties	**2,020**	22,305
Reversal of accrued staff costs	**–**	13,930
Others	**19,612**	8,614
	263,847	311,849

For the year ended 31 December 2009

8. TURNOVER, OTHER INCOME AND GAINS (Continued)

	2009 RMB'000	2008 RMB'000 (Restated)
Gains		
Gain on disposal of property, plant and equipment	–	8,477
Gain on disposal of available-for-sale investments	–	12,563
Gain on disposal of prepaid land lease payments	–	6,214
Gain on disposal of equity investments at FVTPL	–	10,070
Fair value gain on investment properties	**95,377**	40,053
Change in fair value of financial assets at FVTPL	**2,688**	–
Interest income from loans to associates	**10,469**	778
Change in fair value of financial guarantee contracts	**17,503**	–
Net realised and unrealised gain on interest rate swaps	**12,375**	–
	138,412	78,155
	402,259	390,004

Note:

	2009 RMB'000	2008 RMB'000
Gross rental income	**90,888**	118,455
Less: direct expenses (included in cost of sales)	**(20,223)**	(37,000)
Net rental income	**70,665**	81,455

9. COMPENSATION FOR TERMINATION OF CONTRACTS

During the year ended 31 December 2008, the Group entered into a settlement agreement with a customer, pursuant to which both parties agreed to terminate certain agreements in connection with the manufacturing and sale of computer related products and the provision of repairing works (the "Termination") and the sale of certain production assets to this customer. This customer agreed to pay an aggregate amount equivalent to approximately RMB218.6 million as settlement of all liabilities to the Group for termination of these agreements and an amount equivalent to approximately RMB88.8 million as consideration for the purchase of the production assets from the Group. As a result of the Termination, the Group recognised an income of approximately RMB114,084,000 for the year ended 31 December 2009 (2008: RMB104,471,000).

10. TERMINATION FEE INCOME

On 12 December 2007, the Company entered into an agreement with ExcelStor Group Limited, ExcelStor Holdings Limited and Iomega Corporation (the "Agreement") pursuant to which the Company, ExcelStor Group Limited and ExcelStor Holdings Limited (collectively referred to as the "Vendors"), conditionally agreed to sell the entire equity interests in ExcelStor Great Wall Technology Limited and Shenzhen ExcelStor Limited (both are subsidiaries of the Company which the Company held 61.68% equity interests) to Iomega Corporation at a consideration of US$50,000 ("Cash Consideration") plus 60% of the issued shares of Iomega Corporation to the Vendors (the "Transaction"). The Transaction constitutes a major and connected transaction for the Company under the Listing Rules.

On 8 April 2008, Iomega Corporation served a notice of termination to the Vendors, by which Iomega Corporation terminated the Agreement with effect from 8 April 2008 pursuant to the terms of the Agreement. No deposit or consideration in respect of the Transaction had been received by the Company and Iomega Corporation has paid to the Vendors the termination fee in the total amount of US$7,500,000 (equivalent to approximately RMB52,235,000). Such termination fee has been recognised as an income for the year ended 31 December 2008 accordingly.

11. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard – HKAS 14 Segment reporting required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

For the year ended 31 December 2009

11. SEGMENT INFORMATION (Continued)

In accordance with HKAS 14, the Group previously reported its segments externally on the basis of the types of goods and services provided by the Group, which include electronic parts and components segment, the computer segment, the property investment segment and others.

However, under HKFRS 8, the Group determines its operating segments based on the reports reviewed by the chief operating decision maker for making strategic decisions and assessing the performance of each business segment. The segments are managed separately as each business segment offers products and services which vary in terms of materials used, design and technology and services which require different production/service information to formulate different strategies. The Group is organised in the following basis:

(a) the TV segment produces televisions;

(b) the monitor segment produces monitors;

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

(d) the computer segment produces PCs, printers, network electric meters, servers and PC peripheral products;

(e) the property investment segment invests in prime office space for its rental income potential; and

(f) the "others" segment comprises, principally, the sales of chassis, spare parts, complete knock down/semi knock down products, the software and system integration and other related businesses.

The accounting policies of the reporting segment are identical to the Group's accounting policies as described in note 3. Segment results represent the profit (loss) attributable to each segment without allocation of central administration costs, director's emoluments, bank interest income, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

For the purposes of monitoring segment performances and allocating resources between segments:

(a) all assets are allocated to reportable segments other than interests in associates, available-for-sale investments, term deposits, pledged deposit, financial assets at FVTPL, derivative financial instruments, bank balances and cash, tax recoverable and deferred tax assets which were managed in a centralised manner.

(b) all liabilities are allocated to reportable segments other than bank and other loans, convertible bonds of a subsidiary, derivative financial instruments, financial guarantee contract, deferred tax liabilities, tax payable and government grants which were managed in a centralised manner.

Inter-segment sales are charged at prevailing market rates.

For the year ended 31 December 2009

11. SEGMENT INFORMATION (Continued)

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the two years ended 31 December 2009 and 2008.

	TV RMB'000	Monitor RMB'000	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Year ended 31 December 2009								
Segment revenue								
Sales to external customers	7,155,706	13,077,069	13,619,993	1,742,411	90,888	1,399,247	–	37,085,314
Other income and gains	46,532	31,657	184,594	24,977	–	2,289	–	290,049
Intersegment sales	–	–	3,708	185	51,070	–	(54,963)	–
	7,202,238	13,108,726	13,808,295	1,767,573	141,958	1,401,536	(54,963)	37,375,363
Segment results before increase in fair value of investment properties	164,761	198,850	342,722	14,057	75,105	649	(10,531)	785,613
Increase in fair value of investment properties	–	–	–	–	95,377	–	–	95,377
Segment results after increase in fair value of investment properties	164,761	198,850	342,722	14,057	170,482	649	(10,531)	880,990
Unallocated gains								595,100
Corporate and other unallocated expenses								(296,301)
Finance costs								(64,968)
Share of results of associates	2,608	5,036	39,978	(1,529)	–	(3,939)	–	42,154
Profit before tax								1,156,975
At 31 December 2009								
Assets and liabilities								
Segment assets	9,015,226	17,405,502	2,152,957	453,697	1,294,529	595,037	–	30,916,948
Corporate and other unallocated assets								5,498,551
Total assets								36,415,499
Segment liabilities	4,934,932	11,873,485	1,080,477	657,795	–	254,840	–	18,801,529
Corporate and other unallocated liabilities								3,823,807
Total liabilities								22,625,336

For the year ended 31 December 2009

11. SEGMENT INFORMATION (Continued)

	TV RMB'000	Monitor RMB'000	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Year ended 31 December 2008 (Restated)								
Segment revenue								
Sales to external customers	18,881	2,472,989	17,654,874	1,492,516	118,455	770,470	–	22,528,185
Other income and gains	–	–	221,153	26,925	–	34,533	–	282,611
Intersegment sales	–	–	5,309,745	–	8,657	–	(5,318,402)	–
	18,881	2,472,989	23,185,772	1,519,441	127,112	805,003	(5,318,402)	22,810,796
Segment results before increase in fair value of investment properties	(1,312)	(7,192)	554,070	46,912	101,340	(45,898)	(48,949)	598,971
Increase in fair value of investment properties	–	–	–	–	40,053	–	–	40,053
Segment results after increase in fair value of investment properties	(1,312)	(7,192)	554,070	46,912	141,393	(45,898)	(48,949)	639,024
Unallocated gains								228,655
Corporate and other unallocated expenses								(94,708)
Finance costs								(74,864)
Share of results of associates	–	–	(11,871)	(1,129)	–	(53,712)	–	(66,712)
Profit before tax								631,395
At 31 December 2008 (Restated)								
Assets and liabilities								
Segment assets	3,692	483,558	3,020,818	1,334,819	875,130	271,294	–	5,989,311
Corporate and other unallocated assets								4,346,448
Total assets								10,335,759
Segment liabilities	3,344	437,930	1,015,574	1,209,900	–	192,000	–	2,858,748
Corporate and other unallocated liabilities								1,026,664
Total liabilities								3,885,412

For the year ended 31 December 2009

11. SEGMENT INFORMATION (Continued)

Other segment information

Year ended 31 December 2009	TV RMB'000	Monitor RMB'000	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	64,176	113,394	296,147	45,186	–	12,878	14,432	546,213
Additions to non-current assets (note)	189,694	162,531	415,399	42,044	–	120	–	809,788
Impairment losses and allowance recognised	–	16,191	26,795	7,719	–	7,529	38,687	96,921
Impairment losses and allowance reversed	–	–	(42,059)	–	–	(1,486)	(40,755)	(84,300)
Loss on disposal of an associate	–	–	1,255	–	–	–	–	1,255
Provision for product warranties	8,760	13,593	7,031	17,688	–	–	–	47,072
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:								
Bank interest income	(2,471)	(4,770)	(51,392)	(3,824)	–	(3,369)	–	(65,826)
Finance costs	6,538	12,624	3,743	38,895	–	3,168	–	64,968
Income tax expense	33,274	52,201	48,014	6,691	13,553	(160)	(3,480)	150,093
Change in fair value of financial guarantee contracts	–	–	(17,503)	–	–	–	–	(17,503)

Note: Non-current assets excluded financial instruments, interests in associates and deferred tax assets.

For the year ended 31 December 2009

11. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Year ended 31 December 2008 (Restated)	TV RMB'000	Monitor RMB'000	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	31	4,094	299,928	55,193	–	2,189	9,520	370,955
Additions to non-current assets (note)	182	23,879	483,526	37,564	–	370	1,490	547,011
Impairment losses and allowance recognised	–	–	37,083	16,673	–	23,291	58,851	135,898
Impairment losses and allowance reversed	–	–	(6,601)	(47,775)	–	(14,000)	–	(68,376)
Loss on disposal of an associate	–	–	2,792	–	–	–	–	2,792
Provision for product warranties	–	–	29,057	–	–	–	–	29,057
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:								
Bank interest income	–	–	(44,907)	(18,240)	–	(3,711)	–	(66,858)
Finance costs	–	–	42,594	17,300	11,451	3,519	–	74,864
Income tax expense	–	–	6,335	410	1,235	(401)	–	7,579
Change in fair value of financial guarantee contracts	–	–	8,254	–	–	–	–	8,254

Note: Non-current assets excluded financial instruments, interests in associates and deferred tax assets.

For the year ended 31 December 2009

11. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Geographical information

The Group's manufacturing and sales operations and property investments are mainly located in the PRC, Europe and America.

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	
	2009	2008
	RMB'000	RMB'000
		(Restated)
The PRC (including Hong Kong)	**9,714,977**	7,980,146
Europe	**7,944,588**	78,706
Asia Pacific (excluding the PRC)	**9,312,878**	6,633,597
North America	**6,552,904**	7,695,279
Others	**3,559,967**	140,457
	37,085,314	22,528,185

At the end of the reporting period, the total amount of approximately RMB3,712,932,000 (2008: RMB3,423,549,000) of non-current assets other than financial instruments and deferred income tax assets were located in the PRC, and the total amount of approximately RMB3,648,068,000 (2008: nil) of these non-current assets were located in other countries.

For the year ended 31 December 2009

11. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Information about major customers

The Group has identified two major customers which individually representing over 10% of the Group's total external sales. During the year, revenue of approximately RMB11,968,860,000 (2008: RMB12,141,749,000) were derived from the major external customers. The amounts were primarily attributable to the electronic parts and components segment.

The sales to the major customers during the year are as follows:

	2009 **RMB'000**	2008 RMB'000
Customer A	**6,628,097**	5,585,000
Customer B	**5,340,763**	6,556,749
	11,968,860	12,141,749

12. FINANCE COSTS

	2009 **RMB'000**	2008 RMB'000 (Restated)
Interest on bank and other loans, wholly repayable within five years	**49,572**	71,710
Interest on convertible bonds of a subsidiary	**12,044**	–
Interest to a fellow subsidiary	**2,430**	126
Interest on discounted bills without recourse	**1,154**	3,430
Total borrowing costs	**65,200**	75,266
Less: amounts capitalised	**(232)**	(402)
	64,968	74,864

Borrowing costs capitalised at a rate of 7.2% (2008: 7.2%) for the year ended 31 December 2009 arose on bank and other loans to finance expenditure on qualifying assets.

13. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2009 RMB'000	2008 RMB'000 (Restated)
Staff costs (including directors' emoluments (note 14):		
Wages and salaries	**909,310**	556,585
Contributions to defined benefit plan	**903**	–
Contributions to retirement benefits schemes	**46,527**	43,462
	956,740	600,047
Cost of inventories sold	**35,054,494**	21,382,382
Cost of services provided	**76,452**	62,976
Depreciation of property, plant and equipment	**534,903**	367,076
Amortisation of prepaid land lease payments (included in administrative expenses)	**4,729**	2,846
Amortisation of other intangible assets (included in administrative expenses)	**6,581**	1,033
Auditors' remuneration	**7,200**	7,102
Minimum lease payment under operating leases of land and buildings	**8,029**	9,788
Foreign exchange differences, net	**67,896**	49,087
Impairment of items of property, plant and equipment (included in administrative expenses)	**25,374**	6,046
Impairment of loans to associates (included in administrative expenses)	**–**	32,073
Impairment of trade and bills receivables (included in administrative expenses)	**31,673**	33,853
Impairment of other receivables (included in administrative expenses)	**24,821**	31,950
Allowance for inventories (included in cost of sales)	**15,053**	31,976
Additional provision for product warranties	**47,072**	29,057
Change in fair value of financial guarantee contracts	**–**	8,254
Loss on disposal of property, plant and equipment	**4,688**	–
Loss on disposal of an associate	**1,255**	2,792
Share of tax of associates (included in share of results of associates)	**6,647**	3,692

For the year ended 31 December 2009

14. EMOLUMENTS OF DIRECTORS AND SUPERVISORS

Details of emoluments of directors and supervisors for the year are analysed as follows:

For the year ended 31 December 2009	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Lu Ming	–	–	–	–	–
Mr. Tam Man Chi	**100**	**3,217**	**2,871**	**217**	**6,405**
Mr. Wang Jincheng	**100**	–	–	–	**100**
Mr. Yang Jun	–	–	–	–	–
Mr. Su Duan	**100**	–	–	–	**100**
Mr. Fu Qiang	**100**	–	–	–	**100**
	400	**3,217**	**2,871**	**217**	**6,705**
Independent non-executive directors					
Mr. Li Sanli	**100**	–	–	–	**100**
Ms. Wang Qinfang	**100**	–	–	–	**100**
Mr. Kennedy Ying Ho Wong	**100**	–	–	–	**100**
	300	–	–	–	**300**
Supervisors					
Ms. Kong Xueping	**50**	–	–	–	**50**
Ms. Song Jianhua	**50**	–	–	–	**50**
Ms. Lang Jia	–	–	–	–	–
	100	–	–	–	**100**
Total	**800**	**3,217**	**2,871**	**217**	**7,105**

For the year ended 31 December 2009

14. EMOLUMENTS OF DIRECTORS AND SUPERVISORS (Continued)

Details of emoluments of directors and supervisors for the year are analysed as follows (continued):

For the year ended 31 December 2008	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Lu Ming	–	–	–	–	–
Mr. Tam Man Chi	100	2,928	2,214	217	5,459
Mr. Wang jincheng	100	–	–	–	100
Mr. Yang Jun	–	–	–	–	–
Mr. Su Duan	100	–	–	–	100
Mr. Fu Qiang (appointed on 19 June 2008)	58	–	–	–	58
	358	2,928	2,214	217	5,717
Independent non-executive directors					
Mr. Li Sanli	100	–	–	–	100
Ms. Wang Qinfang	100	–	–	–	100
Mr. Kennedy Ying Ho Wong	100	–	–	–	100
	300	–	–	–	300
Supervisors					
Ms. Kong Xueping	50	–	–	–	50
Ms. Song Jianhua	50	–	–	–	50
Ms. Lang Jia	–	–	–	–	–
	100	–	–	–	100
Total	758	2,928	2,214	217	6,117

One executive director of the Company is entitled to bonus payments which are determined as percentage of the profit after tax of subsidiaries of the Group.

For the year ended 31 December 2009

14. EMOLUMENTS OF DIRECTORS AND SUPERVISORS (Continued)

There was no arrangement under which a director or supervisor waived or agreed to waive any emoluments during the two years ended 31 December 2009.

During the two years ended 31 December 2009, no emoluments were paid by the Group to the directors and supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

The remuneration of directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2009 included one (2008: one) director details of whose emoluments are set out in note 14 above. Details of the remuneration of the remaining four (2008: four) non-directors, highest paid employees for the year are as follows:

	2009 **RMB'000**	2008 RMB'000
Salaries, allowances and benefits in kind	**10,671**	25,043

For the year ended 31 December 2009

15. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2009	2008
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,323,001 to RMB1,764,000)	**1**	–
HK$2,000,001 to HK$2,500,000 (equivalent to RMB1,764,001 to RMB2,205,000)	**1**	–
HK$2,500,001 to HK$3,000,000 (equivalent to RMB2,205,001 to RMB2,646,000)	**1**	–
HK$4,000,001 to HK$4,500,000 (equivalent to RMB3,528,001 to RMB3,969,000)	**–**	1
HK$5,500,001 to HK$6,000,000 (equivalent to RMB4,851,001 to RMB5,292,000)	**1**	1
RMB6,000,001 to HK$6,500,000 (equivalent to RMB5,292,001 to RMB5,733,000)	**–**	1
HK$6,500,001 to HK$12,500,000 (equivalent to RMB5,733,001 to RMB11,025,000)	**–**	1
	4	4

During the year ended 31 December 2008, emoluments amounting to approximately RMB16,178,000 were paid by the Group to the five highest paid employees as severance payment.

For the year ended 31 December 2009

16. INCOME TAX EXPENSE

	2009 RMB'000	2008 RMB'000 (Restated)
Current tax		
Hong Kong	**12,731**	6,355
PRC EIT and overseas income tax		
– Current year	**120,881**	54,533
– Over-provision in prior years	**(1,624)**	(53,404)
	119,257	1,129
Deferred tax		
– Current year	**18,530**	939
– Attributable to a change in tax rate	**(425)**	(844)
	18,105	95
Total tax charge for the year	**150,093**	7,579

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the year.

(b) PRC EIT

The subsidiaries established in the PRC are subject to the PRC EIT at rate of 25%. Certain of the subsidiaries of the Group are approved to be high technology enterprises and income tax is calculated at a rate of 18% of the estimated assessable profit for the year. In accordance with the relevant income tax regulations of the PRC, certain subsidiaries are entitled to exemptions from income tax for the two years commencing from their first profit-making year of operation after offsetting prior year tax losses, followed by a 50% reduction in the PRC EIT for the next three years.

For the year ended 31 December 2009

16. INCOME TAX EXPENSE (Continued)

(b) PRC EIT (Continued)

On 16 March 2007, the PRC Government promulgated the Law of the PRC on PRC EIT (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the PRC EIT rate of the Group's subsidiaries in the PRC was increased from 15% to 25% progressively from 1 January 2008 onwards (2008: 18%, 2009: 20%, 2010: 22%, 2011: 24%, 2012: 25%). The relevant tax rates for the Group's subsidiaries in the PRC ranged from 15% to 25% for the two years ended 31 December 2009 and 2008.

(c) Overseas income tax

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The charge for the year can be reconciled to the profit before tax per the consolidated income statement, based on the income tax rate of most of the Group's profit under assessments as follows:

	2009	2008
	RMB'000	RMB'000
		(Restated)
Profit before tax	**1,156,975**	631,395
Tax at the applicable tax rate at 20% (2008: 18%)	**231,395**	113,651
Over-provision in prior years	**(1,624)**	(53,404)
Effect of different tax rate of subsidiaries' operations in other jurisdictions and tax on concessionary rate	**(47,442)**	(33,661)
Effect on opening deferred tax of increase in tax rates	**425**	844
Tax effect of share of results of associates	**(8,430)**	12,008
Tax effect of income not taxable for tax purpose	**(98,582)**	(54,131)
Tax effect of expenses not deductible for tax purpose	**35,494**	8,042
Utilisation of tax losses previously not recognised	**(11,651)**	(24,518)
Tax effect of tax losses and deductible temporary differences not recognised	**50,508**	38,748
Tax charge for the year	**150,093**	7,579

For the year ended 31 December 2009

17. DIVIDENDS

	2009	2008
	RMB'000	RMB'000
Proposed final dividend of RMB12 cents (2008: RMB5.5 cents) per ordinary share	**143,729**	65,876

The proposed final dividend for the year ended 31 December 2009 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The final dividend for the year ended 31 December 2008 was approved and paid in 2009.

18. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB397,605,000 (2008 (restated): RMB359,984,000) and on the weighted average number of approximately 1,197,742,000 (2008: 1,197,742,000) ordinary shares in issue during the year.

For the year ended 31 December 2009

19. PROPERTY, PLANT AND EQUIPMENT

	Freehold land outside Hong Kong	Leasehold land and buildings	Plant, machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2008, as restated	–	1,101,153	2,983,901	30,635	192,891	4,308,580
Additions	–	–	312,745	5,143	216,868	534,756
Acquisition of subsidiaries	–	–	2,453	–	–	2,453
Transfers	–	42,733	175,942	–	(218,675)	–
Disposals	–	(10,471)	(1,209,409)	(5,143)	–	(1,225,023)
Transfer from investment properties (note 21)	–	77,193	–	–	–	77,193
Transfer to investment properties (note 21)	–	(16,289)	–	–	–	(16,289)
Exchange realignment	–	(126)	(26,439)	(111)	(735)	(27,411)
At 31 December 2008 and 1 January 2009, as restated	–	1,194,193	2,239,193	30,524	190,349	3,654,259
Additions	–	173,767	495,916	4,843	108,489	783,015
Acquisition of subsidiaries	91,521	1,356,138	1,377,750	16,233	253,182	3,094,824
Transfers	–	418,219	44,385	–	(462,604)	–
Disposals	–	(83,749)	(200,912)	(1,567)	–	(286,228)
Transfer to investment properties (note 21)	–	(132,433)	–	–	–	(132,433)
Reclassified as held for sale	–	(45,760)	(3,761)	(449)	–	(49,970)
Exchange realignment	(10)	(111)	(415)	(7)	–	(543)
At 31 December 2009	**91,511**	**2,880,264**	**3,952,156**	**49,577**	**89,416**	**7,062,924**

For the year ended 31 December 2009

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land outside Hong Kong RMB'000	Leasehold land and buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
DEPRECIATION AND IMPAIRMENT						
At 1 January 2008, as restated	–	198,390	1,884,685	18,023	–	2,101,098
Impairment	–	–	6,027	19	–	6,046
Depreciation provided during the year	–	40,709	322,327	4,040	–	367,076
Eliminated on disposals	–	(9,678)	(906,916)	(4,630)	–	(921,224)
Transfer to investment properties (note 21)	–	(4,174)	–	–	–	(4,174)
Exchange realignment	–	(255)	(18,854)	(34)	–	(19,143)
At 31 December 2008 and 1 January 2009, as restated	–	224,992	1,287,269	17,418	–	1,529,679
Impairment	–	11,626	13,748	–	–	25,374
Depreciation provided during the year	–	117,039	411,315	6,549	–	534,903
Eliminated on disposals	–	(36,890)	(163,711)	(1,591)	–	(202,192)
Transfer to investment properties (note 21)	–	(20,098)	–	–	–	(20,098)
Reclassified as held for sale	–	(3,833)	(2,541)	(367)	–	(6,741)
Exchange realignment	–	(42)	(121)	(5)	–	(168)
At 31 December 2009	**–**	**292,794**	**1,545,959**	**22,004**	**–**	**1,860,757**
NET BOOK VALUE						
At 31 December 2009	**91,511**	**2,587,470**	**2,406,197**	**27,573**	**89,416**	**5,202,167**
At 31 December 2008	–	969,201	951,924	13,106	190,349	2,124,580
At 1 January 2008	–	902,763	1,099,216	12,612	192,891	2,207,482

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated at the following rates per annum on a straight-line basis:

Freehold land	Nil
Leasehold land and buildings	Over the terms of the respective leases
Plant, machinery and equipment	9% – 50%
Motor vehicles	12.86% – 33.33%

All leasehold land and buildings are under medium-term and long-term lease.

During the year ended 31 December 2009, the Group carried out a review on the recoverable amount of certain production facilities. The Group recognised an impairment loss of approximately RMB25,374,000 and RMB6,046,000 in the consolidated income statement for the two years ended 31 December 2009 and 2008 respectively as the relevant assets were left vacant.

As 31 December 2009, certain of the Group's leasehold land and buildings were pledged to obtain bank and other loans granted to the Group, details of which are set out in note 32.

20. PREPAID LAND LEASE PAYMENTS

Analysed for reporting purposes as:

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
Current asset	**7,317**	3,763	2,846
Non-current asset	**338,133**	115,281	88,396
	345,450	119,044	91,242

For the year ended 31 December 2009

20. PREPAID LAND LEASE PAYMENTS (Continued)

The Group's prepaid land lease payments comprise:

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
Outside Hong Kong:			
Long lease	**27,851**	14,765	–
Medium-term lease	**317,599**	104,279	91,242
	345,450	119,044	91,242

21. INVESTMENT PROPERTIES

	31/12/2009	31/12/2008
	RMB'000	RMB'000
At fair value		
Balance at beginning of year	**875,130**	883,920
Acquisition of subsidiaries	**76,472**	–
Transfer from property, plant and equipment (note 19)	**112,335**	12,115
Transfer to property, plant and equipment (note 19)	**–**	(77,193)
Revaluation surplus at transfer date from transferred owner-occupied properties	**135,215**	16,235
Fair value gains recognised in the consolidated income statement	**95,377**	40,053
Balance at the end of the year	**1,294,529**	875,130

21. INVESTMENT PROPERTIES (Continued)

The Group's investment properties are situated in the PRC and comprise:

	31/12/2009	31/12/2008
	RMB'000	RMB'000
Long lease	**148,440**	104,070
Medium-term lease	**1,146,089**	771,060
	1,294,529	875,130

The Group's investment properties were revalued on 31 December 2009 by Dudley Surveyors Limited and Jones Lang Lasalle Sallmanns Limited, independent professionally qualified valuers, at approximately RMB1,294,529,000 (2008: RMB875,130,000) on an open market basis, which has taken into account the comparable market transactions and the net income derived from existing tenancies with due allowance for reversionary income potential. The investment properties are leased to third parties under operating leases, further details of which are included in note 42.

At 31 December 2008, certain of the Group's investment properties were pledged to secure banking facilities granted to the Group, details of which are set out in note 32.

As at 31 December 2009, certain Group's investment properties with an amount of approximately RMB76,190,000 (2008: RMB69,350,000) are in the process of getting land use right and building owner certificates.

All of the Group's properties interests held under operating leases to earn rentals for capital appreciation purposes and measured using the fair value model and are classified and accounted for as investment properties. Gross rental income generated for the investment properties during the year amounted to approximately RMB90,888,000 (2008: RMB118,455,000)

For the year ended 31 December 2009

22. INTANGIBLE ASSETS

	Patents and licences RMB'000	Technology acquired RMB'000	Software RMB'000	Trademark RMB'000	Total RMB'000
COST					
At 1 January 2008	47,383	86,613	1,173	–	135,169
Additions	–	–	947	–	947
Exchange realignment	–	1,082	562	–	1,644
At 31 December 2008 and 1 January 2009	47,383	87,695	2,682	–	137,760
Additions	–	1,092	–	–	1,092
Acquisition of subsidiaries	–	–	–	134,945	134,945
Reclassified as held for sale	–	–	(644)	–	(644)
Exchange realignment	–	–	(2)	(16)	(18)
At 31 December 2009	**47,383**	**88,787**	**2,036**	**134,929**	**273,135**
AMORTISATION					
At 1 January 2008	47,383	84,081	330	–	131,794
Amortisation provided during the year	–	551	482	–	1,033
Exchange realignment	–	180	94	–	274
At 31 December 2008 and 1 January 2009	47,383	84,812	906	–	133,101
Amortisation provided during the year	–	603	417	5,561	6,581
Reclassified as held for sale	–	–	(398)	–	(398)
Exchange realignment	–	–	(1)	(4)	(5)
At 31 December 2009	**47,383**	**85,415**	**924**	**5,557**	**139,279**
CARRYING VALUES					
At 31 December 2009	**–**	**3,372**	**1,112**	**129,372**	**133,856**
At 31 December 2008	–	2,883	1,776	–	4,659
At 1 January 2008	–	2,532	843	–	3,375

The above intangible assets have definite useful lives and are amortised on a straight-line basis over 5 to 15 years.

For the year ended 31 December 2009

23. INTERESTS IN ASSOCIATES

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
Cost of investment in associates, unlisted (note a)	**972,734**	830,668	690,776
Share of post-acquisition losses and other comprehensive income, net of dividends received	**(639,532)**	(604,317)	(511,674)
Share of net assets (note a)	**333,202**	226,351	179,102
Loans to associates (note b)	**378,858**	416,213	575,673
Less: impairment	**(319,745)**	(338,665)	(306,592)
	392,315	303,899	448,183

Notes:

(a) Movements in the Group's share of net assets of associates during the year are summarised below:

(i) During the year ended 31 December 2009, Envision Peripherals Inc., Hannstar Display (Wuhan) Corp. and CPT TPV Optional (Fujian) Co., Ltd became the associates of the Group upon the completion of acquisition of subsidiaries. Additional amount of approximately RMB115,321,000 was consolidated to the Group.

(ii) Shenzhen City Great Wall Kemei Technology Co., Ltd ("Great Wall Kemei") was established under the law of the PRC with limited liability on 15 December 2008 with an operating period of 30 years. The registered capital of Great Wall Kemei was RMB100,000,000 which is owned as to 35% by the Group and 65% by other independent third party. The registered capital was paid up as to RMB20,000,000 as at 31 December 2008. The remaining unpaid registered capital of RMB80,000,000 has been paid up as to RMB28,000,000 by the Group and RMB52,000,000 by the other shareholders respectively during the year ended 31 December 2009.

(iii) On 16 January 2009, Shenzhen Elcoteq Electronics Co., Ltd ("SZ Elcoteq"), the associate of the Group, was acquired by Beijing Elcoteq Electronics Co., Ltd ("BJ Elcoteq"). Upon the completion of the acquisition, all the assets and liabilities of SZ Elcoteq were transferred to BJ Elcoteq and accordingly SZ Elcoteq was liquidated. A loss on disposal of approximately RMB1,255,000 was resulted from the liquidation of SZ Elcoteq.

(b) Loans to associates are unsecured, interest-bearing at fixed rates ranging from 5.05% to 7.02% (2008: 5.58% to 7.02%) per annum and is repayable after twelve months from the end of the reporting period.

The directors reviewed certain associates' operations and financial positions as at the end of the reporting period and considered that the recoverability of the loan to an associate is highly probable. Accordingly, approximately RMB18,920,000 (2008: impairment of RMB32,073,000) has been reversed as at 31 December 2009.

For the year ended 31 December 2009

23. INTERESTS IN ASSOCIATES (Continued)

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	31/12/2009 RMB'000	31/12/2008 RMB'000	1/1/2008 RMB'000
Total assets	**4,496,751**	3,991,182	5,048,732
Total liabilities	**(3,223,754)**	(3,000,373)	(3,947,742)
Net assets	**1,272,997**	990,809	1,100,990
Group's share of net assets of associates	**333,202**	226,351	179,102
Revenue	**6,982,853**	8,762,296	6,497,151
Profit (loss) for the year	**113,858**	(23,702)	(82,393)
Group's share of results of associates for the year	**42,154**	(66,712)	(11,584)

Particulars of the principal associates are as follows:

Name	**Place of incorporation/ registration and operations**	**Nominal value of issued ordinary/ registered share capital**	**Percentage of equity attributable to the Group**	**Principal activities**
Great Wall Broadband Service Limited*	The PRC	RMB900,000,000	50%	Provision of broadband network services
ExcelStor Group Limited	Cayman Islands	US$15,000,000	33.33%	Trading of hard disk drives ("HDD")
G&W Technologies, Co., Ltd.	Republic of Korea	US$2,577,320	27.82%	Manufacture of HDD spindle motors
O-Net Communications Limited	Cayman Islands	HK$22,224,299	45.99%	Trading of fiber optic components and manufacture of fiber optic parts for optical communications networks. Integrated parts for optical communications networks and crystal parts for optical communications networks

23. INTERESTS IN ASSOCIATES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Group	Principal activities
Shenzhen Hai Liang Storage Products Co., Ltd.	The PRC	RMB494,742,208	20%	Manufacture and sales of magnetic head products
Shenzhen KTM Glass Substrate Co., Ltd.	The PRC	RMB122,108,400	49%	Manufacture and sales of glass substrates
Shenzhen Great Wall Kemei Technology Co., Ltd.	The PRC	RMB10,000,000	35%	Trading of network ammeters
Guilin Changhai Technology Co., Ltd *	The PRC	RMB40,000,000	39%	Research and development of safe computers and special computers
Great Wall Kemei *	The PRC	RMB100,000,000	35%	Research and development of ammeters
Envision Peripherals, Inc	United States of America	2,000,000 ordinary shares with no par value	24%	Manufacture and sales of computer monitors
HannStar Display (Wuhan) Corp *	The PRC	US$15,000,000	20%	Manufacture and sales of computer monitors
CPT TPV Optical (Fujian) Co., Ltd *	The PRC	US$22,500,000	20%	Manufacture and sales of computer monitors

* English translation is for identification purpose

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

For the year ended 31 December 2009

24. AVAILABLE-FOR-SALE INVESTMENTS

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
Equity Securities listed in Hong Kong, at fair value	**–**	909,446	1,070,360
Equity Securities listed in Taiwan, at fair value	**15,432**	–	–
Unlisted equity investments, at cost less impairment	**154,115**	81,366	84,494
Unlisted equity investments, at fair value	**6,261**	–	–
	175,808	990,812	1,154,854

During the year, a fair value gain on the Group's available-for-sale investments recognised directly in equity was approximately RMB22,615,000 (2008: loss of RMB514,759,000).

In the current year, certain listed securities with carrying amount of approximately RMB1,244,938,000 were accounted for investment in subsidiaries, further details of which are included in note 41.

In the current year, unlisted equity securities and equity securities listed in Taiwan were recorded upon the completion of acquisition of subsidiaries. Additional amount of approximately RMB20,630,000 was recorded.

The fair values of listed equity investments are based on quoted market prices.

The fair values of unlisted equity investments are based on discounted cash flows. Other than those measured at fair value, the unlisted equity investments are stated at cost less any impairment losses because the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

25. INVENTORIES

	31/12/2009 RMB'000	31/12/2008 RMB'000 (Restated)	1/1/2008 RMB'000 (Restated)
Raw materials	**3,000,181**	169,591	463,053
Work in progress	**187,192**	6,114	45,791
Finished goods	**3,326,056**	719,547	428,314
Consumables	**20,018**	12,586	12,570
	6,533,447	907,838	949,728

During the year ended 31 December 2009, there was an increase in the net realisable values of inventories due to change in the market situation. As a result, a reversal of allowance for inventories of approximately RMB19,185,000 (2008: nil) has been recognised and included in other income and gains in the year.

26. TRADE AND BILLS RECEIVABLES

	31/12/2009 RMB'000	31/12/2008 RMB'000 (Restated)	1/1/2008 RMB'000 (Restated)
Trade and bills receivables	**14,590,846**	1,517,707	3,212,236
Impairment	**(201,842)**	(173,330)	(332,263)
	14,389,004	1,344,377	2,879,973

The Group's sales are on credit terms from 30 to 120 days and certain of its export sales are on letters of credit or documents against payment.

For the year ended 31 December 2009

26. TRADE AND BILLS RECEIVABLES (Continued)

The following is an aged analysis of trade and bills receivables, net of impairment presented based on the invoice date at the end of the reporting period.

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
0 to 90 days	**14,096,885**	1,241,771	2,835,195
91 to 180 days	**257,420**	94,202	19,718
181 to 365 days	**34,699**	8,404	4,304
Over 365 days	**–**	–	20,756
	14,389,004	1,344,377	2,879,973

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

	31/12/2009	31/12/2008
	RMB'000	RMB'000
		(Restated)
Balance at beginning of the year	**173,330**	332,263
Impairment losses recognised on receivables	**31,673**	33,853
Acquisition of subsidiaries	**23,962**	–
Reclassified as held for sale	**(15,556)**	–
Amounts written off during the year as uncollectible	**(280)**	(173,305)
Impairment losses reversed	**(11,220)**	(19,287)
Exchange realignment	**(67)**	(194)
Balance at end of the year	**201,842**	173,330

26. TRADE AND BILLS RECEIVABLES (Continued)

The Group has individually assessed all receivables and provided in full for all receivables that are considered not recoverable. Impairment loss of approximately RMB31,673,000 (2008: RMB33,853,000) has been made during the year ended 31 December 2009 accordingly. The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
Neither past due nor impaired	**13,638,432**	1,241,771	2,611,498
Less than one month past due	**106,482**	31,401	100,343
One to three months past due	**561,673**	62,801	92,869
Over three months past due	**82,417**	8,404	75,263
	14,389,004	1,344,377	2,879,973

Receivables that were neither past due nor impaired relate to independent 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 the debtors are leading electronics producers in the world, which have sound repayment history with no records of delays of payment, the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
Other receivables	**2,012,472**	188,856	297,058
Less: impairment	**(37,814)**	(83,951)	(118,484)
	1,974,658	104,905	178,574
Prepayments and deposits	**196,589**	62,050	221,181
Compensation receivables	**–**	71,647	–
	2,171,247	238,602	399,755

For the year ended 31 December 2009

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

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

	31/12/2009 RMB'000	31/12/2008 RMB'000 (Restated)
Balance at beginning of the year	**83,951**	118,484
Reclassified to assets classified as held for sale	**(2,343)**	–
Impairment losses reversed	**(34,975)**	(49,089)
Impairment losses recognised	**24,821**	31,950
Amounts written off during the year as uncollectible	**(33,640)**	(17,394)
Balance at end of the year	**37,814**	83,951

The Group has individually assessed all other receivables and provided in full for those receivables that are considered not recoverable. The Group does not hold any collateral over these balances.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2009 RMB'000	31/12/2008 RMB'000 (Restated)	1/1/2008 RMB'000
Listed securities, at fair value:			
– Equity securities – Hong Kong	**–**	428	–
– Equity securities – Singapore	**3,981**	–	–
– Equity securities – the PRC	**10,307**	–	–
– Equity securities – Taiwan (note)	**15,958**	–	–
	30,246	428	–

Note: It represents listed options of an underlying security listing in Taiwan with quoted prices in active markets.

For the year ended 31 December 2009

29. TERM DEPOSITS, PLEDGED DEPOSITS AND BANK BALANCES AND CASH

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
Cash and bank balances deposits, other than term deposits	**3,031,477**	1,564,528	1,382,361
Term deposits	**1,940,197**	1,615,482	1,421,730
	4,971,674	3,180,010	2,804,091
Less: Current deposits			
Pledged for bank facilities	**315,060**	13,202	8,933
Pledged for performance bonds	**24,840**	20,206	15,004
	339,900	33,408	23,937
Term deposits with terms over three months	**495,000**	440,000	155,000
	834,900	473,408	178,937
Less: Non-current deposits			
Pledged for bank facilities	**–**	–	15,602
Pledged for performance bonds	**–**	3,948	–
Term deposits with terms over one year	**86,008**	65,008	160,000
	86,008	68,956	175,602
Bank balances and cash	**4,050,766**	2,637,646	2,449,552

As at 31 December 2009, term deposits, pledged deposits, bank balances and cash of approximately RMB3,210,330,000 (2008: RMB2,242,243,000, 2007: RMB2,121,092,000) were denominated in RMB, which is not freely convertible currency in the international market and its exchange rate is determined by the government of the PRC. The pledged deposits and bank balances carry interest at 0.36% (2008: 0.36%, 2007: 0.72%) per annum.

As at 31 December 2009, the effective interest rates on term deposits with terms over three months ranged from 2.25% to 5.13% (2008: 2.88% to 4.68%, 2007: 2.70% to 3.60%) per annum; and these deposits have an average maturity of 255 days (2008 and 2007: 245days).

As at 31 December 2009, term deposits of approximately RMB24,840,000 (2008: RMB24,154,000, 2007: RMB15,004,000) were pledged in respect of performance bonds in favour of performance of obligation under contracts by its customers.

For the year ended 31 December 2009

30. DISPOSAL GROUP HELD FOR SALE

	31/12/2009 **RMB'000**	31/12/2008 RMB'000	1/1/2008 RMB'000
Assets classified as held for sale	**379,270**	–	–
Liabilities associated with assets classify as subsidiary held for sale	**248,962**	–	–

On 28 December 2009, the Group entered into the share transfer agreement with China National Software and Service Co Ltd ("China Software"), a fellow subsidiary of the Company, pursuant to which the Group conditionally agreed to transfer its 69.41% equity interest in Great Wall Computer Software and Systems Incorporation Limited and its subsidiaries ("Great Wall Software Group") for a consideration of approximately RMB92,472,000 to China Software. Upon the completion of the share transfer, Great Wall Software Group will be ceased to be a subsidiary of the Group.

The assets and liabilities attributable to Great Wall Software Group, which is expected to be sold within twelve months after the end of the reporting period, have been classified as disposal group held for sale and are presented separately in the consolidated statement of financial position. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The results of Great Wall Software Group for the two years ended 31 December 2008 and 31 December 2009 were as follows:

	2009 **RMB'000**	2008 RMB'000
Turnover	**814,325**	765,186
Cost of sales	**(762,418)**	(743,973)
Gross profit	**51,907**	21,213
Other income and gains	**935**	1,028
Selling and distribution costs	**(27,671)**	(26,986)
Administrative expenses	**(30,191)**	(34,223)
Finance costs	**(3,167)**	(6,449)
Loss before tax	**(8,187)**	(45,417)
Income tax expense	**1,624**	(2,426)
Loss for the year	**(6,563)**	(47,843)

30. DISPOSAL GROUP HELD FOR SALE (Continued)

The major classes of assets and liabilities of Great Wall Software Group as at 31 December 2009, classified as held for sales, are as follow:

	31/12/2009 RMB'000
Property, plant and equipment	43,229
Intangible assets	246
Available-for-sale investments	3,195
Inventories	71,374
Trade and bills receivables	162,136
Prepayments, deposits and other receivables	19,419
Bank balances and cash	79,671
Total assets of the disposed subsidiary classified as held for sales	379,270
Trade and bills payables	174,308
Other payables and accruals	49,654
Amount due to a fellow subsidiary	25,000
Total liabilities of the disposed subsidiary classified as held for sales	248,962
Net assets	130,308

For the year ended 31 December 2009

31. TRADE AND BILLS PAYABLES

The Group has financial risk management policies in place to ensure all payables are paid within the credit timeframe. The average credit period on purchase is 30 to 90 days. An aged analysis of the trade and bills payables presented based on the invoice date as at the end of the reporting period.

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
Within 90 days	**13,177,026**	1,743,746	2,829,568
91 to 180 days	**1,523,589**	9,874	78,763
181 to 365 days	**45,237**	7,789	128,298
Over 365 days	**43,921**	31,163	34,022
	14,789,773	1,792,572	3,070,651

32. BANK AND OTHER LOANS

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
Non-current			
Bank and other loans	**41,816**	–	–
Current			
Bank and other loans	**1,773,011**	805,980	865,000
	1,814,827	805,980	865,000
Bank and other loans repayable within one year:			
Unsecured	**1,353,157**	665,980	825,000
Secured	**419,854**	140,000	–
Guaranteed	**–**	–	40,000
	1,773,011	805,980	865,000
Bank and other loans repayable within two years:			
Unsecured	**41,816**	–	–
	1,814,827	805,980	865,000

Bank and other loans of approximately RMB1,773,988,000 (2008: RMB805,980,000, 2007: RMB865,000,000) are at fixed interest rates during the year. The bank and other loans expose the Group to fair value interest rate risk. The effective interest rates at the end of the reporting period as follows:

	2009	2008	2007
Bank and other loans	**1%-4.78%**	4.40%-7.20%	4.40%-7.20%

As at 31 December 2009, bank and other loans of approximately RMB614,641,000 (2008: RMB805,980,000, 2007: RMB865,000,000) are denominated in RMB and approximately RMB1,200,186,000 (2008: nil, 2007: nil) are denominated in US dollars.

Certain of the Group's term deposits with a carrying value of approximately RMB339,900,000 (2008: RMB37,356,000, 2007: RMB39,539,000) were pledged to the banks to secure the bank facilities and performance bonds.

For the year ended 31 December 2009

32. BANK AND OTHER LOANS (Continued)

As at 31 December 2008, certain of the Group's leasehold land and buildings with a carrying value of approximately RMB43,080,000, were pledged to a fellow subsidiary of the Company to secure the bank and other loans of approximately RMB20,000,000.

Certain of the Group's leasehold land and buildings with a carrying value of approximately RMB134,103,000 (2008: RMB30,303,000, 2007: RMB213,042,000) were pledged to secure the bank loans of approximately RMB50,000,000 as at 31 December 2009.

As at 31 December 2008, investment properties with a carrying amount of approximately RMB110,780,000 (2007: nil) were pledged to secure the bank loan of approximately RMB120,000,000.

Bank loans of RMB20,000,000 and other loans of RMB20,000,000 as at 31 December 2007 were guaranteed by an independent third party, Beijing Zhongguancun Science Technology Guarantee Co., Ltd. Certain of the Group's leasehold land and buildings with a carrying value of approximately RMB47,096,000 and trade receivables with a carrying amount of RMB131,799,000 as at 31 December 2007 were pledged to secure the guarantee given by Beijing Zhongguancun Science Technology Guarantee Co., Ltd. for the bank and other loans. Such pledged of leasehold land and buildings and trade receivables had been released as at 31 December 2008.

33. CONVERTIBLE BONDS OF A SUBSIDIARY

The Group's subsidiary, TPV, issued 3.35% convertible bonds in the principal amount of US$211 million to Koninklijke Philips Electronics N.V. ("Philips") on 5 September 2005 as part of the purchase consideration for a business combination.

The bonds mature five years from the issue date at their principal amount of US$211 million and can be converted into TPV's ordinary shares at the holder's option at a conversion price HK$5.241 (US$0.67) per share. The conversion price will be subject to adjustment to subdivision or consolidation of shares, bonus issues, rights issues, distribution of reserves, any dividend payment(s) in excess of the dividend payout ratio cap, capital reduction and other dilutive events.

The fair value of the liability component and the equity conversion component were determined at the time of the issuance of the bonds.

At the time of issuance, the fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The equity conversion component is included in the equity of the subsidiary.

For the year ended 31 December 2009

33. CONVERTIBLE BONDS OF A SUBSIDIARY (Continued)

The convertible bonds recognised in the consolidated statement of financial position are calculated as follows:

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
Equity component	**297,886**	–	–
Liability component			
Acquisition of subsidiaries	**1,423,251**	–	–
Interest expense (note 12)	**12,044**	–	–
Interest paid	**(6,590)**	–	–
Exchange realignment	**(164)**	–	–
Balance at 31 December 2009	**1,428,541**	–	–

The fair value of the liability component of the convertible bonds as at 31 December 2009 amounted to approximately RMB1,414,687,000 (2008 and 2007: nil). The fair value was calculated by using cash flows discounted at a rate of 7.42% (2008 and 2007: nil) per annum.

34. DERIVATIVES FINANCIAL INSTRUMENTS

	31/12/2009		31/12/2008		1/1/2008	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
	RMB'000	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Derivatives not under hedge accounting						
Foreign exchange forward contracts (note a)	**125,851**	**(7,702)**	–	–	–	–
Interest rate swaps (note b)	**2,738**	**(112,297)**	–	–	–	–
	128,589	**(119,999)**	–	–	–	–

For the year ended 31 December 2009

34. DERIVATIVES FINANCIAL INSTRUMENTS (Continued)

(a) Foreign exchange forward contracts

The total notional principal amount of the outstanding foreign exchange forward contracts as at 31 December 2009 are as follows:

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
Sell RMB for USD	**19,480,855**	–	–
Sell USD for RMB	**19,514,996**	–	–
Sell Japanese Yen for USD	**39,604**	–	–
Sell Euros for USD	**503,368**	–	–
Sell Brazilian for USD	**290,199**	–	–
Sell Indian Rupee for USD	**68,282**	–	–
Sell HK dollars for USD	**20,485**	–	–
Sell Mexican Peso for USD	**9,559**	–	–

As at 31 December 2009, all of the above foreign exchange forward contracts are with maturity dates within twelve months from the end of the reporting period.

(b) Interest rate swaps

The total notional principal amount of the outstanding interest rate swaps as at 31 December 2009 was approximately RMB2,283,350,000 (2008 and 2007: nil).

35. PROVISIONS FOR PRODUCTS WARRANTIES

	31/12/2009	31/12/2008
	RMB'000	RMB'000
At 1 January	**46,239**	59,773
Additional provision recognised	**47,072**	29,057
Acquisition of subsidiaries	**437,058**	–
Amounts utilised during the year	**(25,799)**	(17,505)
Amounts reversed during the year	**(2,020)**	(22,305)
Exchange realignment	**(695)**	(2,781)
At 31 December	**501,855**	46,239

The Group provides warranties to its customers on certain products, under which faulty products are repaired or replaced. The amount of the provision for the warranty is estimated based on sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. It is expected that the provision will be utilised within 12 months after the end of the reporting period.

For the year ended 31 December 2009

36. PENSION OBLIGATIONS

The balance represents the Group's obligations in a defined benefit plan for its employees in Taiwan in accordance with the relevant local regulations.

The obligations are calculated using the projected unit credit method, discounted to its present value. Such pension obligations as at 31 December 2009 were valued by Actuarial Consulting Co., Ltd, an independent actuary.

The amount recognised in the consolidated statement of financial position is determined as follows:

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
Present value of funded obligations	**47,548**	–	–
Fair value of plan assets	**(6,179)**	–	–
	41,369	–	–
Unrecognised actuarial losses	**(6,811)**	–	–
Liability in the consolidated statement of financial position	**34,558**	–	–

The amounts recognised in the consolidated income statement are as follows:

	2009	2008
	RMB'000	RMB'000
Current service cost	**565**	–
Interest cost	**311**	–
Expected return on plan assets	**(26)**	–
Net actuarial losses recognised during the year	**53**	–
Total expense, within employee benefit expense	**903**	–

The actual loss on plan assets was approximately RMB41,000 (2008 and 2007: nil).

For the year ended 31 December 2009

36. PENSION OBLIGATIONS (Continued)

Movements in the pension obligations are as follows:

	31/12/2009	31/12/2008
	RMB'000	RMB'000
At 1 January	**–**	–
Acquisition of subsidiaries	**47,034**	–
Current service cost	**565**	–
Interest cost	**311**	–
Benefit paid	**(603)**	–
Actuarial losses	**241**	–
At 31 December	**47,548**	–

Movements in the fair value of plan assets are as follows:

	31/12/2009	31/12/2008
	RMB'000	RMB'000
At 1 January	**–**	–
Acquisition of subsidiaries	**6,390**	–
Expected return on plan assets	**26**	–
Contributions	**311**	–
Benefit paid	**(603)**	–
Actuarial losses	**55**	–
At 31 December	**6,179**	–

The principal actuarial assumptions used are as follows:

	2009	2008
Discount rate	**2.25%**	–
Expected rate of return on plan assets	**2.25%**	–
Expected rate of future salary increment	**3.00%**	–

For the year ended 31 December 2009

37. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2009, the Group provided financial guarantees to banks in respect of banking facilities granted to associates and certain customers. The financial guarantees provided and the movement of fair value are analysed as follows:

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to:			
Associates	**570,385**	550,000	450,000
Third parties	**60,384**	83,280	56,680
	630,769	633,280	506,680

	31/12/2009	31/12/2008
	RMB'000	RMB'000
At 1 January	**21,140**	12,886
Fair value change during the year	**(17,503)**	8,254
At 31 December	**3,637**	21,140

As at 31 December 2009, an amount of approximately RMB3,637,000 (2008: RMB21,140,000, 2007: RMB12,886,000) has been recognised in the consolidated statement of financial position as non-current liabilities for the above guarantees to an associate as such guarantees were not to be expired within the next twelve months from the end of the reporting period.

For the year ended 31 December 2009

38. DEFERRED TAX

The movements in deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Depreciation allowance in excess of related depreciation and amortisation RMB'000	Impairment and provisions RMB'000	Revaluation of properties RMB'000	Revaluation of available-for-sale investments RMB'000	Capitalisation of interest RMB'000	Equity of associates RMB'000	Unrealised profit on inventories and derivatives financial instruments RMB'000	Loss on share reforms of subsidiaries RMB'000	Depreciation of property, plant and equipment RMB'000	Total RMB'000
At 1 January 2008, as originally stated	16,795	(6,272)	32,909	–	9,235	764	–	(34,425)	(26,608)	(7,602)
Deferred tax charges (credited) to the consolidated income statement (note 16)	10,000	(75,548)	8,010	–	(905)	829	–	38,250	20,303	939
Effect of change in tax rate (note 16)	1,864	(697)	3,657	–	1,026	85	–	(3,825)	(2,954)	(844)
Deferred tax debited (credited) to equity during the year	–	–	3,247	(83,422)	–	–	–	–	–	(80,175)
At 31 December 2008 and at 1 January 2009, as restated	28,659	(82,517)	47,823	(83,422)	9,356	1,678	–	–	(9,259)	(87,682)
Acquisition of subsidiaries	–	(71,040)	119,893	–	–	–	(13,155)	–	–	35,698
Deferred tax debited to equity during the year	–	–	29,747	83,422	–	–	–	–	–	113,169
Deferred tax charges (credited) to the consolidated income statement (note 16)	9,680	(25,940)	11,502	–	(905)	–	14,008	–	10,185	18,530
Effect of change in tax rate (note 16)	2,866	(8,251)	4,782	–	936	168	–	–	(926)	(425)
At 31 December 2009	**41,205**	**(187,748)**	**213,747**	**–**	**9,387**	**1,846**	**853**	**–**	**–**	**79,290**

38. DEFERRED TAX (Continued)

For the purposes presentation of consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2009 RMB'000	31/12/2008 RMB'000 (Restated)	1/1/2008 RMB'000
Deferred tax liabilities	**267,038**	87,516	59,703
Deferred tax assets	**(187,748)**	(175,198)	(67,305)
	79,290	(87,682)	(7,602)

At the end of the reporting period, the Group had estimated unused tax losses of approximately RMB144,285,000 (2008: RMB57,000,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. These unrecognised losses will expire in 2010 to 2014.

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB265,267,000 (2008: RMB158,266,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

39. GOVERNMENT GRANTS

	31/12/2009 RMB'000	31/12/2008 RMB'000
At 1 January	**7,653**	23,640
Government grants raised during the year	**14,982**	5,112
Government grants used during the year	**(260)**	(21,099)
At 31 December	**22,375**	7,653

For the year ended 31 December 2009

39. GOVERNMENT GRANTS (Continued)

Government grants of approximately RMB68,972,000 (2008: RMB36,575,000) have been recognised during the year ended 31 December 2009 which were designated for certain research projects of the Group. All conditions in respect of these grants had been fulfilled and such government grants were recognised in other income for the year.

As at 31 December 2009, government grants of approximately RMB22,375,000 (2008: RMB7,653,000, 2007: RMB23,640,000) which were designated for certain research projects of the Group were stated as non-current liabilities in the consolidated statement of financial position as the directors of the Company are of the opinion that certain conditions in respect of these grants will not be fulfilled within the next twelve months from 31 December 2009.

40. SHARE CAPITAL

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	RMB'000	RMB'000
Authorised, issued and fully paid:			
743,870,000 state-owned legal person shares of RMB1.00 each	**743,870**	743,870	743,870
453,872,000 overseas listed foreign invested shares of RMB1.00 each	**453,872**	453,872	453,872
	1,197,742	1,197,742	1,197,742

There was no change in the authorised and issued capital of the Company for year 2009, 2008 and 2007.

41. BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION

(a) Business combination for the year ended 31 December 2009:

Upon completion of the business combination with Great Wall Hong Kong on 29 June 2009, Great Wall Hong Kong became a subsidiary of the Group. As Great Wall Hong Kong held approximately 17% of the total issued share capital of TPV on 29 June 2009, the Group's aggregate interest in the total issued share capital of TPV increased from approximately 9.5% to 26.5%.

On 13 October 2009, the board of directors of TPV comprised 13 members, 7 of whom also hold the senior management positions with the Group and its associates, as a result, the Group has effective control over the majority of the board of directors of TPV and accounted for the investment in TPV as investment in subsidiaries. As at 13 October 2009, the Group's aggregate interest in the total issued share capital of TPV increased from approximately 26.5% to 27%.

For the year ended 31 December 2009

41. BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION (Continued)

(a) Business combination for the year ended 31 December 2009: (Continued)

Net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before acquisition RMB'000	**Fair value adjustments** RMB'000	**Fair value** RMB'000
Property, plant and equipment	2,368,053	726,771	3,094,824
Prepaid land lease payments	137,403	67,679	205,082
Investment properties	76,472		76,472
Intangible assets	134,945	–	134,945
Interests in associates	115,321	–	115,321
Available-for-sale investments	20,630	–	20,630
Deferred tax assets	84,195	–	84,195
Inventories	7,126,893	–	7,126,893
Trade and bills receivables	11,943,993	–	11,943,993
Prepayment, deposits and other receivables	1,578,841	–	1,578,841
Financial assets at FVTPL	4,214	–	4,214
Tax recoverable	8,191	–	8,191
Bank balances and cash	1,240,742	–	1,240,742
Trade and bills payables	(12,636,293)	–	(12,636,293)
Other payables and accruals	(2,557,704)	–	(2,557,704)
Bank and other loans	(212,493)	–	(212,493)
Convertible bonds of a subsidiary	(1,423,251)	–	(1,423,251)
Derivative financial instruments, net	(101,756)	–	(101,756)
Tax payables	(65,826)	–	(65,826)
Provisions for products warranties	(437,058)	–	(437,058)
Pension obligations	(31,347)	–	(31,347)
Deferred tax liabilities	(4,306)	(115,587)	(119,893)
Net assets	7,369,859	678,863	8,048,722
Less: Minority interests			(5,878,816)
Net asset acquired			2,169,906
Discount on acquisition of subsidiaries			(357,330)
Total costs as transferred from available-for-sale investments (note)			1,812,576

For the year ended 31 December 2009

41. BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION (Continued)

(a) Business combination for the year ended 31 December 2009: (Continued)

Note: The Group accounted for the investment in TPV as an available-for-sale investments before the Group gained the effective control over the majority of the board of directors of TPV. As at 13 October 2009, the investment in TPV was accounted as investment in subsidiaries upon the Group has the effective control over the majority of the board of directors of TPV. The investment cost of TPV was transferred from available-for-sale investments to the cost of investment.

	RMB'000
Transfer from available-for-sale investments	1,244,938
Transfer from available-for-sale investments revaluation reserve	567,638
Total cost as transferred available-for-sale investments	1,812,576

An analysis of the net cash inflow of cash and cash equivalents in respect of the acquisition of subsidiaries are as follows:	
Cash consideration paid	–
Bank balances and cash acquired	1,240,742
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	1,240,742

The discount on acquisition of subsidiaries is attributable to the Group acquiring the share of TPV at a lower price from the stock market in 2008 and 2009.

The turnover of approximately RMB18,259,164,000 and profit of RMB320,065,000 of TPV are consolidated to the Group's turnover and profit for the year ended 31 December 2009.

If the acquisition had been completed on 1 January 2009, total group revenue for the period would have been approximately RMB73,670,075,000, and profit for the period would have been approximately RMB1,196,638,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

41. BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION (Continued)

(b) Business combination for the year ended 31 December 2008:

On 1 January 2008, the Group acquired the entire equity interests in ExcelStor Technology Inc. ("ExcelStor") at a consideration of US$1 (equivalent to RMB7) from ExcelStor Group Limited. The acquisition has been accounted for using the purchase method.

The net assets acquired in the transaction and the discount on acquisition of a subsidiary arising are as follows:

	2008 RMB'000
Net assets acquired:	
Property, plant and equipment	2,453
Prepayment, deposits and other receivables	527
Bank balances and cash	2,605
Trade and other payables	(976)
Net assets acquired	4,609
Discount on acquisition of a subsidiary	(4,609)
	–
Satisfied by:	
Cash consideration paid	–

The directors of the Company consider the carrying amounts of the net assets acquired approximately to the respective fair value at the date of acquisition.

An analysis of the net cash inflow of cash and cash equivalents in respect of the acquisition of a subsidiary are as follows:	
Cash consideration paid	–
Bank balances and cash acquired	2,605
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	2,605

For the year ended 31 December 2009

41. BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION (Continued)

(b) Business combination for the year ended 31 December 2008: (Continued)

The discount on acquisition of a subsidiary is attributable to the ability of the Group in negotiating the agreed terms of transaction with the vendor.

The turnover of approximately RMB9,063,000 and loss of RMB3,048,000 of ExcelStor are consolidated to the Group's turnover and profit for the year ended 31 December 2008.

42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group lease their investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. The remaining properties are expected to generate rental yields of 15% (2008: 15%) on an ongoing basis. At 31 December 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2009 **RMB'000**	2008 RMB'000
Within one year	**90,135**	85,800
In the second to fifth years, inclusive	**87,256**	48,245
After five years	**5,920**	42,699
	183,311	176,744

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to nine years. At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009 **RMB'000**	2008 RMB'000
Within one year	**71,149**	7,732
In the second to fifth years, inclusive	**98,885**	3,535
After five years	**82,519**	–
	252,553	11,267

43. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2009 **RMB'000**	2008 RMB'000
Contracted, but not provided for:		
Leasehold land and buildings	**260,012**	25,196
Plant, machinery and equipment	**2,784**	6,700
	262,796	31,896

As at 31 December 2009, the Group had commitments for investments in joint venture amounting to approximately RMB350,457,000 (2008: nil). The principal activities of these joint ventures are manufacture and sell of Liquid Crystal Display ("LCD") monitors, TVs and All-in-one products.

As at 31 December 2008, the Group was committed to inject an aggregate amount of approximately RMB28,000,000 to the registered capital of an associate, Great Wall Kemei.

44. RETIREMENT BENEFITS SCHEMES

Apart from the defined benefit plan stated in note 36, the employees in the Group, which operates in the PRC are required to participate in a central pension scheme (the "CP Scheme") operated by the local municipal government. The Group are required to contribute 5% to 13% of their payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

Subsidiaries in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the subsidiary in an independently administered fund. The subsidiary's employer contributions vest fully with the employees when contributed into the MPF Scheme.

At 31 December 2009, the Group had no amount capitalised and forfeited contributions available to reduce its contributions to the CP Scheme and MPF Scheme in future years (2008: nil).

For the year ended 31 December 2009

45. SHARE OPTION SCHEME OF A SUBSIDIARY

The Company has no share option scheme but the Company's subsidiary, TPV, has issued equity settled share-based payments to certain employees.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

			Number of share options			
Date of grant	**Exercise price**	Note	**Date of acquisition of TPV**	**Exercised during the year**	**Lapsed during the year**	**At 31 December 2009**
12 December 2008	HK$5.750	(i)	21,358,026	–	–	21,358,026
Exercisable at the end of the year						21,358,026

Note:

(i) These options are exercisable at HK$5.750 (approximately RMB5.07) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 12 December 2008 to 11 December 2012, from 12 December 2009 to 11 December 2012 and from 12 December 2010 to 11 December 2012 are 20%, 50% and 100% respectively.

For the year ended 31 December 2009

46. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2009** **RMB'000**	2008 RMB'000 (Restated)
Ultimate holding company:			
Sale of products	(i)	**135**	179
Immediate holding company:			
License fees	(ii)	**2,849**	2,604
Acquisition of subsidiaries	(ix)	**10,601**	–
Associates:			
Sale of products	(i)	**1,177,868**	313,341
Rental income	(iii)	**46,979**	33,056
Interest income	(iv)	**10,469**	778
Processing fee income	(v)	**57**	117
Purchases of components and parts	(vi)	**–**	541,222
Fellow subsidiaries:			
Sale of products	(i)	**31,898**	9,028
Rental income	(iii)	**22,052**	1,008
Purchases of components and parts	(vi)	**11,250**	–
Interest expenses	(vii)	**2,430**	126
Subsidiaries' substantial shareholders and their subsidiaries:			
Sales of finished goods	(viii)	**1,939,817**	–
Purchases of raw materials	(viii)	**2,931,026**	–

Notes:

(i) The sales to the ultimate holding company, associates and the fellow subsidiaries were made according to the published prices and conditions offered to major customers of the Group.

(ii) The license fees paid to the immediate holding company was based on a rate of 0.15% of the revenue from the products under the "Great Wall" brand.

For the year ended 31 December 2009

46. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes: (Continued)

(iii) The rental income from the property leased to associates and fellow subsidiaries was made according to the market rate offered to third parties.

(iv) The interest income from associates was based on an interest rate of 5.05% per annum for both years.

(v) Processing fee from associates was made on terms mutually agreed between both parties.

(vi) The purchases from associates and fellow subsidiaries were made according to published prices and conditions offered by associates and fellow subsidiaries to their major customers.

(vii) The interest expense to a fellow subsidiary was based on an interest rate of 5.35% (2008: 6.39%) per annum for as at 31 December 2009.

(viii) The transactions were conducted in the normal course of business at prices and terms as agreed between the transacting parties.

(ix) The acquisition of subsidiaries from the immediate holding company was made on terms mutually agreed between both parties. The consideration was RMB10,601,000, details of which are set out in note 5.

(b) Outstanding balances with related parties:

(i) The balances with immediate holding company, fellow subsidiaries excludes the amount noted above (a)(vii), and associates are unsecured, interest free and repayable on demand.

(ii) The Group had outstanding trade receivables from associates for the year ended 31 December 2009 of approximately RMB62,538,000 (2008: nil, 2007: RMB4,651,000).

The Group had outstanding trade payables to associates for the year ended 31 December 2009 of approximately RMB36,473,000 (2008: RMB72,000, 2007: RMB13,625,000) as at the end of the reporting period.

(iii) Receivable from a TPV's associated company of approximately RMB1,157,079,000 (2008: nil, 2007: nil) was presented in the consolidated statement of financial position within trade receivables.

Receivables from TPV's substantial shareholders and their subsidiaries approximately RMB1,534,856,000 (2008: nil, 2007: nil) were presented in the consolidated statement of financial position within trade receivables.

Payables to TPV's subsidiaries' substantial shareholders and their subsidiaries of approximately RMB1,580,947,000 (2008: nil, 2007: nil) and RMB27,313,000 (2008: nil, 2007: nil) were presented in the consolidated statement of financial position within trade payables and other payables and accruals respectively.

46. RELATED PARTY TRANSACTIONS (Continued)

(c) Loan granted by a fellow subsidiary

On 3 December 2009, the Group's trade receivables with carrying amount of approximately RMB35,574,000 were pledged to secure a loan amounted to RMB25,000,000 granted by a fellow subsidiary of the Company.

(d) Facilities granted by a fellow subsidiary

On 28 September 2008, the Group's land and buildings with a net carrying value of approximately RMB43,080,000 were pledged to secure credit facilities amounted to RMB120,000,000 granted by a fellow subsidiary of the Company.

(e) Key management compensation

The remunerations of directors and other members of key management were disclosed in notes 14 and 15 respectively.

(f) The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "State-owned Enterprises"). During the two years ended 31 December 2009 and 2008, the Group had transactions with State-owned Enterprises including, but not limited to, sales and purchase of computers, electronic parts and computer-related products. The directors of the Company consider that transactions with other State-owned Enterprises are activities in the ordinary course of business, and that dealings of the Group have not been significantly controlled or owned by the PRC government. The Group has also established pricing policies for products and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions is a material related party transaction that requires separate disclosure.

For the year ended 31 December 2009

47. CONTINGENT LIABILITIES

The Group had certain outstanding litigations as recorded by TPV, the details of which are set out as follow:

(a) In February 2004, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies.

The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the design and manufacture of LCD ("Patent I"). As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) They had had infringed, actively induced and/or contributed to the infringement of Patent I by making, using, causing to be used, offering to sell, causing to be offered for sale, selling, causing to be sold, importing and/or causing to be imported LCDs and/or LCD products in the United States of America; and

(ii) As a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court grants an award of damages to it covering reasonably attorneys' fees, costs and expenses that incurred by it for pursuing this action.

The directors of the Company are of the opinion that while proceedings were stayed according to the court's Memorandum Order on 13 May 2004, it is not probable to assess the future outcome of the litigation for the time being. Even if the outcome turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

(b) In January 2007, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and certain other third party companies. The complaint claims damages related to alleged infringement of a US Patent in respect of technology to decode Program Map Information in the Digital TVs ("Patent II").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) They have directly infringed, contributed to and/or actively induced infringement of the Patent II and are continuing to directly infringe, contribute to and/or actively induce infringement by making, using, importing, offering for sale, soliciting sales by others of, enabling or assisting with sales by others of, and/or selling in the United States of America, including, without limitation, ATSC TVs under the AOC brand name, which are covered by one or more claims of the Patent II; and

47. CONTINGENT LIABILITIES (Continued)

(b) (Continued)

(ii) As a consequence of their infringement complained of herein, the plaintiff had been damaged and will continue to sustain damages by such acts in an amount to be determined at trial and will continue to suffer irreparable loss and injury.

The directors of the Company are of the opinion that while the proceedings were stayed to the extent the Group is concerned according to the Court's Stipulation and Order of 23 October 2007, it is not probable to assess the outcome of the litigation for the time being. Even if the outcome of the litigation turns out to be unfavourable, the directors of the Company consider that its future settlement may not have any material financial impact on the Group as a whole.

(c) In November 2007, the U.S. International Trade Commission instituted an investigation based on a complaint filed by a third party against the Group, one of its associated companies and other third party companies. The claims of the complaint related to alleged infringement of Patent II.

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) Their unfair acts include the unlicensed importation, sale for importation and/or sale after importation of digital televisions and products containing the same in the United States of America. The accused televisions employ patented technology related to Patent II; and

(ii) The complainant requested for issuance of limited exclusion order prohibiting the entry into the United States of America all of respondents' imported televisions and products containing digital television covered by Patent II; and cease and desist order stopping importing, offering for sale, marketing, advertising, demonstrating, warehousing, distributing, selling and/or using such imported products of respondents in the United States of America.

The directors of the Company are of the opinion that while the Enforcement Proceeding is still ongoing before the U.S. International Trade Commission on the one hand, the case is also currently pending final decision by the Court of Appeals for the Federal Circuit to the other, it is not probable to assess the outcome of the investigation for the time being. Even if the outcome turns out to be unfavourable, the directors of the Company consider that its future settlement may not have any material financial impact on the Group as a whole.

For the year ended 31 December 2009

47. CONTINGENT LIABILITIES (Continued)

(d) In December 2008, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies.

The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitor ("Patent III").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) They manufacture, assemble, service, including unlicensed monitors, and sell those products through the United States of America, and know, expect, and intend that the products, including unlicensed monitors, will be sold in the market of the United States of America.

(ii) As a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court issues an injunction, enjoining them from further infringement of said patents.

The directors of the Company are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being. Even if the outcome turns out to be unfavourable, the directors of the Company consider that its future settlement may not have any material financial impact on the Group as a whole.

(e) In January 2009, a third party company filed a complaint in Germany against the Group, one of its associated companies and other third party companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitor ("Patent IV"). As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) They had had infringed, actively induced, contributed to the infringement of Patent IV by making, using, causing to be used, offering to sell, selling, causing to be sold, importing and/or causing to be imported monitors in Germany; and

(ii) As a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court grants an award of damages to it covering reasonably attorneys' fees, costs and expenses that incurred by it for pursuing this action.

The directors of the Company are of the opinion that while the investigation is ongoing, it is not probable to assess the outcome of the investigation for the time being. Even if the outcome turns out to be unfavourable, the directors of the Company consider that its future settlement may not have any material financial impact on the Group as a whole.

47. CONTINGENT LIABILITIES (Continued)

(f) In October 2009, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and certain other third party companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of digital televisions and monitors ("Patent V").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) They manufacture, assemble, service, including unlicensed digital televisions and monitors, and sell those products through the United States of America, and know, expect, and intend that the products, including unlicensed digital televisions and monitors, will be sold in the market of the United States of America.

(ii) As a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court issues an injunction, enjoining them from further infringement of said patents.

The directors of the Company are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being. Even if the outcome turns out to be unfavourable, the directors of the Company consider that its future settlement may not have any material financial impact on the Group as a whole.

(g) In November 2009, a third party company filed a complaint in the United States of America against the Group and certain other third party companies. The complaint concerns claims of damages related to indemnification arising out of alleged infringement of certain patents in respect of technology of the manufacture of computer monitors.

As far as the Group is concerned, it is alleged among other matters that:

(i) The Group is a merchant regularly dealing in goods of the kind of accused products and has breached its warranty of title and freedom from a claim of patent in the United Stats of America.

(ii) The third party company is entitled to indemnification from the Group for any liabilities it incurs, including reasonable attorneys' fees, settlement amount or any awarded damage.

The directors of the Company are of the opinion that while the complaint is not served yet, it is not probable to assess the outcome of the case for the time being. Even if the outcome turns out to be unfavourable, the directors of the Company consider that its future settlement may not have any material financial impact on the Group as a whole.

For the year ended 31 December 2009

48. EVENTS AFTER THE REPORTING PERIOD

(i) Deemed disposal of interest in a subsidiary, TPV

On 28 January 2010, TPV and Mitsui & Co., Ltd ("Mitsui") entered into a subscription agreement ("Subscription Agreement") pursuant to which TPV had agreed to allot and issue, and Mitsui had agreed to subscribe for, an aggregate of 234,583,614 subscription shares at the subscription price of HK$5.20. The Group held 27.02% of equity interest of TPV before the Subscription Agreement. Upon the completion of the transaction between TPV and Mitsui, the equity interest of the Group in TPV was diluted from approximately 27.02% to 24.32%. The Subscription Agreement constituted a deemed disposal of interest in TPV in the year of 2010. Details are set out in the Company's announcement dated 3 February 2010.

(ii) Subscription of new shares in CGC, one of the subsidiaries of the Group

On 16 July 2009, the Company, Shenzhen Kaifa Technology Co., Ltd ("S. Kaifa"), one of the subsidiaries of the Group, and CGC entered into subscription agreement to subscribe for up to 110,742,000 new shares of CGC, of which the Company may subscribe for up to 110,742,000 new shares and S. Kaifa may subscribe for up to 17,718,000 new shares at the subscription price of RMB9.03 per share. The Group's effective shareholding in CGC will be increased from 47.82% to up to 56.56%, depending on the allocation of new shares to be subscribed for by the Company and S. Kaifa. Details are set out in the Company's announcement dated 17 July 2009.

The subscription agreement is still subject to the approval from shareholders up to date of this report.

(iii) With reference to the announcement of the Company dated 28 December 2009, the Company and CGC, a subsidiary of the Company, each entered into a share transfer agreement with China Software to transfer to China Software their respective 34.90% and 34.51% equity interest in Great Wall Software Group at consideration of RMB46,501,000 and RMB45,970,500 respectively on 28 December 2009. Details are disclosed as note 30.

The disposal has been completed on 21 April 2010. Details of the completion of the disposal are set out in the Company's announcement dated 21 April 2010.

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2009 RMB'000	31/12/2008 RMB'000
Non-current assets		
Property, plant and equipment	**63,732**	70,009
Investment properties	**357,630**	327,270
Prepaid land lease payments	**3,995**	3,995
Investment in subsidiaries	**1,450,067**	1,468,842
Interests in associates	**87,218**	87,218
Available-for-sale investments	**2,500**	2,500
	1,965,142	1,959,834
Current assets		
Prepayments, deposits and other receivables	**40,300**	293,478
Bank balances and cash	**617,119**	345,356
	657,419	638,834
Current liabilities		
Trade and bills payables	**561**	19
Other payables and accruals	**20,181**	7,318
Tax payable	**782**	41,244
	21,524	48,581
Net current assets	**635,895**	590,253
Total assets less current liabilities	**2,601,037**	2,550,087
Capital and Reserves		
Share capital	**1,197,742**	1,197,742
Reserves (note)	**1,357,847**	1,311,373
Total equity	**2,555,589**	2,509,115
Non-current liabilities		
Financial guarantee contracts	**3,637**	5,840
Deferred tax liabilities	**41,811**	35,132
	45,448	40,972
	2,601,037	2,550,087

For the year ended 31 December 2009

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: Reserves of the Company

	Share premium RMB'000	Retained profits RMB'000	Statutory reserve RMB'000	Total RMB'000
At 1 January 2008	996,660	94,854	–	1,091,514
Profit for the year	–	219,859	–	219,859
Transfer	–	3,734	(3,734)	–
At 31 December 2008 and 1 January 2009	996,660	318,447	(3,734)	1,311,373
Profit for the year	–	112,350	–	112,350
Transfer	–	(44,875)	44,875	–
Dividend paid	–	(65,876)	–	(65,876)
At 31 December 2009	**996,660**	**320,046**	**41,141**	**1,357,847**

50. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
			2009		2008		
			Direct	**Indirect**	Direct	Indirect	
CGC (note 1)	The PRC	RMB550,189,800	**47.82%**	**–**	47.82%	–	Manufacture and trading of personal computer ("PC") and PC peripheral products
ExcelStor Great Wall Technology Limited	Cayman Islands	US$25,000,000	**61.68%**	**–**	61.68%	–	Trading HDD
ExcelStor Technology (Shenzhen) Limited (note 2)	The PRC	US$26,600,000	**61.68%**	**–**	61.68%	–	Manufacture of HDD
Great Wall Computer Software and System Incorporation Limited (note 2)	The PRC	RMB167,174,000	**34.9%**	**34.51%**	34.9%	34.51%	Development of computer software

50. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
			2009		2008		
			Direct	**Indirect**	Direct	Indirect	
Kaifa Technology (H.K.) Limited	Hong Kong	US$500,000	**–**	**100%**	–	100%	Trading of HDD and HDD substrates
Shenzhen Kaifa Magnetic Recording Joint-stock Co., Ltd. (note 2)	The PRC	RMB251,363,000	**43%**	**57%**	43%	57%	Production and development of HDD substrates
S. Kaifa (note 1)	The PRC	RMB879,518,521	**49.64%**	**–**	49.64%	–	Production of HDD heads and related electronic products
TPV (note 3, 4)	Bermuda	US$21,112,525	**–**	**12.92%**	–	–	Designs, manufacture and selling computer monitors and flat TV products
Top Victory International Limited (note 3)	British Virgin Islands	US$1,000	**–**	**12.92%**	–	–	Investment holding
Top Victory Investments Limited (note 3)	Hong Kong	HK$11,000 divided into 1,000 voting class "A" ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each	**–**	**12.92%**	–	–	Trading of computer monitors and flat TVs and sourcing of materials

For the year ended 31 December 2009

50. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
			2009		2008		
			Direct	**Indirect**	Direct	Indirect	
Top Victory Electronics (Fujian) Company Limited (note 2, 3)	The PRC	US$40,000,000	**–**	**12.92%**	–	–	Production and sales of computer monitors
AOC do Brasil Monitores Ltda. (note 3)	Brazil	Brazilian real $12,054,599	**–**	**12.86%**	–	–	Sales and distribution of computer monitors and flat TVs
AOC International (Europe) GmbH (note 3)	Germany	Euro230,081	**–**	**12.92%**	–	–	Sales and distribution of computer monitors and flat TVs
Top Victory Electronics (Taiwan) Company Limited (note 3)	Taiwan	NT$920,000,000	**–**	**12.92%**	–	–	Research and development of computer monitors and flat TVs and sourcing of certain components
TPV Electronics (Fujian) Company Limited (note 2, 3)	The PRC	US$45,000,000	**–**	**12.92%**	–	–	Production and sales of computer monitors and flat TVs
TPV Electronics (Fuzhou Bonded Zone) Trading Company Limited (note 2, 3)	The PRC	US$3,000,000	**–**	**12.92%**	–	–	Trading computer monitors and flat TVs
TPV Technology (Wuhan) Company Limited (note 2, 3)	The PRC	US$16,880,000	**–**	**12.92%**	–	–	Production and sales computer monitors

50. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	**Place of incorporation/ registration and operations**	**Nominal value of issued ordinary/ registered share capital**	**Percentage of equity attributable to the Company**				**Principal activities**
			2009		2008		
			Direct	**Indirect**	Direct	Indirect	
TPV Display Technology (Wuhan) Company Limited (note 2, 3)	The PRC	US$12,000,000	**–**	**12.92%**	–	–	Production and sales computer monitors
Wuhan Admiral Technology Limited (note 2, 3)	The PRC	RMB80,000,000	**–**	**8.61%**	–	–	Trading computer monitors and flat TVs
TPV International (USA), Inc. (note 3)	United State of America	US$1,000,000	**–**	**12.92%**	–	–	Sales and distribution of computer monitors and flat TVs
TPV International (Netherlands) B.V. (note 3)	The Netherlands	Euro500,000	**–**	**12.92%**	–	–	Provision of after-sales services
Envision Industira de Productos Electronicos Ltda (note 3)	Brazil	Brazilian real $50,000,000	**–**	**12.89%**	–	–	Provision and sales of computer monitors and flat TVs
TPV Technology (Beijing) Company Limited (note 2, 3)	The PRC	RMB280,600,000	**–**	**12.92%**	–	–	Production and sales of computer monitors and flat TVs
TPV Technology (Suzhou) Company Limited (note 2, 3)	The PRC	US$48,000,000	**–**	**12.92%**	–	–	Production and sales of computer monitors and flat TVs

For the year ended 31 December 2009

50. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
			2009		2008		
			Direct	**Indirect**	Direct	Indirect	
TPV Technology Polska SP.z.o.o. (note 3)	Poland	PLN1,500,000	**–**	**12.92%**	–	–	Production and sales of computer monitors and flat TVs
TPV Display Polska SP.z.o.o (note 3)	Poland	PLN126,800,000	**–**	**12.92%**	–	–	Production and sales of computer monitors and flat TVs
P-Harmony Monitors (Taiwan) Limited (note 3)	Taiwan	NT$1,000,000	**–**	**12.92%**	–	–	Trading of computer monitors
P-Harmony Monitors Netherlands B.V. (note 3)	The Netherlands	Euro30,000	**–**	**12.92%**	–	–	Trading of computer monitors
MMD-Monitors & Displays Nederlands B.V. (note 3)	The Netherlands	Euro18,000	**–**	**12.92%**	–	–	Sales and distribution of computer monitors and flat TVs
MMD (Shanghai) Electronics Trading Co., Ltd (note 3)	The PRC	RMB6,150,060	**–**	**12.92%**	–	–	Sales and distribution of computer monitors and flat TVs

50. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Notes:

1. Subsidiaries with their A shares listed on the Shenzhen Stock Exchange in the PRC.

2. Companies incorporated as private limited companies in the PRC.

3. On 13 October 2009, the Group has the effective control over the majority of the board of directors of the subsidiaries. Details are set out in note 41.

4. Subsidiaries with shares listed on the Hong Kong Stock Exchange.

5. The Group held 49.64% (2008: 49.64%) equity interests in S. Kaifa, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in S. Kaifa represents 436,592,994 A shares which have been tradable in the stock market. The market value of these tradable shares as at 31 December 2009 is approximately RMB5,627,684,000.

6. The Group held 47.82% (2008: 47.82%) equity interests in CGC, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in CGC represents 263,100,762 A shares which have been tradable in the stock market. The market value of these tradable shares as at 31 December 2009 is approximately RMB4,235,922,000.

7. The Group held 12.92% equity interests in TPV, a company listed on the Stock Exchange of Hong Kong. The Company's equity interests in TPV represents 272,773,823 shares which have been tradable in the stock market. The market value of these tradable shares as at 31 December 2009 is approximately HK$1,303,859,000.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantive portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the both years.

51. COMPARATIVE FIGURES

As set out in note 5, the Company has applied merger accounting to account for the acquisitions of the subsidiary, Great Wall Hong Kong on 29 June 2009 under common control. In applying merger accounting, financial statement items of the combining entities for the reporting period in which the common control combination occurs, and for the comparative period disclosed, are included in the consolidated financial statements of the Group as if the combination had occurred from the date when the combining entities first came under the control of the Group.

Particulars of major investment properties at 31 December 2009

Investment properties held for investment	Address	Existing use	Hold term
No.1 building of the Company	NO.2&3 Keyuan Road, Technology & industry park, Nanshan District, Shenzhen, China	Factory	Medium term lease
No.2 building of the Company	NO.2&3 Keyuan Road, Technology & industry park, Nanshan District, Shenzhen, China	Office	Medium term lease
No.3 building of the Company	NO.2&3 Keyuan Road, Technology & industry park, Nanshan District, Shenzhen, China	Office	Medium term lease
1-7,9-11,16,26-29 Floors of Great Wall Building	NO.66 East Zhongguancun Road, Haidian District, Beijing, China	Office	Medium term lease

GWT

長城科技股份有限公司

Great Wall Technology Company Limited

Stock Code 股份代號：0074

2009 ANNUAL REPORT 年報