GWT

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

Stock Code 股份代號：0074

2010 年報
ANNUAL REPORT

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
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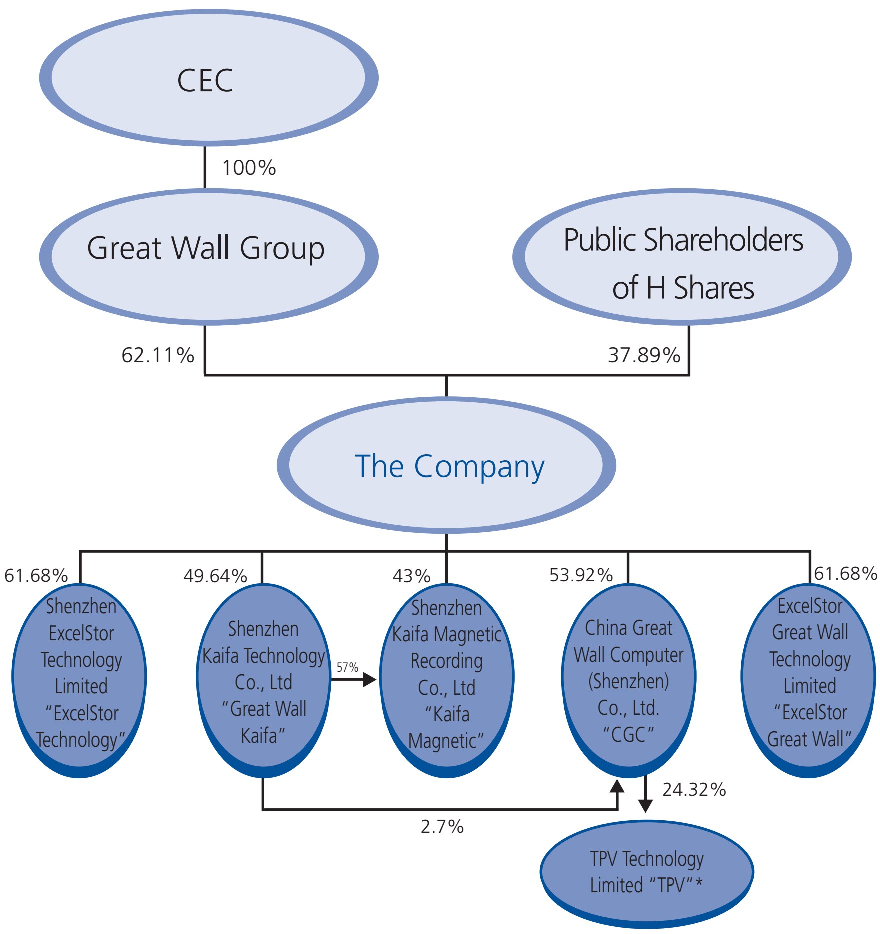
Postal Code	:	518057
Executive Directors	:	Liu Liehong (Chairman) Lu Ming Tam Man Chi Yang Jun Su Duan Du Heping
Independent Non-executive Directors	:	Chen Zhiya Yao Xiaocong James Kong Tin Wong
Supervisors	:	Lang Jia Kong Xueping Song Jianhua
Company Legal Representative	:	Liu Liehong
Company Secretary	:	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 development, manufacture, sale and research and development of personal computer ("PC") and information terminal products, storage products, power supply products, monitoring terminal, LCD TV products and EMS business.

GROUP STRUCTURE



* TPV is a subsidiary of the Company.

Chairman's Statement

Dear Shareholders,

Under the sophisticated condition of foreign trading in local and overseas markets in 2010, the Company devoted itself to improving R&D on products, highlighting market expansion, accelerating adjustment for product structure, strengthening capital operation, deepening external cooperation, reinforcing internal management and enhancing streamlined management level, accomplishing remarkable achievements in our operation and making historic breakthroughs for the operating results of the Company, which significantly enhanced the brand image, influence and competitiveness of the Company within the industry.

During the reporting period, the momentum of the growth in revenues from principal operations maintained relatively high and the product structure became more diversified. The operating profit has further increased and the growth in operating profit was higher than that in income. Monitor business maintained its largest proportion in terms of market presence in the world, the Company has developed to be one of the top three manufacturers for LCD TV, and computer power supply business maintained its top position within the industry nationwide. The Company and three other member enterprises were ranked on the Top 100 IT Companies in China. "Great Wall" was again named "China Top-Ten Leading Brands of Consumer Electronic Products", which signifying that we have attainted certain achievements in aspects including science and technology innovation, channel building, overseas market expansion. 2011 is the first year to implement the "Twelve Five-Year Plan" and an important year for the Company to achieve its transformation goal. 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 of Directors of the Company ("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, business partners and customers for their trust and support.

By order of the Board
Liu Liehong
Chairman

Shenzhen, China
30 March 2011

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

Results

	Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
TURNOVER	**104,931,670**	37,085,314	22,528,185	23,682,455	19,919,261
Cost of sales	**(99,764,943)**	(35,151,169)	(21,482,358)	(22,357,157)	(18,540,402)
Gross profit	**5,166,727**	1,934,145	1,045,827	1,325,298	1,378,859
Other income and gains	**600,365**	402,259	390,004	297,107	226,907
Net realised and unrealised gain on foreign exchange forward contracts	**243,426**	106,853	–	–	–
Gain on deemed partial disposal and partial disposal of interests in an associate	**304,174**	–	–	–	–
Net gain on disposal of an associate and the loan to an associate	**236,904**	–	–	–	–
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	**(2,109,650)**	(732,094)	(265,092)	(290,243)	(309,942)
Administrative expenses	**(1,490,687)**	(726,264)	(518,501)	(776,893)	(650,493)
Research and development expenses	**(801,078)**	(276,524)	(40,582)	–	–
Finance costs	**(172,648)**	(64,968)	(74,864)	(54,451)	(23,283)
Share of results of jointly controlled entities	**(10,925)**	–	–	–	–
Loss on share reforms of subsidiaries	**–**	–	–	–	(426,636)
Share of results of associates	**126,224**	42,154	(66,712)	(11,584)	(35,943)
PROFIT BEFORE TAX	**2,092,832**	1,156,975	631,395	1,062,040	159,469
Income tax expense	**(353,107)**	(150,093)	(7,579)	(221,437)	7,820
PROFIT FOR THE YEAR	**1,739,725**	1,006,882	623,816	840,603	167,289
Attributable to:					
Equity holders of the Company	**648,989**	397,605	359,984	308,768	(122,196)
Minority interests	**1,090,736**	609,277	263,832	531,835	289,485
	1,739,725	1,006,882	623,816	840,603	167,289
DIVIDENDS					
Proposed final	**179,661**	143,729	65,876	–	–
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Basic					
– For (loss)/profit for the year	**54.18 cents**	33.20 cents	30.06 cents	RMB25.78 cents	RMB(10.2) cents

Assets, Liabilities and Minority Interests

	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	**42,278,292**	36,415,499	10,335,759	11,806,882	10,216,515
Total Liabilities	**26,401,667**	22,625,336	3,885,412	5,011,439	3,700,789
Minority Interests	**11,164,962**	9,348,292	2,614,910	3,088,630	2,955,910

OPERATION REVIEW FOR 2010

Under the sophisticated and unpredictable "Post Financial Crisis Era" in 2010, the Company, under the leadership of the Board, seriously implemented the Scientific Development Concept by focusing on the core development idea of "adjusting the structure, improving level, enhancing management and hastening development", emphasizing on its principal operations and accelerating restructuring and industry upgrade to further improve operation efficiency and level of management. With capital operation and structure adjustment, principal operations were further emphasized and the Company achieved a historic breakthrough in operating results, making a new step for the development of the Company. Sales Revenue for the year amounted to RMB104.9 billion, representing a comparative growth of 184%. Gross profit amounted to RMB5.167 billion, representing a comparative growth of 167%. The audited profit after taxation attributable to shareholders amounted to RMB0.649 billion, representing a comparative growth of 63.22%. The above results mostly met with various operating targets set by the Board.

A. Leveraging adjustment of capital market to consolidate resources structure and enhance our competence

In 2010, the Company, under the leadership of the Board, committed itself to "enhancing the core competitiveness and profitability of listed company" by focusing on "forging clear business segments and industry chain to concentrate premium resources in business segments". Through offers, additional private issue, promoting listing, signing financial services agreements, proposed acquisitions, etc., the Company consolidated numerous resources, adjusted business segments and optimized allocation of resources. It reinforced competitive strength and growing potential of principal businesses by highlighting the following aspects:

The first is to facilitate the Group in the completion of the general offer made to TPV. Led by the Group, the Company completed the general offer acquisition of TPV at a reasonable consideration in 2010. The Company, with coordination among parties and despite tight schedule and other negative factors such as differences between standards at home and abroad, finalized the consolidation of the financial statement of TPV through rounds of negotiation, and completed the preparation of financial final accounts for 2009 as scheduled.

The second is to complete the first tranche facilities of CGC. Raising facilities through private issue of CGC was completed in November 2010. Through this private issue, CGC issued a total of 223,214,286 shares to the Company and Great Wall Kaifa, consisting of 187,500,001 and 35,714,285 shares subscribed in cash, respectively. The issue raised a gross proceeds of approximately RMB 1 billion. Upon completion, the total share capital of CGC was 1,323,593,886 shares. The Company held, directly or indirectly, an aggregate of 749,362,206 shares in CGC, representing 56.62% of its total share capital.

This tranche of facilities efficiently lowered the gear ratios of CGC and China Great Wall Computer (H.K.) Holding Limited (中國長城計算機（香港）控股有限公司) ("Great Wall (HK)") and improved the cashflow while injecting "blood" for the future development of the corporate and finally established a solid foundation. It also offered better direct return on investments made by the Company and Great Wall Kaifa.

The third is to assist O-Net Communications (Group) Ltd. ("O-Net Communications") in listing. On 29 April 2010, O-Net Communications was listed on the Hong Kong Stock Exchange, which is an associate of Great Wall Kaifa as to 46% equity interest held through its wholly-owned subsidiary Kaifa Technology (HK) Limited ("Kaifa HK"). Great Wall Kaifa indirectly held 267 million shares in O-Net Communications through Kaifa HK. The relevant market capitalization was over HK$ 1 billion, which wrote off the provision of bad debts while providing earnings on equity.

The fourth is to dispose of Great Wall Broadband Network Service Co., Ltd ("Great Wall Broadband"). In line with segments consolidating strategy, and due to less profit contributions by Great Wall Broadband recent three years and its limited synergies to the principal businesses of the Company, the Company, led by the Board, transferred its equity interest in Great Wall Broadband through the public listing in April 2010. This transfer is to focus resources on principal businesses and recover debts. In September 2010, borrowings and the amount of share transfer of RMB 324 million were recovered and the guarantee on the bank loans of RMB 550 million was released, diminishing its exposure to uncertainties in future.

The fifth is to strengthen close relationship with investors by signing financial services cooperation agreement with CEC Finance Co., Ltd. ("CEC Finance"). Capital is known to be the "blood" of an enterprise. A comprehensive financial services agreement entered into between the Company and CEC Finance was approved at the meeting of shareholders of the Company on 12 March 2010, marking a breakthrough in "facilities platform" and paving roads for future capital operation.

The sixth is to acquire Great Wall ExcelStor Information Product (Shenzhen) Limited ("Great Wall ExcelStor") by CGC. In August 2010, CGC kicked off the acquisition of 100% equity interest in Great Wall ExcelStor for a total consideration of US$ 24 million in order to expand its business. The proposal was approved by the board of CGC and general meeting of CGC on 8 December and 29 December 2010, respectively. The acquisition is expected to be completed in the first half of 2011, and cluster internal new energy resources and diversifying products of the Company.

The seventh is to transfer Great Wall Computer Software and Systems Incorporation Limited ("GWCSS"). In order to resolve horizontal competition between China National Software and Service Co., Ltd. ("CSS") and GWCSS within CEC, the Company agreed to transfer GWCSS to CSS. On 12 March 2010, the shareholders of the Company approved the share transfer agreement entered into by the Company, CGC and CSS on 28 December 2009 to transfer 34.9% and 34.51% equity interest it held in GWCSS for considerations of RMB46,501,600 and RMB45,970,500, respectively. This assets reorganization optimized resources and emphasized principal businesses.

Thanks to tireless efforts exerted by the management and all the staff of the Company and its members, satisfactory results were achieved in 2010. At the ceremony of "Shenzhen Press Index" Summit Forum and the First "Shenzhen Press Index" Blue Chips held in May 2010, CGC was awarded "Listed Companies with the Most Influence (最具經濟影響力上市公司)", "Blue Chips (績優上市公司)" and "The Most Competitive Listed Company (最具競爭力上市公司)", while Great Wall Kaifa was granted "Listed Company with the Best Investor Relationship (最佳投資者關係上市公司)" by Shenzhen Press Index. In June 2010, CGC ranked the second among "Top 500 of the World Most Growth Chinese Businessman Listed Companies" in 2010 as released by the World Outstanding Chinese Businessman Association. Also, CGC was listed in "Golden Bull 100 Chinese Listed Companies in 2009" by China Securities Journal in July 2010.

B. Implementing target management to promote major constructions of key proposals

In 2010, we implemented "target management" as required by the board. The key commissions were set for 2010, each being specifically designated, reported and reviewed regularly, so as to ensure smooth progress on key proposals:

The first is to build "KFES" project in Xiamen. It was in line with "two transformations" strategy formulated by the Board that our members should deploy resources in upper stream sector and explore high-end technologies. The Company, leveraging its advantages in industry chain, and in light of the Group's demands for LED backlight products and the potential of global LED lighting industry, had a joint venture "KFES Lighting Company Limited (開發晶照明公司)" established in Xiamen by Great Wall Kaifa and TPV in conjunction with Epistar and Evertop, both world top LED chips manufacturers, with a total investment of US$290,000,000. On 27 December 2010, an agreement was duly signed between the above parties. The joint venture will avail itself of the R&D and manufacturing of extension chips and crystal parts to extend to LED encapsulation and lighting application, aiming for billions of US dollars of LED industry chain.

The second is to make smooth progress on "Great Wall Kaifa (Suzhou) Phase II Project". At present, two plants were completed and put into production. We adopted the U.S. LEED Green Building Standards for the project on its design to construction and strictly followed the standards to design and construct while highlighting the saving on energy, lands, water and materials and environmental protection and placing emphasis on the harmony between building, human and environment by utilizing ground space for car parking, chilled water pool, fire pool and waste water cycling, etc., in order to set a sound foundation for the overall energy saving and drainage reduction works of the Company under the "Twelve Five-Year Plan".

The third is to preliminarily finish the demonstration on building for "CGC R&D Complex Project". The CGC R&D Complex Project was initiated in May 2010, and an internal review on feasibility report and assessment on communications impact was finished recently. The proposal was considered and approved by the board of CGC on 8 December 2010, pending the government's approval.

The fourth is to facilitate the smooth progress of "streamlining corporate structure and optimizing resources deployment". With the aim to optimize resources deployment and corporate structure, the Company completed the transfer and shutdown of five subsidiaries in 2010. Accordingly, resources deployment was optimized and asset efficiency was improved.

The fifth is to proceed with fruitful industry transfer in Beihai and Guilin by stages. Beihai industry transfer kept well going by assisting Shenzhen in resolving the issue of ever-rising production and living costs. On 18 December 2010, Yongfu office of Guilin Changhai Technology (桂林長海科技永福分公司) was set up and commenced production, this record-breaking pace in establishing a business in Guilin was favorably noticed by the local government.

The sixth is to make fresh progress in technological innovation and strengthen technology support by "double drivers". In 2010, members of the Company made applications for a total of 57 patents, consisting of 20 inventions, 10 utility models, 7 designs. There were 53 newly granted patents, consisting of 3 inventions, 20 utility models, 7 designs and 11 software copyrights. Great Wall Kaifa was awarded the "2009 Shenzhen Intelligent Property Dominating Enterprise (2009年深圳市智慧財產權優勢企業)" by Market Supervision Administration of Shenzhen Municipality (深圳市市場監督管理局) in August 2010, recognizing its outstanding performance in intelligent property protection and proprietary innovation.

C. Advancing systems construction to enhance refined management

The first is to further improve construction of legal systems of the Company. In 2010, the Company, by focusing on operations and giving priority to the construction and upgrade of legal risk prevention system, endeavored to sort out and improve existing rules and regulations through the promulgation of 80 systems and 63 processes, which won us "Advanced Unit for Legal System Works (法制工作先進單位)" awarded by the competent authority.

The second is to promote full-scale budget management to exert strict control over cost. With intensified efforts in budget analysis, implementation and control, we strived for "forecast in advance, control in progress and post-event supervision", thus made it possible for "profit-oriented, market-based and business unit-carried" to ensure smooth preparation of budget. In 2010, in view of refined management and target management, the Company cut down its costs (as per the consolidated financial statements) by 2% despite an increase of 40% in profit (excluding that of TPV).

The third is to make new breakthroughs in informationalization. Being high-tech manufacturers, significant efforts were under way by the Company and its members by pouring human and material resources in network infrastructure, IT hardware equipments and even application systems. Our informationalization level was rated as A.

The fourth is to keep production safety and push on energy saving and drainage reduction works. In 2010, the Company continued to stress the production safety and accountability system, set up and perfected production safety inspection mechanism, hence rendering the situation of production safety to develop stably. As a result, "slight injuries accidents" decreased sharply as compared to last year. Each member of the Company had introduced, digested and absorbed new concepts, techniques and technologies of energy saving and drainage reduction works. They took a mass of effective measures and achieved overall targets of energy saving and drainage reduction works set by the Board under the "Eleventh-Five-Year-Plan".

The fifth is to emphasize brand building. The Company hoisted a series of large brand building campaigns and attended major exhibitions to enhance its brand value. On 8 January 2010, it was the fourth time that CGC's brand received the "Top 10 Chinese Consumer Electronics Brands (中國十大消費電子領先品牌)" award. On 8 December, CGC was titled the "CCTV China Brand of the Year 2010 (2010 • CCTV中國年度品牌)". Great Wall Kaifa set its brand building goal as "fostering corporate image, gathering staff loyalty, forging EMS's advanced corporate brand".

The sixth is to carry out system reform to develop talents team. According to the requirements of the Board, the Company continued to develop talents team and reserve cadre team. Cadre actively participated in various special trainings led by heads of each level to improve their political quality and management standards. Such healthy corporate culture and staff relationship won for CGC a second award as "The Best Employer in China" at the fifth EB Annual Conference in China.

The seventh is to build "punishment with prevention system" to improve the party's work style and uphold integrity as well as discipline inspection and supervision work. The Company rendered each level to sign "responsibility letter for improving the party's work style and upholding integrity". Through implementing discipline management at "key posts" and "major units" in the infrastructures, biding, sourcing and sales, the Company met its goal of improving incorrupt administration. With all of these, we mostly accomplished the goal of surveillance work, i.e. selecting a project, inspecting a kind of issues and improving a set of systems. In 2010, the Company also held a "small treasuries" special work and ensured healthy development.

OUTLOOK

The year of 2011 is full of new challenges. We will continue to uphold the guideline of "innovative CEC, scientific Great Wall", and endeavored as 2010 with past experiences to develop further and stronger. In 2011, we will implement the industry development strategy of "six-transforming and one-leading" as follows:

The first is to propel **high-end development**. We will closely see to the trend of new model display technologies such as TFT, PDP, OLED, etc., strive to make a breakthrough in core technologies, and build high-end display industry chain, thus constantly solidifying and boosting our leading role in global display business.

The second is to attend to **emerging sectors**. By virtue of the opportunities arising from the state's promoting strategic emerging sectors, including The Internet of Things, low carbonate economy and energy saving and environmental protection, we will accelerate the pace towards and expand mobile internet, The Internet of Things, new energy and energy saving and environmental protection for further development.

The third is to focus on **differentiation**. We will keep abreast with advances of next generation computer technology, and speed up the development of self-design and industrialization of proprietary computers and key accessories.

The fourth is to expedite **diversification**. We will strengthen server power supply, new consumer electronic power supply, LED switching power supply, inverter power supply and industrial power supply, etc., and focus on advances of energy-saving environmental and highly efficient power supply.

The fifth is to emphasize **scale of economy**. The Company will maintain the leading position of storage business by growing strong and further, and tap into the market while seeing to the trend of updated storage technology when the opportunity arises.

The sixth is to speed up **systematization**. We will promote abilities of providing complete solutions and develop intelligent computing business in response to the demand of future informationalization and intellectualization.

The seventh is to adopt the strategy of **leading technology**. We will center on in-house research and development, and take constant technology innovation as the driver and source for improving our core competitiveness, which will in turn provide technical support to the above six transformations and promote, by means of innovation, optimization and upgrade of products structure and changes in growing mode.

Looking forward to 2011, we will cultivate a sense of minding potential perils, shouldering responsibility, furthering development and innovation. By centering on scientific development, giving priority to rapid changes in developing mode and focusing on structural adjustment, we will enhance a sense of mission, responsibility and urgency towards high-end development through innovating operation and deepening reforms, lose no time in overcoming difficulties and breaking bottlenecks, and accelerating the healthier and faster growth of the Company.

FINANCIAL REVIEW

During the year ended 31 December 2010, the Group realized a turnover of RMB104,931,670,000 representing an increase of 182.95% as compared to the corresponding period of last year. The increase in turnover were mainly attributable to the consolidation of TPV's turnover for the year into the Group in 2010 as compared to the consolidation of TPV's turnover for the fourth quarter only in last year, and a substantial increase in the turnover of Great Wall Kaifa. Profit after tax attributable to the equity holders of the Company amounted to RMB648,989,000 representing an increase of 63.22% as compared to the corresponding period of last year. The increase in profit after taxation for the year attributable to the equity holders of the Company were mainly attributable to the consolidation of TPV's statements into the Group and the increase in gain on transfer of equity interest in associated companies.

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 2010, the Group's total cash and bank balances were RMB2,757,805,000 and the Group's total borrowings were RMB4,267,261,000. The structure of such borrowings was as follows:

(1) 8.20% and 91.80% were denominated in Renminbi and US dollar respectively;

(2) 90.82% was made on fixed interest rates.

Segment Information

Detailed segment information in respect of the Group's turnover and contribution to profit from operations for the year ended 31 December 2010 as well as other information by business segment and geographical segment is shown in note 11 to the consolidated financial statements.

Gearing Ratio

As at 31 December 2010, the Group's total borrowings and shareholder's equity were RMB4,267,261,000 and RMB4,711,663,000 respectively, as compared to RMB3,243,368,000 and RMB4,441,871,000 respectively as at 31 December 2009.

As at 31 December 2010, the gearing ratio was 90.57%, and the gearing ratio as at 31 December 2009 was 73.02%. The gearing ratio was defined as the ratio between total borrowings and shareholder's equity. The growth in gearing ratio was mainly attributable to the growth in TPV's gearing ratio.

Current Ratio and Working Capital

As at 31 December 2010, the Group's current assets and current liabilities amounted to RMB33,597,824,000 (31 December 2009: RMB28,604,935,000) and RMB25,778,112,000 (31 December 2009: RMB22,059,540,000) respectively, and the Group's working capital was RMB7,819,712,000 (31 December 2009: RMB6,545,395,000) while the current ratio was 1.30. (31 December 2009: 1.30).

Charges on Group Assets

As at 31 December 2010, certain of the Group's term deposit with a carrying value of approximately RMB390,978,000 (31 December 2009: RMB339,900,000) were pledged to banks to secure general banking facilities and performance bond for the Group.

BUSINESS RISKS AND RISK MANAGEMENT POLICIES

Foreign Exchange Rate Risk:

Renminbi will continue its appreciation for some time from now on and the fluctuation in the exchange rate of RMB has a larger effect on exports, which account for a major proportion of the Group business and thus impose enormous pressure on the Group in terms of appreciation of RMB.

The Group maintains a sound and healthy financial condition by adopting forward currency settlement measures to reduce exchange loss and by negotiating with customers to determine selling prices in RMB. The Group will also retain certain foreign currency position and settle balances with suppliers in US dollars.

Guarantee for independent third party

As at 31 December 2010, the Group provided guarantees of approximately RMB54,051,000 to third parties in respect of bank facilities granted to third parties.

As at 31 December 2010, certain of the Groups leasehold land and buildings with a carrying value of approximately RMB158,945,000 were pledged to secure bank loans from a fellow subsidiary of the Company.

Guarantee for associated companies

As at 31 December 2010, the Group provided a guarantee of approximately RMB19,868,000 (2009: RMB570,385,000) in respect of bank facilities granted to associated companies.

Loans to associated companies

As at 31 December 2010, loans to associated companies of approximately RMB76,326,000 (2009: RMB378,858,000) are unsecured, non-interest bearing (2009: 5.05%-7.02%) and is repayable after twelve months from the balance sheet date.

ACQUISITIONS/DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 28 December 2009, the Company and CGC each entered into a share transfer agreement with CSS to transfer to CSS 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 Group ceased to hold any shares in GWCSS upon completion of the disposal. A gain of approximately RMB7,440,000 was recorded from the disposal.

On 11 August 2010, the Company, CGC and Great Wall Kaifa, as vendors, entered into a equity transfer agreement with CITIC Network Co., Ltd. pursuant to which (i) the Company, CGC and Great Wall Kaifa agreed to sell in aggregate 50% of the capital of Great Wall Broadband, an associated company of the Company; and (ii) the Company and Great Wall Kaifa together agreed to dispose of the entire amount of loan owed by Great Wall Broadband to them to CITIC Network Co., Ltd. at an aggregate consideration of RMB323,797,891.41. Upon completion of the disposal in August 2010, the Group ceased to have any interest in Great Wall Broadband.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the development, manufacture, sale and research and development of personal computers ("PCs") and information terminal products, storage products, power supply products, monitoring terminal, LCD TV products and EMS business.

RESULTS AND APPROPRIATIONS

The results and appropriations of the Group and the Company for the year ended 31 December 2010 are set out in the consolidated income statement on page 52 of this annual report.

DIVIDEND

The Board recommends the payment of a final dividend of RMB15 cents per share for the year ended 31 December 2010 (2009: RMB12 cents per share). The proposed final dividend is subject to approval of the shareholders at the forthcoming Annual General Meeting and is payable to shareholders whose names appear on the register of members of the Company at the close of business on 16 June 2011.

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, any of its holding companies and any of their respective subsidiaries and any entity in which TPV or any of its subsidiaries holds any equity interest.

(2) Maximum number of shares

The remaining number of shares available for issue under the New Scheme is 189,583,613, representing 8.08 percent of the issued share capital of TPV as at the date of this report.

SHARE OPTION (Continued)

(3) Maximum entitlement of each participant

The board of TPV 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 of TPV on such date.

The board of TPV 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 of TPV in general meeting (with such participant and his associates abstaining from voting). In such situation, TPV will send a circular to its 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 of TPV as not exceeding 10 years from the offer date. The exercise of options may also be subject to any conditions imposed by the board of TPV at the time of offer.

(6) Basis of determining the subscription price

The subscription price will be determined by the board of TPV 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 the 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 the 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 2010, 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 2010 and options exercised and lapsed during the year were as follows:

	Date of grant	Exercise Price HK$	Exercisable Period	Number of options As at 01/01/2010	Exercised	Lapsed	As at 31/12/2010
Directors of TPV							
Mr Chan Boon Teong	12/12/2007	5.75 (Note 1)	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	5.75 (Note 1)	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	5.75 (Note 1)	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
Employees of TPV	12/12/2007	5.75 (Note 1)	12/12/2008–11/12/2012	4,071,605	0	(138,000)	3,933,605
			12/12/2009–11/12/2012	6,107,408	0	(207,000)	5,900,408
			12/12/2010–11/12/2012	10,179,013	0	(345,000)	9,834,013
				21,358,026	0	(690,000)	20,668,026

Note:

(1) These options are exercisable at HK$5.75 (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 2010, 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 2010 in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 56 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 2010 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 2010, 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 2010 was as follows:

	As at 31 December 2010 (audited) Number of shares	As at 31 December 2009 (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 2010 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 2010, 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 2010, 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 2010 are set out in notes 52 and 23 to the financial statements respectively.

EMPLOYEES

As at 31 December 2010, the number of employees of the Group was approximately 53,000. The remuneration of the employees were determined according to the industry practices, rank in and contribution to the respective company of any individual employee with reference to the remuneration and incentive system of the respective company.

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

In November 2010, CGC implemented its private issue of A shares for year 2009, under which it issued an aggregate of 223,214,286 shares to the Company and Great Wall Kaifa, such that the total share capital of CGC increased from 1,100,379,600 shares before the implementation to 1,323,593,886 shares at the end of the reporting period. The CGC shares held by the Company increased from 526,147,920 shares to 713,647,921 shares at the end of the reporting period, representing an increase of 8.8% from 47.82% to 56.62%. And, Great Wall Kaifa became a shareholder of CGC holding approximately 2.7% shares of CGC.

On 16 March 2010, TPV issued 234,583,614 new shares (the "New Shares") to Mitsui&Co., Ltd. ("Mitsui") at a price of HK$5.20 (the "Subscription Price") pursuant to the subscription agreement entered by TPV to Mitsui on 28 January 2010 (the "Subscription Agreement"). Total subscription amount was HK$1,219,834,793. The New Shares represented approximately 11.11% of the issued share capital of TPV prior to the issue. The Subscription Price represented a premium of approximately 6.56% over the closing price of HK$4.88 on 28 January 2010, being the date of the Subscription Agreement. Upon completion of the subscription of the New Shares, the Group's shareholding in TPV decreased from 27.02% to 24.32%.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any its listed securities during the year ended 31 December 2010.

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 18 June 2010 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 2010.

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 2010, 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 2010, 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	201,486 shares of CGC	0.0152%
Mr. Tam Man Chi	1,670,817 shares of Great Wall Kaifa	0.13%
Mr. Du Heping	60,000 shares of CGC	0.0045%
	6,270 shares of Great Wall Kaifa	0.0005%

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	106,799,381 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 69.08% 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 2010, 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 2010 are set out in notes 14 and 15, respectively to the financial statements.

CONNECTED TRANSACTIONS

During the year 2010, the following continuing connected transactions were carried out by the Group.

(1) Master Production Agreement

On 17 April 2009, Kaifa 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 the 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.

No transaction was made under the Master Production for the period from 1 January 2010 to 16 April 2010. The Master Production Agreement expired on 16 April 2010.

(2) 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 2010 and year ending 31 December 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.

No transaction was made under the Cooperation Agreement for the year ended 31 December 2010.

CONNECTED TRANSACTIONS (Continued)

(3) Intermediation Agreement

On 7 December 2009, CSS 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 CSS and convey to CSS 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 CSS to customers. The Intermediation Agreement became effective from the date of execution until 31 August 2010.

CSS 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.

No commission was received by GWCSS under the Intermediation Agreement for the period from 1 January 2010 to 31 August 2010.

(4) Purchase Agreements

On 21 June 2010, five purchase agreements, collectively called the Purchase Agreements, were entered into as follows:

(i) Between TPV and CGC ("TPV Agreement") whereby TPV agreed to procure the TPV Group, comprising TPV and its subsidiaries, to supply and CGC has agreed to procure the CGC Group, comprising CGC and its subsidiaries (excluding the TPV Group) to purchase LCD monitors and other products as may be agreed. The TPV Agreement became effective from the date of execution until 31 December 2012.

Both TPV and CGC are non-wholly owned subsidiaries of the Company. CEIEC HK being a substantial shareholder of TPV, is a company controlled by CEC, the ultimate controlling shareholder of the Company. TPV is therefore a connected person of the Company within the meaning of the Listing Rules. The aggregate annual caps for purchases under the TPV Purchase Agreement are US$56,000,000, US$170,000,000, and US$247,000,000 for the year ended 31 December 2010, and the years ending 31 December 2011 and 2012 respectively.

For the year ended 31 December 2010, the transactions made under the TPV Agreement amounted to US$186,814.

CONNECTED TRANSACTIONS (Continued)

(4) Purchase Agreements (Continued)

(ii) Between Guilin Changhai Technology Co., Ltd. ("Changhai Technology") and CGC ("Changhai Technology Agreement"), whereby CGC shall purchase cables from Changhai Technology at market price. The term of the Changhai Technology Agreement commenced from 1 January 2010 and expired on 31 December 2010.

Changhai Technology is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2010 is not exceeding RMB50,000,000.

For the year ended 31 December 2010, the transactions made under the Changhai Technology Agreement amounted to RMB5,909,000.

(iii) Between Shenzhen SED Baili Electric Appliance Co., Ltd. ("Shenzhen SED Baili") and CGC, whereby CGC shall purchase transformers from Shenzhen SED Baili ("Shenzhen SED Baili Agreement"). The term of the Shenzhen SED Baili Agreement commenced from 1 January 2010 and expired on 31 December 2010.

Shenzhen SED Baili is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2010 is not exceeding RMB20,000,000.

For the year ended 31 December 2010, the transactions made under the Shenzhen SED Baili Agreement amounted to RMB217,000.

(iv) Between Shenzhen Huaming Computer Co., Ltd. ("Shenzhen Huaming") and CGC, whereby CGC shall purchase semiconductors from Shenzhen Huaming ("Shenzhen Huaming Agreement"). The term of the Shenzhen Huaming Agreement commenced from 1 January 2010 and expired on 31 December 2010.

Shenzhen Huaming is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2010 is not exceeding RMB5,000,000.

For the year ended 31 December 2010, the transactions made under the Shenzhen Huaming Agreement amounted to RMB67,000.

CONNECTED TRANSACTIONS (Continued)

(4) Purchase Agreements (Continued)

(v) Between Nanjing Hualianxing Electronics Co., Ltd. ("Hualianxing") and CGC, whereby CGC shall purchase computer parts from Hualianxing ("Hualianxing Agreement"). The term of the Hualianxing Agreement commenced from 1 January 2010 and expired on 31 December 2010.

Hualianxing is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2010 is not exceeding RMB1,000,000.

For the year ended 31 December 2010, no transaction was made under the Hualianxing Agreement.

The Purchase Agreements are subject to annual caps of RMB459,000,000, RMB1,161,000,000 and RMB1,687,000,000 for the three years ended on 31 December 2010, 2011 and 2012 respectively. The Purchase Agreements are subject to reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the Purchase Agreements and the transactions contemplated thereunder was obtained at the extraordinary general meeting of the Company held on 30 August 2010.

For the year ended 31 December 2010, the transactions made under the Purchase Agreements amounted to RMB7,458,000.

(5) Sale Agreements

On 21 June 2010, four sale agreements, collectively called the Sale Agreements, were entered into as follows:

(i) Between Hunan Greatwall Information Financial Instrument Co., Ltd. ("Hunan Communications") and CGC, whereby CGC shall sell monitors to Hunan Communications ("Hunan Communications Agreement"). The Hunan Communications Agreement commenced on 1 January 2010 and expired on 31 December 2010.

Hunan Communications is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2010 is not exceeding RMB12,000,000.

For the year ended 31 December 2010, the transactions made under the Hunan Communications Agreement amounted to RMB11,947,000.

(ii) Between GreatWall Information Industry Co., Ltd. ("GreatWall Information") and CGC, whereby CGC shall sell personal computers and external equipment to GreatWall Information ("GreatWall Information Agreement"). The GreatWall Information Agreement commenced on 1 January 2010 and ended on 31 December 2010.

GreatWall Information is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2010 is not exceeding RMB150,000,000.

For the year ended 31 December 2010, the transactions made under the Greatwall Information Agreement amounted to RMB37,772,000.

CONNECTED TRANSACTIONS (Continued)

(5) Sale Agreements (Continued)

(iii) Between Changhai Technology and CGC, whereby CGC shall sell personal computers, external equipment and accessories to Changhai Technology ("Changhai Technology Agreement"). The Changhai Technology Agreement commenced on 1 January 2010 and ended on 31 December 2010.

Changhai Technology is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2010 is not exceeding RMB100,000,000.

For the year ended 31 December 2010, the transactions made under the Changhai Technology Agreement amounted to RMB16,153,000.

(iv) Between CEC and CGC, whereby CGC shall sell computers (desktop computers and notebook computers) and digital products to CEC and its controlled companies ("CEC Agreement"). The CEC Agreement commenced on 1 January 2010 and ended on 31 December 2010.

CEC is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2010 is not exceeding RMB20,000,000.

For the year ended 31 December 2010, the transactions made under the CEC Agreements amounted to RMB4,665,000.

The Sale Agreements are subject to an annual cap of RMB282,000,000 for the year ended 31 December 2010. The Sale Agreements are subject to reporting, annual review, 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 30 August 2010.

For the year ended 31 December 2010, the transactions made under the Sales Agreements amounted to RMB70,537,000.

CONNECTED TRANSACTIONS (Continued)

(6) Financial Services Agreement

On 17 September 2010, Great Wall Kaifa entered into a financial services agreement ("Financial Services Agreement") with CEC Finance Co., Ltd. ("CEC Finance"), whereby CEC Finance has agreed to provide to Great Wall Kaifa the deposit services, loan services, settlement 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. Great Wall Kaifa is a subsidiary of the Company and is 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 to be RMB600,000,000 and is subject to reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. The proposed loan and loan guarantee services, settlement services and general strategic advisory services under the Financial Services Agreement are exempted from the reporting, annual, announcement and independent shareholders' approval requirement under the Listing Rules. The Financial Services Agreement is for a period of three years commencing after (i) the date approval of the shareholders of Great Wall Kaifa is obtained; (ii) approval of the independent shareholders of the Company is obtained at the extraordinary general meeting of the Company; and (iii) Great Wall Kaifa has filed the approval of the shareholders with the Shenzhen Stock Exchange. The approval of the shareholders of Great Wall Kaifa to the Financial Services Agreement and the transactions contemplated thereunder was obtained on 7 December 2010; the approval of the independent shareholders of the Company to the same was obtained at the extraordinary general meeting of the Company at 15 November 2010; and approval of the shareholders to the same was filed with the Shenzhen Stock Exchange on 7 December 2010. Accordingly, the term of the Financial Services Agreement is for a period of three years commencing on 7 December 2010 and ending on 6 December 2013.

For the period from 7 December 2010 to 31 December 2010, the transactions made under the Financial Services Agreement amounted to RMB190,013,000.

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 2010, 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.

In respect of the continuing 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 2010, the Group provided guarantees of approximately RMB54,051,000 to third parties in respect of bank facilities granted to third parties.

GUARANTEE FOR ASSOCIATED COMPANIES

As at 31 December 2010, the Group provided a guarantee of approximately RMB19,868,000 (2009: RMB570,385,000) in respect of bank facilities granted to associated companies.

LOANS TO ASSOCIATED COMPANIES

As at 31 December 2010, loans to associated companies of approximately RMB76,326,000 (2009: RMB378,858,000) are unsecured, non-interest-bearing (2009: 5.05%-7.02%) 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 33 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:

MAJOR SUPPLIERS AND CUSTOMERS (Continued)

Sales

- the largest customer 12%
- five largest customers combined 37.47%

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

Purchases

- the largest supplier 7.4%
- five largest suppliers combined 29.6%

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 36 to 48.

AUDIT COMMITTEE

The Company has set up an audit committee, comprising three independent non-executive Directors namely Mr. Yao Xiaocong (Chairman), Mr. James Kong Tin Wong and Mr. Chen Zhiya. The principal duties of the audit committee include the review of the Group's financial reporting system and internal control procedures, review of the Group's financial information and the relationship with the external auditor of the Company. The consolidated financial statements for the year ended 31 December 2010 have been reviewed by the audit committee.

AUDITORS

The consolidated financial statements for the year ended 31 December 2010 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

Liu Liehong
Chairman

Shenzhen, China
30 March 2011

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. Liu Liehong, aged 42. Mr. Liu is the chairman of the board of directors of the Company. Mr. Liu graduated with a master's degree in business administration from Xi'an Transport University, and received titles of post-graduate grade senior engineer. Currently, he is the general manager and a director of CEC. He is the president of China Electronics Industry Corporation and CEC Corecast Company Limited, and a non-executive director of TPV. He was the president of China Center for information Industry Development, deputy general manager of China Electronics Technology Corporation and head of No.2 Research Institute, Ministry of Industry and Information Technology. He has got a series of awards, including "Outstanding Young Scientist of Shanxi Province", "Outstanding Young Entrepreneurs of Shanxi Province" and "Outstanding Personal Award of Shanxi Province". He is very experienced in managing large enterprises. Mr. Liu was appointed an executive director of the Company in June 2010.

Mr. Lu Ming, aged 61. Mr. Lu is a director of Great Wall Kaifa and a non-executive director of TPV. He was the deputy general manager of CEC and the vice chairman of CGC. 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 Great Wall Group and has over 30 years' of experience in the information technology industry. Mr. Lu was previously the vice president of the Company from 1998 to 2005. He was the president of the Company from October 2005 to January 2009, and the chairman of the Company from January 2008 to June 2010. Mr. Lu has been an executive director of the Company since 1998.

Mr. Tam Man Chi, aged 63. Mr. Tam is a director of CGC, the chairman of Great Wall Kaifa, a director and president of Kaifa Technology (H.K.) Limited and Shenzhen Kaifa Magnetic Recording Company Limited, the co-chairman of the board of O-Net Communications (Group) Limited, a non-executive director and the chairman of the remuneration committee, a director of O-Net Communications Limited, a company listed on the Stock Exchange of Hong Kong Limited, the president of O-Net Communications (Shenzhen) Company Limited, a director of ExcelStor Group Limited, ExcelStor Technology (Shenzhen) Limited and Shenzhen Hai Liang Storage Products Co., Ltd. and the vice chairman of Shenzhen KTM Glass Substrate Co., Ltd. Mr. Tam has been awarded "Shenzhen Honor Citizen" in 1994, "National Friendship Award" in 2005 and "Excellent Worker title of Guangdong Province" in 2006. Mr. Tam has over 40 years' of management experience in the international electronic 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.

DIRECTORS (Continued)

Executive Directors

Mr. Yang Jun, aged 47, is a senior engineer. Mr. Yang graduated from Northwest Telecommunication Engineering College with a master's degree. Mr. Yang currently holds the positions of deputy general manager of CEC, and director of the Great Wall Group. He previously held the positions of chairman of Shenzhen Sed Industry Company Limited, general manager of China TravelSky Information Centre, chairman of China TravelSky Technology Limited and deputy general 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.

Mr. Su Duan, aged 58, 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 of CEC, the president of China Electronic Technology Development Co., Ltd. and a temporary party secretary. 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), the general manager of the human resources department of CEC 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. Du Heping, aged 56. Mr. Du is the chief executive officer of the Company. Mr. Du 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 currently a director and the president of the Company and is also the chairman and secretary of the Communist Party of CGC. He is also a director of Great Wall Kaifa and Guilin Changhai Technology Co., Ltd and a non-executive director of TPV and the president of China Great Wall Computer (H.K.) Holdings Limited. He is the chairman of Shenzhen Computer Industry Association (深圳市計算機行業協會), 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 and deputy general manager of CGC, and organizing officer in charge and factory manager of Great Wall Power Supplies Factory (長城電源廠). He has abundant experiences in science and technology development, production management and quality management. He has been awarded the title of "2010 Top 10 Outstanding Entrepreneur in Listed Companies in Guangdong" in December 2010. Mr. Du was appointed an executive director of the Company in June 2010.

DIRECTORS (Continued)

Independent Non-executive Directors

Mr. Chen Zhiya, aged 53, He is a doctor in science, a professor, as well as a Ph. D. student supervisor. Dr. Chen graduated from Changsha Railway University (長沙鐵道學院), majoring in applied mathematics. He was previously the deputy secretary of the Communist Youth League in Changsha Railway University, the deputy secretary of the communist party and the vice director of the Department of Transportation in Changsha Railway University, a standing committee member of the Party Committee (黨委常委) in Changsha Railway University (the vice executive president of the School of Market Economy), a standing committee member of the Party Committee in Changsha Railway University (the president of the School of Economic Management), the vice secretary of the Party Committee and the secretary of the Commission for Discipline Inspection in Changsha Railway University, the vice secretary of the Party Committee and the vice president of Graduate School in Central South University (中南大學), a standing committee member of the Party Committee and the vice chancellor of Central South University. He has been awarded the "Top 10 Chief Accountants" in Hunan Province, and is also one of the Tier 2 Candidates of Hunan Province's "121 Talent Project", and a winner of special government allowance. He is currently the secretary of the Party Committee in Xidian University (西安電子科技大學). Mr. Chen was appointed an independent non-executive director of the Company in June 2010.

Mr. Yao Xiaocong, aged 58, Mr. Yao graduated from the Party School of the CPC (中央黨校), majoring in economics and management and has been accredited to be an accountant. He is currently an investigator of Guangshen Railway Company Limited (a company listed in New York, Hong Kong and Shanghai), and was previously an executive director, chief accountant and secretary of the board of directors in Guangshen Railway Company Limited and the director of the accounting department of the Guangzhou Railway (Group) Company during the period from June 1997 to December 2008, He was also an independent director of Great Wall Kaifa during the period from April 2002 to April 2008. He has abundant working experiences in financial accounting management and operational management in listed companies in New York, Hong Kong and Shanghai. Mr. Yao was appointed an independent non-executive director of the Company in June 2010.

Dr. James Kong Tin Wong, aged 44, is a lawyer, arbitrator and commercial mediator. He is the person-in-charge of the China Practice Department of Philip K H Wong, Kennedy Y H Wong & Co, Solicitors & Notaries. He has substantial experiences in PRC-related practice such as cross-border foreign direct investments, joint venture, banking, finance and loan transactions, corporate mergers and acquisitions, real estate development projects and corporate listing. Dr. Wong holds LLB, LLM and LLD degrees, and is also a registered financial planner in Hong Kong, a fellow of the Hong Kong Institute of Directors, associate of Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators. Dr. Wong is a committee member of the 10th and 11th Shanghai Committee of Chinese People's Political Consultative Conference, deputy chairman of Mainland Legal Affairs Committee of the Law Society of Hong Kong, panel member of the Solicitors Disciplinary Tribunal, member of Obscene and Indecent Articles Panel of Adjudicators, member of Hong Kong Liquor Licensing Board, an observer of Independent Police Complaints Council, Advisers on Film Censorship of Television and Entertainment Licensing Authority, standing committee member of Association of Hong Kong Professionals, Chief Executive of of Hong Kong Young Legal Professionals Association, an executive director of the Basic Law Institute and a director of the China Juvenile Delinquency Research Society. Dr. Wong was appointed an independent non-executive director of the Company in June 2010.

DIRECTORS (Continued)

Supervisors

Mr. Lang Jia, aged 57, was appointed a supervisor and the chairman of the Company's supervisory committee in November 2006. At the election in June 2010, he was elected again as supervisor of the Company. 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.

Ms. Kong Xueping, aged 42, was appointed supervisor of the Company in June 2007. At the election in June 2010, she was elected again as supervisor of the Company. Ms. Kong 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.

Mr. Song Jianhua, aged 55, was appointed supervisor of the Company in June 2007. At the election in June 2010, he was elected again as supervisor of the Company. Mr. Song 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, and a supervisor of Suzhou 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 and 5th supervisory committee. At the election in May 2009, he was elected again as supervisor and chairman of the 6th supervisory committee of Great Wall Kaifa.

DIRECTORS (Continued)

Other Senior Management

Mr. Zhong Jimin, aged 56, was appointed vice chairman of Great Wall Kaifa, vice president of the Company in February 2008. He has been the vice chairman of CGC since 2010. 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 52, 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's degree of Economics from Acadia University of Canada and a master's 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 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company has complied with all the provisions in the CG Code throughout the year ended 31 December 2010.

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")

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 2010.

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:
Liu Liehong *(Chairman)*
Lu Ming
Tam Man Chi
Yang Jun
Su Duan
Du Heping

Independent non-executive Directors:
Chen Zhiya
Yao Xiaocong
James Kong Tin 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 18 June 2010, accordingly, no 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 2010.

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

Name of Board members	**Attendance rates for the year ended 31 December 2010**
Executive Directors	
Mr. Liu Liehong *(Chairman) (appointed to the Board on 18 June 2010)*	2/4
Mr. Lu Ming	4/4
Mr. Tam Man Chi	4/4
Mr. Yang Jun	4/4
Mr. Su Duan	4/4
Mr. Du Heping *(appointed to the Board on 18 June 2010)*	2/4
Mr. Wang Jincheng *(retired on 18 June 2010)*	2/4
Mr. Fu Qiang *(retired on 18 June 2010)*	1/4
Independent non-executive Directors	
Mr. Chen Zhiya *(appointed to the Board on 18 June 2010)*	2/4
Mr. Yao Xiaocong *(appointed to the Board on 18 June 2010)*	2/4
Mr. James Kong Tin Wong *(appointed to the Board on 18 June 2010)*	2/4
Mr. Li Sanli *(retired on 18 June 2010)*	2/4
Ms. Wang Qinfang *(retired on 18 June 2010)*	2/4
Mr. Kennedy Ying Ho Wong *(retired on 18 June 2010)*	1/4

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 2010, 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 2009 and the interim results of the Group for the period ended 30 June 2010;
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. Mr. Lu Ming was the Chairman of the Board until 18 June 2010 and from 18 June 2010 up to the date of this report, Mr. Liu Liehong is the Chairman of the Board. Mr. Du Heping is the Chief Executive Officer of the Company during the year.

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. Yao Xiaocong *(Chairman)*
Mr. James Kong Tin Wong
Mr. Chen Zhiya

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 2010:

Committee member		**Attendance record for the year ended 31 December 2010**
Mr. Yao Xiaocong *(Chairman)*	*(appointed to the Board on 18 June 2010)*	1/2
Mr. James Kong Tin Wong	*(appointed to the Board on 18 June 2010)*	1/2
Mr. Chen Zhiya	*(appointed to the Board on 18 June 2010)*	1/2
Mr. Li Sanli	*(retired on 18 June 2010)*	1/2
Ms. Wang Qinfang	*(retired on 18 June 2010)*	1/2
Mr. Kennedy Yin Ho Wong	*(retired on 18 June 2010)*	0/2

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. James Kong Tin Wong *(Chairman)*
Mr. Lu Ming
Mr. Yao Xiaocong

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 2010:

Committee member		**Attendance record for the year ended 31 December 2010**
Mr. James Kong Tin Wong *(Chairman)*	*(appointed to the Board on 18 June 2010)*	1/2
Mr. Lu Ming		1/2
Mr. Yao Xiaocong	*(appointed to the Board on 18 June 2010)*	1/2
Mr. Li Sanli	*(retired on 18 June 2010)*	1/2
Mr. Wang Jincheng	*(retired on 18 June 2010)*	1/2
Mr. Kennedy Ying Ho Wong	*(retired on 18 June 2010)*	0/2

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 2010.

Composition of Strategic Development and Risk Control Committee:
Mr. Liu Liehong *(Chairman)*
Mr. Lu Ming
Mr. Tam Man Chi
Mr. Yang Jun
Mr. Su Duan
Mr. Du Heping
Mr. Chen Zhiya
Mr. Yao Xiaocong
Mr. James Kong Tin 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 2010:

Committee member		Attendance record for the year ended 31 December 2010
Mr. Liu Liehong *(Chairman)*	*(appointed to the Board on 18 June 2010)*	N/A
Mr. Lu Ming		1/1
Mr. Tam Man Chi		1/1
Mr. Yang Jun		1/1
Mr. Su Duan		1/1
Mr. Du Heping	*(appointed to the Board on 18 June 2010)*	N/A
Mr. Chen Zhiya	*(appointed to the Board on 18 June 2010)*	N/A
Mr. Yao Xiaocong	*(appointed to the Board on 18 June 2010)*	N/A
Mr. James Kong Tin Wong	*(appointed to the Board on 18 June 2010)*	N/A
Mr. Wang Jincheng	*(retired on 18 June 2010)*	1/1
Mr. Fu Qiang	*(retired on 18 June 2010)*	0/1
Mr. Li Sanli	*(retired on 18 June 2010)*	1/1
Ms. Wang Qinfang	*(retired on 18 June 2010)*	1/1
Mr. Kennedy Ying Ho Wong	*(retired on 18 June 2010)*	0/1

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 2010, 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 2010 interim results review services to the Company. Remuneration for the above services is as follows:

	Remuneration *RMB'000*
2009 annual accounting statements audit services in accordance with the accounting principles generally accepted in Hong Kong and the PRC GAAP respectively	3,500
2010 interim results review services	600
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 2011.

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 2010, 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 50 to 51.

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 2010, 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 2010, 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 2011, the Committee expects the Company to seize the opportunity for better development trend, to accelerate its internal resource integration, improve organizational structure, enhance management standards, strengthen risk management and internal control, emphasize the safety of capital operation, set up a platform to control information management 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

30 March 2011

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, 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 52 to 175, which comprise the consolidated statements of financial position as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 auditor's judgment, 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 auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 status of affairs of the Group as at 31 December 2010 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
30 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	**2010** **RMB'000**	2009 RMB'000
Turnover	7	**104,931,670**	37,085,314
Cost of sales		**(99,764,943)**	(35,151,169)
Gross profit		**5,166,727**	1,934,145
Other income and gains	7	**600,365**	402,259
Net realised and unrealised gain on foreign exchange forward contracts		**243,426**	106,853
Gain on deemed partial disposal and partial disposal of interests in an associate	8	**304,174**	–
Net gain on disposal of an associate and the loan to an associate	9	**236,904**	–
Compensation for termination of contracts	10	**–**	114,084
Discount on acquisition of subsidiaries	43	**–**	357,330
Selling and distribution costs		**(2,109,650)**	(732,094)
Administrative expenses		**(1,490,687)**	(726,264)
Research and development expenses		**(801,078)**	(276,524)
Finance costs	12	**(172,648)**	(64,968)
Share of results of jointly controlled entities		**(10,925)**	–
Share of results of associates		**126,224**	42,154
Profit before tax	13	**2,092,832**	1,156,975
Income tax expense	16	**(353,107)**	(150,093)
Profit for the year		**1,739,725**	1,006,882
Attributable to:			
Owners of the Company		**648,989**	397,605
Non-controlling interests		**1,090,736**	609,277
		1,739,725	1,006,882
Earnings per share			
– Basic and diluted (RMB per share)	18	**54.18 cents**	33.20 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010	2009
	RMB'000	RMB'000
Profit for the year	**1,739,725**	1,006,882
Other comprehensive income (expenses) for the year		
Change in fair value of available-for-sale investments	**25,349**	22,615
Change in fair value of transferred owner-occupied properties at transfer date	**51,707**	135,215
Transfer an available-for-sale investment to investment in subsidiary	**–**	567,638
Share of/Write back of share of deferred tax on change in fair value of available-for-sale investments	**(6,352)**	(83,422)
Deferred tax on change in fair value of transferred owner-occupied properties at transfer date	**(11,059)**	(29,747)
Share of other comprehensive expense of associates	**(4,661)**	(7,988)
Release of translation reserve upon disposal of associates	**2,430**	–
Exchange differences arising on translation	**(290,375)**	(3,188)
Other comprehensive (expenses) income for the year	**(232,961)**	601,123
Total comprehensive income for the year	**1,506,764**	1,608,005
Total comprehensive income attributable to:		
Owners of the Company	**588,194**	677,379
Non-controlling interests	**918,570**	930,626
	1,506,764	1,608,005

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	19	**5,858,945**	5,202,167
Prepaid land lease payments	20	**346,045**	338,133
Investment properties	21	**1,295,585**	1,294,529
Intangible assets	22	**121,654**	133,856
Interests in associates	23	**550,644**	392,315
Interests in jointly controlled entities	24	**72,982**	–
Available-for-sale investments	25	**197,592**	175,808
Term deposits	30	**14,000**	86,008
Deferred tax assets	39	**223,021**	187,748
		8,680,468	7,810,564
Current assets			
Inventories	26	**9,777,435**	6,533,447
Trade and bills receivables	27	**16,777,368**	14,389,004
Prepaid land lease payments	20	**8,992**	7,317
Prepayments, deposits and other receivables	28	**2,799,011**	2,171,247
Financial assets at fair value through profit or loss	29	**16,967**	30,246
Tax recoverable		**38,027**	4,486
Derivative financial instruments	35	**431,158**	128,589
Amounts due from fellow subsidiaries	48	**11,051**	13,125
Amounts due from associates	48	**42,704**	62,538
Term deposits	30	**546,328**	495,000
Pledged deposits	30	**390,978**	339,900
Bank balances and cash	30	**2,757,805**	4,050,766
		33,597,824	28,225,665
Assets classified as held for sale	31	**–**	379,270
		33,597,824	28,604,935
Current liabilities			
Trade and bills payables	32	**16,984,780**	14,789,773
Other payables and accruals		**3,355,712**	2,934,415
Bank and other loans	33	**4,267,261**	1,773,011
Convertible bonds of a subsidiary	34	**–**	1,428,541
Derivative financial instruments	35	**422,773**	119,999
Tax payable		**130,439**	167,390
Provisions for products warranties	36	**498,000**	501,855
Amount due to immediate holding company	48	**5,454**	2,605
Amounts due to fellow subsidiaries	48	**73,466**	56,516
Amounts due to associates	48	**40,227**	36,473
		25,778,112	21,810,578
Liabilities associated with assets classified as held for sale	31	**–**	248,962
		25,778,112	22,059,540
Net current assets		**7,819,712**	6,545,395
Total assets less current liabilities		**16,500,180**	14,355,959

As at 31 December 2010

	Notes	**2010 RMB'000**	2009 RMB'000
Capital and reserves			
Share capital	41	**1,197,742**	1,197,742
Reserves		**3,513,921**	3,244,129
Equity attributable to owners of the Company		**4,711,663**	4,441,871
Non-controlling interests		**11,164,962**	9,348,292
Total equity		**15,876,625**	13,790,163
Non-current liabilities			
Bank and other loans	33	**–**	41,816
Other payables		**148,746**	196,372
Pension obligations	37	**38,650**	34,558
Financial guarantee contracts	38	**–**	3,637
Deferred tax liabilities	39	**402,032**	267,038
Government grants	40	**34,127**	22,375
		623,555	565,796
		16,500,180	14,355,959

The consolidated financial statements on pages 52 to 175 were approved and authorised for issue by the board of directors on 30 March 2011 and are signed on its behalf by:

Director *Director*

Consolidated Statement of Changes In Equity

For the year ended 31 December 2010

	Attributable to owners of the Company												
	Share capital	Share premium	Merger reserve	Goodwill reserve	Asset revaluation reserve	Available-for-sale investment revaluation reserve	Statutory reserve (note a)	Translation reserve	Other reserve (note b)	Retained profits	Sub-total	Non-controlling 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 2009	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 (expenses) 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 attributable to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(70,528)	(70,528)
Acquisition of subsidiaries (note 43)	–	–	–	–	–	–	–	–	–	–	–	5,878,816	5,878,816
Merger reserve arising from common control combinations	–	–	(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
At 1 January 2010	**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**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**648,989**	**648,989**	**1,090,736**	**1,739,725**
Other comprehensive income (expenses) for the year	**–**	**–**	**–**	**–**	**28,266**	**9,835**	**–**	**(98,896)**	**–**	**–**	**(60,795)**	**(172,166)**	**(232,961)**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**28,266**	**9,835**	**–**	**(98,896)**	**–**	**648,989**	**588,194**	**918,570**	**1,506,764**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(143,729)**	**(143,729)**	**–**	**(143,729)**
Dividend attributable to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(390,314)**	**(390,314)**
Acquisition of additional interests in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(189,667)**	**–**	**(189,667)**	**189,667**	**–**
Share options reserve of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,442**	**5,442**
Deemed partial disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14,994**	**–**	**14,994**	**(14,994)**	**–**
Contribution form non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,144,858**	**1,144,858**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(36,559)**	**(36,559)**
Transfer	**–**	**–**	**–**	**–**	**–**	**–**	**70,696**	**–**	**–**	**(70,696)**	**–**	**–**	**–**
At 31 December 2010	**1,197,742**	**997,498**	**272**	**(28,155)**	**127,678**	**12,757**	**1,019,655**	**(149,934)**	**(181,020)**	**1,715,170**	**4,711,663**	**11,164,962**	**15,876,625**

Notes:

(a) In accordance with the relevant People's Republic of China ("PRC") 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.

(b) Other reserve represents reserve arising from the transactions with non-controlling shareholders.

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**2,092,832**	1,156,975
Adjustments for:			
Finance costs		**172,648**	64,968
Interest income		**(72,729)**	(65,826)
Share of results of associates		**(126,224)**	(42,154)
Share of results of jointly controlled entities		**10,925**	–
Gain on deemed partial disposal and partial disposal of interest in an associate		**(304,174)**	–
Net gain on disposal of an associate and the loan to an associate		**(236,904)**	–
Fair value gain on investment properties		**(53,328)**	(95,377)
Gain on disposal of available-for-sale investments		**(18,027)**	–
Discount on acquisition of a subsidiary		**(9,375)**	(357,330)
Reversal of impairment of trade receivables		**(7,062)**	(11,220)
Reversal of impairment of other receivables		**(6,909)**	(34,975)
Reversal of allowance for inventories		**(5,735)**	(19,185)
Gain on derecognition of financial guarantees		**(3,637)**	–
Dividend income from unlisted available-for-sale investments		**(2,494)**	(1,021)
(Gain) loss on disposal of property, plant and equipment		**(1,971)**	4,688
Gain on disposal of a subsidiary		**(1,394)**	–
Gain on disposal of equity investments at fair value through profit or loss ("FVTPL")		**(268)**	–
Depreciation of property, plant and equipment		**1,221,488**	534,903
Allowance for inventories		**159,973**	15,053
Impairment of (reversal of impairment of) loans to associates		**34,318**	(18,920)
Amortisation of intangible assets		**20,796**	6,581
Impairment of trade receivables		**32,834**	31,673
Unrealised loss (gain) on derivative financial instruments		**13,743**	(96,683)
Impairment of property, plant and equipment		**12,198**	25,374
Amortisation of prepaid land lease payments		**7,093**	4,729
Impairment of available-for-sale investments		**5,989**	–
Share option granted to directors and employees of a subsidiary		**5,442**	–
Fair value change in equity investments at FVTPL		**2,522**	(2,688)
Loss on disposal of subsidiaries		**1,719**	–
Impairment of other receivables		**–**	24,821
Change in fair value of financial guarantee contracts		**–**	(17,503)
Loss on disposal of an associate		**–**	1,255
Dividend income from listed available-for-sale investment		**–**	(21,842)
Interest income from loan to associates		**–**	(10,469)
Operating cash flows before movements in working capital		**2,944,289**	1,075,827
(Increase) decrease in inventories		**(3,409,492)**	1,434,042
Increase in trade and bills receivables		**(2,340,704)**	(1,283,096)
Increase in prepayments, deposits and other receivables		**(622,492)**	(363,069)
Increase in trade and bills payables		**2,204,401**	535,216
Increase (decrease) in other payables and accruals		**330,129**	(2,435)
Increase in amount due to the immediate holding company		**2,849**	2,605
Decrease (increase) in amounts due from associates		**19,834**	(62,538)
Increase in provisions for products warranties		**10,640**	18,558
Increase in pension		**4,092**	3,211
Cash (used in) generated from operations		**(856,454)**	1,358,321
PRC Enterprise Income Tax ("PRC EIT") and overseas income tax paid		**(333,349)**	(124,934)
Hong Kong Profits Tax paid		**(7,940)**	(6,160)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(1,197,743)**	1,227,227

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
INVESTING ACTIVITIES			
Net cash flow from the acquisition of subsidiaries	43	**(5,042)**	1,240,742
Purchase of property, plant and equipment		**(2,106,333)**	(783,015)
Purchases of available-for-sale investments		**(30,804)**	(393,997)
Increase in pledged deposits		**(51,078)**	(302,544)
Capital injection to associates		**(98,558)**	(28,000)
Capital injection to jointly controlled entities		**(51,429)**	–
Addition to prepaid land lease payments		**(48,525)**	(25,681)
Additions to intangible assets		**(12,410)**	(1,092)
Proceeds from disposal of associates		**478,026**	–
Proceeds from disposal of property, plant and equipment		**264,163**	79,348
Interest received		**72,729**	76,295
Dividends received from associates		**64,272**	69,381
Proceeds from disposal of available-for-sale investments		**45,270**	4,081
Net cash flow from disposal of subsidiaries		**21,315**	–
Decrease (increase) in term deposits with terms over three months		**20,680**	(76,000)
Repayment of loans to associates		**20,588**	37,355
Proceeds from sales of investment held for trading		**11,025**	–
Dividends received from unlisted available-for-sale investments		**2,494**	1,021
Repayment from fellow subsidiaries		**2,074**	58,057
Dividend received from listed available-for-sale investment		**–**	21,842
Purchases of equity investments at FVTPL		**–**	(22,916)
Payments for common control business combination		**–**	(10,601)
NET CASH USED IN INVESTING ACTIVITIES		**(1,401,543)**	(55,724)
FINANCING ACTIVITIES			
Repayment of bank and other loans		**(3,586,166)**	(965,817)
Redemption of convertible bond of a subsidiary		**(1,437,355)**	–
Dividends paid to minority interests		**(390,314)**	(70,528)
Dividends paid as distribution		**(143,729)**	(65,876)
Interest paid		**(164,069)**	(59,514)
Repayment for derivative financial instruments		**(13,538)**	(13,663)
Government grants utilised		**(11,218)**	(260)
Repayment to fellow subsidiaries		**(8,050)**	(313,177)
New bank and other loans raised		**6,060,447**	1,762,171
Contribution from non-controlling shareholders		**1,144,858**	–
Repayment to associates		**3,754**	36,401
Government grants raised		**22,970**	14,982
NET CASH FROM FINANCING ACTIVITIES		**1,477,590**	324,719
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,121,696)**	1,496,222
CASH AND CASH EQUIVALENTS AT 1 JANUARY,			
Represented by bank balances and cash		**4,130,437**	2,637,646
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(250,936)**	(3,431)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER,			
Represented by bank balances and cash		**2,757,805**	4,050,766
Represented by cash classified as held for sale		**–**	79,671
		2,757,805	4,130,437

1. GENERAL

Great Wall Technology Company Limited (the "Company") is a limited liability company incorporated in 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 ("US$").

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 and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA").

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
Hong Kong Accounting Standard ("HKAS") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-Time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK – Interpretation ("Int") 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(International Financial Reporting Interpretations Committee) ("IFRIC") – Int 17	Distributions of Non-cash Assets to Owners

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

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.

HKFRS 3 (Revised 2008) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010 and the application of HKAS 27 (Revised) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (Revised 2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires that the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The application of the revised standard has affected the accounting for the deemed disposal of TPV and increase in interest in an existing subsidiary, China Great Wall Computer (Shenzhen) Co., Ltd ("CGC"), in the current year. The change in policy has resulted in the difference of approximately RMB174,673,000 between the interests in subsidiaries before and after the deemed disposal of TPV and increase in interests in CGC being recognised directly in equity, instead of in profit or loss. Therefore, the change in accounting policy has resulted in increase in the profit for the year of RMB174,673,000.

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

In addition, under HKAS 27(as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent. The application of the revised standard has resulted in share options reserve relating to the employee share option plan of TPV, an indirect subsidiary of the Company, being included as part of non-controlling interest in the consolidated statement of financial position and consolidated statement of changes in equity.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

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

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is no practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

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

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors of the Company anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties and removes the requirement for government-related entities to disclose details of all transactions with the government and other government related entities. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and no significant change in disclosure in the financial statements is expected.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) – Int 19 will affect the required accounting. In particular, under HK(IFRIC) – 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

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

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. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss on the statement of financial position of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Business combinations that took place on or after 1 January 2010 (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Business combinations that took place on or after 1 January 2010 (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place before 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was 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 met the relevant conditions for recognition were generally recognised at their fair value 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 acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. 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 identified 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.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Where a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Non-current assets held for sale

Non-current assets 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 probable and the disposal group is available for immediate sale in its present condition. Management 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.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Disposal groups classified as held for sale are measured at the lower of the 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 the sale 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 the 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 is recognised when the shareholder's right to receive payment has been established.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land classified as finance leases 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, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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.

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 for the period in which they arise.

For a transfer from investment properties to owner-occupied properties, 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

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments, including any lump-sum upfront payments, are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating lease, in which case the entire lease is classified as an operating lease.

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 on 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purpose of presenting the 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. 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.

From 1 January 2010 onwards, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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 their intended 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 not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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 as in consolidated statement of financial position and transfer to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Share-based payments

The Company has no share option scheme but the subsidiary of the Company 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 share option reserve of the subsidiary.

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 of the subsidiary.

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 of the subsidiary will be transferred to retained profits.

The share option reserve of the subsidiary of the Company includes as part of non-controlling interest in the consolidated statement of financial position and consolidated statement of changes in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. 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.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposit as defined above.

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 FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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

Financial assets at FVTPL has two subcategories, including financial asset held for trading and those designated as at FVTPL on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

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

– on initial recognition, 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.

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 of 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 of 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

– breach of contract, such as default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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, amount due from fellow subsidiaries and associates, 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, amount due from fellow subsidiaries and associates 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 the available-for-sales investment revaluation reserve.

Financial liabilities and equity instruments

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 and bank and other loans are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds of a subsidiary

Convertible bonds 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 in its entirety, 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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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. When 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.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

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 and have 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 of the Company 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.

Buildings and land use rights

Despite the Group has paid the full purchase consideration for the land and buildings stated in notes 19, 20 and 21, formal titles of certain of the Group's rights to the use of the land and buildings were not yet granted from the relevant government authorities as stated in note 21. 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.

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 39.

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.

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 RMB12,198,000 (2009: RMB25,374,000) and the carrying amount of property, plant and equipment is approximately RMB5,858,945,000 (2009: RMB5,202,167,000). 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.

Estimated 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. 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. During the year, impairment loss on trade and other receivables was recognised in the consolidated income statement amounting to approximately RMB32,834,000 (2009: RMB56,494,000) and the carrying amounts of trade receivable and other receivables are approximately RMB16,777,368,000 and RMB2,589,631,000 respectively (2009: trade receivables of RMB14,389,004,000 and other receivables of RMB1,974,658,000).

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

Key sources of estimation uncertainty (Continued)

Estimated impairment of interests in associates and loans to associates

The Group regularly reviews investments in associates for impairment based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, the financial health, cash flow projections and future prospects of the companies. During the year, no impairment loss (2009: nil) was recognised and the carrying amount of interests in associates is RMB550,644,000 (2009: RMB333,202,000).

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 might materially differ from the actual results. During the year, impairment loss on loans to associates was recognised in the consolidated income statement amounting to approximately RMB34,318,000 (2009: nil) and the carrying amount of the loans to associates is nil as at 31 December 2010 (2009: RMB59,113,000).

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 RMB159,973,000 (2009: RMB15,053,000) and the carrying amount of inventories is approximately RMB9,777,435,000 (2009: RMB6,533,447,000). 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.

Provisions for products warranties

As explained in note 36, 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.

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

Key sources of estimation uncertainty (Continued)

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.

Employee benefits – share-based payments

The valuation of the fair value of the share options granted requires judgement in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the options and the number of share options that are expected to vest. Where the outcome of the number of options that are vested is different, such difference will impact the consolidated income statement in the subsequent remaining vesting period of the relevant share options.

For the year ended 31 December 2010

5. 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

	2010 RMB'000	2009 RMB'000
Loans and receivables (including cash and cash equivalents)	**23,339,245**	21,410,999
Available-for-sale investments	**197,592**	175,808
Financial instruments at FVTPL	**16,967**	30,246
Derivative financial instruments	**431,158**	128,589
	23,984,962	21,745,642

Financial liabilities

	2010 RMB'000	2009 RMB'000
At amortised cost	**24,875,646**	21,259,522
Financial guarantee contracts	**–**	3,637
Derivative financial instruments	**422,773**	119,999
	25,298,419	21,383,158

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.

5. 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 38.

At the end of the reporting period, the Group had certain concentrations of credit risk as 10% (2009: 12%) and 39% (2009: 35%) 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 of a subsidiary, interest rate swaps and financial guarantee contracts are disclosed in notes 33, 34, 35 and 38, respectively.

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

As at 31 December 2010, 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 after tax for the year would have been approximately RMB306,000 (2009: RMB33,000) 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 Brazilian Real ("BRL") and US$. The Group's exposure to currency risk is attributable to the trade receivables and trade payables, other receivables and other payables and bank balances and cash, which are denominated in BRL and US$. The functional currencies of the relevant group entities are RMB and US$. The Group has mitigated the currency exposure against BRL by using foreign exchange forward contract. Moreover, the directors continuously monitor the related foreign currency exposure and will hedge 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 BRL and other currencies exchange rates, with all other variables held constant, of the Group's profit after tax due to changes in the fair value of monetary assets and liabilities and the Group's equity.

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Foreign currency risk (Continued)

	Increase (decrease) in US$/BRL	**Increase (decrease) in profit after tax and equity**
	%	RMB'000
2010		
If RMB weakens against US$	5	**24,769**
If RMB strengthens against US$	–5	**(24,769)**
If RMB weakens against BRL	5	**45,532**
If RMB strengthens against BRL	–5	**(45,532)**
If RMB weakens against other currencies	5	**26,820**
If RMB strengthens against other currencies	–5	**(26,820)**
2009		
If RMB weakens against US$	5	81,783
If RMB strengthens against US$	–5	(81,783)
If RMB weakens against BRL	5	26,751
If RMB strengthens against BRL	–5	(26,751)
If RMB weakens against other currencies	5	13,957
If RMB strengthens against other currencies	–5	(13,957)

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5. 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 contain mainly the following amounts denominated in currencies other than the functional currency of the group entity to which they relate:

	2010	2009
	RMB'000	RMB'000
Monetary assets		
Trade and bills receivables and other receivables	**3,310,743**	3,600,222
Term deposits, pledged deposits and bank balances and cash	**753,926**	744,480
	4,064,669	4,344,702
Monetary liabilities		
Trade and bills payables and other payables	**1,574,378**	1,282,449

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

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.

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5. 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 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 2010				
Non-derivative financial liabilities				
Bank and other loans	**4,390,371**	**–**	**4,390,371**	**4,267,261**
Trade and bills payables	**16,984,780**	**–**	**16,984,780**	**16,984,780**
Other payables and accruals	**3,355,712**	**148,746**	**3,504,458**	**3,504,458**
Amount due to immediate holding company	**5,454**	**–**	**5,454**	**5,454**
Amounts due to fellow subsidiaries	**73,466**	**–**	**73,466**	**73,466**
Amounts due to associates	**40,227**	**–**	**40,227**	**40,227**
Financial guarantee contracts	**73,919**	**–**	**73,919**	**–**
	24,923,929	**148,746**	**25,072,675**	**24,875,646**
Derivative – net settlement				
Derivative – financial instruments	**422,773**	**–**	**422,773**	**422,773**
Derivative – gross settlement				
Foreign exchange forward contracts				
– inflow	**26,568,100**	**–**	**26,568,100**	**26,568,100**
– outflow	**21,747,390**	**–**	**21,747,390**	**21,747,390**

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5. 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 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	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

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 31 December 2010, no financial guarantee contracts was recognised (2009: RMB3,637,000). However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee.

5. 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 the end of the reporting period. The Group's listed investments are valued at quoted market prices at the end of the reporting period.

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% (2009: 10%) as a result of the less volatile financial market.

If the prices of the respective equity instruments had been 10% (2009: 10%) 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 after tax as at 31 December 2010 increase/decrease by approximately RMB6,174,000 (2009: RMB3,654,000) and RMB1,324,000 (2009: RMB2,420,000), respectively as a result of the changes in fair value of available-for-sale investments and financial assets at FVTPL.

c. Fair value estimation

The directors of the Company consider the fair values of trade and bills receivables; deposits and other receivables; amounts due from (to) immediate holding company, 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.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. 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.

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5. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

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 liability, 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).

5. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Assets				
Available-for-sale investments				
– Listed equity securities	**56,113**	**–**	**–**	**56,113**
– Unlisted equity securities	**–**	**–**	**6,073**	**6,073**
Financial assets at FVTPL	**16,967**	**–**	**–**	**16,967**
Derivative financial instruments	**–**	**431,158**	**–**	**431,158**
	73,080	**431,158**	**6,073**	**510,311**
Liabilities				
Derivative financial instruments	**–**	**422,773**	**–**	**422,773**

	2009			
	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

For the year ended 31 December 2010

5. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

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

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

Unlisted equity securities	**2010**	2009
	RMB'000	RMB'000
At 1 January	**6,261**	–
Acquisition of subsidiaries	**–**	7,143
Total gains or losses:		
– in other comprehensive income	**(30)**	(703)
Disposal	**–**	(75)
Exchange realignment	**(158)**	(104)
At 31 December	**6,073**	6,261

Included in other comprehensive income is an amount of loss of RMB30,000 (2009: RMB703,000) relate to equity securities held at the end of the reporting period and is reported as changes of available-for-sale investment revaluation reserve.

6. 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 2010 and 2009.

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7. 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 from investment properties during the year.

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

	2010 RMB'000	2009 RMB'000
Turnover		
Sale of goods	**104,793,958**	36,907,652
Rendering of services	**18,842**	86,774
Gross rental income (note)	**118,870**	90,888
	104,931,670	37,085,314
Other income		
Bank interest income	**72,729**	65,826
Dividend income from a listed available-for-sale investment	**–**	21,842
Dividend income from unlisted available-for-sale investments	**2,494**	1,021
Government grants (note 40)	**158,526**	68,972
Refund of value added tax	**–**	254
Sale of scrap materials	**45,604**	–
Reversal of impairment of trade receivables	**7,062**	11,220
Reversal of impairment of other receivables	**6,909**	34,975
Reversal of impairment of loan to associates	**–**	18,920
Reversal of allowance for inventories	**5,735**	19,185
Reversal of provisions for products warranties	**13,602**	2,020
Others	**45,848**	19,612
	358,509	263,847

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7. TURNOVER, OTHER INCOME AND GAINS (Continued)

	2010	2009
	RMB'000	RMB'000
Gains		
Foreign exchange differences, net	**151,216**	–
Fair value gain on investment properties	**53,328**	95,377
Gain on disposal of available-for-sale investments	**18,027**	–
Gain from a bargain purchase of a subsidiary	**9,375**	–
Gain on derecognition of financial guarantee contracts	**3,637**	–
Net realised and unrealised gain on interest rate swaps	**2,640**	12,375
Gain on disposal of a subsidiary	**1,394**	–
Gain on disposal of property, plant and equipment	**1,971**	–
Gain on disposal of financial assets at FVTPL	**268**	–
Change in fair value of financial guarantee contracts	**–**	17,503
Interest income from loans to associates	**–**	10,469
Change in fair value of financial assets at FVTPL	**–**	2,688
	241,856	138,412
	600,365	402,259

Note:

	2010	2009
	RMB'000	RMB'000
Gross rental income	**118,870**	90,888
Less: direct expenses (included in cost of sales)	**(24,267)**	(20,223)
Net rental income	**94,603**	70,665

8. GAIN ON DEEMED PARTIAL DISPOSAL AND PARTIAL DISPOSAL OF INTERESTS IN AN ASSOCIATE

On 29 April 2010, one of the associates of the Group, O-Net Communications (Group) Limited ("O-Net"), was listed on the Main Board of the Stock Exchange and new shares were issued upon the listing of the shares of O-Net ("Share Listing"). Upon the Share Listing, the Group's shareholding in O-Net was diluted from 46% to approximately 34.5%.

On 6 May 2010, the over-allotment option as referred to in the prospectus of the Share Listing was fully exercised and the Group was requested to dispose of its 13,759,183 shares of O-Net. On 4 November 2010, the Group further disposed of 25,293,000 shares of O-Net and 60,000,000 new shares of O-Net were issued to one of its existing shareholder, other than the Group, on 15 November 2010.

Upon the completion of the above transactions, the interest in O-Net was further decreased from approximately 34.5% to 27.32% and net proceeds of approximately RMB154,228,000 were received for the disposal of 39,052,183 shares of O-Net. The above transactions have resulted in the recognition of an amount of RMB304,174,000 of gain on deemed partial disposal and partial disposal of interests of an associate.

The Group maintains its significant influence on O-Net and the investment in O-Net is still accounted for as the interests in associates upon the completion of the above transactions.

9. NET GAIN ON DISPOSAL OF AN ASSOCIATE AND THE LOAN TO ASSOCIATE

	2010 **RMB'000**	2009 RMB'000
Loss on disposal of an associate	**(40,833)**	–
Reversal of impairment of loan to an associate	**277,737**	–
Net gain on disposal of an associate and the loan to an associate	**236,904**	–

On 11 August 2010, the Group entered into an equity transfer agreement with CITIC Networks Co., Ltd. to dispose of the 50% equity interest held by the Group in Great Wall Broadband Network Service Co., Ltd. ("GWBNS"), an associated company of the Group, together with the loan to GWBNS at a total consideration of approximately RMB323,798,000. A net gain on disposal of approximately RMB236,904,000 was resulted for the year ended 31 December 2010 upon the completion of the transfer of the equity interest of GWBNS on 23 August 2010. Details of the transfer was set out in the announcement of the Company dated 11 August 2010.

10. 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 and the sale of certain production assets to this customer. During the year ended 31 December 2009, the compensation for termination of contracts was fully settled and the Group recognised as income of approximately RMB114,084,000.

11. SEGMENT INFORMATION

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.

11. SEGMENT INFORMATION (Continued)

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, share of results of associates and jointly controlled entities, change in fair value of financial assets at FVTPL, gain on disposal of financial assets at FVTPL/available-for-sale investments, change in fair value or gain on derecognition of financial guarantees contracts, net realised and unrealised gain on foreign exchange forward contracts and interest rate swaps, gain on deemed partial disposal and partial disposal/disposal of interests in associates, discount on acquisition of subsidiaries, dividend income, government grants received 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 and jointly controlled entities, available-for-sale investments, term deposits, pledged deposit, financial assets at FVTPL, derivative financial instruments, amount due from associates and fellow subsidiaries, 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, amount due to associates and fellow subsidiaries, 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.

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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 2010 and 2009.

	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 2010								
Segment revenue								
Sales to external customers	27,365,142	44,567,155	21,542,090	2,615,441	118,870	8,722,972	–	104,931,670
Other income and gains	26,488	32,281	172,412	38,325	–	8,441	–	277,947
Intersegment sales	–	–	–	29,758	4,725	–	(34,483)	–
	27,391,630	44,599,436	21,714,502	2,683,524	123,595	8,731,413	(34,483)	105,209,617
Segment results before increase in fair value of investment properties	115,346	502,348	514,280	221,457	63,420	49,607	–	1,466,458
Increase in fair value of investment properties	–	–	–	–	53,328	–	–	53,328
Segment results after increase in fair value of investment properties	115,346	502,348	514,280	221,457	116,748	49,607	–	1,519,786
Unallocated gains								269,090
Corporate and other unallocated expenses								(423,199)
Finance costs								(172,648)
Gain on deemed partial disposal and partial disposal of interests in an associate								304,174
Net gain on disposal of an associate and the loan to an associate								236,904
Net realised and unrealised gain on foreign exchange forward contracts								243,426
Share of results of associates and jointly controlled entities								115,299
Profit before tax								2,092,832
At 31 December 2010								
Assets and liabilities								
Segment assets	13,276,083	16,395,718	3,020,581	649,473	1,295,585	2,347,595	–	36,985,035
Corporate and other unallocated assets								5,293,257
Total assets								42,278,292
Segment liabilities	6,715,696	11,385,874	1,661,110	704,723	–	563,938	–	21,031,341
Corporate and other unallocated liabilities								5,370,326
Total liabilities								26,401,667

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 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	44,061	26,887	20,495	21,153	–	2,289	–	114,885
Intersegment sales	–	–	3,708	185	51,070	–	(54,963)	–
	7,199,767	13,103,956	13,644,196	1,763,749	141,958	1,401,536	(54,963)	37,200,199
Segment results before increase in fair value of investment properties	162,290	194,081	178,623	10,232	64,574	649	–	610,449
Increase in fair value of investment properties	–	–	–	–	95,377	–	–	95,377
Segment results after increase in fair value of investment properties	162,290	194,081	178,623	10,232	159,951	649	–	705,826
Unallocated gains								306,081
Corporate and other unallocated expenses								(296,301)
Finance costs								(64,968)
Discount on acquisition of subsidiaries								357,330
Net realised and unrealised gain on foreign exchange forward contracts								106,853
Share of results of associates								42,154
Profit before tax								1,156,975
At 31 December 2009								
Assets and liabilities								
Segment assets	9,015,226	17,405,502	2,096,339	435,133	1,294,529	594,556	–	30,841,285
Corporate and other unallocated assets								5,574,214
Total assets								36,415,499
Segment liabilities	4,934,932	11,873,485	1,044,046	601,392	-	254,685	–	18,708,540
Corporate and other unallocated liabilities								3,916,796
Total liabilities								22,625,336

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11. SEGMENT INFORMATION (Continued)

Other segment information

Year ended 31 December 2010	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	361,148	264,579	342,457	217,055	–	64,138	–	1,249,377
Additions to non-current assets (note)	876,484	907,243	187,488	102,603	–	93,685	–	2,167,503
Impairment losses and allowance recognised	57,976	91,298	58,667	8,052	–	8,482	20,837	245,312
Impairment losses and allowance reversed	–	–	(10,869)	(3,445)	–	–	(5,392)	(19,706)
Provision for product warranties	161,384	251,492	6,525	6,862	–	51,446	–	477,709
Reversal of provision for product warranties	–	–	(13,602)	–	–	–	–	(13,602)
(Gain) loss on disposal of property, plant and equipment	(1,901)	(3,690)	3,620	–	–	–	–	(1,971)
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	(6,192)	(10,354)	(50,606)	(3,603)	–	(1,974)	–	(72,729)
Finance cost	33,193	52,333	14,141	62,398	–	10,583	–	172,648
Income tax expense	99,256	154,675	53,212	7,549	6,775	31,640	–	353,107
Gain on derecongised of financial guarantee contract	–	–	(3,637)	–	–	–	–	(3,637)
Gain on deemed partial disposal and partial disposal of interest in an associate	–	–	(304,174)	–	–	–	–	(304,174)
Net gain on disposal of an associate and the loan to an associate	–	–	–	–	–	–	(236,904)	(236,904)

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

11. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

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)
Provision for product warranties	8,760	13,593	7,031	17,688	–	–	–	47,072
(Gain) loss on disposal of property, plant and equipment	–	–	4,688	–	–	–	–	4,688
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 cost	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)
Compensation for termination of contracts	–	–	(114,084)	–	–	–	–	(114,084)
Loss on disposal of an associate	–	–	1,255	–	–	–	–	1,255

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

For the year ended 31 December 2010

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, Asia Pacific 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	
	2010	2009
	RMB'000	RMB'000
The PRC (including Hong Kong)	**29,151,081**	9,714,977
Europe	**24,779,552**	7,944,588
Asia Pacific (excluding the PRC)	**10,145,290**	9,312,878
North America	**25,569,430**	6,552,904
Others	**15,286,317**	3,559,967
	104,931,670	37,085,314

At the end of the reporting period, the total amount of approximately RMB4,534,216,000 (2009: RMB3,712,932,000) of non-current assets other than financial instruments and deferred income tax assets were located in the PRC, and the total amount of approximately RMB3,711,639,000 (2009: RMB3,648,068,000) of these non-current assets were located in other countries.

For the year ended 31 December 2010

11. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Information about major customers

The Group has identified one major customer (2009: two) which individually representing over 10% of the Group's total external sales. During the year, revenue of approximately RMB12,395,921,000 (2009: RMB11,968,860,000) 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:

	2010 **RMB'000**	2009 RMB'000
Customer A	**12,395,921**	6,628,097
Customer B	**N/A[1]**	5,340,763
	12,395,921	11,968,860

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group during the year ended 31 December 2010.

12. FINANCE COSTS

	2010 **RMB'000**	2009 RMB'000
Interest on bank and other loans, wholly repayable within five years	**115,670**	49,572
Interest on convertible bonds of a subsidiary (note 34)	**57,213**	12,044
Interest to a fellow subsidiary	**–**	2,430
Interest on discounted bills without recourse	**–**	1,154
Total borrowing costs	**172,883**	65,200
Less: amounts capitalised	**(235)**	(232)
	172,648	64,968

Borrowing costs capitalised at a rate of 4.8% (2009: 2.9%) for the year ended 31 December 2010 arose on bank and other loans to finance expenditure on qualifying assets.

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13. PROFIT BEFORE TAX

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

	2010	2009
	RMB'000	RMB'000
Staff costs, including directors' emoluments (note 14):		
Wages and salaries	**2,589,475**	909,310
Share option granted to directors and employees of a subsidiary	**5,442**	–
Contributions to defined benefit plan	**2,890**	903
Contributions to retirement benefits schemes	**240,036**	46,527
	2,837,843	956,740
Cost of inventories sold	**99,645,875**	35,054,494
Cost of services provided	**94,801**	76,452
Depreciation of property, plant and equipment	**1,221,488**	534,903
Amortisation of prepaid land lease payments (included in administrative expenses)	**7,093**	4,729
Amortisation of intangible assets (included in administrative expenses)	**20,796**	6,581
Auditors' remuneration	**15,046**	7,200
Minimum lease payment under operating leases of land and buildings	**130,933**	8,029
Foreign exchange differences, net	**(151,216)**	67,896
Impairment of items of property, plant and equipment (included in administrative expenses)	**12,198**	25,374
Impairment of trade and bills receivables (included in administrative expenses)	**32,834**	31,673
Impairment of other receivables (included in administrative expenses)	**–**	24,821
Impairment of available-for-sale investments	**5,989**	–
Allowance for inventories (included in cost of sales)	**159,973**	15,053
Additional provision for product warranties	**477,709**	47,072
Loss on disposal of property, plant and equipment	**–**	4,688
Loss on disposal of an associate	**–**	1,255
Loss on disposal of subsidiaries	**1,719**	–
Impairment of loans to associates	**34,318**	–
Fair value gain on investment properties	**(53,328)**	(95,377)
Change in fair value of financial assets at FVTPL	**2,522**	(2,688)

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 2010	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. Liu Liehong (appointed on 18 June 2010)	–	–	–	–	–
Mr. Lu Ming	100	–	–	–	100
Mr. Tam Man Chi	100	3,127	3,083	213	6,523
Mr. Yang Jun	–	–	–	–	–
Mr. Su Duan	100	–	–	–	100
Mr. Du Heping (appointed on 18 June 2010)	58	50	–	–	108
Mr. Wang Jincheng (resigned on 18 June 2010)	–	–	–	–	–
Mr. Fu Qiang (resigned on 18 June 2010)	42	–	–	–	42
	400	3,177	3,083	213	6,873
Independent non-executive directors					
Mr. Chen Zhiya (appointed on 18 June 2010)	–	–	–	–	–
Mr. Yao Xiaocong (appointed on 18 June 2010)	58	–	–	–	58
Mr. James Kong Tin Wong (appointed on 18 June 2010)	58	–	–	–	58
Mr. Li Sanli (resigned on 18 June 2010)	–	–	–	–	–
Ms. Wang Qinfang (resigned on 18 June 2010)	–	–	–	–	–
Mr. Kennedy Ying Ho Wong (resigned on 18 June 2010)	–	–	–	–	–
	116	–	–	–	116
Supervisors					
Ms. Kong Xueping	–	–	–	–	–
Ms. Song Jianhua	50	–	–	–	50
Ms. Lang Jia	50	–	–	–	50
	100	–	–	–	100
Total	616	3,177	3,083	213	7,089

For the year ended 31 December 2010

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 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

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.

There was no arrangement under which a director or supervisor waived or agreed to waive any emoluments during the two years ended 31 December 2010.

14. EMOLUMENTS OF DIRECTORS AND SUPERVISORS (Continued)

During the two years ended 31 December 2010, 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 2010 included one (2009: one) director details of whose emoluments are set out in note 14 above. Details of the remuneration of the remaining four (2009: four) non-directors, highest paid employees for the year are as follows:

	2010 **RMB'000**	2009 RMB'000
Salaries, allowances and benefits in kind	**15,053**	10,671

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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	
	2010	2009
HK$1,500,001 to HK$2,000,000 (2010: equivalent to RMB1,298,551 to RMB1,731,400; 2009: equivalent to RMB 1,323,001 to RMB1,764,000)	**–**	1
HK$2,000,001 to HK$2,500,000 (2010: equivalent to RMB1,731,401 to RMB2,164,250; 2009: equivalent to RMB 1,764,001 to RMB2,205,000)	**–**	1
HK$2,500,001 to HK$3,000,000 (2010: equivalent to RMB2,164,251 to RMB2,597,100; 2009: equivalent to 2,205,001 to RMB2,646,000)	**–**	1
HK$3,500,001 to HK$4,000,000 (2010: equivalent to RMB3,029,951 to RMB3,462,800; 2009: equivalent to RMB 3,087,001 to RMB3,528,000)	**2**	–
HK$4,500,001 to HK$5,000,000 (2010: equivalent to RMB3,895,651 to RMB4,328,500; 2009: equivalent to RMB3,969,001 to RMB4,410,000)	**1**	–
HK$5,000,001 to HK$5,500,000 (2010: equivalent to RMB4,328,501 to RMB4,761,350; 2009: equivalent to RMB4,410,001 to RMB4,851,000)	**1**	–
HK$5,500,001 to HK$6,000,000 (2010: equivalent to RMB4,761,350 to RMB5,194,200; 2009: equivalent to RMB 4,851,001 to RMB5,292,000)	**–**	1
	4	4

16. INCOME TAX EXPENSE

	2010	2009
	RMB'000	RMB'000
Current tax		
Hong Kong	**14,748**	12,731
PRC EIT and overseas income tax		
– Current year	**255,548**	120,881
– Under (over) provision in prior years	**501**	(1,624)
	256,049	119,257
Deferred tax		
– Current year (note 39)	**81,449**	18,530
– Attributable to a change in tax rate (note 39)	**861**	(425)
	82,310	18,105
Total tax charge for the year	**353,107**	150,093

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2009: 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 22% 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.

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 20% to 25% for the two years ended 31 December 2010 and 2009.

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16. INCOME TAX EXPENSE (Continued)

(c) Overseas income tax

Taxation arising in other jurisdictions is calculated at the rated 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:

	2010 **RMB'000**	2009 RMB'000
Profit before tax	**2,092,832**	1,156,975
Tax at the applicable tax rate at 22% (2009:20%)	**460,423**	231,395
Under (over) provision in prior years	**501**	(1,624)
Effect of different tax rate of subsidiaries's operations in other jurisdictions and tax on concessionary rate	**(93,731)**	(47,442)
Effect on opening deferred tax of increase in tax rates	**(861)**	425
Tax effect of share of results of associates and jointly controlled entities	**(25,366)**	(8,430)
Tax effect of income not taxable for tax purpose	**(126,008)**	(98,582)
Tax effect of expenses not deductible for tax purpose	**79,509**	35,494
Withholding tax on unremitted earnings	**41,908**	–
Utilisation of tax losses previously not recognised	**(17,593)**	(11,651)
Tax effect of tax losses and deductible temporary differences not recognised	**34,325**	50,508
Tax charge for the year	**353,107**	150,093

Details of deferred tax are set out in note 39.

17. DIVIDENDS

	2010	2009
	RMB'000	RMB'000
Proposed final dividend of RMB15 cents (2009: RMB12 cents) per ordinary share	**179,661**	143,729

The proposed final dividend for the year ended 31 December 2010 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 2009 was approved and paid in 2010.

18. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB648,989,000 (2009: RMB397,605,000) and on the weighted average number of approximately 1,197,742,000 (2009: 1,197,742,000) ordinary shares in issue during the year.

Diluted earnings per shares was the same as the basic earnings per share because there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2010 and 2009.

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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 2009	–	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 and 1 January 2010	91,511	2,880,264	3,952,156	49,577	89,416	7,062,924
Additions	–	115,214	1,335,988	12,186	643,180	2,106,568
Acquisition of a subsidiary	–	20,551	9,691	–	100	30,342
Disposal of a subsidiary	–	(13,550)	(23,896)	–	(12,513)	(49,959)
Disposals	–	(90,747)	(339,724)	(3,042)	–	(433,513)
Transfer	26,880	68,867	81,758	–	(177,505)	–
Transfer to investment properties (note 21)	–	(103,462)	–	–	–	(103,462)
Transfer from investment properties (note 21)	–	222,610	–	–	–	222,610
Exchange realignment	2,758	(50,361)	(70,147)	(970)	(20,111)	(138,831)
At 31 December 2010	**121,149**	**3,049,386**	**4,945,826**	**57,751**	**522,567**	**8,696,679**

For the year ended 31 December 2010

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 2009	–	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 and 1 January 2010	–	292,794	1,545,959	22,004	–	1,860,757
Impairment	–	3,506	8,692	–	–	12,198
Disposal of a subsidiary	–	(346)	(359)	–	–	(705)
Depreciation provided during the year	–	181,951	1,028,988	10,549	–	1,221,488
Transfer to investment properties (note 21)	–	(7,136)	–	–	–	(7,136)
Eliminated on disposals	–	(5,478)	(163,173)	(2,670)	–	(171,321)
Exchange realignment	–	(8,783)	(68,296)	(468)	–	(77,547)
At 31 December 2010	**–**	**456,508**	**2,351,811**	**29,415**	**–**	**2,837,734**
NET BOOK VALUE						
At 31 December 2010	**121,149**	**2,592,878**	**2,594,015**	**28,336**	**522,567**	**5,858,945**
At 31 December 2009	91,511	2,587,470	2,406,197	27,573	89,416	5,202,167

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.

The Group carried out a review on the recoverable amount of certain production facilities during the year ended 31 December 2010 and 2009, The Group recognised an impairment loss of approximately RMB12,198,000 and RMB25,374,000 in the consolidated income statement for the two years ended 31 December 2010 and 2009 respectively as the relevant assets were left vacant.

At the end of the reporting period, 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 33.

20. PREPAID LAND LEASE PAYMENTS

Analysed for reporting purposes as:

	2010	2009
	RMB'000	RMB'000
Current asset	**8,992**	7,317
Non-current asset	**346,045**	338,133
	355,037	345,450

During the year ended 31 December 2010, the land of approximately RMB48,525,000 (2009: RMB25,681,000) was acquired and land of approximately RMB22,305,000 (2009:nil) was transferred to investment property.

20. PREPAID LAND LEASE PAYMENTS (Continued)

The Group's prepaid land lease payments comprise:

	2010	2009
	RMB'000	RMB'000
Outside Hong Kong:		
Long lease	**23,086**	27,851
Medium-term lease	**331,951**	317,599
	355,037	345,450

21. INVESTMENT PROPERTIES

	2010	2009
	RMB'000	RMB'000
At fair value		
Balance at beginning of year	**1,294,529**	875,130
Acquisition of subsidiaries	**–**	76,472
Transfer from property, plant and equipment and prepaid land lease (note 19)	**118,631**	112,335
Transfer to property, plant and equipment (note 19)	**(222,610)**	–
Revaluation surplus at transfer date from transferred owner-occupied properties	**51,707**	135,215
Fair value gains recognised in the consolidated income statement	**53,328**	95,377
Balance at the end of the year	**1,295,585**	1,294,529

21. INVESTMENT PROPERTIES (Continued)

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

	2010 RMB'000	2009 RMB'000
Freehold land	**20,259**	–
Long lease	**228,300**	148,440
Medium-term lease	**1,047,026**	1,146,089
	1,295,585	1,294,529

The Group's investment properties were revalued on 31 December 2010 by Dudley Surveyors Limited and Jones Lang Lasalle Sallmanns Limited, independent professionally qualified valuers, at approximately RMB1,295,585,000 (2009: RMB1,294,529,000) 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 44.

At the end of the reporting period, 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 33.

At the end of the reporting period, certain Group's investment properties with an amount of approximately RMB73,120,000 (2009: RMB76,190,000) are in the process of getting land use right and building owner certificates.

The Group leases out some of the buildings and prepaid land leases under operating leases and certain of investment properties had been taken up by the Group as its own premises. The transfer accounts were based on the valuation performed by the independent professionally qualified valuers on the open market basis.

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 RMB118,870,000 (2009: RMB90,888,000)

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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 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 and 1 January 2010	47,383	88,787	2,036	134,929	273,135
Additions	567	–	1,745	10,098	12,410
Exchange realignment	–	(15)	(81)	(4,215)	(4,311)
At 31 December 2010	47,950	88,772	3,700	140,812	281,234
Amortisation					
At 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 and 1 January 2010	47,383	85,415	924	5,557	139,279
Amortisation provided during the year	37	675	1,605	18,479	20,796
Exchange realignment	–	35	(79)	(451)	(495)
At 31 December 2010	**47,420**	**86,125**	**2,450**	**23,585**	**159,580**
Carrying values					
At 31 December 2010	**530**	**2,647**	**1,250**	**117,227**	**121,654**
At 31 December 2009	–	3,372	1,112	129,372	133,856

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

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23. INTERESTS IN ASSOCIATES

	2010	2009
	RMB'000	RMB'000
Cost of investment in associates, unlisted (note a)	**601,173**	972,734
Share of post-acquisition losses and other comprehensive income, net of dividends received	**(50,529)**	(639,532)
Share of net assets (note a)	**550,644**	333,202
Loans to associates (note b)	**76,326**	378,858
Less: impairment	**(76,326)**	(319,745)
	550,644	392,315

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 2010, L&T Display Technology (Fujian) Limited and L&T Display Technology (Xiamen) Limited were established and they were held by the Group as 49% and 49% respectively. Amount of RMB98,558,000 was injected during the year ended 31 December 2010.

(ii) On 11 August 2010, the 50% interest in GWBNS of approximately RMB80,257,000 was disposed of to CITIC Network Co. In additions, the loan to GWBNS with a net amount of approximately RMB4,207,000 (net of impairment of approximately RMB277,737,000) was settled by CITIC Network Co., the impairment was fully reversed. Details are set out in note 9.

(iii) During the year ended 31 December 2010, the Group held the interest in O-Net was decreased from 45.99% to 27.32%. As a result, a gain on deemed partial disposal and partial disposal of approximately RMB304,174,000 was recognised in financial statements. Details are set out in note 8.

(iv) 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.

(v) The Group acquired further 80% of an associate, HannStar Display (Wuhan) Corp. during the year ended 31 December 2010. Amount of approximately RMB8,096,000 was transferred to the subsidiaries. Details are set out in note 43.

(vi) 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.

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23. INTERESTS IN ASSOCIATES (Continued)

Notes:

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

(vii) 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 during the year ended 31 December 2009.

(b) Loans to associates are unsecured, non-interest-bearing (2009: fixed rates ranging from 5.05% to 7.02% per annum) and is repayable after twelve months from the end of the reporting period.

The directors of the Company reviewed certain associates' operations and financial positions as at the end of the reporting period and considered that the recoverability of the loans to an associate is uncertain. Accordingly, an impairment of approximately RMB34,318,000 has been recognised as at 31 December 2010 (2009: reversal of impairment RMB18,920,000). In the year ended 31 December 2010, upon the disposal of an associate, the reversal of impairment of loan of approximately RMB277,737,000 has been recognised. Details are set out in note 9.

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

	2010 RMB'000	2009 RMB'000
Total assets	**6,663,302**	4,496,751
Total liabilities	**(4,163,541)**	(3,223,754)
Net assets	**2,499,761**	1,272,997
Group's share of net assets of associates	**550,644**	333,202
Revenue	**6,894,022**	6,982,853
Profit for the year	**240,957**	113,858
Other comprehensive expense	**(9,911)**	(26,487)
Group's share of results of associates for the year	**126,224**	42,154
Group's share of other comprehensive expense of associates for the year	**(4,661)**	(7,988)
Group's share of profits and other comprehensive expense of associates for the year	**121,563**	34,166

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23. INTERESTS IN ASSOCIATES (Continued)

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 2010	2009	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%**	33.33%	Trading of hard disk drives ("HDD")
G&W Technologies, Co., Ltd.	Republic of Korea	US$2,577,320	**27.82%**	27.82%	Manufacture of HDD spindle motors
O-Net	Cayman Islands	HK$22,224,299	**27.32%%**	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
Shenzhen Hai Liang Storage Products Co., Ltd.	The PRC	RMB494,742,208	**20%**	20%	Manufacture and sales of magnetic head products
Shenzhen KTM Glass Substrate Co., Ltd.	The PRC	RMB122,108,400	**49%**	49%	Manufacture and sales of glass substrates
Shenzhen Great Wall Kemei Technology Co., Ltd.	The PRC	RMB10,000,000	**35%**	35%	Trading of network ammeters

23. INTERESTS IN ASSOCIATES (Continued)

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 attributable equity to the Group 2010	2009	Principal activities
Guilin Changhai Technology Co., Ltd *	The PRC	RMB40,000,000	**39%**	39%	Research and development of safe computers and special computers
Great Wall Kemei *	The PRC	RMB100,000,000	**35%**	35%	Research and development of ammeters
Envision Peripherals, Inc.	United States of America	3,520,700 ordinary shares with no par value	**24%**	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%**	20%	Manufacture and sales of computer monitors
L&T Display Technology (Fujian) Limited	The PRC	US$17,000,000	**49%**	–	Trading of LCD monitors/TVs
L&T Display Technology (Xiamen) Limited	The PRC	US$15,000,000	**49%**	–	Trading of LCD monitors/TVs

* 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.

24. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2010	2009
	RMB'000	RMB'000
Cost of unlisted investments in jointly controlled entities	**83,907**	–
Share of post-acquisition losses	**(10,925)**	–
	72,982	–

During the year ended 31 December 2010, a subsidiary of TPV offered its shares for subscription by third parties, which resulted in dilution of the interest in the subsidiary of TPV from 85% to 50%. The subsidiary has been deconsolidated and accounted for as a jointly controlled entity. Details are set out in note 42.

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

	2010	2009
	RMB'000	RMB'000
The Group's share of:		
Total assets	**189,283**	–
Total liabilities	**(116,301)**	–
The Group's share of net assets of the jointly controlled entities	**72,982**	–
Revenue	**114,480**	–
Loss for the year	**(10,925)**	–

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24. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Particulars of the jointly controlled entities are as follows:

Name of entity	Country of incorporations and principal place of operation	Class of shares held	Proportion of voting power held 2010	Proportion of voting power held 2009	Principal activity
Three Titans Technology (Xiamen) Co., Ltd.*	The PRC	Ordinary shares	**50%**	–	Trading of LCD monitor/TV
BriVictory Display Technology (Labuan) Corp. and its wholly-owned subsidiary, BriVictory Display Technology (Poland) Sp z o.o	Malaysia and Poland	Ordinary shares	**49%**	–	Trading of LCD monitor/TV

* English translation is for identification purpose

25. AVAILABLE-FOR-SALE INVESTMENTS

	2010 RMB'000	2009 RMB'000
Equity securities listed in the PRC, at fair value	**47,916**	–
Equity securities listed in Taiwan, at fair value	**8,197**	15,432
Unlisted equity investments, at cost less impairment	**135,406**	154,115
Unlisted equity investments, at fair value	**6,073**	6,261
	197,592	175,808

During the year, a decrease in fair value of the Group's available-for-sale investments recognised directly in other comprehensive income was approximately RMB25,349,000 (2009: gain of RMB22,615,000) and impairment loss of approximately RMB5,989,000 was recognised in consolidated income statement (2009: nil). An unlisted equity investment, stated at cost of approximately RMB27,243,000 was disposed and a gain on disposal of approximately RMB18,027,000 was recognised in the year ended 31 December 2010.

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25. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

In the year ended 31 December 2009 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 43.

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.

26. INVENTORIES

	2010 **RMB'000**	2009 RMB'000
Raw materials	**4,777,696**	3,000,181
Work in progress	**27,877**	187,192
Finished goods	**4,942,688**	3,326,056
Consumables	**29,174**	20,018
	9,777,435	6,533,447

During the year ended 31 December 2010, there was an increase in the net realisable values of inventories due to change in the market situation. As a result, a reversal of allowances for inventories of approximately RMB5,735,000 (2009: RMB19,185,000) has been recognised and included in other income and gains in the year.

27. TRADE AND BILLS RECEIVABLES

	2010	2009
	RMB'000	RMB'000
Trade and bills receivables	**16,983,604**	14,590,846
Impairment	**(206,236)**	(201,842)
	16,777,368	14,389,004

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.

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.

	2010	2009
	RMB'000	RMB'000
0 to 90 days	**15,504,925**	14,096,885
91 to 180 days	**1,194,852**	257,420
181 to 365 days	**65,278**	34,699
Over 365 days	**12,313**	–
	16,777,368	14,389,004

27. TRADE AND BILLS RECEIVABLES (Continued)

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

	2010	2009
	RMB'000	RMB'000
Balance at beginning of the year	**201,842**	173,330
Impairment losses recognised on receivables	**32,834**	31,673
Acquisition of subsidiaries	**–**	23,962
Reclassified as held for sale	**–**	(15,556)
Amounts written off during the year as uncollectible	**(20,932)**	(280)
Impairment losses reversed	**(7,062)**	(11,220)
Exchange realignment	**(446)**	(67)
Balance at end of the year	**206,236**	201,842

The Group has individually assessed all receivables and provided in full for all receivables that are considered not recoverable. Impairment loss of approximately RMB32,834,000 (2009: RMB31,673,000) has been made during the year ended 31 December 2010 accordingly. The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	2010	2009
	RMB'000	RMB'000
Neither past due nor impaired	**15,188,916**	13,638,432
Less than one month past due	**1,343,151**	106,482
One to three months past due	**99,744**	561,673
Over three months past due	**145,557**	82,417
	16,777,368	14,389,004

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.

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28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010 RMB'000	2009 RMB'000
Other receivables	**2,604,677**	2,012,472
Less: impairment	**(15,046)**	(37,814)
	2,589,631	1,974,658
Prepayments and deposits	**209,380**	196,589
	2,799,011	2,171,247

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

	2010 RMB'000	2009 RMB'000
Balance at beginning of the year	**37,814**	83,951
Reclassified to assets classified as held for sale	**–**	(2,343)
Impairment losses reversed	**(6,909)**	(34,975)
Impairment losses recognised	**–**	24,821
Amounts written off during the year as uncollectible	**(15,859)**	(33,640)
Balance at end of the year	**15,046**	37,814

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.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 RMB'000	2009 RMB'000
Listed securities, at fair value:		
– Equity securities – Singapore	**3,391**	3,981
– Equity securities – the PRC	**–**	10,307
– Equity securities – Taiwan (note)	**13,576**	15,958
	16,967	30,246

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

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

	2010 RMB'000	2009 RMB'000
Cash and bank deposits, other than term deposits	**2,436,072**	3,031,477
Term deposits	**1,273,039**	1,940,197
	3,709,111	4,971,674
Less: Current deposits		
Pledged for bank facilities	**357,414**	315,060
Pledged for performance bonds	**33,564**	24,840
	390,978	339,900
Term deposits with terms over three months	**546,328**	495,000
	937,306	834,900
Less: Term deposits with terms over one year	**14,000**	86,008
Bank balances and cash	**2,757,805**	4,050,766

30. TERM DEPOSITS, PLEDGED DEPOSITS AND BANK BALANCES AND CASH (Continued)

As at 31 December 2010, term deposits, pledged deposits, bank balances and cash of approximately RMB2,342,501,000 (2009: RMB3,210,330,000) 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% (2009: 0.36%) per annum.

As at 31 December 2010, the effective interest rates on term deposits with terms over three months ranged from 2.25% to 5.85% (2009: 2.25% to 5.13%) per annum; and these deposits have an average maturity of 261 days (2009: 255 days).

As at 31 December 2010, term deposits of approximately RMB25,467,000 (2009: RMB24,840,000) were pledged in respect of performance bonds in favour of the customers.

31. DISPOSAL GROUP HELD FOR SALE

	2010 **RMB'000**	2009 RMB'000
Assets classified as held for sale	–	379,270
Liabilities associated with assets classified as 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"). Details of the disposal are set out in note 42.

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31. DISPOSAL GROUP HELD FOR SALE (Continued)

The assets and liabilities attributable to Great Wall Software Group have been classified as disposal group held for sale and are presented separately in the consolidated statement of financial position as at 31 December 2009. The major classes of assets and liabilities of Great Wall Software Group as at 31 December 2009, classified 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 sale	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 sale	248,962
Net assets	130,308

32. 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.

	2010	2009
	RMB'000	RMB'000
Within 90 days	**15,180,057**	13,177,026
91 to 180 days	**1,727,209**	1,523,589
181 to 365 days	**38,606**	45,237
Over 365 days	**38,908**	43,921
	16,984,780	14,789,773

33. BANK AND OTHER LOANS

	2010	2009
	RMB'000	RMB'000
Non-current		
Bank and other loans	**–**	41,816
Current		
Bank and other loans	**4,267,261**	1,773,011
	4,267,261	1,814,827
Bank and other loans repayable within one year:		
Unsecured	**3,870,787**	1,353,157
Secured	**396,474**	419,854
	4,267,261	1,773,011
Bank and other loans repayable within two years:		
Unsecured	**–**	41,816
	4,267,261	1,814,827

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33. BANK AND OTHER LOANS (Continued)

Bank and other loans of approximately RMB3,875,571,000 (2009: RMB1,773,988,000) 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:

	2010	2009
Bank and other loans	**0.99%-4.78%**	1%-4.78%

As at 31 December 2010, bank and other loans of approximately RMB350,000,000 (2009: RMB614,641,000) are denominated in RMB and approximately RMB3,917,261,000 (2009: 1,200,186,000) are denominated in US$.

Certain of the Group's term deposits with a carrying value of approximately RMB390,978,000 (2009: RMB339,900,000) were pledged to the banks to secure the bank facilities and performance bonds.

Certain of the Group's investment properties, leasehold land and buildings with a carrying value of approximately RMB158,945,000 (2009: RMB134,103,000) were pledged to secure the bank loans of approximately RMB50,000,000 (2009: RMB50,000,000) as at 31 December 2010.

34. 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. On 7 September 2010, upon the maturity date, TPV redeemed an aggregate principal amount of US$211 million, being all outstanding principal amount of the convertible bonds. As the holders of the convertible bonds did not opt to exercise the right of conversion, no additional shares were issued by TPV and all principal and interests thereon accrued were repaid with cash.

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, included in borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The equity conversion component was included in the equity of the subsidiary as at 31 December 2009.

34. CONVERTIBLE BONDS OF A SUBSIDIARY (Continued)

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

	2010	2009
	RMB'000	RMB'000
Equity component (note)	**–**	297,886
Liability component		
Balance at 1 January	**1,428,541**	–
Acquisition of subsidiaries	**–**	1,423,251
Interest expense (note 12)	**57,213**	12,044
Interest paid	**(48,399)**	(6,590)
Repayment upon maturity	**(1,437,355)**	–
Exchange realignment	**–**	(164)
Balance at 31 December	**–**	1,428,541

Note:

The equity component of the convertible bonds of a subsidiary was not recognised in the consolidated statement of financial position as it was regarded as pre-acquisition reserve upon the acquisition of TPV as at 13 October 2009.

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35. DERIVATIVE FINANCIAL INSTRUMENTS

	2010		2009	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
Derivatives not under hedge accounting				
Foreign exchange forward contracts (note a)	**423,630**	**(22,158)**	125,851	(7,702)
Interest rate swaps (note b)	**7,528**	**(400,615)**	2,738	(112,297)
	431,158	**(422,773)**	128,589	(119,999)

(a) Foreign exchange forward contracts

The total notional principal amount of the outstanding foreign exchange forward contracts as at the end of the reporting period are as follows:

	2010 RMB'000	2009 RMB'000
Sell RMB for US$	**24,362,536**	19,480,855
Sell US$ for RMB	**21,629,738**	19,514,996
Sell Japanese Yen for US$	**376,832**	39,604
Sell Euros for US$	**1,379,204**	503,368
Sell Brazilian Real for US$	**329,810**	290,199
Sell Indian Rupee for US$	**72,850**	68,282
Sell British pounds for US$	**46,869**	–
Sell US$ for Russian Ruble	**5,066**	–
Sell US$ for New Taiwan dollars	**112,586**	–
Sell HK dollars for US$	**–**	20,485
Sell Mexican Peso for US$	**–**	9,559

As at 31 December 2010, all of the above foreign exchange forward contracts are with maturity dates within 12 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 2010 was approximately RMB2,587,726,000 (2009: RMB2,283,350,000).

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36. PROVISIONS FOR PRODUCTS WARRANTIES

	2010 RMB'000	2009 RMB'000
At 1 January	**501,855**	46,239
Additional provision recognised	**477,709**	47,072
Acquisition of subsidiaries	**–**	437,058
Amounts utilised during the year	**(453,467)**	(25,799)
Amounts reversed during the year	**(13,602)**	(2,020)
Exchange realignment	**(14,495)**	(695)
At 31 December	**498,000**	501,855

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.

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37. PENSION OBLIGATIONS

The balance represented 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 2010 were valued by Actuarial Consulting Co., Ltd, an independent actuary.

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

	2010	2009
	RMB'000	RMB'000
Present value of funded obligations	**64,532**	47,548
Fair value of plan assets	**(7,100)**	(6,179)
	57,432	41,369
Unrecognised actuarial losses	**(18,782)**	(6,811)
Liability in the consolidated statement of financial position	**38,650**	34,558

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

	2010	2009
	RMB'000	RMB'000
Current service cost	**1,766**	565
Interest cost	**1,076**	311
Expected return on plan assets	**(142)**	(26)
Net actuarial losses recognised during the year	**190**	53
Total expense, within employee benefit expense	**2,890**	903

The actual loss on plan assets was approximately RMB34,000 (2009: RMB41,000).

37. PENSION OBLIGATIONS (Continued)

Movements in the pension obligations are as follows:

	2010	2009
	RMB'000	RMB'000
At 1 January	**47,548**	–
Acquisition of subsidiaries	**–**	47,034
Current service cost	**1,766**	565
Interest cost	**1,076**	311
Benefit paid	**(995)**	(603)
Actuarial losses	**10,953**	241
Exchange realignment	**4,184**	–
At 31 December	**64,532**	47,548

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

	2010	2009
	RMB'000	RMB'000
At 1 January	**6,179**	–
Acquisition of subsidiaries	**–**	6,390
Expected return on plan assets	**142**	26
Contributions	**1,808**	311
Benefit paid	**(995)**	(603)
Actuarial losses	**(34)**	55
At 31 December	**7,100**	6,179

The principal actuarial assumptions used are as follows:

	2010	2009
Discount rate	**1.75%**	2.25%
Expected rate of return on plan assets	**1.75%**	2.25%
Expected rate of future salary increment	**3.5%**	3.00%

38. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2010, the Group provided financial guarantees to banks in respect of banking facilities granted to associates and certain customers. The financial guarantees provided and the movements of fair value are analysed as follows:

	2010	2009
	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to:		
Associates	**19,868**	570,385
Third parties	**54,051**	60,384
	73,919	630,769

	2010	2009
	RMB'000	RMB'000
At 1 January	**3,637**	21,140
Fair value change during the year	**–**	(17,503)
Gain on derecognition	**(3,637)**	–
At 31 December	**–**	3,637

As at 31 December 2010, the bank loans of associate was fully settled and a gain on derecognition of financial guarantee contracts of approximately RMB3,637,000 was recognised. The directors of the Company reviewed the financial position of the guarantees and considered that payment for the settling the financial guarantee is remote. No liabilities were recognised for the above guarantees as at 31 December 2010 and 2009.

As at 31 December 2009 is approximately RMB3,637,000 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.

39. 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	Pension obligation	Impairment and provisions	Revaluation of properties	Revaluation of available-for-sale investments	Capitalisation of interest	Equity of associates	Unrealised profit on derivatives financial instruments	Unrealised profit on inventories	Withholding tax on distributable profit	Tax losses	Depreciation of property, plant and equipment	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 2009	28,659	–	(82,517)	47,823	(83,422)	9,356	1,678	–	–	–	–	(9,259)	(87,682)
Acquisition of subsidiaries	–	(7,271)	(63,769)	119,893	–	–	–	(8,894)	(4,261)	–	–	–	35,698
Deferred tax debited to equity during the year	–	–	–	29,747	83,422	–	–	–	–	–	–	–	113,169
Deferred tax charged (credited) to the consolidated income statement (note 16)	9,680	(1,367)	(24,573)	11,502	–	(905)	–	13,325	683	–	–	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 and at 1 January 2010	41,205	(8,638)	(179,110)	213,747	–	9,387	1,846	4,431	(3,578)	–	–	–	79,290
Deferred tax debited to equity during the year	–	–	–	11,059	6,352	–	–	–	–	–	–	–	17,411
Deferred tax charged (credited) to the consolidated income statement (note 16)	10,050	(117)	(12,640)	7,403	–	(905)	–	43,517	5,624	41,908	(13,391)	–	81,449
Effect of change in tax rate (note 16)	3,746	–	(9,125)	5,219	–	853	168	–	–	–	–	–	861
At 31 December 2010	55,001	(8,755)	(200,875)	237,428	6,352	9,335	2,014	47,948	2,046	41,908	(13,391)	–	179,011

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39. 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:

	2010	2009
	RMB'000	RMB'000
Deferred tax liabilities	**402,032**	267,038
Deferred tax assets	**(223,021)**	(187,748)
	179,011	79,290

At the end of the reporting period, the Group did not recognise in respect of tax losses of approximately RMB248,432,000 (2009: RMB144,285,000) due to the unpredictability of future profit streams. Tax losses amounting to RMB203,269,000 will expire in 2011 to 2020.

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB237,175,000 (2009: RMB265,267,000). 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.

40. GOVERNMENT GRANTS

	2010	2009
	RMB'000	RMB'000
At 1 January	**22,375**	7,653
Government grants raised during the year	**22,970**	14,982
Government grants utilised during the year	**(11,218)**	(260)
At 31 December	**34,127**	22,375

Government grants of approximately RMB158,526,000 (2009: RMB68,972,000) have been recognised during the year ended 31 December 2010 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.

40. GOVERNMENT GRANTS (Continued)

As at 31 December 2010, government grants of approximately RMB34,127,000 (2009: RMB22,375,000) 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 2010.

41. SHARE CAPITAL

	2010 **RMB'000**	2009 RMB'000
Authorised, issued and fully paid:		
743,870,000 state-owned legal person shares of RMB1.00 each	**743,870**	743,870
453,872,000 overseas listed foreign invested shares of RMB1.00 each	**453,872**	453,872
	1,197,742	1,197,742

There was no change in the authorised and issued capital of the Company for the two years ended 31 December 2010 and 2009.

42. DISPOSAL OF SUBSIDIARIES

(a) A subsidiary of TPV offered its shares for subscription by third parties in July 2010, which resulted in dilution of the TPV's interests in the subsidiary from 85% to 50%. Consequently, the subsidiary has been deconsolidated and accounted for as a jointly controlled entity. The following table summarises the amounts of the assets and liabilities deconsolidated at the transaction date.

	As at transaction date RMB'000
Net assets disposed of:	
Property, plant and equipment	49,254
Inventories	20,596
Bank balances and cash	14,153
Trade and other receivables	14,471
Trade payables and other payables	(67,390)
	31,084
Less: Investments retained subsequent to disposal as at fair value	(32,478)
Gain on disposal	(1,394)
Net cash outflow arising on disposal:	
Cash consideration	–
Less: Bank balances and cash disposed of	(14,153)
	(14,153)

There is no significant impact on the total turnover and profit of the Group as the revenue and results of the disposed subsidiary is not significant for the year ended 31 December 2010. The subsidiary disposed of had no significant effect on the cashflow of the Group for the year ended 31 December 2010.

(b) On 28 December 2009, the Group entered into the share transfer agreement with 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 Software Group for a consideration of approximately RMB92,472,000. The disposal of the 69.41% of Great Wall Software Group was completed on 21 April 2010 and details of the completion of the disposal are set out in the announcement of the Company dated 21 April 2010.

42. DISPOSAL OF SUBSIDIARIES (Continued)

	As at transaction date RMB'000
Net asset disposed of:	
Property, plant and equipment	42,800
Intangible assets	225
Available-for-sale investments	3,195
Inventories	64,776
Trade and bills receivables	94,810
Prepayments, deposits and other receivables	21,056
Bank balances and cash	57,004
Trade and bills payables	(132,669)
Other payables and accruals	(20,447)
Non-controlling interests	(36,559)
	94,191
Loss on disposal	(1,719)
Total consideration	92,472
Satisfied by:	
Cash	92,472
Net cash inflow arising on disposal:	
Cash consideration	92,472
Less: bank balances and cash disposed of	(57,004)
	35,468

There is no significant impact on the total turnover and profit of the Group as the revenue and results of the disposed subsidiaries are not significant for the year ended 31 December 2010 and 2009. The subsidiaries disposed of had no significant effect on the cashflow of the Group for the year ended 31 December 2010 and 2009.

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43. BUSINESS COMBINATIONS

Business combinations for the year ended 2010

On 23 December 2010, the Group acquired a further 80% equity interests in HannStar Display (Wuhan) Corp. ("Hannstar-TPV") for a purchase consideration of US$3,400,000 (equivalent to approximately RMB22,282,000), in addition to 20% of the original equity interests in this associate, and obtained the control of Hannstar-TPV.

The following table summarises the consideration for Hannstar-TPV and the amounts of the assets acquired and liabilities at the acquisition date, as well as the fair values at acquisition.

	RMB'000
Property, plant and equipment	30,342
Inventories	2,732
Trade and other receivables	20,131
Cash and cash equivalents	2,905
Trade and other payables	(16,357)
Total identifiable net assets acquired at fair value	39,753
Gain from a bargain purchase	(9,375)
Total consideration	30,378
Total consideration:	
Cash paid	7,947
Cash payable	14,335
	22,282
Fair value of equity interest in Hannstar-TPV held before the business combination	8,096
	30,378
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	7,947
Bank balances and cash acquired	(2,905)
Net cash outflow arising from the acquisition of a subsidiary	5,042

43. BUSINESS COMBINATIONS (Continued)

The revenue and profit included in the consolidated income statement since 23 December 2010 contributed by Hannstar-TPV was insignificant.

Had Hannstar-TPV been consolidated from 1 January 2010, revenue will increase by approximately RMB50,215,000 and profit will decrease by approximately RMB24,147,000 in the consolidated income statement.

Business combinations for the year ended 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 2010

43. BUSINESS COMBINATIONS (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

43. BUSINESS COMBINATIONS (Continued)

Note:

The Group accounted for the investment in TPV as an available-for-sale investment 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 a subsidiary are as follows:	
Cash consideration paid	–
Bank balances and cash acquired	1,240,742
Net cash inflow arising from the acquisition of a subsidiary	1,240,742

The discount on acquisition of subsidiaries was 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.

44. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases their investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to nine 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 9% (2009: 15%) on an ongoing basis. At the end of reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2010	2009
	RMB'000	RMB'000
Within one year	**85,415**	90,135
In the second to fifth years, inclusive	**127,617**	87,256
After five years	**12,662**	5,920
	225,694	183,311

(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 the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010	2009
	RMB'000	RMB'000
Within one year	**74,816**	71,149
In the second to fifth years, inclusive	**110,739**	98,885
After five years	**51,604**	82,519
	237,159	252,553

45. CAPITAL COMMITMENTS

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

	2010	2009
	RMB'000	RMB'000
Contracted, but not provided for:		
Leasehold land and buildings	**399,805**	260,012
Plant, machinery and equipment	**17,888**	2,784
	417,693	262,796

As at 31 December 2010, the Group had commitments for investments in joint venture amounting to approximately RMB401,939,000 (2009: RMB350,457,000).

46. RETIREMENT BENEFITS SCHEMES

Apart from the defined benefit plan stated in note 37, 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 is 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 2010, the Group had no amount capitalised and forfeited contributions available to reduce its contributions to the CP Scheme and MPF Scheme in future years (2009: nil).

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47. 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**	**At 1 January 2010**	**Exercised during the year**	**Granted during the year**	**Lapsed during the year**	**At 31 December 2010**
12 December 2007	HK$5.750	(i)	21,358,026	–	–	(690,000)	20,668,026
Exercisable at the end of the year							20,668,026

Note:

(i) These options are exercisable at HK$5.750 (approximately RMB4.89) 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 2010 to 11 December 2012 and from 12 December 2010 to 11 December 2012 are 20%, 50% and 100% respectively.

48. 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	**2010 RMB'000**	2009 RMB'000
Ultimate holding company:			
Sales of products	(i)	**4,665**	135
Immediate holding company:			
License fees	(ii)	**3,193**	2,849
Acquisition of subsidiaries	(ix)	**–**	10,601
Associates:			
Sales of products	(i)	**3,619,644**	1,177,868
Rental income	(iii)	**50,623**	46,979
Interest income	(iv)	**–**	10,469
Processing fee income	(v)	**2,646**	57
Purchases of components and parts	(vi)	**21,849**	–
Commission fees	(x)	**2,880**	–
Jointly controlled entities:			
Sales of finished goods	(i)	**127,302**	–
Purchases of raw materials	(vi)	**15,768**	–
Rental income	(iii)	**2,349**	–
Fellow subsidiaries:			
Sales of products	(i)	**54,134**	31,898
Rental income	(iii)	**18,653**	22,052
Interest income	(iv)	**55**	–
Purchases of components and parts	(vi)	**35,617**	11,250
Interest expenses	(vii)	**–**	2,430
Subsidiaries' substantial shareholders and their subsidiaries:			
Sales of finished goods	(viii)	**3,181,471**	1,939,817
Purchases of raw materials	(viii)	**8,180,489**	2,931,026

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48. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(i) The sales to the ultimate holding company, associates, jointly controlled entities 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 0.39% (2009: 0.15%) of the revenue from the products under the "Great Wall" brand.

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

(iv) The interest income from associates for the year ended 31 December 2009 was based on an interest rate of 5.05% per annum. The interest income from fellow subsidiary for the year ended 31 December 2010 was based on the benchmark deposit interest rate for financial institution announced by the People's Bank of China.

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

(vi) The purchases from associates, jointly controlled entities 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% per annum for the year ended 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 in the year ended 31 December 2009 was made on terms mutually agreed between both parties. The consideration was RMB10,601,000.

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

48. RELATED PARTY TRANSACTIONS (Continued)

(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 receivable from TPV's associates and jointly controlled entities of approximately RMB927,721,000 (2009: RMB1,157,079,000) and RMB42,855,000 (2009: nil) respectively, which were presented in the consolidated statement of financial position within trade receivables.

The Group had outstanding payables to TPV's associates and jointly controlled entities of approximately RMB9,516,000 (2009: nil) and RMB14,179,000 (2009: nil) respectively, which were presented in the consolidated statement of financial position within trade payables.

Receivables from TPV's substantial shareholders and their subsidiaries of approximately RMB2,887,000 (2009: RMB1,534,856,000) and RMB6,954,000 (2009: nil) were presented in the consolidated statement of financial position within trade receivables and prepayment and other receivables respectively.

Payables to TPV's subsidiaries' substantial shareholders and their subsidiaries of approximately RMB497,570,000 (2009:RMB1,580,947,000) and nil (2009: RMB27,313,000) were presented in the consolidated statement of financial position within trade payables and other payables and accruals respectively.

(iii) The Group had a bank deposit of approximately RMB190,013,000 (2009: nil) in a fellow subsidiary, which was an authorised non-bank financial institution set up in the PRC. The deposit was presented in the consolidated statement of financial position within bank balances and cash.

(c) Key management compensation

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

48. RELATED PARTY TRANSACTIONS (Continued)

(d) 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 2010 and 2009, 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.

49. CONTINGENT LIABILITIES

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

(a) 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 I").

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 I 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 I; and

(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 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 consider that its future settlement may not have any material financial impact on the Group as a whole and that an appropriate amount of provision has been made, if any.

49. CONTINGENT LIABILITIES (Continued)

(b) 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 I.

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 I; 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 I; 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.

On 23 November 2010, the proceedings before the U.S. International Trade Commission are terminated based on a withdrawal of the complaint by the complainant. The directors consider that the termination does not have any material financial impact on the Group as a whole.

(c) 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 monitors and televisions ("Patent II").

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 televisions, 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.

49. CONTINGENT LIABILITIES (Continued)

(c) (Continued)

The directors 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 consider that its future settlement may not have any material financial impact on the Group as a whole and that an appropriate amount of provision has been made, if any.

(d) 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 III").

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 III 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 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 consider that its future settlement may not have any material financial impact on the Group as a whole and that an appropriate amount of provision has been made, if any.

(e) 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.

49. CONTINGENT LIABILITIES (Continued)

(e) (Continued)

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 States 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 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 consider that its future settlement may not have any material financial impact on the Group as a whole and that an appropriate amount of provision has been made, if any.

(f) In April 2010, in light of threatened claim for infringement of patents, the Group and one of its associated companies filed a complaint in the United States of America against three third party companies. Under this complaint, they seek a judicial declaration from the court that they have not infringed the patents of certain digital television technologies ("Patent IV") and/or the Patent IV are invalid and unenforceable.

On 15 November 2010, the complaint is dismissed according to the Court's Order. The directors consider that the dismissal does not have any material financial impact on the Group as a whole.

(g) In July 2010, a third party company filed a complaint in the United States of America against the Group. The Complaint concerns claims of compensation related to indemnity obligations as provided in an agreement between the parties.

The directors 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 consider that its future settlement may not have any material financial impact on the Group as a whole and that an appropriate amount of provision has been made, if any.

49. CONTINGENT LIABILITIES (Continued)

(h) In July 2010, a third party company filed a complaint in the United States of America against the Group, one of its associated company and another third party company.

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

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

(i) they have been infringing and continue to infringe the Patent V, and contributing to and actively inducing the infringement of Patent V by others in the United States of America.

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent V.

The directors 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 consider that its future settlement may not have any material financial impact on the Group as a whole and that an appropriate amount of provision has been made, if any.

(i) In November 2010, a third party individual filed a complaint in the United States of America against the Group. The Complaint concerns alleged claims of personal injury caused by products that contain asbestos.

The directors are of the opinion that while the complaint is not properly 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 consider that its future settlement may not have any material financial impact on the Group as a whole and that an appropriate amount of provision has been made, if any.

50. EVENTS AFTER THE REPORTING PERIOD

(a) Licensing of Philips trademarks

On 29 September 2010, AOC Holdings Limited ("AOC"), a wholly owned subsidiary of TPV, entered into a five-year trademark license agreement with Koninklijke Philips Electronics N.V. (Philips), of which trademarks for the sales and distribution of colour TVs in the PRC was granted to AOC and its affiliates in which AOC is required to pay royalty on an annual basis, which is based on a percentage of the turnover of the aforesaid TVs as specified in the agreement. The trademark license agreement was completed on 1 January 2011.

In addition, a share purchase agreement was signed in which AOC agreed to purchase two wholly-owned subsidiaries of Philips, Ebony Hong Kong Holding Limited and PTC Consumer Electronic Co., Limited, with a consideration of EUR1.23 million (equivalent to RMB10,834,737). The two companies were holding the necessary spare parts, in-store samples, equipment, employees and contracts for the operations of the Philips Contributed Business. The Philips Contributed Business represents the entire business of the product management, operation, marketing, sale and distribution of the aforesaid TVs manufactured under the brand name ''Philips'' or any other brand name or trademark of the Philips Group as carried on by the Philips Group in the PRC prior to completion of the share purchase agreement.

The share purchase agreement was completed on 1 January 2011 and AOC acquired 100% of the share capital of Ebony Hong Kong Holding Limited and PTC Consumer Electronic Co., Limited, for a cash consideration of EUR1.23 million (equivalent to RMB10,835,000) on 1 January 2011.

50. EVENTS AFTER THE REPORTING PERIOD (Continued)

(a) Licensing of Philips trademarks (Continued)

The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	RMB'000
Inventories and spare parts	33,902
Intangible assets – trademark	232,768
Other payables and accruals	(232,768)
Provisional fair value of net identifiable assets acquired	33,902
Gain from a bargain purchase	(23,067)
Cash consideration	10,835

(b) Equity transactions

On 18 January 2011, 45 million share options were granted to directors and employees of TPV vesting over four years, with an exercise price at HK$5.008 per share and expiry date on 17 January 2021.

(c) Note issuance

On 21 March 2011, the Group issued RMB500,000,000 4.25 percent note to finance its expansion programme and working capital requirements. The note is repayable on 21 March 2014.

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010 RMB'000	2009 RMB'000
Non-current assets		
Property, plant and equipment	**53,025**	63,732
Investment properties	**402,100**	357,630
Prepaid land lease payments	**3,635**	3,995
Investment in subsidiaries	**2,231,717**	1,450,067
Interests in associates	**–**	87,218
Available-for-sale investments	**2,500**	2,500
	2,692,977	1,965,142
Current assets		
Prepayments, deposits and other receivables	**11,793**	40,300
Bank balances and cash	**107,591**	617,119
	119,384	657,419
Current liabilities		
Trade and bills payables	**541**	561
Other payables and accruals	**13,290**	20,181
Tax payable	**–**	782
	13,831	21,524
Net current assets	**105,553**	635,895
Total assets less current liabilities	**2,798,530**	2,601,037
Capital and Reserves		
Share capital	**1,197,742**	1,197,742
Reserves (note)	**1,544,942**	1,357,847
Total equity	**2,742,684**	2,555,589
Non-current liabilities		
Financial guarantee contracts	**–**	3,637
Deferred tax liabilities	**55,846**	41,811
	55,846	45,448
	2,798,530	2,601,037

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

Note: Reserves of the Company

	Share premium RMB'000	Asset revaluation reserve RMB'000	Retained profits RMB'000	Statutory reserve RMB'000	Total RMB'000
At 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 and 1 January 2010	996,660	–	320,046	41,141	1,357,847
Profit for the year	–	–	310,715	–	310,715
Other comprehensive income	–	20,109	–	–	20,109
Transfer	–	–	(59,949)	59,949	–
Dividend paid	–	–	(143,729)	–	(143,729)
At 31 December 2010	**996,660**	**20,109**	**427,083**	**101,090**	**1,544,942**

52. 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
			2010		2009		
			Direct	**Indirect**	Direct	Indirect	
CGC (note 1,2,3)	The PRC	RMB1,323,593,886	**56.62%**	**–**	47.82%	–	Manufacture and trading of 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

52. 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
			2010		2009		
			Direct	**Indirect**	Direct	Indirect	
Great Wall Computer Software and System Incorporation Limited (note 2)	The PRC	RMB167,174,000	**–**	**–**	34.9%	34.51%	Development of computer software
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. (notes 2)	The PRC	RMB251,363,000	**43%**	**57%**	43%	57%	Production and development of HDD substrates
Shenzhen Kaita Technology Co., Ltd. ("S. Kaifa") (note 1)	The PRC	RMB879,518,521	**49.64%**	**–**	49.64%	–	Production of HDD heads and related electronic products
TPV (note 4,5)	Bermuda	US$21,112,525	**–**	**13.77%**	–	12.92%	Designs, manufacture and selling computer monitors and flat TV products
Top Victory International Limited (note 4)	British Virgin Islands	US$1,000	**–**	**13.77%**	–	12.92%	Investment holding
Top Victory Investments Limited (note 4)	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	**–**	**13.77%**	–	12.92%	Trading of computer monitors and flat TVs and sourcing of materials

For the year ended 31 December 2010

52. 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
			2010		2009		
			Direct	**Indirect**	Direct	Indirect	
Top Victory Electronics (Fujian) Company Limited (note 2, 4)	The PRC	US$40,000,000	**–**	**13.77%**	–	12.92%	Production and sales of computer monitors
AOC do Brasil Monitores Ltda. (note 4)	Brazil	Brazilian real $12,054,599	**–**	**13.71%**	–	12.86%	Sales and distribution of computer monitors and flat TVs
AOC International (Europe) GmbH (note 4)	Germany	Euro230,081	**–**	**13.77%**	–	12.92%	Sales and distribution of computer monitors and flat TVs
Top Victory Electronics (Taiwan) Company Limited (note 4)	Taiwan	NT$920,000,000	**–**	**13.77%**	–	12.92%	Research and development of computer monitors and flat TVs and sourcing of certain components
TPV Electronics (Fujian) Company Limited (note 2, 4)	The PRC	US$45,000,000	**–**	**13.77%**	–	12.92%	Production and sales of computer monitors and flat TVs
TPV Electronics (Fuzhou Bonded Zone) Trading Company Limited (note 2, 4)	The PRC	US$3,000,000	**–**	**13.77%**	–	12.92%	Trading computer monitors and flat TVs
TPV Technology (Wuhan) Company Limited (note 2, 4)	The PRC	US$16,880,000	**–**	**13.77%**	–	12.92%	Production and sales of computer monitors

52. 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
			2010		2009		
			Direct	**Indirect**	Direct	Indirect	
TPV Display Technology (Wuhan) Company Limited (note 2, 4)	The PRC	US$12,000,000	**–**	**13.77%**	–	12.92%	Production and sales computer monitors
Wuhan Admiral Technology Limited (note 2, 4)	The PRC	RMB80,000,000	**–**	**13.77%**	–	8.61%	Trading of computer monitors and flat TVs
TPV Technology (Ningbo) Company Limited (note 2, 4)	The PRC	US$29,980,000	**–**	**13.77%**	–	12.92%	Production and sales of computer monitors and flat TVs
TPV Technology Display (Ningbo) Company Limited (note 2, 4)	The PRC	US$3,000,000	**–**	**13.77%**	–	12.92%	Production and sales of computer monitors and flat TVs
TPV Trading (Ningbo) Company Limited (note 2, 4)	The PRC	US$1,500,000	**–**	**13.77%**	–	12.92%	Trading of computer monitors and flat TVs
TPV International (USA), Inc. (note 4)	United States of America	US$1,000,000	**–**	**13.77%**	–	12.92%	Sales and distribution of computer monitors and flat TVs
TPV International (Netherlands) B.V. (note 4)	The Netherlands	Euro500,000	**–**	**13.77%**	–	12.92%	Provision of after-sales services
Envision Industira de Productos Electronicos Ltda (note 3)	Brazil	Brazilian real $50,000,000	**–**	**13.74%**	–	12.89%	Production and sales of computer monitors and flat TVs

For the year ended 31 December 2010

52. 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
			2010		2009		
			Direct	**Indirect**	Direct	Indirect	
TPV Technology (Beijing) Company Limited (note 2, 4)	The PRC	RMB320,000,000	**–**	**13.77%**	–	12.92%	Production and sales of computer monitors and flat TVs
TPV Technology (Suzhou) Company Limited (note 2, 4)	The PRC	US$48,000,000	**–**	**13.77%**	–	12.92%	Production and sales of computer monitors and flat TVs
TPV Technology Polska SP.z o.o (note 4)	Poland	PLN1,500,000	**–**	**13.77%**	–	12.92%	Production and sales of computer monitors and flat TVs
TPV Display Polska SP.z o.o (note 4)	Poland	PLN126,800,000	**–**	**13.77%**	–	12.92%	Production and sales of computer monitors and flat TVs
P-Harmony Monitors (Taiwan) Limited (note 4)	Taiwan	NT$1,000,000	**–**	**13.77%**	–	12.92%	Trading of computer monitors
P-Harmony Monitors Netherlands B.V. (note 4)	The Netherlands	Euro30,000	**–**	**13.77%**	–	12.92%	Trading of computer monitors
MMD-Monitors & Displays Nederland B.V.	The Netherlands	Euro18,000	**–**	**13.77%**	–	12.92%	Sales and distribution of computer monitors and flat TVs
MMD (Shanghai) Electronics Trading Co., Ltd	The PRC	RMB6,150,060	**–**	**13.77%**	–	12.92%	Sales and distribution of computer monitors and flat TVs

52. PRINCIPAL SUBSIDIARIES (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 5 November 2010, CGC issued 187,500,001 shares to the Company and 35,714,285 shares to S. Kaifa at RMB4.48 per share. No share was issued to other existing shareholders. The Group increases its equity interests from 47.82% to 56.62% after the issuance of new shares.

4. 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 43.

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

6. The Group held 49.64% (2009: 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 654,839,851 A shares which have been tradable in the stock market. The market value of these tradable shares as at 31 December 2010 is approximately RMB7,687,822,000.

7. The Group held 56.62% (2009: 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 749,362,206 A shares which have been tradable in the stock market. The market value of these tradable shares as at 31 December 2010 is approximately RMB6,549,426,000.

8. The Group held 24.32% (2009: 27.01%) equity interests in TPV, a company listed on the Stock Exchange of Hong Kong. The Company's equity interests in TPV represents 570,450,000 shares which have been tradable in the stock market. The market value of these tradable shares as at 31 December 2010 is approximately HK$2,829,432,000.

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.

Particulars of major investment properties at 31 December 2010

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

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長城科技股份有限公司

Great Wall Technology Company Limited

Stock Code 股份代號：0074