GWT

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

Stock Code : 0074

Interim Report 2011

CONTENTS

CORPORATE INFORMATION

Company Name in Chinese	:	長城科技股份有限公司
Company Name in English	:	Great Wall Technology Company Limited
Place of Registration	:	No. 2 Keyuan Road Technology & Industry Park Nanshan District Shenzhen, China
Tel	:	(0755) 2672 8686
Fax	:	(0755) 2650 4493
Postal Code	:	518057
Executive Directors	:	Liu Liehong (Chairman) Lu Ming Tam Man Chi Yang Jun Su Duan Du Heping
Independent Non-executive Directors	:	Yao Xiaocong James Kong Tin Wong Zeng Zhijie
Supervisors	:	Lang Jia Kong Xueping Song Jianhua
Company's Legal Representative	:	Liu Liehong
Company's Secretary	:	Siu Yuchun
Authorized Representative	:	Lu Ming Siu Yuchun
International Auditor	:	SHINEWING (HK) CPA Limited Certified Public Accountants Hong Kong
Domestic Auditor	:	Shinewing CPA
Legal Advisor (as to Hong Kong law)	:	Jones Day
Place of H Shares Listing	:	The Stock Exchange of Hong Kong Limited
Stock Short Name	:	Great Wall Tech
Stock Code	:	0074
H Shares Registrar and Transfer Office	:	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor Hopewell Center 183 Queen's Road East Wanchai, Hong Kong

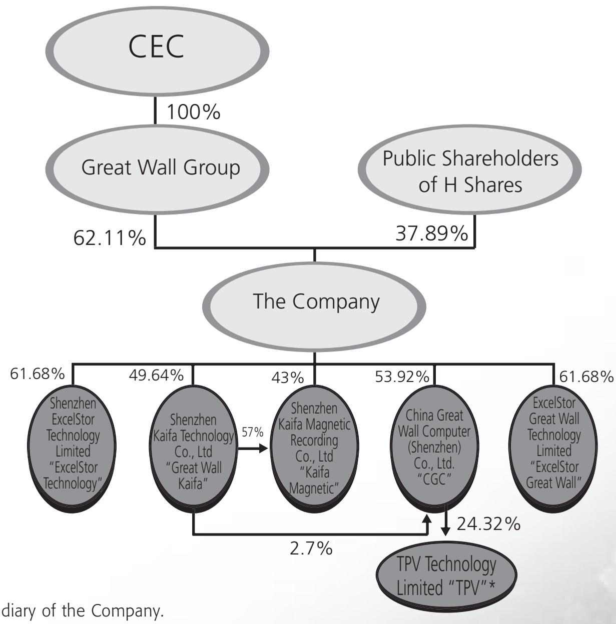
GROUP STRUCTURE

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") 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.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	For the six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Turnover		46,717,824	49,965,686
Cost of sales		(44,131,743)	(47,527,724)
Gross profit		2,586,081	2,437,962
Other income and gains	4	487,580	551,015
Gain on deemed partial disposal and partial disposal of interests in an associate	5	–	152,359
Selling and distribution costs		(1,153,678)	(982,891)
Administrative expenses		(852,457)	(808,719)
Research and development expenses		(448,242)	(355,117)
Finance costs	6	(54,502)	(69,729)
Share of results of associates		21,149	32,764
Share of results of jointly controlled entities		(5,884)	–
Profit before tax	7	580,047	957,644
Income tax expense	8	(95,216)	(159,366)
Profit for the period		484,831	798,278
Attributable to:			
Owners of the Company		123,730	237,018
Non-controlling interests		361,101	561,260
		484,831	798,278
Earnings per share			
– Basic and diluted (RMB per share)	10	10.33 cents	19.79 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	For the six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Profit for the period	484,831	798,278
Other comprehensive expense for the period		
Change in fair value of available-for-sale investments	(11,975)	(2,886)
Share of other comprehensive expense of associates and jointly controlled entities	(7,563)	(1,082)
Exchange differences arising on translation	(129,508)	(43,068)
Other comprehensive expense for the period	(149,046)	(47,036)
Total comprehensive income for the period	335,785	751,242
Total comprehensive income attributable to:		
Owners of the Company	70,346	228,044
Non-controlling interests	265,439	523,198
	335,785	751,242

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	5,967,734	5,858,945
Prepaid land lease payments		343,439	346,045
Investment properties	12	1,335,583	1,295,585
Goodwill	20	22,916	–
Intangible assets		356,501	121,654
Interests in associates		458,145	550,644
Interests in jointly controlled entities		65,499	72,982
Available-for-sale investments		243,752	197,592
Term deposits		13,000	14,000
Deferred tax assets		262,827	223,021
Other receivables		31,127	–
		9,100,523	8,680,468
Current assets			
Inventories		10,273,694	9,777,435
Trade and bills receivables	13	14,394,162	16,777,368
Prepaid land lease payments		8,962	8,992
Prepayments, deposits and other receivables		2,456,994	2,799,011
Financial assets at fair value through profit or loss		17,040	16,967
Tax recoverable		54,932	38,027
Derivative financial instruments		305,068	431,158
Amounts due from fellow subsidiaries		14,887	11,051
Amounts due from associates		37,128	42,704
Term deposits		275,008	546,328
Pledged deposits		1,097,255	390,978
Bank balances and cash		3,444,490	2,757,805
		32,379,620	33,597,824
Asset classified as held for sale	14	121,747	–
		32,501,367	33,597,824

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2011

	Notes	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Current liabilities			
Trade and bills payables	15	16,023,380	16,984,780
Other payables and accruals		3,642,027	3,355,712
Bank and other loans	16	3,883,300	4,267,261
Derivative financial instruments		242,183	422,773
Tax payable		130,256	130,439
Provisions for products warranties	17	494,149	498,000
Amount due to immediate holding company		8,500	5,454
Amounts due to fellow subsidiaries		15,608	73,466
Amounts due to associates		39,669	40,227
		24,479,072	25,778,112
Net current assets		8,022,295	7,819,712
Total assets less current liabilities		17,122,818	16,500,180
Capital and reserves			
Share capital	18	1,197,742	1,197,742
Reserves		3,404,606	3,513,921
Equity attributable to owners of the Company		4,602,348	4,711,663
Non-controlling interests		11,234,136	11,164,962
Total equity		15,836,484	15,876,625
Non-current liabilities			
Bank and other loans	16	490,625	–
Other payables		354,391	148,746
Pension obligations		37,768	38,650
Deferred tax liabilities		369,509	402,032
Government grants		34,041	34,127
		1,286,334	623,555
		17,122,818	16,500,180

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000	Goodwill reserve RMB'000	Asset revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve RMB'000 (Note a)	Translation reserve RMB'000	Other Reserve RMB'000 (Note b)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2011 (audited)	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
Profit for the period	–	–	–	–	–	–	–	–	–	123,730	123,730	361,101	484,831
Other comprehensive expenses	–	–	–	–	–	(4,325)	–	(49,059)	–	–	(53,384)	(95,662)	(149,046)
Total comprehensive income (expenses) for the period	–	–	–	–	–	(4,325)	–	(49,059)	–	123,730	70,346	265,439	335,785
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	76,075	76,075
Repurchase of shares of a non-wholly owned subsidiary from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(609)	(609)
Share options reserve of a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	–	–	–	(16,278)	(16,278)
Dividends recognised as distribution	–	–	–	–	–	–	–	–	–	(179,661)	(179,661)	–	(179,661)
Acquisition of subsidiaries (note 20)	–	–	–	–	–	–	–	–	–	–	–	58,597	58,597
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(314,050)	(314,050)
At 30 June 2011 (unaudited)	1,197,742	997,498	272	(28,155)	127,678	8,432	1,019,655	(198,993)	(181,020)	1,659,239	4,602,348	11,234,136	15,836,484

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(continued)

For the six months ended 30 June 2011

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000	Goodwill reserve RMB'000	Asset revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve RMB'000 (Note a)	Translation reserve RMB'000	Other Reserve RMB'000 (Note b)	Retained profits RMB'000	Sub-total RMB'000	Non–controlling interests RMB'000	Total RMB'000
At 1 January 2010 (audited)	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 period	–	–	–	–	–	–	–	–	–	237,018	237,018	561,260	798,278
Other comprehensive expenses	–	–	–	–	–	(383)	–	(8,591)	–	–	(8,974)	(38,062)	(47,036)
Total comprehensive (expenses) income for the period	–	–	–	–	–	(383)	–	(8,591)	–	237,018	228,044	523,198	751,242
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1,072,664	1,072,664
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(288,259)	(288,259)
Formation of non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	–	–	–	74,700	74,700
Share options reserve of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	2,873	2,873
Dividends recognised as distribution	–	–	–	–	–	–	–	–	–	(143,729)	(143,729)	–	(143,729)
Attributable to disposal of subsidiaries (Note 21)	–	–	–	–	–	–	–	–	–	–	–	(36,559)	(36,559)
Deemed partial disposal of a subsidiary	–	–	–	–	–	–	–	–	14,994	–	14,994	(14,994)	–
At 30 June 2010 (unaudited)	1,197,742	997,498	272	(28,155)	99,412	2,539	948,959	(59,629)	8,647	1,373,895	4,541,180	10,681,915	15,223,095

Note:

a) In accordance with the relevant People's Republic of China (the "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 from transactions with non-controlling shareholders.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2011

	For the six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Net cash generated from (used in) operations	2,571,687	(484,983)
Hong Kong Profits Tax paid	(9,625)	–
PRC Enterprise Income Tax and overseas income tax paid	(175,282)	(235,616)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	2,386,780	(720,599)
INVESTING ACTIVITIES		
Proceeds from disposal of items of property, plant and equipment	32,981	25,149
Dividends received from associates	26,845	46,025
Purchase of property, plant and equipment	(808,082)	(811,028)
Purchase of intangible assets	(28,333)	(100)
Purchase of available-for-sale investments	(28,329)	–
Capital injection in an associate	(40,908)	(100,573)
Net cash flow from the acquisition of subsidiaries (Note 20)	(48,131)	–
Dividends received from available-for-sale-investments	2,575	–
Proceeds from disposal of an associate	–	33,940
Proceeds from disposal of a subsidiary (Note 21)	–	35,468
Proceeds from disposal of available-for-sale investments	–	28,676
Other investing activities cash flows	(391,961)	(137,375)
NET CASH USED IN INVESTING ACTIVITIES	(1,283,343)	(879,818)
FINANCING ACTIVITIES		
Repayment of bank loans	(5,340,913)	(1,053,351)
Contribution from non-controlling interests	76,075	1,147,364
Dividend paid to non-controlling shareholders	(314,050)	(288,259)
Interest paid	(54,502)	(53,414)
New bank and other loans raised	5,341,133	1,644,593
Repurchase of shares of a subsidiary	(609)	–
Other financing activities cash flows	(68,320)	(10,241)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(361,186)	1,386,692
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	742,251	(213,725)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	2,757,805	4,130,437
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(55,566)	(55,892)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	3,444,490	3,860,820

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2011

1. GENERAL INFORMATION

Great Wall Technology Company Limited (the "Company") is a limited liability company incorporated in the People's Republic of China (the "PRC"). 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 (the "Group") were principally involved in the development, manufacture and sale of computer and related products including hardware and software products.

In the opinion of the directors, the parent of the Company is China Great Wall Computer Group Company, 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 on 18 August 2006. Both of them are state-owned enterprises established in the PRC.

This condensed consolidated interim financial information is 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 United State dollars.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

This condensed consolidated interim financial information has been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values. The accounting policies and basis of presentation used in the preparation of the condensed consolidated interim financial information are consistent with those adopted in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2010 except as described below.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

In current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

Hong Kong Financial Reporting Standards ("HKFRSs") (Amendments)	Improvements to HKFRS issued in 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Right Issues
HK (International Financial Reporting Interpretation Committee ("HK (IFRIC)") – Interpretation ("Int") 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the above new or revised HKFRSs had had no material effect on the amounts reported in these condensed consolidated financial statements or disclosures set out in these condensed consolidated financial statements.

HKAS 24 Related Party Disclosures (Revised)

The Group has applied HKAS 24 Related Party Disclosures (Revised) in full for the first time in the current period. The application of HKAS 24 (Revised) has resulted in changes in related party disclosures as follows:

The Group is a government-related entity as defined in HKAS 24 (Revised). HKAS 24 (Revised) provides a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government related entities. Under HKAS 24 (Revised), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (Revised) in relation to related party transactions and outstanding balances (including commitments) with (a) the government that has control, joint control or significantly influenced over the Group and (b) other entities that are controlled, jointly controlled and significantly influenced by the same government. Rather, in respect of these transactions and balances, HKAS 24 (Revised) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

HKAS 24 (Revised) requires retrospective application. The application of HKAS 24 (Revised) has had no effect on the amounts recognised or recorded in the condensed consolidated financial statements for the current and prior periods. However, the related party disclosures set out in the condensed consolidated financial statements have been changed to reflect the application of HKAS 24 (Revised).

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The Group has not early applied the following new and revised standards and amendments that have been issued but are not yet effective. The following new or revised standards and amendments have been issued after the date of the consolidated financial information for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.

The new standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of the new standards are applied early at the same time. The directors of the Company anticipate that these new standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 might result in changes in the classification of the Group's joint arrangements and their accounting treatments. The Group's jointly controlled entities that are currently accounted for using the equity method of accounting would be classified as joint operations and accounted for in accordance with HKFRS 11.

The amendments to HKAS 1 (Revised) Presentation of Financial Statements require companies preparing financial statements in accordance with HKFRSs to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements.

Other than disclosed above, the directors of the Company anticipate that the application of the new standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information report to chief operating decision maker, for the purposes of resource allocation and performance assessment are as follows:

(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.

3. SEGMENT INFORMATION (continued)

Information regarding the above segments is reported below.

The following tables present revenue, profit and expenditure information for the Group's reportable segments for the six months ended 30 June 2011 and 2010.

For the six months ended 30 June 2011	TV	Monitor	Electronic parts and components	Computer	Property investment	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue								
Sales to external customers	11,578,001	19,986,266	9,974,502	1,225,660	94,005	3,859,390	–	46,717,824
Other income and gains	143,601	179,510	33,977	7,253	25,467	11,454	–	401,262
Intersegment sales	–	–	–	12,521	2,635	–	(15,156)	–
Total	11,721,602	20,165,776	10,008,479	1,245,434	122,107	3,870,844	(15,156)	47,119,086
Segment results	(50,797)	531,146	94,962	13,691	71,804	13,850	(3,031)	671,625
Unallocated gains								86,318
Corporate and other unallocated expenses								(138,659)
Finance costs								(54,502)
Share of results of associates								21,149
Share of results of jointly controlled entities								(5,884)
Profit before tax								580,047
Income tax expense								(95,216)
Profit for the period								484,831

3. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2010	TV	Monitor	Electronic parts and components	Computer	Property investment	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue								
Sales to external customers	12,512,692	22,468,408	10,429,012	1,042,470	48,967	3,464,137	–	49,965,686
Other income and gains	133,397	227,531	23,311	2,260	–	35,596	–	422,095
Intersegment sales	–	–	–	4,994	11,746	–	(16,740)	–
Total	12,646,089	22,695,939	10,452,323	1,049,724	60,713	3,499,733	(16,740)	50,387,781
Segment results	112,912	504,746	149,336	1,769	34,559	47,606	(3,347)	847,581
Unallocated gains								128,920
Corporate and other unallocated expenses								(134,251)
Finance costs								(69,729)
Share of results of associates								32,764
Gain on deemed partial disposal and partial disposal of interests in an associate								152,359
Profit before tax								957,644
Income tax expense								(159,366)
Profit for the period								798,278

Segment results represent the profit (loss) attributable to each segment without allocation of central administration costs, director's emoluments, bank interests income, finance costs, share of results of associates and jointly controlled entities, change in fair value of financial assets at fair value through profit or loss, gain on deemed partial disposal and partial disposal of interests in an associate, dividend income, government grants and income tax expense.

3. SEGMENT INFORMATION (continued)

The following table presents segment assets of the Group's operating segments as at 30 June 2011 and 31 December 2010:

Segment assets	TV	Monitor	Electronic parts and components	Computer	Property investment	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 30 June 2011	10,934,837	16,630,815	3,919,464	735,309	1,335,583	1,672,232	6,373,650	41,601,890
At 31 December 2010	13,276,083	16,395,718	3,020,581	649,473	1,295,585	2,347,595	5,293,257	42,278,292

4. OTHER INCOME AND GAINS

	For the six months ended 30 June 2011	2010
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Gains on exchange difference	294,681	–
Net realised and unrealised gain on derivative financial instruments	46,879	362,673
Bank interest income	45,832	31,874
Government grants	33,454	73,901
Reversal of impairment of trade and bills receivables	28,671	22,101
Fair value gain on investment properties	25,467	–
Gain from a bargain purchase of subsidiaries	3,993	–
Dividend from available-for-sale investments	2,575	–
Gain on disposal of property, plant and equipment	1,428	3,170
Reversal of impairment of inventories	1,075	–
Fair value gain on financial assets at fair value through profit or loss	464	–
Sales of scrap material	–	20,504
Gain on disposal of available-for-sale investments	–	18,027
Gain on disposal of financial assets at fair value through profit or loss	–	139
Others	3,061	18,626
	487,580	551,015

5. 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 of Hong Kong Limited 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.

Upon the completion of the above transactions, the interest in O-Net was further decreased from approximately 34.5% to 32.72% and net proceeds of approximately RMB33,939,000 were received for the disposal of 13,759,183 shares of O-Net. The above transactions have resulted in the recognition of an amount of RMB152,359,000 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.

6. FINANCE COSTS

	For the six months ended 30 June	
	2011	**2010**
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other loans, wholly repayable within five years	54,502	29,403
Interest on convertible bonds of a subsidiary	–	40,326
Total borrowing costs	54,502	69,729

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2011	**2010**
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs (including directors' remuneration)	1,554,446	1,336,792
Depreciation of property, plant and equipment	617,777	577,197
Amortisation of prepaid land lease payments (included in administrative expense)	4,459	4,926
Amortisation of intangible assets (included in administrative expense)	46,501	12,023
Foreign exchange differences, net	(294,681)	186,948
Additional provision for product warranties	276,225	230,690
Allowance for inventories (included in cost of sales)	16,887	113,770
Loss on disposal of subsidiaries (Note 21)	–	1,719
Impairment of available-for-sale investments	–	4,775
(Gain) loss on fair value change of financial assets at fair value through profit or loss	(464)	2,325
Impairment on trade receivables	4,049	–
Loss on disposal of intangible assets	–	93

8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2011	**2010**
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax	2,243	5,485
– PRC Enterprise Income Tax ("EIT") and overseas income tax	165,214	155,674
	167,457	161,159
Deferred tax	(72,241)	(1,793)
Total tax charge for the period	95,216	159,366

8. INCOME TAX EXPENSE (continued)

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the period.

(b) PRC EIT

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

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

9. DIVIDENDS

A dividend of RMB15 cents per share was paid to shareholders as the final dividend for 2010 on 16 August 2011 and a dividend of RMB12 cents per share was paid to shareholders as final dividend for 2009 on 18 August 2010.

The board of directors of the Company does not recommend the payment of an interim dividend to shareholders in respect of the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to owners of the Company of approximately RMB123,730,000 (six months ended 30 June 2010: RMB237,018,000) and on the weighted average number of 1,197,742,000 (six months ended 30 June 2010: 1,197,742,000) ordinary shares in issue during the period.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment with a cost of approximately RMB808,082,000 (2010: RMB811,028,000). During the six months ended 30 June 2011, certain of construction in progress and leasehold land and buildings of approximately RMB19,303,000 (2010: RMB93,415,000) were transferred to investment properties.

Property, plant and equipment with net book value of approximately RMB33,828,000 were disposed of by the Group during the six months ended 30 June 2011 (2010: RMB21,979,000), resulting in a net gain on disposal of approximately RMB1,428,000 (2010: RMB3,170,000).

12. INVESTMENT PROPERTIES

At 30 June 2011, the fair values of the investment properties were valued by the independent professional qualified valuer. The resulting increase in fair value of investment properties of approximately RMB25,467,000 has been recognised directly in profit or loss for the six months ended 30 June 2011.

At 30 June 2010, the fair values of the investment properties were valued by the directors of the Company and the directors of the Company estimated that the carrying amounts did not differ significantly from that which would be determined using fair value. Consequently, no revaluation surplus or deficit has been recognised for the six months ended 30 June 2010.

13. TRADE AND BILLS RECEIVABLES

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.

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

	30 June 2011	**31 December 2010**
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 90 days	13,116,044	15,504,925
91 to 180 days	1,211,598	1,194,852
181 to 365 days	52,255	65,278
Over 365 days	14,265	12,313
	14,394,162	16,777,368

14. ASSETS CLASSIFIED AS HELD FOR SALE

During the current period, the directors of the Company resolved to dispose of one of its associates, Shenzhen Hai Liang Storage Products Co., Ltd. ("Shenzhen Hai Liang"). Since then, the Group had negotiated with several potential buyers and a sale and purchase agreement had been entered into between the Group and an independent third party subsequent to the end of reporting period. The associate is expected to be sold within twelve months and has been classified as assets held for sale and is measured at the lower of carrying amount and fair value less cost to sell.

The net proceeds of the disposal of the assets held for sale are expected to exceed the net carrying amount of the associate, no impairment loss has been recognised.

15. TRADE AND BILLS PAYABLES

The trade and bills payables are normally settled on terms of 30 to 90 days. An aged analysis of the trade and bills payables, based on the invoice date, is as follows:

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Within 90 days	15,642,459	15,180,057
91 to 180 days	257,034	1,727,209
181 to 365 days	42,103	38,606
Over 365 days	81,784	38,908
	16,023,380	16,984,780

16. BANK AND OTHER LOANS

During the current period, the Group obtained new bank loans and other loans amounting to approximately RMB5,341,133,000 (30 June 2010: RMB1,644,593,000) and repaid the bank loans amounting to approximately RMB5,340,913,000 (30 June 2010: RMB1,053,351,000).

17. PROVISIONS FOR PRODUCTS WARRANTIES

	For the six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
At 1 January	498,000	501,855
Additional provision recognised	276,225	230,690
Amounts utilised during the period	(269,168)	(222,070)
Exchange realignment	(10,908)	(2,651)
At 30 June	494,149	507,824

The Group provides warranties to its customers on certain products, under which faulty products are repaired or replaced. The amount of the provisions 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.

18. SHARE CAPITAL

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
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

19. CORPORATE GUARANTEES

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Guarantees given to banks in connection with bank facilities granted to:		
An associate	–	19,868
Third parties	57,456	54,051
	57,456	73,919

20. BUSINESS COMBINATION

a. Acquisition of PI International Holdings Limited and its subsidiaries ("PI International Holdings")

On 31 March 2011, the Group acquired 51% equity interests in PI International Holdings, from an independent third party, for a consideration of HK$94,619,000 (equivalent to approximately RMB79,573,000). PI International Holdings is mainly engaged in the development, manufacturing and sale of power supplies for electronic products.

The following table summarises the fair values of consideration transferred, the assets and liabilities recognised at the acquisition date.

	Fair value
	RMB'000
Property, plant and equipment	34,201
Prepaid land lease payments	3,753
Intangible assets	333
Available-for-sale investments	29,922
Deferred tax assets	1,013
Inventories	119,727
Trade and bills receivables	266,719
Prepayments, deposits and other receivables	4,941
Bank balances and cash	42,119
Trade and bills payables	(175,126)
Other payables and accruals	(43,642)
Dividends payable	(60,975)
Tax payable	(362)
Bank loan	(106,444)
Deferred tax liabilities	(925)
	115,254

The receivables acquired (which principally comprised trade receivables) with a fair value of approximately RMB266,719,000 had gross contractual amounts of approximately RMB270,583,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately RMB3,864,000.

Consideration transferred:

	RMB'000
Cash	79,573

Net cash outflow arising on acquisition:

Cash consideration paid	79,573
Less: Bank balances and cash acquired	(42,119)
	37,454

20. BUSINESS COMBINATION (continued)

a. Acquisition of PI International Holdings Limited and its subsidiaries ("PI International Holdings") (continued)

Acquisition-related costs amounting to approximately RMB2,518,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the administrative expenses in the condensed consolidated income statement.

Non-controlling interests

The non-controlling interest (49%) in PI International Holdings recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of PI International Holdings and amounted to approximately RMB58,597,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	79,573
Plus: non-controlling interests	58,597
Less: recognised amount of identifiable net assets acquired (100%)	(115,254)
Goodwill arising on acquisition	22,916

Goodwill arose on the acquisition of PI International Holdings because the acquisition included the sales network of PI International Holdings in the overseas markets, especially in the South East Asia region. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Impact of acquisition on the results of the Group

Included in the profit for the interim period is approximately RMB2,978,000 attributable to PI International Holdings. Revenue for the period includes approximately RMB238,407,000 is attributable to PI International Holdings.

Had the acquisition of PI International Holdings been effected on 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have been approximately RMB46,994,085,000, and the profit for the period would have been approximately RMB503,940,000. 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 2011, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had PI International Holdings been acquired on 1 January 2011, the directors of the Company calculated depreciation and amortisation of property, plant and equipment and prepaid land leases on the recognised amounts of property, plant and equipment and prepaid land leases at the date of acquisition.

20. BUSINESS COMBINATION (continued)

b. Acquisition of Ebony Hong Kong Limited and PTC Consumer Electronic Co., Limited

On 29 September 2010, AOC Holdings Limited ("AOC"), a subsidiary of the Company, entered into a five-year trademark license agreement with Koninklijke Philips Electronics N.V. ("Philips"), under 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 higher of percentage of the turnover and a minimum royalty of EUR6,800,000 (equivalent to approximately RMB58,548,000) a year of the aforesaid TVs as specified in the agreement. The trademark license agreement has been effective since 1 January 2011.

In addition, a share purchase agreement was signed pursuant to 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 EUR1,240,000 (equivalent to approximately RMB10,677,000). 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 EUR1,240,000 (equivalent to approximately RMB10,677,000) on 1 January 2011.

	Fair value
	RMB'000
Trademark	253,239
Inventories and spare parts	14,670
Other payables	(253,239)
	14,670

Consideration transferred:

	RMB'000
Cash	10,677

Net cash outflow arising on acquisition:

Cash consideration paid	10,677

20. BUSINESS COMBINATION (continued)

b. Acquisition of Ebony Hong Kong Limited and PTC Consumer Electronic Co., Limited (continued)

Acquisition-related costs amounting to approximately RMB759,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the administrative expenses in the condensed consolidated income statement.

Bargain purchase arising on acquisition

	RMB'000
Consideration transferred	10,677
Less: recognised amount of identifiable net assets acquired	(14,670)
Gain from a bargain purchase of subsidiaries	(3,993)

Impact of acquisition on the results of the Group

The acquired business contributed revenue of RMB568,654,000 and net loss of RMB71,192,000 to the Group for the six months ended 30 June 2011.

21. DISPOSAL OF SUBSIDIARIES

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

Assets and liabilities disposed of:

	As at 21 April 2010 RMB'000
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)
	130,750

21. DISPOSAL OF SUBSIDIARIES (continued)

Consideration transferred

	RMB'000
Cash	92,472

Net cash inflow arising on disposal

	RMB'000
Cash consideration	92,472
Less: bank balances and cash disposed of	(57,004)
	35,468

Loss on disposal of subsidiaries

	RMB'000
Consideration transferred	92,472
Plus: Non-controlling interests	36,559
Less: identifiable net assets disposed	(130,750)
Loss on disposal of subsidiaries	(1,719)

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 six months ended 30 June 2010. The subsidiaries disposed of had no significant effect on the cashflow of the Group for the year ended 31 December 2010.

22. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group had total future minimum lease receivables under non-cancellable operating leases with its tenants in respect of land and buildings falling due as follows:

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Within one year	88,774	85,415
In the second to fifth years, inclusive	120,210	127,617
After five years	123,628	12,662
	332,612	225,694

(b) As lessee

The Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Within one year	191,372	74,816
In the second to fifth years, inclusive	110,537	110,739
After five years	54,480	51,604
	356,389	237,159

23. CAPITAL COMMITMENTS

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

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Contracted, but not provided for:		
Leasehold land and buildings	70,718	399,805
Plant, machinery and equipment	520,930	17,888
	591,648	417,693

24. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these condensed interim financial information, the Group had the following material transactions with related parties during the period:

	Notes	For the six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Ultimate holding company:			
Sales of products	(i)	481	283
Immediate holding company:			
Sales of products	(i)	–	192
License fees	(ii)	–	1,745
Associates:			
Sales of products	(i)	1,191,602	2,230,938
Rental income	(iii)	15,997	5,331
Processing fee income	(iv)	309	1,904
Purchases of raw materials	(v)	99,478	5,913
Commission fees	(vi)	–	5,720
Jointly controlled entities:			
Sales of products	(i)	13	–
Rental income	(iii)	3,194	–
Purchases of raw materials	(v)	605,427	–
Fellow subsidiaries:			
Sales of products	(i)	18,191	32,558
Rental income	(iii)	6,473	12,653
Purchases of components and parts	(v)	15,021	110
Subsidiaries' substantial shareholders and their subsidiaries:			
Sales of finished goods	(vi)	116,452	2,388,236
Purchases of raw materials	(vi)	2,358,137	5,578,329

24. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

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

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

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

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

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

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

(b) Outstanding balances with related parties:

(i) The balances with immediate holding company, fellow subsidiaries and associates are unsecured, interest free and repayable on demand.

(ii) The Group had outstanding receivables from TPV's associates of approximately RMB632,993,000 (31 December 2010: RMB927,721,000) and receivables from TPV's jointly controlled entities of approximately RMB2,246,000 (31 December 2010: RMB42,855,000) were presented in the condensed consolidated statement of financial position within trade receivables.

The Group had outstanding payables to TPV's associates of approximately RMB50,834,000 (31 December 2010: RMB9,516,000) and payables to TPV's jointly controlled entities of approximately RMB61,144,000 (31 December 2010: RMB14,179,000), which were presented in the consolidated statement of financial position within trade payables.

Receivables from TPV's substantial shareholders and their subsidiaries of approximately RMB16,774,000 (31 December 2010: RMB9,841,000) were presented in the condensed consolidated statement of financial position in trade receivables respectively.

Payables to TPV's substantial shareholders of approximately RMB457,244,000 (31 December 2010: RMB497,570,000) were presented in the condensed consolidated statement of financial position in trade payables and other payables and accruals respectively.

24. RELATED PARTY TRANSACTIONS (continued)

(c) 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 six months ended 30 June 2011 and 30 June 2010, 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. Exemption from disclosure requirements under HKAS 24 (Revised) is applied for disclosure of transactions with these government related entities.

25. CONTINGENT LIABILITIES

The directors of the Company closely monitor the outstanding complaints and disputes over patents and assess the outcome of the complaints and disputes accordingly. The directors of the Company consider that the dismissed and settled complaints and disputes as well as outstanding complaints and disputes do not have any material financial impact on the Group as a whole. Even if the outcome turns out to be unfavourable, the directors of the Company consider that its future settlement may not have any material financial impact on the Group as a whole.

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 one of its subsidiaries, 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.

On 23 May 2011, the case was dismissed by the Court according to the Settlement Agreement between the parties.

25. CONTINGENT LIABILITIES (continued)

(b) In December 2008, a third party company filed a complaint in the United States of America against one of its subsidiaries, 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.

On 14 June 2011, the parties settled the dispute over televisions, while otherwise the settlement to the part of computer monitors is still pending arbitration.

(c) In January 2009, a third party company filed a complaint in Germany against one of its subsidiaries, 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 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.

25. CONTINGENT LIABILITIES (continued)

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

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

(i) the subsidiary is the merchants 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 subsidiary for any liabilities it incurs, including reasonable attorneys' fees, settlement amount or any awarded damage.

The complaint is now in the process of dismissal.

(e) In July 2010, a third party company filed a complaint in the United States of America against one of its subsidiaries. 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.

(f) In July 2010, a third party company filed a complaint in the United States of America against one of its subsidiaries, 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 IV").

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 IV, and contributing to and actively inducing the infringement of Patent IV 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 IV.

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.

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

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.

26. EVENTS AFTER THE REPORTING PERIOD

(a) Further acquisition of equity interest in a major subsidiary, TPV

Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company on 25 July 2011, the shareholders of the Company approved the proposed acquisition of additional 10.74% equity interests in the Company's major subsidiary, TPV, from a fellow subsidiary of the Company, CEIEC (H.K.) Limited, at a consideration of approximately RMB1,137,000,000. Completion of the proposed transaction, which is also subject to fulfillment of other conditions, have not yet taken place as at the date of this report. Details of the acquisition are set out, inter alia, in the circular of the Company dated 26 May 2011.

(b) Deemed disposal of interest in China Great Wall Computer (Shenzhen) Company Limited ("CGC")

Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company on 25 July 2011, the shareholders of the Company approved the proposed non-public issue of not more than 250,000,000 CGC new shares which upon completion will dilute the Group's interest in CGC from approximately 56.62% to 47.62%. Completion of the proposed transaction, which is also subject to the fulfillment of other conditions, have not yet taken place as at the date of this report. Details of the purposed non-public issue of new shares of CGC are set out, inter alia, in the circular of the Company dated 26 May 2011.

(c) Subscription of capital in China Electronics Finance Co., Ltd. ("CEC Finance")

On 1 August 2011, the Company entered into an agreement with CEC pursuant to which the Company agreed to subscribe for 100 million of the additional registered capital of CEC Finance at a subscription amount of approximately RMB133,120,000. The subscription is not completed as at the date of this report. Details of the acquisition are set out, inter alia, in the announcement of the Company dated 3 August 2011.

(d) Acquisition of the land use right in Shanghai

On 5 August 2011, a subsidiary of the Group committed to acquire the land use right for a piece of land in Shanghai, the PRC, from the government agency at a consideration of RMB282,850,000. The directors of the Company expect the transaction will be completed by the end of year 2011.

(e) Disposal of Shenzhen Hai Liang

On 8 August 2011, the Group entered into a sale and purchase agreement with Hitachi Global Storage Technologies Netherlands B.V., an independent third party, pursuant to which the Group agreed to dispose of its 20% equity interests in Shenzhen Hai Liang. The disposal is expected to be completed in 2011.

CHAIRMAN'S STATEMENT

Operation Review

In the first half of 2011, notwithstanding the gradual revival of the global economy from serious decline, the growth around the globe was still imbalanced, while the growth in many developed economic systems remained weak. Economic activities in the United States were weaker than expected, and the worsened European debt crisis, the effects of Japanese earthquake, the political instability among the regions of the Middle East and North Africa, and together with worldwide inflation has created more obstacles on the pace of the revival of the global economy. There was slow progress in the economic revival in Europe and the United States, being the major markets of the Group, which caused inevitable effects to the Group's business. From January to June, the Group achieved operating revenue of approximately RMB46,718 million, representing a comparative decrease of 6.5%. Gross profit amounted to approximately RMB2,586 million, representing a comparative increase of 6.1%. Despite the above, in the first half of the year, the Group focused on establishing "scientific Great Wall" and promoted the transformation and upgrade of the industry. In the deployment of emerging industries, it still achieved the anticipated results. Meanwhile, the Group also adopted a series of active measures in respect of operational risk management with an aim to establish solid foundations for the re-development of the operations of the Group.

1. *Endeavour to promote capital operation and accelerate enhancement of competitiveness of industry chain*

   Since 2011, the Group firmly focused on the enhancement of the competitiveness of its industry chain, made good use of its financing platform in its capacity as a listed company, deeply explored and nurtured quality reserve resources of listing, actively promoted re-financing by the listed company through additional issuance and to enhance the quality of assets and market competitiveness.

   Firstly, to undergo non-public issue of A Shares of CGC. On 11 May 2011, CGC passed a board resolution to approve the non-public shares issue, with an intended total cash proceeds of approximately RMB 1.8 billion (net of all issuance costs), which was intended to be invested to the acquisition of the TPV shares held by CEIEC (H.K.) Limited, LED power supply business, power supply for servers business, flat computer business, R&D of a highly secured cloud computing box system of Great Wall, and as liquidity funding. On 25 July 2011, the extraordinary general meeting of the Company approved the CGC non-public shares issue. The non-public shares issue was beneficial to the Group's accommodation to the development trend of the industry and allowed the Group to further expand its market and improve its earning level, thus increased its comprehensive strength and its competitiveness in the sub-divisions of monitor, power supply for servers and flat screen computers, and accomplished the development strategies of the Group concerning the consolidation and enhancement of its industry chain.

Secondly, to complete the acquisition of PI International Holdings Ltd. ("PI International"). On 31 March 2011, China Great Wall Computer (H.K.) Holdings Limited acquired 51% equity interest of PI International, completing CGC's control of CGC in PI International. The completion of this acquisition was beneficial to the optimization and restructuring of the resources of both parties and the expansion of their product lines. PI International and Great Wall Power Supplies Factory were highly complementary with each other, and the product line of Great Wall Power Supplies Factory, through such acquisition, could be expanded rapidly and to both domestic and overseas markets, and hence the rapid expansion and strengthening of Great Wall in the power supply industry would be highly facilitated. Since then, the parties will develop a synergy effect in the domains of procurement, R&D, sales, and manufacturing. The competitive products of PI International will be introduced to the domestic market by utilizing the advantages of Great Wall in the domestic market while the advantages of PI International in overseas businesses will help to explore overseas customers for the power supply products of Great Wall. Both parties will work together to conduct R&D and speed up the optimization and upgrade of product structure, transform vertically to the high-end sector and horizontally to a wide domain based on the advantageous foundation in the existing power supply business of both parties, focus on and endeavor in the R&D progress of the power supply of strategic emerging sectors, speed up the accomplishment of industrialization, explore new business domains, and promote the sustainable development of the Group.

Thirdly, to continue to promote the acquisition of interest in 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 in order to expand its business. The proposal was approved by the board of CGC and at the general meeting of CGC on 8 December and 29 December 2010 respectively. The total investment amount was US$24 million. To date, CGC has engaged in the management and operation of Great Wall ExcelStor and relevant change of business registration is in process. The acquisition of interest provided the Group with more concentrated internal new energy resources and more diversified product lines, which allowed the Group to capture the critical opportunity of the encouragement of the State to develop the new energy industry and to establish a sound foundation for the rapid enhancement in the new energy equipment and system industry.

2. *Endeavour to promote technological innovation and accelerate industry transformation and upgrade*

Since 2011, the Group considered making a breakthrough in core and critical technologies as our key mission, and focused on the strategic objectives of the Group and endeavoured in speeding up breakthroughs in critical technologies. The Group actively encouraged open collaborations in R&D, innovated technological system, and created a good environment for innovation, put best effort in initiating a huge drive for technological innovation of the Group, enhanced the innovation capability of the Group, and promoted higher reliance on innovation-driven initiatives developed by the industry.

Firstly, to research and develop solar inverter control technology. The R&D on the assembly process and equipment technology and testing process and equipment technology of Great Wall ExcelStor's large power inverter of 30KW-1000KW and the industrialization of the platform for photovoltaic equipments of 1MW had gained fruitful achievements by stages.

Secondly, to perfect the set-up of a platform for the core capability of IEMS. Shenzhen Kaifa Technology Co., Ltd. ("Great Wall Kaifa") had been endeavoring to enhance its total value chain service and continuously improve the platform for the core capability of IEMS in order to provide professional EMS (electronics manufacturing services) to its customers. Its excellent manufacturing capacity and service proficiency had attracted customers from domestic and international market and its outstanding quality control system and flexible production capacity earned acknowledgements from its customers. Great Wall Kaifa was listed 7th in MMI's latest ranking of global EMS enterprises.

Thirdly, to establish a platform for cloud computing hardware. On 29 April 2011, CGC and IBM jointly announced their strategic collaboration program, namely "intelligent-cloud Great Wall" (智慧雲長城), in Beijing, and planned to commence collaboration in cloud computing business, which included supplementing hardware products of CGC with solutions for IBM's cloud computing, technical guidance and support on cloud computing products, staff training, project collaboration, marketing campaigns, etc. Through collaboration, CGC could be able to integrate the resources within the supply chain for IT hardware of the Company with the aid of solutions for IBM's cloud computing and relevant resources and introduced cloud computing business, which was favorable for the market expansion for cloud computing system and solutions. Currently, the collaboration between both parties was under smooth progress. On 28 July 2011, the back-office cloud of "Chang Yun Project", the key project in Beijing, at www.cnfol.com was duly commenced and "Great Wall" servers were mostly adopted as the critical equipment of the cloud platform in this process.

3. *Endeavor to optimize deployment of regional industry and establish a deployment system for the industry base with optimized resources*

According to the 2010-2012 development plan of the Group, in the coming years, the Group will get a foothold with the comprehensive strength of the Yue-Gang-Ao Economic Circle and capitalize the resources, technologies, talents and ancillaries within the industry of the Pearl River Delta Economic Circle, the Yangtze River Delta Economic Circle, the Bohai Economic Circle, the Beibu Wan Economic Zone and the West-Strait Economic Zone, which were considered as the global and regional manufacturing centers. The Group will rationalize the deployment of regional industry, establish a deployment system for the industry base with optimized resources, and integrate closer with the global industry chain while continuously expanding in the domestic market in order to procure a faster development. In the first half of the year, the Group had accomplished proactive and fruitful tasks concerning the deployment plan of the industry base.

Firstly, to enter Beihai by TPV, which allowed the Group to stand firm on the industry base at Beibu Wan and speed up its expansion in Southwest China and ASEAN markets. On 9 April 2011 in the morning, Beihai Municipal People's Government and Top Victory Investments Limited signed an agreement in Beihai pursuant to which TPV, the largest monitor R&D manufacturer in the world, formally stationed at Beihai. The TPV project located at China Electronics Corporation Beihai Industry Park mainly engaged in the R&D, manufacturing, sales and after-sales maintenance service for its LCD monitor, LCD TV, All-in-one computer monitor and other related components. The planned investment of the project amounted to US$60,000,000, of which not less than US$20,000,000 was registered capital. It is planned that the production capacity would reach over 1.5 million units for the first year and over 5 million units for the third year, with the sales of approximately RMB 5 billion. The entry into Beihai by TPV not only further accelerated the construction of China Electronics Corporation Beihai Industry Park, but also formed a solid foundation for the Company's expansion in Southwest China and ASEAN markets with its base at Beibu Wan.

Secondly, to speed up the construction of the R&D office complex of Great Wall and the industry base in Dongguan, and accelerate the transformation and upgrade of the Group's industry base at the Pearl River Delta. The proposal on construction land for the construction project of the R&D office complex of Great Wall has been submitted to the relevant department of the Shenzhen Municipal Government for approval. The total gross floor area of the project was approximately 163,200 square meters, of which the gross floor area above ground was approximately 128,000 square meters. The project is planned to become a world top and high standard R&D office complex centering on technology R&D systems like computer and core component industry and emerging energy industry, etc. and the anticipated total investment of the project was approximately RMB960 million. Meanwhile, Great Wall Kaifa selected China Electronics Corporation Beihai Industry Park in Dongguan as its base, and sped up the transition of its manufacturing business and transformation and upgrade of industry with the overall advantages of the Group.

Thirdly, to proactively promote the industrialization of KFES project in Xiamen and accelerate the base deployment of the emerging industry in Haixi with its geographical advantages. On 3 June 2011 in the morning, KFES Lighting Company Limited (開發晶照明(廈門)有限公司 ("KFES"), which was jointly established by Great Wall Kaifa, Epistar JV Holding (BVI) Co., Ltd., Evertop (Fujian) Optoelectronics Co., Ltd. and Country Lighting (BVI) Co., Ltd., laid a foundation in the Xiamen Torch High-tech Zone. KFES will be engaged in the R&D, production and sales of high-brightness LED extension chips, chips, LED light module, light source and light appliances. Based at Xiamen, the "national semi-conductor lighting industrial base" and the sole "pilot photoelectric display industry" nationwide, KFES not only will accelerate the deployment of its high-end position in the industry chain of LEC sector, but also accelerate the base construction of the Group's emerging industry in Haixi with its geographical advantages derived from Xiamen and Taiwan.

4. *Endeavor to control operational risk and ensure a stable yet rapid development of production operation*

   In the first half of the year, the rapid increase in raw material price resulted in a significant increase in the operating cost of the Group and increased the operational risks of the Group; the advantages of our human resources cost were weakened, tax cost was adjusted from 15% to 22%, and will reach 25% in 2012, which imposed much pressure on cost to the Group. The continuous appreciation in Renminbi directly affected the profit level of products. It was expected that there would be a higher inflation and the ever tightening of national credit policy and the upward trend in interest rates, which would lead to an increase in credit cost for enterprises and loan difficulties accordingly. Confronted with operational risks resulting from the abovementioned factors, the Group adopted the following active countermeasures.

Firstly, to actively address the risk on potential credit tightening. The Group strengthened its capital management and sped up the recovery of loans; made its utmost efforts to reduce loan amount, saved financial costs and; took advantage of the sound creditworthiness of companies under the name "Great Wall" to secure concentrated credit from banks, so as to resolve difficulty in turnover of capital encountered by the needy enterprises.

Secondly, to actively address the exchange rate risk. The Group raised its awareness of risk aversion to the exchange rate of Renminbi, optimized the structure of exported commodities, increased the added value of the products, endeavored in nurturing its self-independent brand and exploring in international market, underwent risk aversion process by using financial instruments, and averted exchange rate risks through options as stated in contract terms.

Thirdly, to perfect the financial alert system. The Group strengthened its financial analysis, oversaw the flow of capital and asset, and also oversaw the execution condition of budgets to avert risks. For the external investment projects, the Group underwent feasibility analysis in a sophisticated and prudent manner in order to mitigate the investment risks to the largest extent, established financial alert system, which focuses on typical indicators of profitability, solvency, economic efficiency, development potential, monitored operational risks by using total budget management, strengthened analysis, execution and control of budgets, and in particular the execution track process of budgets, prepared quarterly budget analysis process to identify any discrepancy in budget execution, underwent analysis and investigation on the discrepancy, and made timely adjustments to the budget.

Fourthly, to enhance lean management level. The Group used informatizational approaches to strength its supply chain management. The CGC Procurement Center (長城電腦採購中心) used informatized management approaches and established the "price change dynamic tracking model" (價格變化動態跟蹤模型), and adjust market procurement price in time in accordance with prices of key raw materials, implemented the Knowledge Centered Activity management approach systematically and brought down costs. Great Wall Kaifa implemented its management through the KCA project management platform, incorporating lean Six Sigma, lean production and cost reduction. Targeted cost management was also adopted to proactively drive cost reduction and efficiency enhancement.

Outlook

According to the estimation made in the "World Economic Outlook" published by the IMF, that the economic activities in the United States are weaker than expected, and worries about the extent of severity of challenges to peripheral nations of the Euro areas have brought about new financial turmoil, resulting in an increased risk of global economic downturn in 2011-2012. Issues like continued imbalance among fiscal and financial centres in many developed economies, economic over-heating coming to the fore in hosts of emerging and developing economies also have remarkably provoked uncertainty of economy growth and instability of the financial market.

Confronted with an economic situation that allows no optimism, in the second half of 2011, the Company, under the leadership of the Board, will accelerate its innovative ability and promote industrial shift and upgrade. Meanwhile the Group will proactively explore strategic emerging business sector and unceasingly consolidate and enhance its influence and driving force in the course of the State's industrialization, as well as in the informationalization of the national economy and community, with an aim to become a large-scale electronic information technology enterprise that is core technology guided, key industry dominated, first-class domestically, and internationally competitive in a short run.

For the display business sector, the Group will take advantage of the resource advantages of its electronic display industrial chain in China, capitalize fully the synergy effects, speed up the optimization and upgrade of the display business structure, and form a new flat display industry chain with perfect complement by launching upper and lower stream through new display end products in order to maintain its international leading position in the R&D and manufacture of display end products.

For the autonomous controllable computing business sector, the Group aims at constructing an autonomous controllable and secured computer system that conforms to the State's high security standard, that it will gear to the needs of the industry application market of the sector, persist in differentiation strategies and further consolidate its technological strength in the domains of information security and autonomous controllable computers, so as to accelerate realization of breakthroughs in the domains of information security and autonomous controllable computing technology.

For the cloud computing sector, the Group will strengthen its in-depth collaboration with leading international companies and forge a total industry chain at a high threshold, promote Great Wall cloud computing solution and cloud servers to the target markets, and augment cloud computing technology and application R&D, in order to develop into a renowned cloud computing system equipment and solution supplier nationwide.

For the new-energy equipment and system business sector, the Group will intensify the industrialization of large power inverter, reinforce the R&D and industrialization of small power inverter and micro-inverter, focus on the technological R&D of small sized thin filmed solar energy batteries, and track the R&D of new solar energy batteries and material. In respect of system integration and services, it will further explore of the system integration business for photovoltaic power plants, energy management contracting business, and the maintenance service business of photovoltaic power plants and the like.

For the energy saving business sector, the Group will keep consolidating and enlarging its advantageous position in desktop computer power supply, and, having its foothold on this strength, gear itself for expansion and transformation to the server power supply sector with high technology content, expedite exploring laptop power supply, consumable electronic power supply, communication power supply, household electric appliance power supply and medical power supply business, etc., focus on the R&D progress of strategic emerging industry power supplies like LED driven power supply, and accelerate the industrialization for promoting its power supply business to the shortlist of top-tier brands in the world.

For the new generation storage business sector, the Group will intensify its input in R&D, strengthen the integration of production, study and research, and enhance constantly its R&D level to maintain its world leading standard of magnetic storage business while paying close attention to the development of industries like the semi-conductor storage business.

For the intelligent measurement and electronic finance business sector, the Group will exert its strength to accelerate its technological breakthrough in system solutions in order to promote the brand reputation and market share of products in the short run.

For the EMS business sector, the Group will focus on the construction of an EMS core ability platform and competitive operation system, pay attention to the product value chain extension to both upper and lower stream and concentrate on improving its manufacturing capacity while in the mean time promoting the total value chain service ability like product design, introduce new products, logistics and customer services, and accelerate the shift from manufacturing business to total value chain service of IEMS integrated electronic manufacturing service, thereby promoting itself to one of the worldwide leading EMS enterprises.

On behalf of the Board, I would like to extend my sincere gratitude to the staff of the Group for their unremitting dedication, and also my thankfulness to the shareholders for their consistent support to and care for the Group.

By Order of the Board
Great Wall Technology Company Limited
Liu Liehong
Chairman

Shenzhen, China
30 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 30 June 2011 (the "Reporting Period"), the Group realised a turnover of approximately RMB46,718 million, representing a decrease of 6.5% as compared to the corresponding period of last year. Interim profit after tax attributable to the shareholders of the Company amounted to approximately RMB124 million during the Reporting Period as compared to the interim profit of approximately RMB237 million for the corresponding period last year. As global economy has been recovering gradually from severe deterioration, the economy recovered in a slow pace in the Europe and the U.S., which are major markets of the Group, which impacted the Group's results.

Liquidity and Financial Resources

As at 30 June 2011, the Group's total cash and cash equivalent amounted to approximately RMB3,444 million and the Group's total bank and other borrowings amounted to approximately RMB4,374 million.

The structure of such borrowings was as follows:

(1) 22.1% was denominated in Renminbi and 77.9% was denominated in US dollars.

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

11.2% of borrowings will be expired and repayable within 2 to 5 years.

Gearing Ratio

As at 30 June 2011, the Group's total bank and other borrowings and shareholders' equity were approximately RMB4,374 million and RMB4,602 million respectively, as compared to approximately RMB4,267 million and RMB4,712 million respectively as at 31 December 2010.

The gearing ratio as at 30 June 2011 was 95.0%. The gearing ratio as at 31 December 2010 was 90.6%. The gearing ratio is defined as the ratio between total bank borrowings and shareholders' equity.

The increase in gearing ratio was mainly due to the increase in total bank and other borrowings of approximately RMB107,000,000 as compared with that at the beginning of the year. At the end of the Reporting Period, total bank and other borrowings included TPV's bills payables of RMB490,000,000.

Current Ratio and Working Capital

As at 30 June 2011, the Group's current assets and current liabilities were approximately RMB32,501 million and RMB24,479 million respectively, while the Group's working capital was approximately RMB8,022 million. The current ratio was 1.33.

As at 31 December 2010, the Group's current assets and current liabilities were approximately RMB33,598 million and RMB25,778 million respectively, while the Group's working capital was RMB7,820 million. The current ratio was 1.30.

The Group's working capital increased by approximately RMB202,000,000 as compared with that at the beginning of the period, which strengthened our solvency in the short run.

Charge of Group Assets

As at 30 June 2011, certain of the Group's term deposit with a carrying value of approximately RMB1,097 million were pledged to banks to secure general banking facilities and performance bond for the Group.

As at 31 December 2010, the Group had pledged to banks its bank savings of approximately RMB391 million as a pledge of banks' general finance for the Group.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

Employees

As at 30 June 2011, the number of employees of the Group was approximately 59,000 (as at 31 December 2010: approximately 53,000). The salaries of the employees were determined according to the rank in and contribution to the respective company of any individual employee with reference to the remuneration and incentive system of the respective company.

OTHER INFORMATION

Directors', Supervisors' and the Company's Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

As at 30 June 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 Securities and Futures Ordinance ("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 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 ("Model Code") adopted by the Company were as follows:

1. Personal Interests

Name of Director	Number of Shares held	Approximate percentage of total registered share capital of the relevant entities
Mr. Tam Man Chi	1,670,817 shares of Great Wall Kaifa (L)	0.13%
Mr. Du Heping	60,000 shares of CGC	0.0045%
	6,270 shares of Great Wall Kaifa	0.0005%

2. Corporate Interests

Name of Director	Number of Shares held	Approximate percentage of total registered share capital of the relevant entities
Mr. Tam Man Chi	106,649,381 shares of Great Wall Kaifa (Note 1) (L)	8.1%

Note:

1. Broadata (H.K.) Limited ("Broadata") held approximately 8.1% of these shares. Flash Bright International Limited held approximately 69.08% shares in Broadata. Mr. Tam and his spouse held in aggregate 100% equity shares in Flash Bright International Limited.

The letter "L" denotes a long position.

Save as disclosed above and so far as the Directors, supervisors and chief executives of the Company are aware, as at 30 June 2011, none of the Directors, supervisors and chief executive officers of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and 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 and short position which any such Director, supervisor or chief executive officers 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 adopted by the Company.

Interests and Short Positions of Substantial Shareholders

So far as the Directors, supervisors and chief executives of the Company are aware, as at 30 June 2011, the following persons (other than the Directors, supervisors and chief executives of the Company) had an interest or short position in the Company's shares or underlying shares which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the 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:

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

Save as disclosed above and so far as the Directors, supervisors and chief executives of the Company are aware, as at 30 June 2011, the Company had not been notified by any other person (other than the Directors, supervisors or chief executives of the Company) who had an interest or short position in the Company's shares or underlying shares which are required to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Corporate Governance

The Company, currently and within the Reporting Period, has applied the principles and complied with the provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules.

Audit Committee

The Audit Committee was established in December 1999. The principal duties of the Audit Committee include the review of the Company's financial reporting program, internal controls and financial reporting matters of the Group. The Audit Committee comprises three independent non-executive directors, namely Mr. Yao Xiaocong (the chairman of Audit committee), Mr. James Kong Tin Wong and Mr. Zeng Zhijie.

The Audit Committee has reviewed, with the management, the accounting principles and policies, audit, internal controls and financial reporting adopted by the Group and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2011 and recommended its adoption by the Board.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' and supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry to all the directors and supervisors of the Company and all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2011.

Purchase, Sale and Redemption of the Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

By Order of the Board
Great Wall Technology Company Limited
Liu Liehong
Chairman

Shenzhen, PRC, 30 August 2011