

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the Period.

DISCLOSURE OF MAJOR EVENTS

Litigation

CGC

- (1) Process of litigation proceedings between CGC, Sichuan Yingtong Computer System Co., Ltd. ("Yingtong") and Chengdu Commercial Bank ("Chengdu Bank") regarding disputed bills of exchange

The case concerns fifteen bills of exchange in the amount of RMB33,639,650 as principal and interest for seven bills of exchange in the amount of RMB1,078,638.75. The People's Supreme Court (recorded as "(2001) ZhiZi No.21") upheld the civil judgment issued by the People's High Court of Sichuan ("Sichuan High Court") (recorded as "(2000) Chuan Jing Chu Zi No.17"). It was held that Yingtong and Chengdu Bank are jointly liable to compensate CGC for the principal amount of the fifteen bills of exchange together with the interest incurred thereby. An application has been made to the Sichuan High Court to enforce the judgment, and Sichuan High Court has agreed to handle the case (recorded as (2001) Chuan Zhi Zi No.21).

Chengdu Bank objected to the above judgment and appealed to Sichuan High Court for re-trial. According to the verdict thereof (recorded as "(2001) Chuan Jing Zi No.53"), the case was set for re-trial upon reorganization of the jury and, as a result, the execution of the original judgment was suspended. On 27 February 2002, the Sichuan High Court heard the case but Chengdu Bank was unable to submit new evidence, the Sichuan High Court set a date to hand down judgment and on 8 April 2002, it was held that the proceedings regarding the subject matter be discontinued (recorded as "(2001) Chuan Jing Zai Chu Zi No.2"). This matter has been disclosed in the 2001 Annual Report and subsequent annual and interim reports of the Company.

On 29 May 2003, Sichuan High Court replied to an inquiry made by CGC in respect of discontinuing the proceedings. It stated that the re-trial period be extended to 20 December 2003 and it would not accept any further postponement. CGC is now waiting for notice from the judiciary for re-trial. CGC has allocated approximately RMB 13,000,000 as bad debt reserve in respect of this case.

(2) Litigation between CGC, Yingtong and Chengdu Bank regarding non payment of goods

The payment of goods in the amount of RMB9,220,733 was disputed. The People's Intermediate Court of Chengdu City issued judgment and held CGC liable to a debt in the amount of RMB2,000,000, (recorded as "(2000) Cheng Jing Chu Zi No. 489, No. 568"). Whilst an application for enforcement was immediately filed with the People's Intermediate Court of Chengdu City, CGC filed an appeal with the People's Supreme Court. The situation had been disclosed in the 2001 Annual Report and the subsequent annual and interim reports of the Company. The People's Supreme Court has issued a notice to agree to a review of the case and the case is currently being investigated by the Investigation Supervision Team of the People's Supreme Court of Sichuan Province. It is intended that new arrangements will be made to reopen the case so that the case can proceed to hearing shortly. CGC has allocated approximately RMB7,000,000 in accrual to the bad debt reserve in respect of this case.

SHARE CAPITAL, SUBSTANTIAL SHAREHOLDERS AND DIRECTORS', CHIEF EXECUTIVE OFFICERS' AND SUPERVISORS' INTERESTS IN SECURITIES

Share Capital

	As at 30 June 2003	As at 1 January 2003
	Number of shares	Number of shares
State-owned legal person shares	743,870,000	743,870,000
Overseas listed foreign shares (H shares)	<u>453,872,000</u>	<u>453,872,000</u>
Total	<u><u>1,197,742,000</u></u>	<u><u>1,197,742,000</u></u>

Note: There was no change in share capital of the Company during the six months ended 30 June 2003 and during the period from 30 June 2003 to the reporting date.

Substantial Shareholders

As at 30 June 2003, the following parties held an interest of 5% or more in the issued share capital of the Company or its subsidiaries according to the Company's records:

(a) The Company

Name of shareholder	Class of shares	Number of shares held		Shareholding percentage	
		Direct interest	Deemed interest*	Direct interest	Deemed interest*
Great Wall Group	State-owned legal person shares	743,870,000	–	62.11%	–

(b) CGC

Name of shareholder	Class of shares	Number of shares held		Shareholding percentage	
		Direct interest	Deemed interest*	Direct interest	Deemed interest*
Great Wall Group	State-owned legal person shares	–	277,231,500 (Note 1)	–	60.47% (Note 1)
Company	State-owned legal person shares	277,231,500	–	60.47%	–

(c) *Kaifa*

Name of shareholder	Class of shares	Number of shares held		Shareholding percentage	
		Direct interest	Deemed interest*	Direct interest	Deemed interest*
Great Wall Group	State-owned legal person shares	–	410,163,000 (Note 1)	–	55.96% (Note 1)
Company	State-owned legal person shares	410,163,000	–	55.96%	–
Broaddata (H.K.) Limited	Overseas legal person shares	68,952,000	–	9.41%	–
Merrywide Limited	Overseas legal person shares	42,218,333	–	5.76%	–

(d) *GWBNS*

Name of shareholders	Percentage holding in registered capital	
	Direct interest	Deemed interest*
Great Wall Group	–	50% (Note 2)
Company	35%	15% (Note 2)
CGC	7.5%	–
Kaifa	7.5%	–

(e) *Kaifa Magnetics*

Name of shareholders	Percentage holding in registered capital	
	Direct interest	Deemed interest*
Great Wall Group	—	100% (Note 3)
Company	51%	49% (Note 3)
Kaifa	49%	—

* *Exclusive of direct interest**Notes:*

1. Great Wall Group controlled over 1/3 of the rights to vote in the Company. As such, Great Wall Group was (according to the Securities and Futures Ordinance ("SFO")) deemed to be interested in the relevant shares held by the Company.
2. Great Wall Group controlled over 1/3 of the rights to vote in the Company and the Company controlled over 1/3 of the rights to vote in each of CGC and Kaifa. As such, Great Wall Group and the Company (according to the SFO) were deemed to be interested in the relevant registered capital held by CGC and Kaifa, and Great Wall Group (according to the SFO) was deemed to be interested in the relevant shares held by the Company. GWBNS' registered capital was RMB300,000,000.
3. Great Wall Group controlled over 1/3 of the rights to vote in the Company and the Company controlled over 1/3 of the rights to vote in Kaifa. As such, Great Wall Group and the Company (according to the SFO) were deemed to be interested in the relevant registered capital held by Kaifa, and China Great Wall (according to the SFO) was deemed to be interested in the relevant shares held by the Company. Kaifa Magnetics' registered capital was RMB224,033,300.

Save as disclosed above and so far as the Directors, chief executive officers and supervisors of the Company are aware, as at 30 June 2003, no other person had an interest or short position in the Company's shares or underlying shares (as the case may be) which are required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 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, or which was otherwise a substantial shareholder (as such term is defined in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules")) of the Company.

Directors', Chief Executive Officers' and Supervisors' Interests in Securities

As at 30 June 2003, the interests of the Directors, chief executive officers and supervisors of the Company in the shares of the associated corporations of the Company (as defined in Part XV of the SFO) were as follows:

1. Personal Interests

Name of Director	Number of Shares held	Approximate percentage of total issued share capital
Mr. Wang Zhi	95,400 employee shares of CGC	0.02%
	214,207 employee shares of Kaifa	0.03%
Mr. Lu Ming	63,600 employee shares of CGC	0.01%
Mr. Tam Man Chi	714,025 employee shares of Kaifa	0.097%
Ms. Huang Rongfang	63,600 employee shares of CGC	0.01%
	278,512 assigned Legal Person Shares of Kaifa	0.037%

2. Corporate Interests

Name of Director	Number of shares held	Approximate percentage
Mr. Tam Man Chi	68,952,000 Legal Person Shares of Kaifa (Note 1)	9.41%

Note:

1. Broaddata (H.K.) Limited ("Broaddata") held 9.41% of the overseas legal person shares in Kaifa. Flash Bright International Limited held 61.76% shares in Broaddata. Mr. Tam and his spouse held 100% equity shares in Flash Bright International Limited.

Save as disclosed above and so far as the Directors, chief executive officers and supervisors of the Company are aware, as at 30 June 2003, no other Directors, chief executive officers or supervisors of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, chief executive or supervisor is taken or deemed to have under such provisions of the SFO) of which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules.

CHANGES OF BOARD OF DIRECTORS AND MEMBERS OF SUPERVISORY COMMITTEE

On 16 June 2003, an annual general meeting was convened and a resolution was passed in respect of the resignation of Wang Zhirong as a Director of the Board. Also, a resolution was passed in respect of the appointment of Qiao Zhongtao as a Director of the Board.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE GROUP

During the Period, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities held by them.

CODE OF BEST PRACTICE

None of the Directors of the Company are aware of any information that would reasonably indicate that the Group was not in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules at any time during the six months ended 30 June 2003.

AUDIT COMMITTEE

The audit committee has reviewed with management, the Group's accounting principles and practices and discussed auditing, internal controls and financial reporting matters, including these unaudited interim results. In addition, the Group's external auditors have reviewed these unaudited interim results in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants.

By Order of the Board

Wang Zhi

Chairman

25 August 2003

This interim report has been prepared in both Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail.