

PRINCIPAL ACTIVITIES

The Group is principally engaged in the development, manufacture, sale and R&D of PCs, PC peripheral products, HDDs, HDD related products, broadband network services, network transmission, add-on products and software and system related products and services.

SEGMENT INFORMATION

Analysis of the Group's turnover and contribution to profit from operations for the year ended 31 December 2003 is set out by principal activity and geographical market in note 5 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's single largest supplier and the Group's top five largest suppliers accounted for approximately 29% and 45% respectively, of the total purchases of the Group for the year ended 31 December 2003. The Group's single largest customer and the Group's top five largest consumers accounted for approximately 16% and 37% respectively, of the total turnover of the Group for the year ended 31 December 2003.

As far as the directors of the Company are aware, none of the directors or any of their associates, within the meaning of the Rules Governing the Listing of the Securities on the HKSE (the "Listing Rules"), or those shareholders which to the knowledge of the directors own more than 5% of the share capital of the Company have an interest in any of the five largest customers of the Group for the year ended 31 December 2003.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 21.

DIVIDEND

The board of directors of the Company does not recommend payment of any final dividend for the period ended 31 December 2003 (for the year ended 31 December 2002: nil).

RESERVES

Details of the movements during the year ended 31 December 2003 in the reserves of the Group and the Company are set out in consolidated statement of changes in equity on page 25 to the financial statements.

FINANCIAL SUMMARY

A summary of the results of the Group for the past five financial years and a summary of the assets and liabilities for the past five years are set out on page 79.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2003 in the property, plant and equipment of the Group and the Company are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are as follows:

	As at 31 December 2003 Number of shares	As at 1 January 2003 Number of shares
State-owned legal person shares	743,870,000	743,870,000
Oversea listed foreign shares (H Share)	453,872,000	453,872,000
Total	1,197,742,000	1,197,742,000

Note: There were no changes in share capital of the Company during the year ended 31 December 2003 and during the period from 1 January 2004 to the reporting date.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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
China Great Wall	State-owned legal person shares	743,870,000	62.11%
The Hong Kong and Shanghai Banking Corporation Ltd.	H shares	99,432,000	8.30%

Save as disclosed above and so far as the Directors, chief executive officers and supervisors of the Company are aware, as at 31 December 2003, no other person (other than the Directors, chief executives or supervisors of the Company as disclosed below) 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 HKSE under provisions of Divisions 2 and 3 Part XV of the Securities and Futures Ordinance ("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 Listing Rules) of the Company.

BORROWINGS AND INTEREST CAPITALISED

Details of borrowings of the Group are set out in notes 24 to the financial statements.

No interest was capitalized in the construction in progress of the Group at the balance sheet date.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

During the year ended 31 December 2003, the Company did not have any designated deposits with any financing institutions nor had any overdue time deposits.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates as at 31 December 2003 are set out in notes 18 and 19 respectively, to the financial statements.

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

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

DIRECTORS

For the year ended 31 December 2003 and up to the date of this Report, the Directors and their biography are as follows:

Executive Directors

Mr. Wang Zhi, aged 62, is the chairman and president of the Company. He joined the Great Wall Group in 1985, and was one of its founders. Mr. Wang is also the chairman of Kaifa Tech. Before joining the Great Wall Group, Mr. Wang was a deputy director of the Computer Bureau under the Ministry of Electronics Industry. He graduated from Harbin Military Academy of Science with a bachelor's degree in wireless communication. Mr. Wang has over 38 years' of experience in the information technology industry and he is still the honorary president of China Computer Industry Association.

Mr. Lu Ming, aged 54, is an executive director of the Company. He is responsible for production technology development and marketing activities of the Company. Mr. Lu is also the chairman of CGC. He joined the Great Wall Group in 1986. Mr. Lu graduated from the Chinese Academy of Science with a master's degree in computer science and completed post-graduate studies at the High Energy Physics Research Institute in Hamburg, Germany. Mr. Lu has over 23 years' of experience in the information technology industry. Mr. Lu was previously also the vice president of the Company, but he resigned from that position with effect from 12 April 2002.

Mr. Tam Man Chi, aged 55, is an executive director of the Company. He is responsible for the Company's marketing strategy and technology development. Mr. Tam is also a director of Kaifa Tech. Mr. Tam has 35 years' of management experience in the international electronics industry. Mr. Tam was previously the vice president of the Company, but he resigned from that position with effect from 23 April 2003.

Ms. Huang Rongfang, aged 58, is an executive director of the Company. Ms. Huang is also a director of CGC. Ms. Huang graduated from Beijing University and holds the title of senior accountant. Before joining the Great Wall Group, she was the deputy chief officer of the Finance Bureau of China Electronic Industry General Company and the chief financial officer of CEC (中國電子資訊產業集團公司). Ms. Huang has over 35 years' of experience in the information technology.

Mr. Qiao Zhong Tao, aged 60. He graduated from the Beijing Aeronautics & Astronautics University and holds the title of Senior Engineer. He is currently a deputy managing director of Kaifa Tech and has been a director of the Department of Electronics Industry, deputy manager of Zhuzhou Municipal Government and deputy general manager of 深圳希捷公司. He was appointed as a director of the Company with effect from 23 April 2003.

Mr. Gao Keqin, aged 36, was appointed as an executive director of the Company with effect from 12 April 2002. Mr. Gao Keqin graduated from the Beijing Aeronautics & Astronautics University. In 1990, Mr. Gao worked at the 710 research institute of the Ministry of Aeronautics & Astronautics, after which he worked for China Hewlett-Packard as its marketing manager. Later, he went on to work for Intel China Ltd. as its business development manager of E-commerce and its senior marketing manager. In 2001, Mr. Gao joined GWCSS as its general manager and remains so today.

Independent Non-executive Directors

Mr. Li Sanli, aged 68, born in July 1935 in Shanghai, the PRC. He graduated from Tsinghua University in 1955 and obtained his PhD from the Academy of Sciences of the previous USSR in Moscow in 1960.

Mr. Chang Zhenming, aged 47, is an executive director and the deputy general manager of CITIC Group. Mr. Chang is also the president of CITIC Holdings (中信金融控股有限公司). He holds a bachelor's degree in Japanese from the Beijing No. 2 Foreign Language Institute and an MBA degree from the New York Insurance Institute.

Mr. Li Xiaoru, aged 46. He is the managing director of Hong Kong Construction (Holdings) Ltd. Mr. Li holds a Juris Doctor degree from New York University and a bachelor's degree in English literature from Columbia University. Mr. Li has many years' experience in practicing law in the U.S. and Hong Kong. Mr. Li is qualified to practice law in the State of California U.S. and in the PRC.

Mr. Wu Qu Ren, aged 59, was appointed as an independent non-executive director of the Company with effect from 12 April 2002. Mr. Wu obtained his master's degree in electrical engineering from The Princeton University in 1969 and an MBA degree from the Wharton School in 1979. After which, Mr. Wu worked at Philips Electronics in the Netherlands, RCA Corporation, AT&T Corporation and Digital Equipment Corporation in the areas of research and development, manufacturing and marketing. Mr. Wu then served as the president of Citicorp Investments Inc., and was a vice president at Citicorp Venture Capital Ltd. until 1995. Thereafter, Mr. Wu founded the Sycamore Management Corporation, where he presently serves as a president. Mr. Wu resigned as an independent non-executive director of the Company in August 2003.

Supervisors

Mr. Guan Zhizhan, aged 58, is a supervisor of the Company. He joined the Great Wall Group in 1993 as the financial controller of Kaifa Tech. He graduated from the Hangzhou Wireless Industry Management Institute in 1965. Mr. Guan has over 37 year's of experience in accounting and finance. Mr. Guan was dismissed as a supervisor of the Company as at October 2003.

Mr. Di Xiaofeng, aged 42, is a supervisor of the Company. Mr. Di has been the chairman of the supervisory committee of Shanghai Yongsheng Company Limited since January 1999. He graduated from the Research Institute of the China Academy of Social Science with a master's degree in law and is a qualified lawyer in the PRC.

Mr. Diao Guoxin, aged 29, was appointed as a supervisor of the Company on 23 April 2004. Mr. Diao graduated from the Renmin University of China with a bachelor's degree of Arts. He currently studies a master's degree in Western Economy at the Renmin University of China. Mr. Diao joined the Great Wall Group in 1998 as the secretary to the chairman and the president. He is the supervisor of the general office of the Company.

Mr. Li Ruiyue, aged 36, was nominated as an independent supervisor of the Company on 23 April 2004. Mr. Li obtained his master's degree in law from the China University of Political Science and Law and will complete his PhD study in law with the same university later this year. He used to work with PetroChina Liaohe Oilfield and as the assistant to the deputy general manager and the lawyer of CITIC Group. Currently Mr. Li works as the director of the Legal Department of CITIC Asset Management Corporation. The nomination is subject to approval in the forthcoming annual general meeting of the Company.

Mr. Qin Maojun, aged 35, was nominated as an independent supervisor of the Company on 23 April 2004. Mr. Qin obtained his master's degree in finance from the China Institute of Social Science. He used to serve as the executive deputy general manager of Lanzhou Trust and Investment Company Shenzhen Securities Branch, the head of investment department of China Economic Development Trust and Investment Company Beijing 2nd Branch, and a manager of Huayunda Group. Then he joined SEEC (中國證券市場研究設計中心(聯辦)) & Homeway.com (和讯公司) as a senior analyst and currently he serves CCTV (中央電視台) as special observer and works with different internet websites such as SINA, SOHU, HOMEWAY, TOM and China Economy Net (中國經濟網) of the Company as senior analyst and special copywriter. The nomination is subject to approval in the forthcoming annual general meeting of the Company.

Company Secretary

Mr. Lu Ning, aged 45. He obtained a master's degree in engineering from Beijing Aeronautics and Astronautics University. He has been the chief operating officer of the Industry Services Group of Siemens (China), senior business development manager of Telecom Industry of Compaq (China) Investment Company Limited, marketing manager of Chips and Software Solutions System Division of Motorola (China), senior business development manager of China Region of Global Smart Card System Division of Motorola (China), project manager and subsequently China manager of Space and System Technology Group of Motorola (China). Mr. Lu was appointed the company secretary of the Company on 23 April 2003 and resigned from the position of company secretary as of February 2004 due to personal reason.

Mr. Chen Yisong, aged 36, is a holder of master's degree in Finance from the Hunan University and bachelor's degree in computing from the University of Science and Technology Beijing. He used to work as a secretary to the deputy general manager of CITIC Group and served CITIC Securities Co., Ltd as the head of CEO office. Before that, he worked in the capital department of CITIC Industrial Bank. He has accumulated abundant experience in investment banking, merger and acquisition and corporate management. Mr. Chen was appointed as the company secretary of the Company on 1 March 2004.

Senior Management

Ms. Zeng Yanming, aged 57, is the general manager of the business development of the Company. She also heads the technology department, quality department, asset management department and marketing department of the Great Wall Group. She joined the Great Wall Group in 1986. Ms. Zeng graduated from the Beijing Postal and Telecommunication College with a bachelor's degree in radio engineering.

Mr. Sima Nai, aged 51, is a vice president of the Company. He graduated from Dong Nan University and holds an electric engineering degree, specialised in electro-vacuum application technique. Mr. Sima also holds an MBA degree from The Macau University of Technology. He is a postgraduate and a senior engineer. Mr. Sima is a director and the deputy manager of Kaifa Magnetics. Mr. Sima has been the head of factory, the chief engineer and the director of research of 蘇州電子管廠. He is currently the chairman of 新光電子有限公司, the committee member of the party of 蘇州盤門旅遊開發(集團)有限公司 and the deputy general manager of an equity joint venture company, 亦華投資開發公司. He joined Kaita Mag in 1998. Mr. Sima was appointed as the vice-president by the board of the Company on 23 April 2003.

Mr. Sam Leung, aged 51, is the general manager of the production department of the Company. Mr. Leung graduated from Stanford University with a master's degree in electronic engineering in 1975 and was a lecturer at the Hong Kong Polytechnic University (Department of Electronic Engineering).

Mr. Sun Zi Qiang, aged 40, is a vice president of the Company. He graduated from the college with a bachelor's degree in Engineering. He has been a director and the general manager of 北京長通聯合寬帶網絡技術有限公司, the vice-president of 諾定(中國)投資有限公司, an executive director of 北京紅帆網神通信技術有限公司, a director of China Plus Telecom Co, Ltd (BVI), a director of 重慶資訊產業發展有限公司 and a director of 上海達因資訊技術股份有限公司. Mr. Sun Zi Qiang was appointed as a vice-president by the board of the Company on 23 April 2003.

Mr. Tian Yuchuan, aged 40, joined the Company in 2004, is the Chief Financial Officer responsible for financial management and operations of the Company. He graduated from Lester B. Pearson College of the Pacific in Canada in 1985 with diploma and graduated from the Beijing Foreign Studies University with a Bachelor of Arts Degree in 1986. Mr. Tian holds the title of senior economist. He was an executive director of CITIC Resources Holdings Co., Ltd. He had held senior management positions and directorship in several subsidiaries of CITIC Group. Mr. Tian has over 18 years' experience in multi-national businesses, corporate management, international equity investments and corporate finance.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming shareholders' 2003 annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into, or existed of any time, during the year ended 31 December 2003.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding companies in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

THE PURCHASE AND SALE OF SHARES BY THE DIRECTORS AND SUPERVISORS

During the year ended 31 December 2003, the Company did not grant any rights to any Directors or Supervisors and their spouses or children less than 18 years of age to subscribe for equity interests in the Company. The interests of the Directors and Supervisors in the shares of the Company or its associated corporation are set out in the section headed "Directors and Supervisors' interests in Shares" below.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 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:

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 Tech	0.03%
Mr. Lu Ming	63,600 employee shares of CGC	0.01%
Mr. Tam Man Chi	714,025 employee shares of Kaifa Tech	0.097%
Ms. Huang Rongfang	63,600 employee shares of CGC	0.01%
	218,512 assigned legal person shares of Kaifa Tech	0.029%

Corporate Interests

Name of Director	Number of Shares held	Approximate percentage of total issued share capital
Mr. Tam Man Chi	68,952,000 Legal person shares of Kaifa Tech (Note1)	9.4%

Note:

1. These shares are held by Broadata (HK) Limited. Flash Bright Investment Limited held 61.76% interest in Broadata (HK) Limited. Mr. Tam Man Chi and his spouse holds 100% interest in Flash Investment Limited.

Save as disclose above and so far as the directors, chief executive officers and supervisors of the Company are aware, as at 31 December 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 2 and 3 of Part XV of the SFO (including interests 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 or the HKSE pursuant to the Model Code for Securities transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals of the Company during the year 2003 are set out in note 10 to the financial statements.

CONNECTED TRANSACTIONS

Details of the Group's connected transactions during the year 2003 are set out in note 36 to the financial statements.

IMPORTANT ISSUES

Material litigation

1. Progress of litigation proceedings between CGC, Sichuan Yingtong Computer System Co., Ltd. ("Yingtong") and Chengdu Commercial Bank ("Chengdu Bank") in respect of disputes regarding certain bills of exchange

The proceedings concern a dispute in respect of fifteen bills of exchange in the total amount of RMB33,630,650 as principal and interest and seven bills of exchange in the total amount of RMB1,078,638.75. The People's Supreme Court (recorded as "(2001) Zhi Zi No.21") decided that the civil judgment issued by the People's High Court of Sichuan ("Sichuan High Court") (recorded as "(2000) Chuan Jing Chu Zi No.17") was legally valid. Yingtong and Chengdu Bank were held jointly liable to compensate CGC for the fifteen bills of exchange. An application was made to the Sichuan High Court to enforce of the said judgment, and Sichuan High Court agreed to handle the case (recorded as "(2001) Chuan Zhi Zi No.21").

Chengdu Bank objected to the judgment and appealed to Sichuan High Court for re-trial. The Sichuan High Court decided that the case be re-tried upon reorganization of the jury (recorded as "(2001) Chuan Jing Jian Zi No.53") and as a result, the execution of the original verdict was suspended. On 27 February 2002, Sichuan High Court commenced re-trial but Chengdu Bank was unable to submit new evidence in support of its appeal. The Sichuan High Court subsequently set a date to announce the verdict and on 8 April 2002, the appeal proceedings came to an end (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.

After several inquiries made by CGC over by telephone and in person, on 29 May 2003, Sichuan High Court replied to the inquiry made by CGC in relation to the reasons for suspending the litigation proceedings ((2001) Chuan Jing Zai Chu Zi No. 2), and stated that the litigation proceedings should remain suspended for reason that the warrantor, Chengdu Huitong City Cooperation Bank, continued to be in the process of liquidation. Notice shall be sent to CGC pursuant to the regulations when the case is to resume. To date, CGC has not received any written notice or documents from the Justice Department and thus CGC has allocated in accrual RMB33,630,650 in its bad debt reserve in respect of this case.

2. Progress of litigation proceedings between CGC, Yingtong and Chengdu Bank in respect of the dispute regarding the payment of goods

These proceeds concern non-payment of goods in the total amount of RMB9,220,733. The People's Intermediate Court of Chengdu City issued a judgment and held CGC liable to a debt in the sum of RMB2,000,000 (recorded as "(2000) Cheng Jing Chu Zi Nos.489, 568"). An application for enforcement of the judgment was immediately filed with the People's Intermediate Court of Chengdu City and, at the same time, CGC filed for appeal to the People's Supreme Court. This matter was disclosed in the 2001 Annual Report and subsequent annual and interim reports of the Company. The People's Supreme Court has agreed to review the case and it is now being investigated by the Investigation Supervision Team of Sichuan High Court. It is intended that new arrangements be made to reopen the case such that the case can proceed to trial in due course. CGC has allocated RMB 9,220,733 in accrual to the bad debt reserve in respect of this case.

3. Kaifa Tech – Misappropriation of funds by ex-employees

At the end of 1999, a cashier of the financial department of Kaifa Tech misappropriated RMB8,000,000. RMB50,000 out of the misappropriate amount has already been returned to Kaifa Tech and it is highly probable that the remaining outstanding amount may not be recovered under the current situation. The board of directors of Kaifa Tech has decided to treat RMB7,950,000 as a loss to the profit. The relevant employees involved with this case have already been sentenced for criminal penalty.

PRE-EMPTIVE RIGHTS

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

RETIREMENT BENEFIT SCHEME FOR EMPLOYEES

Details of the retirement benefit schemes for employees of the Group are set out in notes 8 to the financial statements.

CODE OF BEST PRACTICE

None of the Directors of the Company are aware of any information that the Company is not or was not, for the twelve months ended 31 December 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange.

AUDIT COMMITTEE

In compliance with the additional requirements of HKSE in its Code of Best Practice, an audit committee of the Company (the "Audit Committee") was established in December 1999. There are three members in the Audit Committee, namely Mr. Wang Zhi, Mr. Li Xiaoru and Mr. Chang Zhenming. By reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants, the principal duties of the Audit Committee include the review of the Company's financial reporting process, internal controls and the results of the Group. During the year ended 31 December 2003, the Audit Committee held two meetings. On 23 April 2004, the Audit Committee reviewed and commented on the Company's draft annual report.

By Order of the Board

Wang Zhi
Chairman

23 April 2004