

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results and appropriations of the Group and the Company for the year ended 31 December 2005 are set out in the consolidated income statement on page 44 of this annual report.

DIVIDEND

The Board has recommended payment of a dividend of RMB0.02 per share, totalling approximately RMB23,954,840 as at 31 December 2005 (as at 31 December 2004: dividend payment of RMB50,305,000). The proposal is subject to approval on the forthcoming annual general meeting to be held on 15 June 2006.

DISTRIBUTABLE RESERVES

As at 31 December 2005, in accordance with the PRC Company Law, an amount of approximately RMB997 million standing to the credit of the Company's capital reserve account, and an amount of approximately RMB475 million standing to the credit of the Company's statutory reserve funds, as determined in accordance with the PRC GAAP, were available for distribution by way of future capitalization issue. In addition, retained profits of the Company, as determined in accordance with the PRC GAAP and being the lesser amount of the retained profits determined in accordance with the PRC GAAP and IFRS, is available for distribution as dividend.

RESERVES

Details of the movements during the year ended 31 December 2005 in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 48 of this annual report.



Directors' Report

FINANCIAL SUMMARY FOR THE PAST FIVE YEARS

A summary of the results of the Group for the past five years and the summary of the assets and liabilities for the past five years are set out on page 139 of this annual report.

FIXED ASSETS

Details of the movements during the year ended 31 December 2005 in the fixed assets of the Group and the Company are set out in note 14 to the financial statements.

SHARE CAPITAL STRUCTURE

As at 31 December 2005, the total share capital of the Company amounted to RMB1,197,742,000, divided into 1,197,742,000 shares of RMB1.00 each. The share capital of the Company as at 31 December 2005 was as follows:

	As at 31 December 2005 (audited) Number of shares	As at 31 December 2004 (audited) 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 was no change in the share capital structure of the Company during the year and during the period from 31 December 2005 up to the date of this annual report.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed above in respect of the interests and short positions of the Directors and chief executives of the Company and so far as the Directors and chief executives of the Company are aware, as at 31 December 2005, the following persons 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 Securities and Futures Ordinance (abbreviated as "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 to the issued capital
Great Wall Group	State-owned legal person shares	743,870,000	62.11%
The Hong Kong and Shanghai Banking Corporation Ltd.	H shares	85,265,420	7.12%

Save as disclosed above and so far as the Directors, supervisors and chief executives of the Company are aware, as at 31 December 2005, no other person (other than the Directors, supervisors or chief executives 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 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, or which was otherwise a substantial shareholder (as such term is defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (abbreviated as the "Listing Rules")) of the Company.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2005, the Group had no designated deposits nor had any overdue and unrecoverable time deposits with any financial institutions.

SUBSIDIARIES AND ASSOCIATED COMPANY

Details of the Company's subsidiaries and associated companies as at 31 December 2005 are set out in notes 19 and 20 to the financial statements respectively.

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

During the year 2005, the Company had not purchased, sold or repurchased any listed securities of the Company or any of its subsidiaries.

DIRECTORS

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

Executive Directors

Mr. Chen Zhaoxiong, born in September 1961, Chinese. Mr. Chen graduated from Institute of Computing Technology of Chinese Academy of Sciences with a doctorate degree, and is also a research analyst and a postgraduate doctoral student mentor. He is the General Manager of China Electronics Corporation, the Chairman of the Board of Great Wall Technology Company Limited, China Great Wall Computer (Shenzhen) Co., Ltd., Shenzhen Great Technology Co., Ltd. He was vice president of China Electronics Corporation, managing director of China Electronics Corporation Research Institute, president of Huajian Group, Head of Computer Language Information Centre of Chinese Academy of Sciences. He is appointed as a member of Advisory Committee for State Informization, chairman of the China Committee, IFIP, vice chairman of the Chinese Information Processing Society of China and vice chairman of the Chinese Association of Young Scientist And Technicians. He was elected vice chairman of All-China Youth Federation.

Mr. Lu Ming, born in 1950, is an executive director and president of the Company. Mr. Lu is also the deputy chairman of CGC. Mr. Lu graduated from the Chinese Academy of Sciences with a master's degree in computer science and completed post-graduate studies at the High Energy Physics Research Institute in Hamburg, Germany. He joined the Great Wall Group in 1986 and has over 25 years' of experience in the information technology industry. Mr. Lu was previously also the vice president of the Company from 1998 to 2005, and was appointed as president of the Company in October 2005.

Mr. Tam Man Chi, born in 1948, is an executive director of the Company. Mr. Tam is also a President and deputy Chairman of Great Wall Kaifa. Mr. Tam has 37 years' of management experience in the international electronics industry. Mr. Tam was previously the vice president of the Company, but he resigned from that position with effect from 23 April 2003.

Mr. Wang Jincheng, born in 1936, is a senior engineer and a committee member of the Chinese People's Political Consultative Conference. He graduated from the Beijing Science and Technology University (formerly known as the Beijing Industrial Institute) with a major in wireless radar. Mr. Wang was mayor of Mian Yang, chairman of the board of directors of China Unicom Co. Ltd., chairman of the board of directors and general manager of China Electronics Corporation. He was a member of the National Scientific and Technological Advanced Research's Evaluation Committee, the Standing Director of the Chinese Aeronautics Committee as well as the Chairman of the Electronics Branch of the Chinese "Divine Sword" Space Committee. On 17 January 2005, Mr. Wang was elected executive director of the Company, the appointment of whom was approved on the Extraordinary General Meeting.

Mr. Yang Jun, born in October 1963, is a senior engineer graduated from West-North Telecommunication Engineering College with a master degree. Mr. Yang currently holds the position of Deputy President of China Electronics Corporation, Director and Vice General Manager of Great Wall Group and previously held the positions of General Manager of China Travel Sky Information Centre, Chairman of Director of China Travel Sky Technology Limited and Vice Manager of China Travel Sky Holding Company. On 20 June 2005, Mr. Yang was elected executive director of the Company, the appointment of whom was approved on the annual general meeting.

Mr. Li Weisheng, born in May 1962, is a senior accountant graduated from Shanxi MBA College with a master degree. Mr. Li currently holds the position of Vice President of CGC and Director of GWBNS. Mr. Li previously held the positions of Section Chief of Rainbow Factory Financial Section, Manager of Rainbow Group Co., Sales Branch, Vice General Economist of Rainbow, Manager of the financial department of the Company, Director of GWCSS, Supervisor of CGC and General Manager Assistant of the Great Wall Group. On 20 June 2005, Mr. Li was elected executive director of the Company, the appointment of whom was approved on the annual general meeting.

Independent Non-executive Directors

Mr. Li SanLi, born in 1935, graduated from Tsinghua University in 1955, and obtained PhD Degree from the Academy of Sciences of the former USSR in 1960. In 1995 he was elected as the Academician, Chinese Academy of Engineering (CAE). He is currently a professor in Department of Computer Science & Technology of Tsinghua University, takes a Joint position as Dean, School of Computer Engineering & Science at Shanghai University.

He has been engaged in computer career for 50 years. He has been responsible of building many computer systems, among those, some systems had made significant contributions to his country. He is one of the pioneers in computer system architecture discipline. Recently he has been in charge of building several supercomputer systems. Two of them had been listed at the world famous top500 (www.top500.org): "Deep Super 21C" (2003, the 146th place at top500), and "ZiQiang 3000" (2004, the 126th place at top500 then).

He had taken the positions as the Project Chief Scientist of the "State Climbing Program", the Co-Chairman of the Computer Discipline of the Academic Degree Committee directly attached to the China State Council and the President of IEEE China Section (Beijing Section, 95/96). He was invited as the Joint Professor of Beijing University, FuDan University, Tongji University etc. He also takes the social positions as the Vice-Chairman of the Expert Committee of the Shanghai Government Informatization Leader Group, as well as the Expert Consultant of the HangZhou, SuZhou, ShenZhen Municipal Government and so on. He has been elected as the Honorable President of "China Electronic Education Society".



Directors' Report

Mr. Li Xiaoru, born in March 1957, is a native of Shanghai who went to the United States for schooling in the early 1980's. He attended Shanghai Institute of Foreign Languages from 1979 to 1980 and received a B.A. from Columbia University and a J.D. from New York University. A member of the California Bar, he has practiced international commercial law in Hong Kong and China for the last 13 years. Mr. Li founded the China capital markets practice for Coudert Brothers in 1991. Prior to his tenure as the Managing Director for a mid-sized Hong Kong listed company in early 1998, Mr. Li advised on many of the major securities deals originating in China and is well-regarded in the PRC related capital market. Mr. Li returned to full-time law practice in January 2002. Mr. Li joined Morrison & Foerster LLP in August of 2003. In addition his capital markets expertise, Mr. Li also specializes in foreign direct investment, project finance and media related acquisitions. Mr. Li is fluent in Mandarin, Shanghainese, and Cantonese as well as English.

Ms. Wang Qinfang, born in 1943, graduated from the Industrial Accounting Faculty of the Shanghai Institute of Finance and Economics. She holds the title of senior accountant and a PRC certified public accountant certificate. She was Director of the Finance Department of China Electronic Industry Co., Ltd., Director of the Economic Adjustment Department of the PRC Ministry of Electronics and General Manager of the China Electronic Information Trust & Investment Co. Ltd. Ms Wang is currently Deputy Director of the Electronic Branch of China Accounting Society. On 17 January 2005, Ms. Wang was elected independent non-executive director of the Company, the appointment of whom was approved on the Extraordinary General Meeting.

Supervisors

As at the date of this annual report, the members of the Supervisory Committee of the Company and their biographies are as follows:

Mr. Diao Guoxin, born in 1975, 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 general manager. He was the supervisor of the general office of the Company and is currently the assistant to president of CGC. On 21 June 2004, Mr. Diao was elected supervisor of the Company, the appointment of whom was approved on the general meeting, and was elected chairman of the supervisory committee.

Mr. Li Ruiyue, born in 1968, obtained his master's degree from the China University of Political Science and Law before obtaining his PhD in 2004. 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. On 21 June 2004, Mr. Li was elected supervisor of the Company, the appointment of whom was approved on the general meeting.

Mr. Qin Maojun, born in 1969, 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 the manager of finance and securities department of Huayunda Group. He then joined SEEC (中國證券市場研究設計中心(聯辦)) & Homeway.com (和訊公司) 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) and special column of the like as senior analyst and staff writer. On 21 June 2004, Mr. Qin was elected supervisor of the Company, the appointment of whom was approved on the general meeting.

Company Secretary

As at the date of this annual report, the company secretary of the Company and her biographical note is as follows:

Ms. Chen Yanming, born in 1962, graduated from and has obtained Master's degree of business administration from the Richard Ivey School of Business, The University of Western Ontario, Canada and Master's degree of Financial Management from the Murdoch University, Perth, Western Australia respectively. Ms. Chen Yanming had participated in the reorganization and listing of the Company. She was the secretary of the Board of Directors of Shenzhen Great Technology Co., Ltd as from 1996 to 2004 and had six years' of experience of being the company secretary and external spokesperson of a Hong Kong listed H share company. Afterwards, she took up office as senior administration director of Shenzhen Kaifa Magnetic Recording Co., Ltd., and director and vice president of O-Net Communication LTD and administration director of the Company. Ms. Chen has accumulated a wealth of experience in the operational management of listing companies and capital operation in the domestic and foreign capital markets.

Other Senior Management

As at the date of this annual report, other senior management of the Company and their biographical notes are as follows:

Mr. David Yeung, graduated from The Hong Kong University of Science & Technology with a master's degree in business administration. Mr. Yeung is a fellow member of Hong Kong Institute of Certified Public Accountants and The Chartered Institute of Management Accountants (CIMA), and a member of the American Institute of Certified Public Accountants (AICPA) and Hong Kong Securities Institute. Mr. Yeung was appointed senior financial consultant of the Company on 27 September 2004.

Mr. Wu Kaiming, born in 1948, is a senior engineer. Mr. Ng graduated from the wireless technology specialty of Beijing Institute of Technology. He is currently director of the Great Wall Group and chairman of the board of directors of China Computer Leasing Company Limited. Mr. Ng was appointed vice president of the Company on 7 March 2005.

Mr. Du Heping, born in 1955, is a in-service postgraduate from the economics management specialty of Central Party school. He was appointed vice president of the Company in October 2005. Mr. Du's career began in 1971 and held positions as worker, technician, engineer, deputy engineer in chief of the state-owned 4393 Factory (國營4393廠). He started working in Shenzhen in 1988 and held positions as officer in charge, factory manager of Great Wall Power Supplies Factory (長城電源廠) and deputy general manager of CGC. Mr. Du was the deputy president of CGC from June 1997 to July 2005 and Secretary to the Board of CGC from December 2004 to September 2005. Mr. Du has received 2 First Class Science Technology Advance Award and 1 Third Class Science Technology Advance Award from the Ministry of Machinery and Electronics Industry. He has over 20 years of managerial experiences in science and technology, quality, infrastructure and technology improvement.

Mr. Qian Lejun, born in 1948, is a senior engineer and a member of the Chinese Communist Party. He was appointed vice president of the Company in October 2005. Mr. Qian graduated from the Radio Department of Tsinghua University. He is currently the deputy general manager of Great Wall Group, director of CGC and director of GWCSS. Mr. Qian held positions as deputy director of the Administration of Computer Industry of the Ministry of Machinery and Electronics Industry and deputy general manager of China Great Wall Computer (Shenzhen) Co., Ltd.

CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

From 1 January 2005 to the date of this annual report, the resignations of the Company's Directors are as follow:

An extraordinary general meeting of the Company was held on 17 January 2005 and the resignations of Mr. Chang Zhenming and Mr. Qiao Zhong Tao from the offices of independent non-executive and executive director of the Company respectively for personal reasons were approved. The appointments of Ms. Wang Qinfang and Mr. Wang Jincheng as independent non-executive and executive director respectively of the Company were approved. They will hold office until the date of the Company's 2006 annual general meeting.

An annual general meeting of the Company was held on 20 June 2005 and the resignations of Ms. Huang Rongfang and Mr. Gao Keqin from the offices of executive directors of the Company for personal reasons were approved. The appointments of Mr. Yang Jun and Mr. Li Weisheng as executive directors of the Company were approved. They will hold office until the date of the Company's 2006 annual general meeting.

Mr. Tian Yuchuan resigned as deputy president of the Company for personal reasons on 11 July 2005.

SUPERVISORS AND THE SUPERVISORY COMMITTEE

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

SHAREHOLDERS AND GENERAL MEETINGS

The Company had abided by relevant requirements to convene general meetings to ensure that the shareholders may exercise their voting rights according to law. During the Period, the Company had convened the 2004 General Meeting on 20 June 2005 and all procedures of the General Meeting had been consistent with the requirements of the Company Law of PRC and the Articles of Association.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has obtained written confirmations from all Independent Non-executive Directors concerning their independence in accordance with Rule 3.13 of the Listing Rules. The Directors are in the opinion that the existing Independent Non-executive Directors are independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

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

CONTROLLING SHAREHOLDERS' INTERESTS IN MATERIAL CONTRACTS

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

THE PURCHASE AND SALE OF SHARES BY THE DIRECTORS AND SUPERVISORS

During the year ended 31 December 2005, the Company had not granted any right to any Directors or Supervisors and their spouses or children less than 18 years of age to subscribe for shares in the Company. The interests of the Directors and supervisors of the Company in the shares of the Company, its subsidiaries or its associated corporation are set out in the section headed "Directors', Supervisors' and the Company's Chief Executives' Interests in the Share Capital of the Company and its Associated Corporations" below.



Directors' Report

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

As at 31 December 2005, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined under Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, supervisors and chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (abbreviated as the "Model Code") adopted by the Company were as follows:

1. Personal Interests

Name of Director	Number of Shares held	Approximate percentage of issued share capital of the company
Mr. Lu Ming	63,600 shares of CGC	0.01%
Mr. Tam Man Chi	714,025 shares of Great Wall Kaifa	0.097%

2. Corporate Interests

Name of Director	Number of Shares held	Approximate percentage of issued share capital of the company
Mr. Tam Man Chi	68,952,000 shares of Great Wall Kaifa (Note 1)	9.41%

Note:

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

Save as disclosed above and so far as the Directors, supervisors and chief executives of the Company are aware, as at 31 December 2005, 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 and/or any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including

interest and short position which any such Director, chief executive officers 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.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and supervisors' remuneration and the five highest paid individuals of the Company during the year 2005 are set out in notes 8 and 9, respectively to the financial statements.

CONNECTED TRANSACTIONS

Details of the Group's connected transactions during the year 2005 are set out in note 40 to the financial statements.

OTHER DISCLOSURES

Litigation

CGC

Note dispute and loan dispute with Sichuan Yintong Computer System Co. Ltd.

CGC, the Group's subsidiary, was involved in a note dispute and loan dispute with Sichuan Yintong Computer System Co. Ltd. (abbreviated as "Yintong") and Chengdu Commercial Bank (abbreviated as "Chengdu Bank"). By its civil case judgment (2000) Chuan Jing Chu Zi 17 and other documents, the Sichuan Higher People's Court has ruled in favour of CGC, that Yintong should repay note principal and interest. The said judgment has come into effect and was being enforced. However, since Chengdu Bank, which had a joint guarantee liability related to the subject matter of the case, has raised objections in relation to the proceedings and other matters and made an application for re-trial, the Sichuan Higher People's Court has suspended the enforcement of the said judgment by its verdict (2001) Chuan Jing Jian Zi 53 on 3 February 2001. On 17 December 2003, the Sichuan Higher People's Court issued the Urgent Notice Regarding the Trial and Enforcement of Cases in Relation to the Rectification of Investment and Trust Companies by the Provincial Government (Chuan Gao Fa [2003] 486). The notice stipulated that prior to 30 June 2004, there would be no acceptance, trial or enforcement regarding cases in which any of five financial institutions, including Chengdu Bank, was/were the debtor.

CGC filed an appeal with the Supreme Court of the PRC in December 2005 according to law. By its civil case judgment (2005) Min Er Zhong 181 dated 17 March 2006, the Supreme Court of the People's Republic of China reserved Sichuan Higher People's Court's civil case judgment (2000) Chuan Jing Chu Zi 17 and made this decision final.



Directors' Report

According to the rules regarding subsequent event and bad debt reversal of the Corporate Accounting System and CGC's policy, it reversed the bad debt provision of RMB 33,630,650 based on the note principal.

Progress of the load dispute case is as follows: Chengdu Intermediate Court had issued the "Enforceable Notice" and taken corresponding enforcement measures to auction off relevant property of Yintong. The enforcement of this case had recovered RMB120,000, while the remaining property subject to further claim and disposal.

As at 31 December 2005, pursuant to the relevant standards stipulated in CGC's corporate accounting system and bad debts policy, and in view of past experience, the debtor's financial status and other information, CGC has made a bad debts provision of RMB9,220,733 for the full amount of the debt.

SHARE REFORM PROPOSALS OF GREAT WALL KAIFA AND CGC

(a) Revised Great Wall Kaifa Proposal

According to the Revised Great Wall Kaifa Proposal, the Company, Broadata (H.K.) Limited, Merrywide Limited and Jiangsu Ruihua Investment Development Limited (Jiangsu Ruihua) proposed to offer 3 shares of Great Wall Kaifa (instead of 2.6 shares under the Great Wall Kaifa Proposal) to each A Shareholder for every 10 A Shares held by such A Shareholder. The Company will transfer a total of 47,076,057 shares (including the shares that the Company undertakes to pay for Force-Dragon Holdings Inc. (Force-Dragon)), representing 6.42% of the total number of shares of Great Wall Kaifa, to the Great Wall Kaifa A Shareholders.

(b) Revised CGC Proposal

According to the Revised CGC Proposal, the Company proposed to offer 3.2 shares of CGC (instead of 2.8 shares under the CGC Proposal) to each A Shareholder for every 10 A Shares held by such A Shareholder in exchange for such A Shareholder to agree that all unlisted shares of CGC be changed to listed A Shares. According to the Revised CGC Proposal, the Company will transfer a total of 58,003,200 shares, representing 12.65% of the total number of shares of Great Wall Computer, to the Great Wall Kaifa A Shareholders.

The transfer of shares of Great Wall Kaifa and CGC under the proposals constitute discloseable transactions of the Company under the discloseable obligations of the Listing Rules

GUARANTEE FOR INDEPENDENT THIRD PARTY

As at 31 December 2005, the Group had provided a guarantee of approximately RMB279,132,000 in respect of bank facilities granted to third parties of which Great Wall Kaifa, the Company's subsidiary, and China National Machinery & Equipment Import & Export Corporation (hereinafter as "CMEC") have collaborated on the export of Italy ENEL Smart Meter. The Bank of China had issued a performance bond for the project with CMEC as the applicant of the bond. In August 2004, Great Wall Kaifa had provided a performance guarantee in an amount of not exceeding US\$22,653,140 for CMEC.

As the Great Wall Kaifa was responsible for the funding, technology, quality control and production of the project and provides direct shipments to ENEL of Italy, Great Wall Kaifa was the effective performer of the contract and the exposure of the bond guarantee was in fact within the control of the Company. As at the date of this annual report, the Bank of China had issued a performance bond of RMB180,864,100 of which the amount performed was RMB80,855,400, an amount not yet performed was RMB100,008,700. As at the date of this annual report, the performance of the project was satisfactory.

GUARANTEE FOR ASSOCIATED COMPANY

As at 31 December 2005, the Group had provided guarantee of approximately RMB642 million in respect of bank facilities granted to GWBNS, an associated company.

Balance sheet of the above associated company is extracted from its audited management account as at 31 December 2005 and is set out as follows:

	RMB'000
Non-current Assets	1,421,110
Current Assets	309,186
Current Liabilities	1,583,920
Shareholders' Equity	122,668
Interests attributable to the Group	53,643

Note: As at the date of this annual report, the Company had provided a guarantee totalled RMB577 million in respect of the bank loans granted to GWBNS, an associated company.



Directors' Report

ADVANCE TO ASSOCIATED COMPANY

As at 31 December 2005, the balance of advance of RMB297,251,000 represented amount due from associated companies. The balances were incurred from the ordinary course of business of the Group, of which an amount of RMB215,961,000 bears interest at the rate of 5.58% per annum. All amounts due from associated companies had no fixed repayment period. Combined balance sheet of the associated companies are extracted from their management accounts as at 31 December 2005 and is set out as follows:

	<i>RMB'000</i>
Non-current Assets	153,133
Current Assets	869,447
Current Liabilities	920,413
Shareholders' Equity	102,167
Interests attributable to the Group	36,082

Note: As at the date of this annual report, the Company has provided a bridging loan of RMB290 million to GWBNS, an associated company. The loan carries interest at the rate of 5.58% per annum.

PRE-EMPTIVE RIGHTS

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

BORROWINGS AND INTEREST CAPITALISED

Details of bank borrowings of the Group and the Company are set out in notes 28 to the financial statements.

Interest of RMB427,000 was capitalized by the Group during the year.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's single largest customer and the Group's top five largest customers accounted for approximately 23.57% and 66.75% respectively, of the total turnover of the Group for the year ended 31 December 2005.

Purchases from the Group's single largest supplier and the Group's top five largest suppliers accounted for approximately 19.89% and 37.77% respectively of the total purchases of the Group for the year ended 31 December 2005.

As far as the Directors are aware, none of the Directors or any of their associates, within the meaning of the Listing Rules), or those shareholders which to the knowledge of the Directors own more than 5% of the share capital of the Company have an interest in any of the above customers or suppliers of the Group during the year.

SUFFICIENCY OF PUBLIC FLOAT

According to the public information that is available to the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the latest practicable date.

CORPORATE GOVERNANCE

Major corporate governance practices adopted by the Company are set out in Corporate Governance Report on pages 29 to 40.

AUDITORS

Messrs. Deloitte Touche Tohmatsu, the Company's auditors for the past six years tendered its resignation during the year effective from 17 January 2006. Messrs. Ernst & Young was appointed as the auditors of the Company to fill the casual vacancy occasioned by the resignation of Messrs. Deloitte Touche Tohmatsu. Messrs. Ernst & Young shall hold office until the conclusion of the forthcoming AGM and being eligible, offers themselves for election. A resolution will be submitted to shareholders at the forthcoming AGM to appoint Messrs. Ernst & Young and Messrs. Ernst & Young Hua Ming as the international and domestic auditors of the Company respectively for the financial year ending 31 December 2006.

SUBSEQUENT EVENTS

1. On 1 April 2006, after discussion and study by the Board of the Company, it is decided that as DigiPro is positioned as a sole design and R&D company, it is difficult to meet the needs of development. In the consideration of better deployment of resources, the Group decided to terminate the operating contract of DigiPro and dissolve DigiPro.
2. Revised share Reform Proposals of Great Wall Kaifa and CGC were approved at the special general meeting of the Company held on 15 April 2006.

After the implementation of the "Revised Great Wall Kaifa Proposal":

The Company's interests in Great Wall Kaifa will decrease from 55.96% to 49.54% including the shares that the Company undertakes to pay for Force-Dragon but excluding the shares that the Company undertakes to pay for Jiangsu Ruihua. However, as the Company still has the right to formulate the financial and operational policies of Great Wall Kaifa and to profit from its operation, it remains the Company's subsidiary.

After the implementation of the "Revised CGC Proposal":

The Company's interests in CGC will decrease from 60.47% to 47.82%. However, as the Company still has the right to formulate the financial and operational policies of CGC and to profit from its operation, it remains the Company's subsidiary.

Share Reform Proposals were approved at the respective special general meetings of the Great Wall Kaifa and CGC held on 20 April 2006.

For details, please refer to the special general meeting results announcement dated 18 April 2006.

By Order of the Board

Chen Zhaoxiong

Chairman

Shenzhen, China, 24 April 2006