NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accounts.

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005.

2. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to the following risks:

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Approximately 83% (2005: 82%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 80% (2005: 79%) of costs are denominated in the unit's functional currency.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating units, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of short and long term bank loans.

2. FINANCIAL RISK MANAGEMENT (continued)

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. Approximately 63.75% (2005: 89.14%) of the Group's interest-bearing borrowings bore interest at fixed rates.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

4. SEGMENT INFORMATION

Business segments

The following tables present revenue, (loss)/profit and expenditure information for the Group's business segments for the six months ended 30 June 2006 and 2005.

	For the six months ended 30 June 2006					
	Electronic parts and components	**Computer**	**Property investment**	**Others**	**Eliminations**	**Consolidated**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:						
Sales to external customers	7,534,378	637,732	38,714	451,568	–	8,662,392
Other income and gains	6,247	6,226	–	3,331	–	15,804
Intersegment sales	174,832	–	17,386	–	(192,218)	–
Total	7,715,457	643,958	56,100	454,899	(192,218)	8,678,196
Segment results	236,590	(16,548)	36,178	(1,564)	353	255,009
Interest and dividend income and unallocated gains						47,108
Corporate and other unallocated expenses						(5,088)
Finance costs						(7,431)
Share of profits and losses of associates	1,318	(8,986)	–	(17,994)	–	(25,662)
Loss on share reforms of subsidiaries	(194,209)	(232,427)	–	–	–	(426,636)
Loss before tax						(162,700)
Tax						(26,514)
Loss for the period						(189,214)

4. SEGMENT INFORMATION (continued)
Business segments (continued)

	For the six months ended 30 June 2005					
	Electronic parts and components RMB'000	**Computer** RMB'000	**Property investment** RMB'000	**Others** RMB'000	**Eliminations** RMB'000	**Consolidated** RMB'000
Segment revenue:						
Sales to external customers	6,228,689	720,497	13,983	237,987	–	7,201,156
Other income and gains	55,796	40,291	–	573	–	96,660
Intersegment sales	111,657	–	–	–	(111,657)	–
Total	6,396,142	760,788	13,983	238,560	(111,657)	7,297,816
Segment results	205,673	17,698	11,561	(12,927)	–	222,005
Interest and dividend income and unallocated gains						13,284
Corporate and other unallocated expenses						(8,847)
Finance costs						(16,749)
Share of profits and losses of associates	(8,297)	93,114	–	(20,751)	–	64,066
Gain on disposal of an associate	–	334,674	–	–	–	334,674
Profit before tax						608,433
Tax						(75,943)
Profit for the period						532,490

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Rental income	–	40,485
Royalty income	–	32,132
Interest income	22,976	11,997
Dividend income from unlisted investments	24,126	–
Government grants	2,360	–
Sale of scrap materials	6,072	9,009
Others	7,378	16,321
	62,912	109,944

6. FINANCE COSTS

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans, wholly repayable within five years	7,431	16,749

7. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax was determined after charging/(crediting) the following:

	Note	For the six months ended 30 June 2006 (Unaudited) RMB'000	2005 (Unaudited) RMB'000
Depreciation		149,657	114,211
Amortisation of intangible assets		563	3,113
Amortisation of prepaid land lease payments		1,134	1,910
Impairment of property, plant and equipment		26,008	2,500
Provision for bad and doubtful debts		2,339	9,807
Write-down of inventories to net realisable value		1,530	38,894
Reversal of inventories provision		(10,241)	(48,551)
Interest income	5	(22,976)	(11,997)
Dividend income from unlisted investments	5	(24,126)	–
Loss on disposal of property, plant and equipment		614	370
Loss on share reforms of subsidiaries	16	426,636	–

8. TAX

	For the six months ended 30 June 2006 (Unaudited) RMB'000	2005 (Unaudited) RMB'000
Current – Hong Kong profits tax	4,906	5,037
Current – PRC corporate income tax	21,608	70,906
Deferred	–	–
Total tax charge for the period	26,514	75,943

Taxation in the Mainland China is calculated at the rate prevailing in the Mainland China. Some of the subsidiaries of the Group were approved to be high technology enterprises and income tax is calculated at a rate of 15% (six months ended 30 June 2005: 15%) of the estimated assessable profit for the Period.

Certain subsidiaries operating in the Mainland China are entitled to exemptions from Mainland China income tax for the two years commencing from its first profit-making year of operation and thereafter, entitled to a 50% relief from Mainland China income tax for the next three years.

Hong Kong profits tax is calculated at a rate of 17.5% (six months ended 30 June 2005: 17.5%) of the estimated assessable profit for the Period.

9. (LOSSES)/EARNINGS PER SHARE

The calculation of basic losses per share for the Period is based on the loss attributable to ordinary equity holders of the parent of RMB293,137,000 (six months ended 30 June 2005: profit of RMB310,384,000), and the weighted average number of 1,197,742,000 (six months ended 30 June 2005: 1,197,742,000) ordinary shares in issue during the Period.

No diluted (losses)/earnings per share have been presented because there was no dilutive potential ordinary share in existence during the six months ended 30 June 2006 and 2005.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend to shareholders in respect of the six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group spent an aggregate amount of RMB273,076,000 (six months ended 30 June 2005: RMB230,609,000) on additions to property, plant and equipment.

At 30 June 2006, the directors considered the carrying amount of the Group's leasehold buildings carried at revalued amounts and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the Period.

12. INVESTMENT PROPERTIES

At 30 June 2006, the directors considered the carrying amount of the Group's investment properties and estimated that the carrying amounts do not differ significantly from that which would be determined using fair value at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the Period.

13. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of three months, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

13. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2006 (Unaudited) RMB'000	**31 December 2005** (Audited) RMB'000
Current to 90 days	1,592,036	1,052,180
91 to 180 days	118,730	1,091,106
181 to 365 days	47,757	16,524
Over 365 days	44,100	52,563
	1,802,623	2,212,373

The carrying amount of trade and bills receivables approximates to their fair value.

14. TRADE AND BILLS PAYABLES

	30 June 2006 (Unaudited) RMB'000	**31 December 2005** (Audited) RMB'000
Within 90 days	2,294,159	2,327,050
91 to 180 days	140,766	127,251
181 to 365 days	1,849	1,502
Over 365 days	8,584	32,750
	2,445,358	2,488,553

The trade and bills payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amount of trade and bills payables approximates to their fair value.

15. RESERVES

	Attributable to equity holders of the parent										
	Issued share capital	Share Premium account	Goodwill reserve	Statutory reserve	Investment property revaluation reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005 as previously reported	1,197,742	996,660	(28,155)	571,658	2,263	–	508,431	50,305	3,298,904	1,953,312	5,252,216
Prior year adjustments	–	–	–	–	(2,263)	–	2,263	–	–	–	–
As restated	1,197,742	996,660	(28,155)	571,658	–	–	510,694	50,305	3,298,904	1,953,312	5,252,216
Net profit for the period	–	–	–	–	–	–	310,384	–	310,384	222,106	532,490
Total income and expense for the period	–	–	–	–	–	–	310,384	–	310,384	222,106	532,490
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(102,562)	(102,562)
Final 2004 dividend declared	–	–	–	–	–	–	–	(50,305)	(50,305)	–	(50,305)
Transferred from retained profits	–	–	–	19,136	–	–	(19,136)	–	–	–	–
At 30 June 2005	1,197,742	996,660	(28,155)	590,794	–	–	801,942	–	3,558,983	2,072,856	5,631,839
At 1 January 2006	1,197,742	996,660	(28,155)	699,353	–	(5,783)	680,980	23,955	3,564,752	2,220,399	5,785,151
Exchange realignment	–	–	–	–	–	(1,052)	–	–	(1,052)	(697)	(1,749)
Total income and expense recognised directly in equity	–	–	–	–	–	(1,052)	–	–	(1,052)	(697)	(1,749)
Net loss for the period	–	–	–	–	–	–	(293,137)	–	(293,137)	103,923	(189,214)
Total income and expense for the period	–	–	–	–	–	(1,052)	(293,137)	–	(294,189)	103,226	(190,963)
Disposal of partial interests in subsidiaries to minority shareholders	–	–	–	–	–	–	–	–	–	426,636	426,636
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(127,248)	(127,248)
Final 2005 dividend declared	–	–	–	–	–	–	–	(23,955)	(23,955)	–	(23,955)
Transferred from retained profits	–	–	–	67,840	–	–	(67,840)	–	–	–	–
At 30 June 2006	1,197,742	996,660	(28,155)	767,193	–	(6,835)	320,003	–	3,246,608	2,623,013	5,869,621

16. LOSS ON SHARE REFORMS OF SUBSIDIARIES

On 15 April 2006, the Company's extraordinary general meeting approved the state-owned share reform plans of China Great Wall Computer (Shenzhen) Co., Ltd. ("CGC") and Shenzhen Great Wall Kaifa Technology Co., Ltd. ("Great Wall Kaifa") respectively, subsidiaries of the Company, which shares were listed on the Shenzhen Stock Exchange. On 20 April 2006, these share reform plans were approved by the shareholders of CGC and Great Wall Kaifa accordingly.

Pursuant to the approved share reform plan of CGC, on 12 May 2006, the Company has compensated to the existing A share shareholders with 3.2 shares of CGC for every 10 shares held in exchange for non-tradable shares of CGC be converted to tradable A shares. The Company compensated a total of 58,003,200 shares to the A share shareholders of CGC.

Pursuant to the approved share reform plan of Great Wall Kaifa, on 19 May 2006, the Company has compensated to the existing A share shareholders with 3.0 shares of Great Wall Kaifa for every 10 shares held in exchange for non-tradable shares of Great Wall Kaifa be converted to tradable A shares. The Company compensated a total of 47,076,057 shares to the A share shareholders of Great Wall Kaifa.

Losses on disposal of equity interests in CGC and Great Wall Kaifa with the amount of approximately RMB232,427,000 and RMB194,209,000, respectively, were recognised upon the valid dates of these share reforms and disclosed in the condensed consolidated income statement of the Group.

17. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the Period:

		For the six months ended 30 June	
		2006	**2005**
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
Associates:			
Sale of products	(i)	2,003,520	1,780,964
Purchase of components and parts	(ii)	294,176	335,712
Rental income	(iii)	28,915	30,003
Royalty income	(iv)	–	32,445
Processing fee income		–	2,764
Fellow subsidiaries:			
Sale of products	(i)	12,526	–
Purchases of components and parts	(ii)	165,339	131,624

17. RELATED PARTY TRANSACTIONS (continued)

Notes:

(i) The sales to associates and fellow subsidiaries were made accordingly to the published prices and conditions offered to the major customers of the Group.

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

(iii) The rental income from the property leased to associates was made according to the market rate offered to the third parties.

(iv) The royalty income from the associates arose from the sales of Pathfinder Hard Disk Unit in a rate of US$2.07 per unit before year 2005.

(b) Outstanding balances with related parties:

(i) As disclosed in the condensed consolidated balance sheet, the Group had outstanding other payables to its ultimate holding company of RMB1,394,000 (2005: RMB1,394,000), as at the balance sheet date. The other payables were unsecured, interest-free and have no fixed terms of repayment.

(ii) At the condensed consolidated balance sheet date, an amount of approximately RMB77,729,000 due from an associate is unsecured, interest-bearing at a rate of 5.05% per annum and is repayable from 15 December 2007 to 16 June 2010. The remaining balance is unsecured, interest-bearing at a rate of 5.58% per annum and has no fixed terms of repayment. The carrying amounts of these loans approximate to their fair values.

(iii) As disclosed in the condensed consolidated balance sheet, the Group had outstanding trade receivables from and trade payables to associates of RMB298,529,000 (2005: RMB297,251,000) and RMB41,283,000 (2005: RMB119,393,000), respectively, as at the balance sheet date. They are repayable on similar credit term to those offered to the major customers of the Group and those offered by associates to their major customers.

(iv) As disclosed in the condensed consolidated balance sheet, the Group had outstanding receivables and other payables to fellow subsidiaries of RMB382,000 (2005: RMB18,692,000) and RMB6,800,000 (2005: RMB580,000), respectively, as at the balance sheet date. The other payables are unsecured, interest-free and have no fixed terms of repayment.

18. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	30 June 2006 (Unaudited) RMB'000	31 December 2005 (Audited) RMB'000
Contracted, but not provided for:		
Land and buildings	4,073	16,101
Plant and machinery	89,245	9,764
	93,318	25,865

19. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the condensed interim financial statements were as follows:

	30 June 2006 (Unaudited) RMB'000	31 December 2005 (Audited) RMB'000
Guarantees given to banks in connection with facilities granted to:		
Associates	577,000	642,000
Third parties	176,677	279,132
	753,677	921,132

20. PLEDGE OF ASSETS

Certain of the Group's bank loans outstanding as at 30 June 2006 were secured by certain of the Group's machineries and land and buildings which have an aggregate net book value of approximately RMB42,723,000 and RMB58,183,000, respectively (31 December 2005: RMB34,847,000 and RMB40,539,000 respectively).

21. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation and accounting treatment.

22. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed interim financial statements were approved and authorised for issue by the board of directors on 24 August 2006.