

OTHER INFORMATION

PRINCIPAL ACTIVITIES

The Group's business covers various fields, including computer components and 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 smart electronic 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 undertaken by subsidiaries and associates of the Company.

PROFIT DISTRIBUTION PLAN DURING THE PERIOD AND ITS IMPLEMENTATION

On 15 June 2006, the Company convened its annual general meeting for the year 2005 and adopted the following profit distribution plan for the year 2005:

1. that RMB25,282,544.20 be allocated as statutory surplus reserve;
2. that RMB25,282,544.20 be allocated as statutory public welfare fund;
3. that RMB23,954,840, or a dividend of RMB0.02 per share (approximately HK\$0.019335), be distributed to shareholders as profit.

The above dividend was distributed to shareholders of the Company on 14 July 2006.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2006.

SHARE CAPITAL STRUCTURE

As at 30 June 2006, 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 30 June 2006 was as follows:

	As at 30 June 2006 (non-audited) Number of shares	As at 31 December 2005 (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 shares	<u>1,197,742,000</u>	<u>1,197,742,000</u>

Note: There was no change in the share capital structure of the Company during the Period and during the period from 30 June 2006 up to the date of this interim 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 30 June 2006, 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 ratio to the State-owned legal person shares	Approximate shareholding ratio to the H Share
Great Wall Group	State-owned legal person shares	743,870,000	100%	—
The Hong Kong and Shanghai Banking Corporation Ltd.	H shares	62,587,420	—	13.79%
BANK OF CHINA (HONG KONG) LTD	H shares	38,306,000	—	8.44%
BOCI SECURITIES LTD	H shares	38,024,000	—	8.38%
CITIBANK N.A.	H shares	34,044,870	—	7.5%
TAI FOOK SECURITIES CO LTD	H shares	27,116,000	—	5.97%

Save as disclosed above and so far as the Directors, supervisors and chief executives of the Company are aware, as at 30 June 2006, 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 Hong Kong Stock Exchange 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.

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

The revised share reform proposals of Great Wall Kaifa and CGC respectively were approved subsequent to the review and consideration during the extraordinary 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 decreased from approximately 55.96% to approximately 49.54% including the shares that the Company undertakes to pay for Force-Dragon Holdings Inc. but excluding the shares that the Company undertakes to pay for Jiangsu Ruihua Investment Development Limited. 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, Great Wall Kaifa remains the Company's subsidiary.

After the implementation of the Revised CGC Proposal, the Company's interests in CGC will decrease from approximately 60.47% to approximately 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, CGC remains the Company's subsidiary.

The Revised Great Wall Kaifa Proposal and the Revised CGC Proposal were approved at the respective extraordinary general meetings of the Great Wall Kaifa and CGC held on 20 April 2006.

Pursuant to the requirements of disclosure of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the above Revised Great Wall Kaifa Proposal and the Revised CGC Proposal constituted a disclosable transaction of the Company. For details, please refer to the circular dated 27 February 2006 issued and distributed to all shareholders and the announcement of the Company dated 15 August 2006.

Subsidiary

On 1 April 2006, after discussion and study by the Board of the Company, it is decided that as Beijing DigiPro Information Technology Company Limited ("DigiPro"), a subsidiary of the Company, is positioned as a sole design and research and development company, it is difficult to meet the needs of development of the Group. In consideration of better deployment of resources, the Group decided to terminate the operating contract of DigiPro and dissolve DigiPro. As at the date of this interim report, liquidation of such company is still in progress.

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.

THE PURCHASE AND SALE OF SHARES BY THE DIRECTORS AND SUPERVISORS

During the six months ended 30 June 2006, 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', SUPERVISORS' AND THE COMPANY'S CHIEF EXECUTIVES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2006, 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 of Hong Kong Limited ("Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, supervisors and chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") adopted by the Company were as follows:

1. Personal Interests

Name of Director	Number of Shares held	Approximate percentage of issued share capital of the company
Mr. Lu Ming	83,952 shares of CGC	0.0183%
Mr. Tam Man Chi	1,113,878 shares of Great Wall Kaifa	0.13%

2. Corporate Interests

Name of Director	Number of Shares held	Approximate percentage of issued share capital of the company
Mr. Tam Man Chi	73,245,724 shares of Great Wall Kaifa (Note 1)	8.33%

Note:

- Broadata (H.K.) Limited ("Broadata") held approximately 8.33% of these shares. Flash Bright International Limited held approximately 61.76% shares in Broadata. Mr. Tam and his spouse held in aggregate 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 30 June 2006, 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.

OTHER DISCLOSURES

Litigation

CGC

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

CGC was involved in a note dispute and loan dispute with Sichuan Yintong Computer System Co. Ltd. ("Yintong") and Chengdu Commercial Bank ("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. 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.

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.

In accordance to its final verdict regarding the note dispute and loan dispute between CGC, Sichuan Yintong Computer System Co. Ltd. and Chengdu Commercial Bank (civil case judgment (2005) Min Er Zhong 181 dated 17 March 2006) issued by the Supreme Court of the People's Republic of China, Chengdu Commercial Bank made a payment to CGC of RMB33,630,650 and RMB569,131.03 respectively as principal and cost in relation to the case, totalled RMB34,199,781.03. CGC received such payment on 21 June 2006.

GUARANTEE FOR INDEPENDENT THIRD PARTY

As at 30 June 2006, the Group had provided a guarantee of approximately RMB176,677,000 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 ("CMEC") have collaborated on the export of Italy ENEL Smart Meter. The Bank of China had issued a performance bond for the said project with CMEC as the applicant of the bond.

As 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 Great Wall Kaifa. As at 30 June 2006, the Bank of China had issued a performance bond of RMB132,666,000. The above amount has not yet been fully performed. As at the date of this interim report, the performance of the project was satisfactory.

GUARANTEE FOR ASSOCIATED COMPANY

As at 30 June 2006, the Group had provided guarantee of approximately RMB577 million in respect of bank facilities granted to GWBNS, an associated company.

Balance sheet of the above associated company is extracted from its unaudited management account as at 30 June 2006 and is set out as follows:

	RMB'000
Non-current Assets	1,387,801
Current Assets	255,586
Current Liabilities	1,549,697
Non-current Liabilities	0
Shareholders' Equity	71,083
Interests attributable to the Group	<u>30,070</u>

Note: As at the date of this interim report, the Company had provided a guarantee totaling approximately RMB327 million in respect of the bank loans granted to GWBNS, an associated company.

ADVANCE TO ASSOCIATED COMPANY

As at 30 June 2006, the balance of advance of approximately RMB384 million represented the amount due from associated companies. The balances were incurred from the ordinary course of business of the Group. As at 30 June 2006, the amount of approximately RMB78 million due from associated companies were not secured and shall be repayable during the period from 15 December 2007 to 16 June 2010. The remaining balance was not pledged and had no fixed repayment period.

The above advance balance bore interest, of which approximately RMB366,000,000 was the principal amount whilst approximately RMB18,000,000 was the interest.

Combined balance sheet of the associated companies is extracted from their unaudited management accounts as at 30 June 2006 and is set out as follows:

	RMB'000
Non-current Assets	1,562,515
Current Assets	342,757
Current Liabilities	1,569,667
Non-Current Liabilities	171,435
Minority Interest	22,607
Shareholders' Equity	141,563
Interests attributable to the Group	<u>51,214</u>

Note: As at the date of this interim report, the Company has provided a bridging loan of RMB550 million to GWBNS, an associated company. The above loan was interest-bearing. Save for part of the loan in an amount of RMB170 million which carries interest at a rate of 5.85% per annum, the balance of such loan carries interest at a 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.

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

1. CG Code A.1.1 provides that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. In addition, CG Code A.1.3 provides that notice of at least 14 days should be given of a regular board meeting. On the other hand, according to Article 102 of the Company's Articles of Association, meetings of the Board shall be convened at least twice every year. Such meetings shall be convened by the chairman of the board by giving notice to all the directors not less than 10 days before the meeting date. For the six months ended 30 June 2006, two Board meetings were held and notices of at least 14 days before the meeting date were given. Thus, the Company complied with the requirements under CG Code.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

For the six months ended 30 June 2006, the Company has complied with the provisions of Rules 3.10(1) and 3.10(2) of the Listing Rules that sufficient number of independent non-executive directors be appointed by listed issuers and that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. For details of the independent non-executive directors of the Company, please refer to the 2005 Annual Report of the Company.

Furthermore, in compliance with the requirements of the CG Code and Rules 3.21 of the Listing Rules, an Audit Committee was established in December 1999. The principal duties of the Audit Committee include the review of the Company's financial reporting program, internal controls and financial reporting matters of the Group. Prior to 12 July 2006, the Audit Committee comprises three independent non-executive directors, namely Mr. Li Sanli, Mr. Li Xiaoru and Ms. Wang Qinfang.

Mr. Li Xiaoru resigned as an independent non-executive director and the chairman of the Audit Committee on 12 July 2006 due to personal reasons. The Company is currently identifying suitable persons with relevant qualification to fill the vacancy of independent non-executive director and the chairman of the Audit Committee.

The Board would like to show its sincere gratitude to the contribution made by Mr. Li Xiaoru to the Company in various aspects including business development and corporate management.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed, with the management, the accounting principles and policies, audit, internal controls and financial reporting adopted by the Group, and the unaudited interim financial report for the six months ended 30 June 2006 and recommended its adoption by the Board. In addition, Ernst & Young has reviewed the unaudited interim financial results for the six months ended 30 June 2006 in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2006 was approved by the Board on 24 August 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS' OF LISTED ISSUERS

For the six months ended 30 June 2006, the Company has adopted a code of conduct regarding directors' and supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code For Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Company having made specific enquiry to Directors and supervisors, its Directors and supervisors have complied with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers and the relevant Code of Conduct regarding directors' securities transactions.

DOCUMENTS FOR INSPECTION AND LOCATION OF DOCUMENTS FOR INSPECTION**(A) Documents for inspection**

- (1) Copy of the Interim Report signed by the Chairman in his own hand
- (2) Copy of the Financial Report signed and sealed by the Legal Person Representative, Financial Controller and Manager of the Financial Asset Department in their own hands

(B) Location of documents for inspection:

Secretary's Office of the Board of the Company

This report is published in both English and Chinese. The Chinese version shall prevail.