

PRINCIPAL ACTIVITIES

The Group's business covers various areas, 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 (abbreviated as "HDDs"), monitors, switching power supplies and cards etc.. Computer supply products include personal computers (abbreviated as "PCs"), notebook computers, servers, ATMs, tax controlling cashing machines, projectors, digital TV sets, and network smart 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 2006 are set out in the consolidated income statement on page 45 of this annual report.

DIVIDEND

The Board does not recommend a payment of dividend for the year ended 31 December 2006 (as at 31 December 2005: dividend payment of RMB23,954,840). The proposal is subject to approval at the forthcoming annual general meeting to be held on 29 June 2007.

DISTRIBUTABLE RESERVES

As at 31 December 2006, 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 RMB394 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, the lesser amount of the retained profits of the Company as determined in accordance with the PRC GAAP and Hong Kong Financial Reporting Standards is available for distribution as dividend.

RESERVES

Details of the movements during the year ended 31 December 2006 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.

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 119 of this annual report.

FIXED ASSETS

Details of the movements during the year ended 31 December 2006 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 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 31 December 2006 was as follows:

	As at 31 December 2006 (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	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 2006 up to the date of this annual report.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below and so far as the Directors, Supervisors and chief executives of the Company are aware, as at 31 December 2006, no persons (other than the Directors, Supervisors and chief executives of the Company disclosed below) had an interest or short position in the Company's shares or underlying shares, as case may be, which are required to be disclosed to the Company and Hong Kong Stock Exchange 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, or were the substantial shareholders of the Company as such term is defined by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (abbreviated as "Listing Rules").

Name of shareholder	Class of shares	Number of the Company's shares held	Shareholding percentage of issued state-owned legal person shares	Shareholding percentage of issued H shares
Great Wall Group	State-owned legal person shares	743,870,000	100%	–
The Hong Kong and Shanghai Banking Corporation Ltd.	H shares	65,801,500	–	14.50%
BOCI Securities Ltd	H shares	40,324,000	–	8.88%
Bank of China (Hong Kong) Ltd	H shares	34,676,000	–	7.64%
Taifook Securities Co Ltd	H shares	25,924,000	–	5.71%
Citibank N.A.	H shares	25,482,070	–	5.61%

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2006, 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 2006 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 2006, 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 are as follows:

Executive Directors

Mr. Chen Zhaoxiong, chairman of the Company, aged 45, Chinese, with a doctorate degree, is a research analyst and a postgraduate doctoral student mentor. He is the General Manager of China Electronics Corporation "CEC", and the Chairman of the Board of Great Wall Computer Group Company, China Electronics Corporation Holdings Company Limited, Shenzhen Kaifa Technology Co., Ltd., China Great Wall Computer (Shenzhen) Co., Ltd. Mr. Chen has won various awards and honors, including a first class award (as first price winner) in National Science and Technology Progress Awards, a first grade award (as first price winner) in the Science and Technology Progress Awards of Chinese Academy of Sciences, the title of the Chinese Outstanding Young Scientist, the title of Chinese Top Ten Excellent Invention Entrepreneur, and the title of Ten Outstanding Young Persons of China Award. Mr. Chen has been elected vice chairman of the All China Youth Federation for three consecutive sessions, and chairman of International Federation for Information Processing (China). He was appointed as member of the Advisory Committee for State Information, and, concurrently, as professor in various universities and colleges, including Tsinghua University and the University of Science and Technology of China. On 21 June 2004, Mr. Chen was elected executive director and chairman of the Board of the Company, the appointment of whom was approved on the general meeting.

Mr. Lu Ming, aged 57, is an executive director and president of the Company. Mr. Lu is the deputy president of China Electronics Corporation, the deputy chairman of CGC and director of the Great Wall Group. 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 26 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.

DIRECTORS (Continued)

Executive Directors

Mr. Tam Man Chi, aged 59, is an executive director of the Company. Mr. Tam is also president and deputy chairman of Great Wall Kaifa. Mr. Tam has 39 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, aged 70, 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. Mr. Wang was elected executive director of the Company, and the appointment was approved at the extraordinary general meeting held on 17 January 2005.

Mr. Yang Jun, aged 43, is a senior engineer graduated from West-North Telecommunication Engineering College with a master's degree. Mr. Yang currently holds the position of deputy president of China Electronics Corporation, director and vice general manager of the Great Wall Group and previously held the positions of general manager of China Travel Sky Information Centre, chairman and director of China Travel Sky Technology Limited and vice manager of China Travel Sky Holding Company. Mr. Yang was elected executive director of the Company, and the appointment was approved at the annual general meeting held on 20 June 2005.

Mr. Su Duan, aged 54, is a senior engineer and a college graduate. Mr. Su graduated with an economics and management degree from the Correspondence Institute of the Party School of the Central Committee of the Communist Party of China. Mr. Su is currently a director and the person-in-charge of the human resources department of China Electronics Corporation. Previously, Mr. Su worked in various positions in China Electronics Corporation, including director of the presidential office of the management department, director of party-masses and discipline, deputy secretary of the ad hoc committee directly under central control and secretary of the discipline inspection committee, director of the party-masses work department, and deputy secretary of the party committee directly under central control and secretary of the discipline inspection committee. Mr. Su was elected executive director of the Company, and the appointment was approved at the extraordinary general meeting held on 10 November 2006.

DIRECTORS (Continued)

Independent Non-executive Directors

Mr. Li SanLi, aged 71, graduated from Tsinghua University in 1955, and obtained a PhD Degree from the Academy of Sciences of the former USSR in 1960. In 1995 he was elected as an academican of the Chinese Academy of Engineering (CAE). He is currently a professor in the Department of Computer Science & Technology of Tsinghua University and holds a joint position as Dean of the School of Computer Engineering & Science at Shanghai University. He have been engaged in the field of computers for 50 years. He has been responsible for building many computer systems, amongst which some have made significant contributions to his country. He is one of the pioneers in the discipline of computer system architecture. Recently he has been in charge of building several supercomputer systems. Two of them have 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 of project chief scientist of the "State Climbing Program", co-chairman of the Computer Discipline of the Academic Degree Committee directly attached to the China State Council and president of IEEE China Section (Beijing Section, 95/96). He has been invited as joint professor of various universities including Beijing University, FuDan University, Tongji University. He also holds various social positions including vice-chairman of the Expert Committee of the Shanghai Government Informatization Leader Group, as well as expert consultant of the HangZhou, SuZhou, ShenZhen Municipal Governments. He has been elected as honorable president of "China Electronic Education Society".

Ms. Wang Qinfang, aged 64, graduated from the Industrial Accounting Faculty of the Shanghai Institute of Finance and Economics. She holds the title of senior accountant and holds 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 the China Accounting Society. Ms. Wang was elected independent non-executive director of the Company, and the appointment was approved at the extraordinary general meeting held on 17 January 2005.

Mr. Kennedy Ying Ho Wong, aged 44, is a solicitor of the High Court and a China Appointed Attesting Officer. He is the managing partner of Philip K H Wong, Kennedy Y H Wong & Co, Solicitors & Notaries. He is member of the National Committee of the Chinese People's Political Consultative Conference and vice chairman of the All China Youth Federation. He was selected as one of the Ten Outstanding Young Persons of Hong Kong in 1998 and one of the Outstanding Young Persons of the World by the Junior Chamber International in 2003. Mr. Wong is also a director of a number of listed companies in Hong Kong and Australia, including Raymond Industrial Limited, China Overseas Land & Investment Limited, Goldlion Holdings Limited, Qin Jia Yuan Media Services Company Limited, Capinfo Company Limited, International Financial Network Holdings Limited and AXA Asia Pacific Holdings Limited. Mr. Wong is also the executive deputy chairman of Raymond Industrial Limited and co-chairman of Asia Investment Capital Partners' Limited. Mr. Wong was elected non-executive director of the Company, and the appointment was approved at the extraordinary general meeting held on 10 November 2006.

DIRECTORS (Continued)

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. Lang Jia, Chairman of the Company's supervisory committee, aged 53, graduated with a bachelor's degree in Chinese from Liaoning Normal University. Mr. Lang completed a course in world economic research graduate class in Liaoning University. Mr. Lang is currently a member of the party group, and a director of the discipline inspection group under the party group in CEC and chief legal advisor of the Group companies. Mr. Lang previously served as procurator of Supreme People's Procuratorate of the People's Republic of China, and director of the discipline inspection office and deputy secretary of party committee in the China National School of Administration. Mr. Lang was elected supervisor and chairman of supervisory committee of the Company, and the appointment was approved at the extraordinary general meeting held on 10 November 2006.

Mr. Li Ruiyue, aged 38, 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. Mr. Li was elected supervisor of the Company, and the appointment was approved at the extraordinary general meeting held on 21 June 2004.

Mr. Qin Maojun, aged 37, 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)) and 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. Mr. Qin was elected supervisor of the Company, and the appointment was approved at the extraordinary general meeting held on 21 June 2004.

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, aged 44, graduated from and has obtained a Master's degree in business administration from the Richard Ivey School of Business, The University of Western Ontario, Canada and a Master's degree in Financial Management from 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 Kaifa Technology Co., Ltd as from 1996 to 2004 and had six years' experience in 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 operational management of listed companies and capital operation in the domestic and foreign capital markets.

DIRECTORS (Continued)

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, aged 58, is a senior engineer. Mr. Wu 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. Wu was appointed vice president of the Company on 7 March 2005.

Mr. Du Heping, aged 52, is an 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, aged 60, 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 SUPERVISORS

From 1 January 2006 to the date of this annual report, the resignations of the Company's Directors and Supervisor are as follow:

An extraordinary general meeting was held by the Company on 10 November 2006, and the resignation of Mr. Li Weisheng from the office of executive director of the Company for personal reasons were approved; the appointment of Mr. Su Duan as executive director of the Company was approved; the resignation of Mr. Li Xiaoru from the office of Independent Non-executive Director of the Company for personal reasons was approved; the appointment of Mr. Kennedy Ying Ho Wong as Independent Non-executive Director of the Company was approved; the resignation of Mr. Diao Guoxin from the office of supervisor and chairman of Supervisory Committee of the Company for personal reasons was approved, and the appointment of Mr. Lang Jia as supervisor and chairman of Supervisory Committee of the Company was approved.

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 2005 General Meeting on 15 June 2006 and all procedures of the General Meeting had been consistent with the requirements of the Company Law of the PRC and the Articles of Association.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors or supervisors proposed for re-election at the 2006 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 of the Stock Exchange. The Directors are of 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 had a material interest, whether directly or indirectly, during the year ended 31 December 2006.

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 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 31 December 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 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	83,952 shares of CGC	0.0183%
Mr. Tam Man Chi	1,113,878 shares of Great Wall Kaifa	0.13%

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

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:

1. Broadata (H.K.) Limited (abbreviated as "Broadata") held 8.33% 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 2006, no other Directors, chief executives 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 or short position which any such Director, chief executive or supervisor is taken or deemed to have under such provisions of the SFO) of which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules.

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 2006 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 2006 are set out in note 41 to the financial statements.

LITIGATION

Note dispute and loan dispute between CGC and Sichuan Yintong Computer System Co. Ltd.

CGC 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, 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 debtors.

By the 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 the decision final.

In accordance with the final judgment rendered by the Supreme Court of the People's Republic of China on a dispute on bills and debts between CGC, Sichuan Yintong Computer System Co. Ltd. and Chengdu Commercial Bank (civil case judgment (2005) Min Er Zhong Zi No. 181), on 21 June 2006, CGC received from Chengdu Commercial Bank a total payment of RMB34,199,781.03, which was broken down into RMB33,630,650 and RMB569,131.03, being payment of the principal and the costs of the case respectively. As at 31 December 2006, there was a total outstanding claim of RMB14,918,139.38, for which CGC has provided the said sums into its bad debts provision.

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 of Great Wall Kaifa for every 10 A Shares held by such A Shareholder in exchange for such A shareholder to agree that all unlisted shares of Great Wall Kaifa be changed to listed A Shares. According to the Revised Great Wall Kaifa Proposal, 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.

SHARE REFORM PROPOSALS OF GREAT WALL KAIFA AND CGC (Continued)

(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 of CGC 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 CGC, to the A Shareholders of CGC.

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 2006, the Group had provided a guarantee of approximately RMB153,098,000 in respect of bank facilities granted to third parties of which our subsidiary Great Wall Kaifa, and China National Machinery & Equipment Import & Export Corporation (hereinafter referred to as "CMEC") have collaborated on the export of Italy ENEL remote control meters. The Bank of China had issued a performance bond for the 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 the date of this annual report, the Bank of China had issued an undue performance bond of RMB103,040,000. As at the date of this annual report, the performance of the project was satisfactory.

GUARANTEE FOR ASSOCIATE COMPANY

As at 31 December 2006, the Group had provided guarantee of approximately RMB470 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 2006 and is set out as follows:

	<i>RMB'000</i>
Non-current Assets	1,331,401
Current Assets	303,938
Current Liabilities	1,626,424
Shareholders' Equity	8,915
Interests attributable to the Group	4,457

ADVANCE TO ASSOCIATED COMPANY

As at 31 December 2006, the balance of advance of RMB513,003,000 represented amount due from associated companies. The balances were incurred from the ordinary course of business of the Group. The balance of advance is interest bearing of which an amount of RMB76,023,000 bears interest at the rate of 5.58% per annum an amount of RMB436,980,000 has an accumulated interest of approximately RMB36,500,000. 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 2006 and is set out as follows:

RMB'000

Non-current Assets	1,540,931
Current Assets	344,118
Current Liabilities	1,637,065
Shareholders' Equity	71,697
Interests attributable to the Group	35,220

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 note 27 to the financial statements.

Interest of RMB805,000 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 27% and 63% respectively, of the total turnover of the Group for the year ended 31 December 2006.

Purchases from the Group's single largest supplier and the Group's top five largest suppliers accounted for approximately 7% and 21% respectively of the total purchases of the Group for the year ended 31 December 2006.

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 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 of this annual report.

CORPORATE GOVERNANCE

Major corporate governance practices adopted by the Company are set out in Corporate Governance Report on pages 28 to 41.

AUDITORS

A resolution will be proposed 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 2007.

SUBSEQUENT EVENTS

Disposal of shares in CITIC Securities Co., Ltd

During the period from 1 January 2007 to 31 March 2007 (both days inclusive), Great Wall Kaifa, a subsidiary of the Company, disposed a total of 11,578,066 tradable shares of CITIC Securities Co., Ltd ("CITIC") (a company whose shares are listed and traded on the Shanghai Stock Exchange in the PRC) on the Shanghai Stock Exchange in the PRC at the market prices quoted on the Shanghai Stock Exchange in the PRC at the relevant time (the "Disposal"), for a total consideration of approximately RMB421,796,000. The net pre-tax profit of the transaction was approximately RMB401,000,000. The net profit realized from the Disposal will be included in Great Wall Kaifa's 1st quarter financial results for 2007. The Disposal constitutes a discloseable transaction for the Company. For details of the transaction, please refer to the announcements published by the Company on 17 January 2007, 2 March 2007 and 4 April 2007, and the circulars dispatched by the Company on 7 February 2007 and 23 March 2007.

By Order of the Board

Chen Zhaoxiong

Chairman

Shenzhen, China

20 April 2007