1. CORPORATE INFORMATION

Great Wall Technology Company Limited (the "Company") is a limited liability company incorporated in the People's Republic of China ("PRC"). The registered office of the Company is located at No.2 Keyuan Road, Technology and Industrial Park, Nanshan District, Shenzhen, the PRC.

During the year, the Company and its subsidiaries (the "Group") were principally involved in the development, manufacture and sale of computer and related products including hardware and software products.

In the opinion of the directors, the parent of the Group is China Great Wall Computer Group Company, a state-owned enterprise established in the PRC, and the ultimate holding company of the Group is China Electronics Corporation ("CEC") as a result of the restructuring approved by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") on 18 August 2006.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings (excluding staff quarters) and financial assets which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognized initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 Revenue. During the current and prior years, the Group provided guarantees to banks in connection with a bank loan granted to its associates and third parties. Upon the adoption of this amendment, the Group is required to recognize this financial guarantee contract as financial liability. The change in accounting policy has been recognized since 1 January 2005 when HKAS 39 was initially adopted by the Group and the comparative amounts for the year ended 31 December 2005 have been restated. The effects of the above change are summarized below.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(b) HKAS 39 Financial Instruments: Recognition and Measurement (Continued)

(i) Amendment for financial guarantee contracts (Continued)

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January				
Increase in investments in associates	**5,786**	7,390	**5,786**	7,390
Decrease in provisions	**53,634**	17,564	**–**	–
Increase in financial guarantee contracts	**59,420**	24,954	**5,786**	7,390
At 31 December				
Increase in investments in associates	**4,236**	5,786	**4,236**	5,786
Decrease in provisions	**25,174**	53,634	**–**	–
Increase in financial guarantee contracts	**29,410**	59,420	**4,236**	5,786

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(c) HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical area in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008 respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefit from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Goodwill previously eliminated against consolidated retained profits

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition of subsidiaries and associates was eliminated against consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expenses categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Valuations are performed frequently enough to ensure that the fair value of buildings (other than staff quarters) does not differ materially from their carrying amounts. Changes in the values of buildings (other than staff quarters) are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of buildings (other than staff quarters) the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the terms of the respective leases
Staff quarters	Over the terms of the respective leases
Plant, machinery and equipment	9-18%
Motor vehicles	12.86-20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, machinery and projects under construction or installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful life.

Technology acquired

Technology acquired is stated at cost less impairment loss and is amortised on the straight-line basis over its estimated useful lives.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in the other category. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, an amount due to the ultimate holding company and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" above;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(e) dividend income, when the shareholders' right to receive payment has been established; and

(f) royalty income, when the rights to receive payment have been established.

Employee benefits

Pension schemes and other retirement benefits

The employees of the Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute 5% to 13% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Pension schemes and other retirement benefits (Continued)

Subsidiaries in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the subsidiary in an independently administered fund. The subsidiary's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries and associates are currencies other than the RMB. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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 an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2006 was nil (2005: RMB4,128,000). The amount of unrecognised tax losses at 31 December 2006 was RMB571,545,000 (2005: RMB624,791,000). Further details are contained in note 29 to the financial statements.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the electronic parts and components segment produces magnetic heads, monitors, switch power supplies, hard disk drives and disk substrates mainly for use in personal computer ("PC");

(b) the computer segment produces PCs, printers, network electric meters, servers and PC peripheral products;

(c) the property investment segment invests in prime office space for its rental income potential; and

(d) the "others" segment comprises, principally, the software and system integration and other businesses.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

Year ended 31 December 2006	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	17,447,498	1,269,023	82,107	1,120,633	–	19,919,261
Other income and gains	70,478	48,413	–	3,598	–	122,489
Intersegment sales	341,808	–	33,868	–	(375,676)	–
Total	17,859,784	1,317,436	115,975	1,124,231	(375,676)	20,041,750
Segment results before decrease in fair value of investment properties	593,329	(1,889)	90,839	(441)	(14,964)	666,874
Decrease in fair value of investment properties	–	–	(24,388)	–	–	(24,388)
Segment results after decrease in fair value of investment properties	593,329	(1,889)	66,451	(441)	(14,964)	642,486
Interest and dividend income and unallocated gains						104,418
Corporate and other unallocated expenses						(101,573)
Finance costs						(23,283)
Share of profits and losses of associates	31,750	(6,293)	–	(61,400)	–	(35,943)
Loss on share reforms of subsidiaries	(194,209)	(232,427)	–	–	–	(426,636)
Profit before tax						159,469
Tax						7,820
Profit for the year						167,289
Assets and liabilities:						
Segment assets	4,174,752	1,153,743	560,540	499,824	–	6,388,859
Interests in associates	238,581	112,214	–	276,574	–	627,369
Corporate and other unallocated assets						3,200,287
Total assets						10,216,515
Segment liabilities	2,147,452	496,023	–	395,046	–	3,038,521
Corporate and other unallocated liabilities						662,268
Total liabilities						3,700,789

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 2006	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Other segment information:						
Depreciation and amortisation	260,587	22,471	–	3,711	–	286,769
Corporate and other unallocated amounts						3,979
						290,748
Capital expenditure	538,208	48,446	–	6,965	–	593,619
Corporate and other unallocated amounts						29,096
						622,715
Impairment losses recognised in the income statement	919	16,844	–	4,579	–	22,342
Corporate and other unallocated amounts						86,791
						109,133
Other non-cash expenses	194,209	232,427	–	–	–	426,636
Fair value losses of investment properties	–	–	24,388	–	–	24,388
Product warranty provision (note 28)	41,377	–	–	–	–	41,377

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 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	12,738,932	1,517,175	85,585	583,082	–	14,924,774
Other income and gains	61,069	34,109	–	7,887	–	103,065
Intersegment sales	286,570	1,255	22,441	1,456	(311,722)	–
Total	13,086,571	1,552,539	108,026	592,425	(311,722)	15,027,839
Segment results before increase in fair value of investment properties	426,330	(83,164)	62,390	(16,440)	(325)	388,791
Increase in fair value of investment properties	–	–	26,821	–	–	26,821
Segment results after increase in fair value of investment properties	426,330	(83,164)	89,211	(16,440)	(325)	415,612
Interest and dividend income and unallocated gains						48,868
Corporate and other unallocated expenses						(98,053)
Finance costs						(27,921)
Share of profits and losses of associates	(16,183)	76,483	–	(8,755)	–	51,545
Gain on disposal of associates	7,960	330,234	–	–	–	338,194
Profit before tax						728,245
Tax						(103,254)
Profit for the year						624,991
Assets and liabilities:						
Segment assets	4,013,040	1,324,728	559,070	548,791	–	6,445,629
Interests in associates	206,292	160,414	–	227,232	–	593,938
Corporate and other unallocated assets						2,390,662
Total assets						9,430,229
Segment liabilities	2,130,150	524,346	–	401,852	–	3,056,348
Corporate and other unallocated liabilities						588,730
Total liabilities						3,645,078

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 2005	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Other segment information:						
Depreciation and amortisation	202,064	24,028	–	4,238	–	230,330
Corporate and other unallocated amounts	–	–	–	–		2,331
						232,661
Capital expenditure	275,795	122,953	–	59,263	–	458,011
Corporate and other unallocated amounts						53,588
						511,599
Impairment losses recognised in the income statement	42,062	25,562	–	15,500	–	83,124
Corporate and other unallocated amounts						58,003
						141,127
Fair value gain on investment properties	–	–	26,821	–	–	26,821
Product warranty provision	11,625	–	–	–	–	11,625

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The Group's manufacturing and sales operations and property investments are located in Hong Kong and in Mainland China.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods or services:

	Turnover by geographical market	
	2006	2005
	RMB'000	RMB'000
The PRC (including Hong Kong)	**4,523,904**	3,198,049
Asia Pacific (excluding the PRC)	**8,092,131**	8,361,525
North America	**6,723,683**	2,962,742
Others	**579,543**	402,458
	19,919,261	14,924,774

The analysis of the carrying amount of segment assets, and additions to property, plant and equipment and construction in progress, analysed by the geographical area in which the assets are located has not been presented as they are substantially located in the PRC.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the values of services rendered; and gross rental income received and receivable from investment properties during the year.

An analysis of revenue, other income and gains is as follows:

	2006 **RMB'000**	2005 RMB'000
Revenue		
Sale of goods	**19,767,726**	14,776,662
Gross rental income	**82,107**	85,585
Rendering of services	**69,428**	62,527
	19,919,261	14,924,774
Other income		
Cafeteria income	**–**	9,653
Royalty income	**50,590**	46,129
Interest income	**78,614**	48,038
Dividend income from investments	**25,779**	750
Refund of value added tax	**3,108**	4,338
Sale of scrap materials	**21,845**	25,407
Others	**31,011**	17,618
	210,947	151,933
Gains		
Gain on disposal of subsidiaries	**15,960**	–
Fair value gains on investment properties	**–**	26,821
	15,960	26,821
	226,907	178,754

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2006 RMB'000	2005 RMB'000
Cost of inventories sold		**18,485,480**	13,873,078
Cost of services provided		**29,785**	14,274
Depreciation	14	**290,334**	232,054
Amortisation of other intangible assets*	18	**414**	607
Research and development costs		**81,916**	74,834
Minimum lease payment under operating lease of land and buildings		**7,490**	11,542
Impairment of goodwill***	17	**–**	13,447
Auditors' remuneration		**7,175**	5,880
Employee benefits expense (including directors' remuneration (note 8)):			
Wages and salaries		**429,894**	416,252
Pension scheme contributions**		**20,708**	20,238
		450,602	436,490
Foreign exchange differences, net		**34,128**	12,830
Impairment of items of property, plant and equipment	14	**16,401**	8,178
Impairment of goodwill arising from acquisition of associates***		**–**	13,331
Impairment of trade receivables		**5,941**	48,168
Impairment of loan to an associate		**86,791**	58,003
Write-down of inventories to net realisable value		**11,922**	38,894
Reversal of inventories provision		**(17,257)**	(48,551)
Net rental income		**56,970**	39,966
Additional product warranty provision	28	**41,377**	11,625
Fair value losses/(gains) on investment properties****	15	**24,388**	(26,821)
Interest income			
Bank interest income	5	**(54,273)**	(30,900)
Interest income arising from loans to associates	5	**(24,341)**	(17,138)
Dividend income from investments	5	**(25,779)**	(750)
Loss on disposal of items of property, plant and equipment		**13,782**	74
(Gain)/loss on disposal of subsidiaries****	34	**(15,960)**	705

6. PROFIT BEFORE TAX (Continued)

* The amortisation of other intangible assets for the year are included in "Other expenses" on the face of the consolidated income statement.

** At 31 December 2006, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in the future years (2005: Nil).

*** The impairment of goodwill is included in "Other expenses" on the face of the consolidated income statement.

**** Fair value gain on investment properties and gain on disposal of subsidiaries are included in "Other income and gains" while fair value loss on investment properties and loss on disposal of subsidiaries are included in "Other expenses".

7. FINANCE COSTS

	Group	
	2006	2005
	RMB'000	RMB'000
Interest on bank loans, wholly repayable within five years	**22,286**	28,348
Interest on discounted banking facilities	**1,802**	–
Total interest	**24,088**	28,348
Less: Interest capitalised	**(805)**	(427)
	23,283	27,921

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2006	2005
	RMB'000	RMB'000
Fees	**736**	770
Other emoluments:		
Salaries, allowances and benefits in kind	**3,463**	3,697
Performance related bonuses	**3,260**	2,842
Pension scheme contributions	**210**	214
	6,933	6,753
	7,669	7,523

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2006	2005
	RMB'000	RMB'000
Mr. Li Sanli	**100**	100
Ms. Wang Qinfang	**100**	100
Mr. Huang Yinghao (appointed on 10 November 2006)	**100**	–
Mr. Li Xiaoru (resigned on 10 November 2006)	**–**	100
	300	300

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2006					
Mr. Chen Zhaoxiong	–	–	–	–	–
Mr. Lu Ming	–	–	–	–	–
Mr. Tam Man Chi	136	3,190	3,260	210	6,796
Mr. Wang Jincheng	100	–	–	–	100
Mr. Yang Jun	–	–	–	–	–
Mr. Su Duan (appointed on 10 November 2006)	100	–	–	–	100
Mr. Li Weisheng (resigned on 10 November 2006)	100	273	–	–	373
	436	3,463	3,260	210	7,369
2005					
Mr. Chen Zhaoxiong	–	–	–	–	–
Mr. Lu Ming	–	–	–	–	–
Mr. Tam Man Chi	170	3,376	2,842	214	6,602
Mr. Wang Jincheng (appointed on 17 January 2005)	100	–	–	–	100
Mr. Yang Jun (appointed on 20 June 2005)	–	–	–	–	–
Mr. Li Weisheng (appointed on 20 June 2005)	–	102	–	–	102
Mr. Gao Keqin (resigned on 20 June 2005)	100	219	–	–	319
Ms. Huang Rongfang (resigned on 20 June 2005)	100	–	–	–	100
Mr. Qiao Zhongtao (resigned on 17 January 2005)	–	–	–	–	–
	470	3,697	2,842	214	7,223

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. DIRECTORS' REMUNERATION (Continued)

(c) Supervisors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2006					
Mr. Li Ruiyue	**50**	–	–	–	**50**
Mr. Qin Maojun	**50**	–	–	–	**50**
Mr. Lang Jia (appointed on 10 November 2006)	–	–	–	–	–
Mr. Diao Guoxing (resigned on 10 November 2006)	**50**	**169**	–	–	**219**
	150	**169**	–	–	**319**
2005					
Mr. Diao Guoxing	50	287	–	–	337
Mr. Li Ruiyue	50	–	–	–	50
Mr. Qin Maojun	50	–	–	–	50
	150	287	–	–	437

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2005: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2005: four) non-director, highest paid employees for the year are as follows:

	Group	
	2006	2005
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,074**	1,337
Performance related bonuses	–	608
Pension scheme contributions	–	–
	2,074	1,945

9. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2006	2005
Nil to RMB500,000	**2**	2
RMB500,001 to RMB1,000,000	**2**	2
	4	4

10. TAX

	2006	2005
	RMB'000	RMB'000
Group:		
Current – Hong Kong		
Charge for the year	**7,595**	13,108
Current – Mainland China		
Charge for the year	**59,966**	95,088
Overprovision in prior years	**(13,820)**	(9,141)
Deferred (note 29)	**(61,561)**	4,199
Total tax charge/(credit) for the year	**(7,820)**	103,254

10. TAX (Continued)

A reconciliation of the income tax expense applicable to profit before tax using the statutory income tax rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2006		2005	
	RMB'000	%	RMB'000	%
Profit before tax	159,469		728,245	
Tax at the applicable tax rate (15%)	23,920		109,237	
Lower tax rate for specific provinces or local authorities	(35,034)		(5,329)	
Profits and losses attributable to associates	5,634		(7,651)	
Income not subject to tax	(10,300)		(1,189)	
Expenses not deductible for tax	17,087		11,592	
Tax losses utilised from previous periods	4,135		1,020	
Tax losses not recognised	556		4,708	
Effect of different tax rate of subsidiaries' operations in other jurisdictions	2		7	
Overprovision in respect of the prior year	(13,820)		(9,141)	
Tax charge/(credit) at the Group's effective rate	(7,820)	-4.90	103,254	14.18

Taxation in Mainland China is calculated at the rate prevailing in Mainland China. Some of the subsidiaries of the Group are approved to be high technology enterprises and income tax is calculated at a rate of 15% of the estimated assessable profit for the year.

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

One subsidiary operating in the Cayman Islands is not required to pay any taxes on either income or capital gains arising in the Cayman Islands or elsewhere under current Cayman Islands Laws.

Hong Kong profits tax is calculated at a rate of 17.5% of the estimated assessable profit for the year.

Details of deferred taxation are set out in note 29.

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit/(loss) attributable to equity holders of the parent for the year ended 31 December 2006 includes a loss of RMB88,794,000 (2005: profit RMB60,064,000) which has been dealt with in the financial statements of the Company (note 33(b)).

12. DIVIDENDS

	2006	2005
	RMB'000	RMB'000
Proposed final – Nil (2005: RMB2 cents) per ordinary share	–	23,955

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

A diluted earnings per share amounts for the years ended 31 December 2006 and 2005 have not been disclosed as no diluting events existed during the year.

The calculation of basic earnings per share is based on:

	2006	2005
	RMB'000	RMB'000
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(122,196)**	321,936

	Number of shares	
	2006	2005
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,197,742,000**	1,197,742,000

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings in Mainland China under medium term leases RMB'000	Staff quarters in Mainland China under medium term leases RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2006						
At 1 January 2006:						
Cost or valuation	813,240	152,890	2,137,540	21,843	364,106	3,489,619
Accumulated depreciation and impairment	(145,918)	(26,375)	(1,362,715)	(15,570)	–	(1,550,578)
Exchange realignment	(83)	–	(10,669)	(5)	(4,359)	(15,116)
Net carrying amount	667,239	126,515	764,156	6,268	359,747	1,923,925
At 1 January 2006, net of accumulated depreciation and impairment	667,239	126,515	764,156	6,268	359,747	1,923,925
Additions	7,063	–	328,725	6,962	259,940	602,690
Transfers	147,875	–	203,905	502	(352,282)	–
Disposals	(592)	–	(31,500)	(368)	(26,675)	(59,135)
Transfer from investment properties (note 15)	21,761	–	–	–	–	21,761
Transfer to investment properties (note 15)	(27,444)	–	–	–	(20,175)	(47,619)
Disposal of subsidiaries (note 34)	–	–	(4,275)	–	–	(4,275)
Impairment	–	–	(16,392)	(9)	–	(16,401)
Depreciation provided during the year	(12,438)	(6,722)	(268,896)	(2,278)	–	(290,334)
Exchange realignment	–	–	(14,281)	(1)	(9)	(14,291)
At 31 December 2006, net of accumulated depreciation and impairment	803,464	119,793	961,442	11,076	220,546	2,116,321
At 31 December 2006:						
Cost or valuation	961,903	152,890	2,634,395	28,939	224,914	4,003,041
Accumulated depreciation and impairment	(158,356)	(33,097)	(1,648,003)	(17,857)	–	(1,857,313)
Exchange realignment	(83)	–	(24,950)	(6)	(4,368)	(29,407)
Net carrying amount	803,464	119,793	961,442	11,076	220,546	2,116,321
Analysis of cost or valuation:						
At cost	149,663	152,890	2,634,395	28,939	224,914	3,190,801
At directors' 31 December 2004 valuation	812,240	–	–	–	–	812,240
	961,903	152,890	2,634,395	28,939	224,914	4,003,041

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Land and buildings in Mainland China under medium term leases RMB'000	Staff quarters in Mainland China under medium term leases RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2005						
At 1 January 2005:						
Cost or valuation	1,054,397	152,890	1,990,883	19,278	28,330	3,245,778
Accumulated depreciation and impairment	(133,628)	(18,639)	(1,144,726)	(13,353)	–	(1,310,346)
Net carrying amount	920,769	134,251	846,157	5,925	28,330	1,935,432
At 1 January 2005, net of accumulated depreciation and impairment	920,769	134,251	846,157	5,925	28,330	1,935,432
Additions	118	–	120,887	2,300	368,173	491,478
Acquisition of subsidiaries	13,411	–	2,603	525	–	16,539
Transfer from investment properties (note 15)	7,147	–	–	–	–	7,147
Transfers	945	–	31,452	–	(32,397)	–
Disposals	–	–	(8,083)	(260)	–	(8,343)
Transfer to investment properties (note 15)	(262,778)	–	–	–	–	(262,778)
Disposal of subsidiaries (note 34)	–	–	(202)	–	–	(202)
Impairment	–	–	(8,175)	(3)	–	(8,178)
Depreciation provided during the year	(12,290)	(7,736)	(209,814)	(2,214)	–	(232,054)
Exchange realignment	(83)	–	(10,669)	(5)	(4,359)	(15,116)
At 31 December 2005, net of accumulated depreciation and impairment	667,239	126,515	764,156	6,268	359,747	1,923,925
At 31 December 2005:						
Cost or valuation	813,240	152,890	2,137,540	21,843	364,106	3,489,619
Accumulated depreciation and impairment	(145,918)	(26,375)	(1,362,715)	(15,570)	–	(1,550,578)
Exchange realignment	(83)	–	(10,669)	(5)	(4,359)	(15,116)
Net carrying amount	667,239	126,515	764,156	6,268	359,747	1,923,925
Analysis of cost or valuation:						
At cost	–	152,890	2,137,540	21,843	364,106	2,676,379
At directors' 31 December 2004 valuation	813,240	–	–	–	–	813,240
	813,240	152,890	2,137,540	21,843	364,106	3,489,619

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Land and buildings in Mainland China under medium term leases RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2006					
At 1 January 2006:					
Cost or valuation	53,993	6,088	1,507	54,531	116,119
Accumulated depreciation and impairment	(2,573)	(3,629)	(1,442)	–	(7,644)
Net carrying amount	51,420	2,459	65	54,531	108,475
At 1 January 2006, net of accumulated depreciation and impairment	51,420	2,459	65	54,531	108,475
Additions	–	337	425	28,334	29,096
Transfer to investment properties (note 15)	(1,790)	–	–	–	(1,790)
Disposals	–	(19)	–	–	(19)
Depreciation provided during the year	(2,687)	(1,170)	(122)	–	(3,979)
At 31 December 2006, net of accumulated depreciation and impairment	46,943	1,607	368	82,865	131,783
At 31 December 2006:					
Cost or valuation	52,203	6,406	1,932	82,865	143,406
Accumulated depreciation and impairment	(5,260)	(4,799)	(1,564)	–	(11,623)
Net carrying amount	46,943	1,607	368	82,865	131,783

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Land and buildings in Mainland China under medium term leases RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2005					
At 1 January 2005:					
Cost or valuation as restated	53,169	5,999	1,664	1,288	62,120
Accumulated depreciation and impairment as restated	(2,573)	(1,396)	(1,343)	–	(5,312)
Net carrying amount	50,596	4,603	321	1,288	56,808
At 1 January 2005, net of accumulated depreciation and impairment	50,596	4,603	321	1,288	56,808
Additions	–	117	–	53,471	53,588
Transfer from investment properties (note 15)	596	–	–	–	596
Transfers	228	–	–	(228)	–
Disposals	–	(28)	(157)	–	(185)
Depreciation provided during the year	–	(2,233)	(99)	–	(2,332)
At 31 December 2005, net of accumulated depreciation and impairment	51,420	2,459	65	54,531	108,475
At 31 December 2005:					
Cost or valuation	53,993	6,088	1,507	54,531	116,119
Accumulated depreciation and impairment	(2,573)	(3,629)	(1,442)	–	(7,644)
Net carrying amount	51,420	2,459	65	54,531	108,475

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Certain land and buildings in Mainland China were revalued by the directors by reference to current market conditions. In the opinion of the directors, there has been no material change in the value of the land and buildings as at 31 December 2006.

Had the land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately RMB656,881,000 (2005: RMB667,701,000), as compared to their carrying amounts included in property, plant and equipment of approximately RMB656,419,000 (2005: RMB667,239,000).

As at 31 December 2006, the Group is in the process of obtaining a building ownership certificate for certain land and buildings with a net book value of RMB141,626,862 (2005: RMB53,751,000).

At 31 December 2006, certain of the Group's land and buildings with a net book value of approximately RMB12,751,000, were pledged to secure the long term bank loans (note 27).

15. INVESTMENT PROPERTIES

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Carrying amount at 1 January	**559,070**	276,618	**149,713**	182,568
Transfer from property, plant and equipment (note 14)	**47,619**	262,778	**1,790**	–
Transfer to property, plant and equipment (note 14)	**(21,761)**	(7,147)	**–**	(596)
Net profit/(loss) from a fair value adjustment	**(24,388)**	26,821	**(6,844)**	(32,259)
Carrying amount at 31 December	**560,540**	559,070	**144,659**	149,713

The Group's investment properties are situated in Mainland China and are held under medium-term leases.

The Group's investment properties were revalued on 31 December 2006 by Dudley Surveyors Limited, independent professionally qualified valuers, at RMB560,540,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 38(a) to the financial statements.

16. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Carrying amount at 1 January	**74,662**	76,783	**4,355**	4,475
Addition during the year	**18,140**	–	**–**	–
Recognised during the year	**(2,177)**	(2,121)	**(120)**	(120)
Carrying amount at 31 December	**90,625**	74,662	**4,235**	4,355
Current portion included in prepayments, deposits and other receivables	**(3,850)**	(2,121)	**(120)**	(120)
Non-current portion	**86,775**	72,541	**4,115**	4,235

The leasehold lands are held under medium-term leases and are situated in Mainland China.

17. GOODWILL

Group

	Goodwill
	RMB'000
At 1 January 2005:	
Cost	20,043
Accumulated impairment	(6,218)
Net carrying amount	13,825
Cost at 1 January 2005, net of accumulated impairment	13,825
Disposal of a subsidiary	(378)
Impairment provided during the year	(13,447)
At 31 December 2005:	–
At 31 December 2005 and 2006:	
Cost	19,665
Accumulated impairment	(19,665)
Net carrying amount	–

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill. Goodwill previously eliminated against the reserves remains eliminated against the reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

18. OTHER INTANGIBLE ASSETS

Group

	Patents and licences RMB'000	Technology acquired RMB'000	Total RMB'000
31 December 2006:			
At 1 January 2006:			
Cost, net of accumulated amortisation and impairment	**638**	**2,337**	**2,975**
Additions	**–**	**1,885**	**1,885**
Disposal of subsidiaries (note 34)	**–**	**(1,656)**	**(1,656)**
Amortisation provided during the year	**(150)**	**(264)**	**(414)**
At 31 December 2006	**488**	**2,302**	**2,790**
At 31 December 2006:			
Cost	**48,122**	**85,771**	**133,893**
Accumulated amortisation and impairment	**(47,634)**	**(83,469)**	**(131,103)**
Net carrying amount	**488**	**2,302**	**2,790**
31 December 2005:			
At 1 January 2005:			
Cost, net of accumulated amortisation and impairment	–	–	–
Additions	–	2,794	2,794
Acquisition of subsidiaries	788	–	788
Amortisation provided during the year	(150)	(457)	(607)
At 31 December 2005	638	2,337	2,975
At 31 December 2005			
Cost	48,122	85,542	133,664
Accumulated amortisation and impairment	(47,484)	(83,205)	(130,689)
Net carrying amount	638	2,337	2,975

19. INTERESTS IN SUBSIDIARIES

	Company 2006 RMB'000	2005 RMB'000
Unlisted shares, at cost	**446,415**	446,415
Shares listed in Mainland China, at cost	**1,067,929**	1,218,670
	1,514,344	1,665,085
Market value of listed shares	**4,223,693**	5,513,018

The amounts due from subsidiaries included in the Company's current assets of RMB2,025,000 (2005: RMB1,187,000), are unsecured, interest free and are repayable on demand or within one year. The carrying amounts of these amounts due from subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
China Great Wall Computer (Shenzhen) Co., Ltd. ("CGC")*	PRC	RMB458,491,500	47.82%	–	Manufacture and trading of personal computer ("PC") and PC peripheral products
ExcelStor Great Wall Technology Limited	Cayman Islands	US$25,000,000	61.68%	–	Trading of hard disk drives ("HDD")
ExcelStor Technology (Shenzhen) Limited**	PRC	US$26,600,000	61.68%	–	Manufacture of HDD
Great Wall Computer Software and System Incorporation Limited ("GWCSS")**	PRC	RMB167,174,000	34.9%	34.51%	Development of computer software

19. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Kaifa Technology (H.K.) Limited	Hong Kong	US$500,000	–	100%	Trading of HDD and HDD substrates
Shenzhen Kaifa Magnetic Recording Joint-stock Co., Ltd.**	PRC	RMB251,363,000	43%	42%	Production and development of HDD substrates
Shenzhen Kaifa Technology Co., Ltd. ("S. Kaifa")*	PRC	RMB732,932,000	49.54%	–	Production of HDD heads and related electronic products

* Subsidiaries with their A shares listed on the Shenzhen Stock Exchange in the PRC

** Companies incorporated as private limited companies in the PRC

All subsidiaries above, except for Excelstor Technology (Shenzhen) Limited, are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantive portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. INTERESTS IN ASSOCIATES

	Group		Company	
	2006 RMB'000	2005 RMB'000 (Restated)	**2006 RMB'000**	2005 RMB'000 (Restated)
Unlisted shares, at cost	**–**	–	**210,000**	210,000
Share of net assets	**218,426**	272,913	**–**	–
Loans to associates (note 41(b)(ii))	**408,943**	321,025	**332,923**	164,100
	627,369	593,938	**542,923**	374,100

20. INTERESTS IN ASSOCIATES (Continued)

At the balance sheet date, an amount of approximately RMB75,100,000 due from an associate is unsecured, interest-bearing at a rate of 5.05% per annum and is repayable from September 2007 to January 2011. The remaining balance is unsecured, interest-bearing at a rate of 5.58-6.12% per annum and has no fixed terms of repayment. The carrying amounts of these loans approximate to their fair values.

The Group's trade receivable and payable balance with associates are discussed in note 41(b)(iii) to the financial statements.

Particulars of the principal associates are as follows:

Name	Place of incorporation/ registration	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Great Wall Broadband Network Service Co., Ltd.*	PRC	RMB600,000,000	35%	15%	Provision of broadband network services
ExcelStor Group Limited*	Cayman Islands	US$15,000,000	–	33.33%	Trading of HDD
IBM Leasing Company Limited*	PRC	RMB163,507,782	–	20%	Direct finance leasing and provision of consulting services
G&W Technologies, Co., Ltd.*	Republic of Korea	US$497,760	–	29%	Manufacture of HDD spindle motors
O-Net Communications Limited*	Cayman Islands	HK$22,224,299	–	45.99%	Trading of fiber optic components and manufacture of fiber optic parts for optical communications networks, integrated parts for optical communications networks and crystal parts for optical communications networks

20. INTERESTS IN ASSOCIATES (Continued)

Name	Place of incorporation/ registration	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Shenzhen Elcoteq Electronics Co., Ltd. (formerly known as "Shenzhen GKI Electronics Co., Ltd.")*	PRC	RMB99,609,465	–	30%	Manufacture of motherboards
Shenzhen Hai Liang Storage Products Co., Ltd.	PRC	RMB494,742,208	–	20%	Manufacture and sales of magnetic head products
Shenzhen KTM Glass Substrate Co., Ltd.*	PRC	RMB122,108,400	–	49%	Manufacture and sales of glass substrates
Shenzhen Great Wall Kemei Technology Co., Ltd.*	PRC	RMB10,000,000	–	35%	Trading of network ammeters

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	Group 2006 RMB'000	Group 2005 RMB'000
Assets	**4,662,641**	6,512,614
Liabilities	**3,479,413**	5,019,007
Revenues	**8,099,617**	27,395,311
(Loss)/Profit	**(19,516)**	382,830

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed equity investment, at fair value	**377,157**	–	**–**	–
Unlisted equity investments, at cost	**58,292**	69,200	**2,500**	2,500
Club debenture, at fair value	**2,435**	–	**–**	–
	437,884	69,200	**2,500**	2,500

During the year, the gross gain of the Group's available-for-sale investments recognised directly in equity amounted to RMB300,602,000 (note 33(a)).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices.

The market value of the Group's listed equity investments at the date of approval of these financial statements were approximately RMB692,465,000.

The unlisted equity investments are stated at cost less any impairment losses as the fair value cannot be reliably measured because the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

22. INVENTORIES

	Group	
	2006	2005
	RMB'000	RMB'000
Raw materials	**364,553**	321,700
Work in progress	**65,975**	65,816
Finished goods	**406,669**	435,581
Consumables	**8,643**	6,110
	845,840	829,207

23. 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 to twelve 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 minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of this 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.

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

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 90 days	**1,815,949**	1,052,180	**–**	840
91 to 180 days	**77,521**	1,091,106	**–**	–
181 to 365 days	**59,702**	16,524	**–**	–
Over 365 days	**24,500**	52,563	**–**	–
	1,977,672	2,212,373	**–**	840

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**226,094**	188,618	**251**	5
Deposits and other receivables	**145,635**	309,750	**171**	1,950
	371,729	498,368	**422**	1,955

The carrying amounts of deposits and other receivables approximate to their fair values.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**1,031,934**	1,028,701	**43,249**	190,347
Time deposits	**1,973,065**	1,293,260	**–**	–
	3,004,999	2,321,961	**43,249**	190,347
Less: Current pledged deposits				
Pledged for bank facilities	**9,581**	–	**–**	–
Pledged for contracts execution	**698**	–	**–**	–
	10,279	–	**–**	–
Non-current pledged deposits				
Pledged for contracts execution	**11,472**	–	**–**	–
Pledged for others	**2,366**	–	**–**	–
	13,838	–	**–**	–
Cash and cash equivalents	**2,980,882**	2,321,961	**43,249**	190,347

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

26. TRADE AND BILLS PAYABLES

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

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 90 days	**2,046,712**	2,327,050	**–**	–
91 to 180 days	**143,340**	127,251	**–**	–
181 to 365 days	**7,114**	1,502	**–**	–
Over 365 days	**37,128**	32,750	**217**	217
	2,234,294	2,488,553	**217**	217

The trade and bills payables are non-interest-bearing and are normally settled on terms of 30 to 90 days terms. The carrying amount of trade and bills payables approximates to their fair value.

27. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2006 RMB'000	Group 2005 RMB'000	Company 2006 RMB'000	Company 2005 RMB'000
Current						
Bank loans – unsecured	3.6-6.12	2007	**334,074**	303,210	**127,000**	120,000
Bank loans – unsecured	Libor+1	2007	**39,024**	–	–	–
Bank loans – secured	Libor+0.9	2007	**73,267**	–	–	–
			446,365	303,210	**127,000**	120,000
Non-current						
Secured bank loans			–	42,496	–	–
Secured bank loans	5.85	2008	**2,882**	25,616	–	–
			2,882	68,112	–	–
			449,247	371,322	**127,000**	120,000

	Group 2006 RMB'000	Group 2005 RMB'000	Company 2006 RMB'000	Company 2005 RMB'000
Analysed into:				
Within one year or on demand	**446,365**	303,210	**127,000**	120,000
In the second year	**2,882**	42,496	–	–
In the third to fifth years, inclusive	–	25,616	–	–
	449,247	371,322	**127,000**	120,000

Notes:

(a) Non-current bank loans amounting to RMB2,882,000 (2005: RMB68,112,000) are secured by mortgages over the Group's land and buildings, which had an aggregate carrying value at the balance sheet date of approximately RMB12,751,000 (2005: Construction in progress: RMB40,539,000; Machinery RMB34,847,000) (note 14);

(b) Except for secured bank loans of RMB73,267,000 (2005: RMB42,496,000) and unsecured bank loans of RMB156,098,000 (2005: Nil) which are denominated in United States dollars, all other borrowings are in RMB.

27. INTEREST-BEARING BANK BORROWINGS

Other interest rate information:

Group

	2006		2005	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	RMB'000	**RMB'000**	RMB'000	RMB'000
Bank loans – unsecured	**334,074**	**39,024**	303,210	–
Bank loans – secured	**2,882**	**73,267**	25,616	42,496
	336,956	**112,291**	328,826	42,496

Company

	2006		2005	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	RMB'000	**RMB'000**	RMB'000	RMB'000
Bank loans – unsecured	**127,000**	**–**	120,000	–
Bank loans – secured	**–**	**–**	–	–
	127,000	**–**	120,000	–

The carrying amounts of the Group's and the Company's current and non-current borrowings approximate to their fair values.

28. PROVISIONS

Group

	Provision for contingent liabilities RMB'000	Product warranty RMB'000	Total RMB'000
At 1 January 2005			
As previously stated	17,564	–	17,564
Effect of adopting HKAS 39 & HKFRS 4	(17,564)	–	(17,564)
As restated	–	–	–
Additional provision as previously stated	36,070	11,625	47,695
Effect of adopting HKAS39 & HKFRS 4	(36,070)	–	(36,070)
Additional provision as restated	–	11,625	11,625
At 31 Decemer 2005 and 1 January 2006			
As previously stated	53,634	11,625	65,259
Effect of adopting HKAS39 &HKFRS 4	(53,634)	–	(53,634)
As restated	–	11,625	11,625
Additional provision	–	41,377	41,377
At 31 December 2006	–	53,002	53,002

The Group provides 3-10 year warranty to its customers on certain electronic products, under which faulty products are repaired or replaced. The amount of the provision for the warranty is estimated based on sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	2006				
	Depreciation allowance in excess of related depreciation RMB'000	Capitalisation of interest RMB'000	Revaluation of properties RMB'000	Revaluation of available-for-sale investments RMB'000	Total RMB'000
At 1 January 2006	27	8,511	4,497	–	13,035
Deferred tax charged/(credited) to the income statement during the year (note 10)	2,870	(906)	(3,658)	–	(1,694)
Deferred tax debited to equity during the year	–	–	–	53,048	53,048
Gross deferred tax liabilities at 31 December 2006	2,897	7,605	839	53,048	64,389

Deferred tax assets

Group

	2006		
	Tax losses RMB'000	Loss on share reforms of subsidiaries RMB'000	Total RMB'000
At 1 January 2006	4,128	–	4,128
Deferred tax (charged)/credited to the income statement during the year (note 10)	(4,128)	63,995	59,867
Gross deferred tax assets at 31 December 2006	–	63,995	63,995
Net deferred tax liabilities at 31 December 2006			394

29. DEFERRED TAX (Continued)

Deferred tax liabilities

Group	2005			
	Depreciation allowance in excess of related depreciation RMB'000	Capitalisation of interest RMB'000	Revaluation of properties RMB'000	Total RMB'000
At 1 January 2005	43	9,417	474	9,934
Deferred tax charged/(credited) to the income statement during the year (note 10)	(16)	(906)	4,023	3,101
Gross deferred tax liabilities at 31 December 2005	27	8,511	4,497	13,035

Deferred tax assets

Group	2005		
	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2005	4,090	1,136	5,226
Deferred tax (charged)/credited to the income statement during the year (note 10)	38	(1,136)	(1,098)
Gross deferred tax assets at 31 December 2005	4,128	–	4,128
Net deferred tax liabilities at 31 December 2005			8,907

The Group has tax losses arising in Mainland China of RMB571,545,000 (2005: RMB624,791,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. The unused tax losses will gradually expire from 2007 to 2010.

At 31 December 2006, there was no significant unrecognised deferred tax liability (2005: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. DEFERRED TAX (Continued)

Deferred tax liabilities

Company

	2006		
	Capitalisation of interest RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Total RMB'000
At 1 January 2006	1,409	–	1,409
Deferred tax credited to the income statement during the year	(26)	746	720
Gross deferred liabilities at 31 December 2006	1,383	746	2,129

Deferred tax assets

Company

	2006			
	Tax losses RMB'000	Revaluation of properties RMB'000	Loss on share reforms of subsidiaries RMB'000	Total RMB'000
At 1 January 2006	1,409	–	–	1,409
Deferred tax charged to the income statement during the year	(1,409)	1,027	22,611	22,229
Gross deferred tax assets at 31 December 2006	–	1,027	22,611	23,638
Net deferred tax assets at 31 December 2006				(21,509)

29. DEFERRED TAX (Continued)

Deferred tax liabilities

Company

	2005		
	Capitalisation of interest RMB'000	Revaluation of properties RMB'000	Total RMB'000
At 1 January 2005	1,435	312	1,747
Deferred tax charged/(credited) to the income statement during the year	(26)	(312)	(338)
Gross deferred tax liabilities at 31 December 2005	1,409	–	1,409

Deferred tax assets

Company

	2005 Tax losses RMB'000
At 1 January 2005	1,435
Deferred tax credited to the income statement during the year	(26)
Gross deferred tax assets at 31 December 2005	1,409
Net deferred tax liabilities at 31 December 2005	–

30. PREPAYMENTS

These prepayments are for Property, plant and equipment, and they will be transferred to Property, plant and equipment subsequently.

31. OTHER LONG TERM PAYABLES

Other long term payables represent government grants which are unsecured, interest-free and have no fixed terms of repayment.

32. SHARE CAPITAL

Shares

	2006 RMB'000	2005 RMB'000
Authorised, issued and fully paid:		
743,870,000 state-owned legal person shares of RMB1.00 each	**743,870**	743,870
453,872,000 overseas listed foreign invested shares of RMB1.00 each	**453,872**	453,872
	1,197,742	1,197,742

There was no change in the authorised and issued capital of the Company during the year.

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 48 to 49 of the financial statements.

Certain amounts of goodwill arising on the acquisition of subsidiaries in prior years remain eliminated against the consolidated reserves, as explained in note 17 to the financial statements.

(b) Company

	Note	Share premium account RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2005		996,660	125,206	1,121,866
Profit for the year		–	60,064	60,064
Proposed final 2005 dividend	12	–	(23,955)	(23,955)
At 31 December 2005		996,660	161,315	1,157,975
Loss for the year		–	(88,794)	(88,794)
At 31 December 2006		996,660	72,521	1,069,181

34. DISPOSAL OF SUBSIDIARIES

	Notes	2006 RMB'000	2005 RMB'000
Net assets disposed of:			
Property, plant and equipment	14	**4,275**	202
Other intangible assets	18	**1,656**	–
Cash and bank balances		**1,644**	2,626
Trade receivables		**977**	157
Inventories		**1,870**	2,912
Prepayments and other receivables		**26,627**	250
Trade payables		**(17,871)**	(1,000)
Other payables and accruals		**(8,043)**	(12)
Tax payable		**–**	25
Minority interests		**(95)**	(3,096)
		11,040	2,064
Goodwill		**–**	378
Add: Gain/(loss) on disposal of subsidiaries	6	**15,960**	(705)
		27,000	1,737
Satisfied by:			
Cash		**27,000**	994
Interests in associates		**–**	743
		27,000	1,737

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2006 RMB'000	2005 RMB'000
Cash consideration	**27,000**	994
Less: Cash consideration not received	**(2,000)**	–
Cash and bank balances disposed of	**(1,644)**	(2,626)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**23,356**	(1,632)

35. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, the Group recognised a total loss of RMB426,636,000 (note 40) on disposal of equity interests in CGC and S.Kaifa, subsidiaries of the Company.

36. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	–	–	–	96,842
Associate	**470,000**	642,000	**470,000**	642,000
Third parties	**153,098**	279,132	–	–
	623,098	921,132	**470,000**	738,842

In accordance with HKAS 39 and HKFRS 4, the financial guarantee contracts above were accounted for as financial liability and recognized initially at its fair value of RMB29,410,000 (2005: RMB59,420,000).

(b) As at 31 December 2006, the banking facilities guaranteed by the Group to an associate were utilised to the extent of approximately RMB470,000,000 (2005:RMB642,000,000).

37. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in notes 14 and 27 to the financial statements.

38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group and the Company lease their investment properties (note 15 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2006, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**63,753**	56,775	**13,772**	3,703
In the second to fifth years, inclusive	**107,859**	82,815	**13,757**	11,913
After five years	**7,447**	19,387	**–**	–
	179,059	158,977	**27,529**	15,616

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six years.

At 31 December 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	RMB'000	RMB'000
Within one year	**1,184**	7,659
In the second to fifth years, inclusive	**312**	10,099
	1,496	17,758

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2006	2005
	RMB'000	RMB'000
Contracted, but not provided for:		
Land and buildings	–	16,101
Plant and machinery	**20,989**	9,764
	20,989	25,865

40. LOSS ON SHARE REFORMS OF SUBSIDIARIES

On 15 April 2006, the Company's General Shareholder Meeting approved the state-owned share reform plans of CGC and S. Kaifa, subsidiaries of the Company, whose shares were listed on the Shenzhen Stock Exchange. On 20 April 2006, these share reform plans were approved by the shareholders of CGC and S. Kaifa accordingly.

Pursuant to the approved share reform plan of CGC, on 12 May 2006, the Company has compensated the existing A share shareholders with 3.2 shares of CGC for every 10 shares held in exchange for non-tradable shares of CGC 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 S. Kaifa, on 19 May 2006, the Company and other shareholders who holding non-tradable shares of S. Kaifa have compensated the existing A share shareholders with 3.0 shares of S. Kaifa for every 10 shares held in exchange for non-tradable shares of S. Kaifa converted to tradable A shares. The Company compensated a total of 47,076,057 shares to the A share shareholders of S. Kaifa.

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

41. 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 year:

		Group	
		2006	2005
	Notes	**RMB'000**	RMB'000
Intermediate holding company:			
License fees	(i)	**1,997**	1,394
Associates:			
Sale of products	(ii)	**2,129,482**	3,352,494
Rental income	(iii)	**32,311**	36,986
Royalty income	(iv)	**50,590**	46,357
Interest income	(v)	**20,248**	15,964
Processing fee income		**21,084**	12,108
Purchases of components and parts	(vi)	**657,928**	626,473
Fellow subsidiaries:			
Sale of products	(ii)	**23,509**	16,332
Purchases of components and parts	(vi)	**439,338**	472,763
Rental income	(iii)	**15,174**	–

Notes:

(i) The license fee paid to the intermediate holding company was based on a rate of 1.5% of the revenue from the products under the brand of "Great Wall".

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

(iii) The rental income from the property leased to the associates and fellow subsidiaries 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.

(v) The interest income from the associates was based on interest rates of 5.58% to 6.12% per annum on the loans to the associates.

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

41. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

(i) As disclosed in the consolidated balance sheet, the Group had outstanding other payables to its intermediate holding company of RMB1,364,000 (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) Details of the Group's loans to its associates as at the balance sheet date are included in note 20 to the financial statements.

(iii) As disclosed in the consolidated balance sheet, the Group had outstanding trade receivables from and trade payables to associates of RMB60,915,000 (2005: RMB297,251,000) and RMB69,422,000 (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 consolidated balance sheet, the Group had outstanding receivables and other payables to fellow subsidiaries of RMB1,675,000 (2005: RMB18,692,000) and RMB2,294,000 (2005: RMB580,000), respectively, as at the balance sheet date. The other payables are unsecured, interest-free and have no fixed terms of repayment.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, finance leases, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

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 81% (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 49% (2005: 79%) of costs are denominated in the unit's functional currency.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 unit, 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.

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 75% (2005: 89%) of the Group's interest-bearing borrowings bore interest at fixed rates.

43. POST BALANCE SHEET EVENTS

(a) From 4 January 2007 to 31 March 2007, S. Kaifa, a subsidiary of the Company has disposed of 11,578,066 tradable shares in 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 with total consideration of RMB421,796,000. The investment in CITIC was disclosed in note 21 – Available-For-Sale Investments. The gain on disposal of shares in CITIC before tax is approximately RMB401,000,000.

(b) During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law to the Group cannot be reasonably estimated at this stage.

44. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified and restated to confirm with current year's presentation and accounting treatment.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 April 2007.