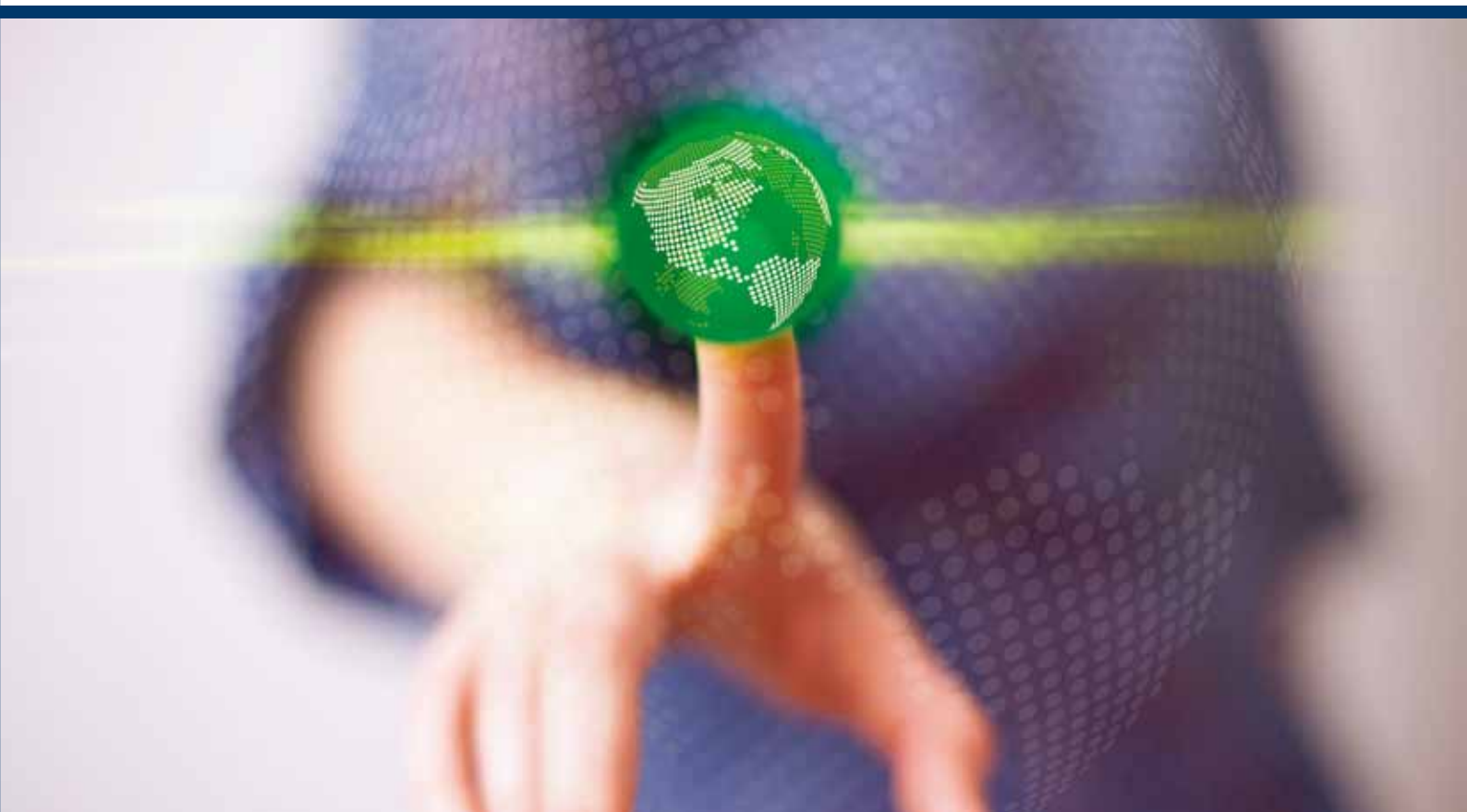


# Potevio 中国普天

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

(a sino-foreign joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 1202



ANNUAL REPORT  
2011



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### CORPORATE PROFILE

Chengdu PUTIAN Telecommunications Cable Company Limited (the "Company") is one of the largest telecommunications cable manufacturers in the People's Republic of China (the "PRC").

The Company was incorporated in the PRC on 1 October 1994 after its restructuring and has listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 December 1994 through the placing and public offer of 160,000,000 H shares ("H Shares"). China Potevio Company Limited ("China Potevio" or "CPCL", a wholly owned subsidiary of China PUTIAN Corporation ("Potevio Group")) is the controlling shareholder of the Company.

The Group's scope of business includes: technological research and development, product manufacturing, sales and services of wires and cables, optical fibres and optical cables, specialized materials used for cables, irradiation processing, cable accessories, specialized facilities and equipment and the equipment and facilities for various information industry products (excluding products restricted and prohibited by the State); import and export, wholesaling and retailing and commission agency (excluding auction) of commodities with respect to the aforesaid products; wholesaling and retailing and commission agency (excluding auction) of domestically procured commodities (excluding specialized commodities), technical consultancy and provision of technological services. The Group is principally engaged in the manufacture and sale of various types of telecommunication cables, optical fibers and cable joining sleeves.

#### Registered office and office address of the Company in the PRC:

No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC  
Postal Code: 611731

# FINANCIAL HIGHLIGHTS

## SUMMARY OF OPERATIONS

	<b>2011</b> <b>RMB'000</b>	2010 RMB'000
Turnover	<b>587,094</b>	525,614
Loss from operations	<b>(71,919)</b>	(29,814)
Share of results of associates	<b>(3,460)</b>	(5,631)
(Loss)/profit before income tax	<b>(56,509)</b>	93,651
(Loss)/profit attributable to equity holders of the Company	<b>(66,045)</b>	87,035
Basic (loss)/earnings per share	<b>RMB(0.17)</b>	RMB0.22

## SUMMARY OF NET ASSETS

	<b>31 December</b> <b>2011</b> <b>RMB'000</b>	31 December 2010 RMB'000 (Restated)
Total assets	<b>1,403,396</b>	1,490,675
Total liabilities	<b>221,716</b>	235,561
Total net assets	<b>1,181,680</b>	1,255,114
Net assets per share*	<b>RMB2.95</b>	RMB3.14

\* Net assets per share as at 31 December 2011 is calculated on the basis of net assets attributable to the owners of the Company of RMB1,181,680,000 (2010: RMB1,255,114,000) and the total issued shares of 400,000,000 shares (2010: 400,000,000 shares).

# CHAIRMAN'S STATEMENT



## Dear Shareholders,

I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 (the "Year") and would like to express our kind regards to all shareholders of the Company (the "Shareholders") on behalf of the board of directors of the Company (the "Board") and all staff members of the Company.

During the year, the Company's loss before tax was approximately RMB56,509,000 and loss attributable to Shareholders amounted to RMB66,044,837.54. Basic loss per share of the Company was RMB0.17.

In 2011, under complicated and adverse international and domestic economic conditions, the Company has overcome various difficulties with solidarity and determination, and made a lot of efforts in restructuring properties composition, optimizing resources allocation and strengthening base management, thus laying the foundation for successful transformation of the Company.

2012, filled with both difficulties and hopes, is a critical year for the healthy and sustained development of the Group. The Directors believe that both opportunities and challenges await ahead. Focused on the strategic development plan for properties, the Company will pursue the policy objective of "integration and restructuring, continuous advancement, transformation for increased efficiency", vigorously promote structural adjustment and properties upgrading, intensify mechanism-based reforms, change operational mindsets, elevate operational quality, and improve operating results so as to fully accomplish the objective and tasks for 2012, and realize sustained and healthy development of the Company.

Lastly, I, on behalf of the Board, would like to take this opportunity to express my gratitude to the Shareholders and the staff of the Group for their support and trust in the Company throughout the year.

**Zhang Xiaocheng**

*Chairman*

27 March 2012

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# MANAGEMENT DISCUSSION AND ANALYSIS



## EXPLANATION FOR BUSINESS RESULTS

In 2011, oil and non-ferrous metal (e.g. copper) prices experienced wild fluctuation amidst international economic crisis and European debt crisis, and the market became very complicated and unpredictable as a result; domestic inflation and tightened currency policy led to the adoption of acceptance bills by many companies for settlement of payment, which posed great capital pressure on the Company; the crash of the high-speed train and bullet train prompted the Ministry of Railways to adjust its rail transport planning, which exerted considerable impact on the locomotive cable market. As there were far more unfavourable factors in the overall situation than could have been expected, it would take time for the Company to cope with such changes; in addition, with the market environment of traditional copper cables deteriorating, the Company suffered more loss because the volume of its cable replacement business exceeded that of the normal sale operation.

## REVIEW OF PRINCIPAL BUSINESS

### SOUND AND EFFICIENT MANAGEMENT AND IMPROVED OPERATION

Resources were properly integrated to enhance investment efficiency. The coordination and planning for major investment projects on locomotive cables, ultra fine cables and components were improved and directions for future development were determined. The Company continued to sort out investments, completed the preliminary work for the transfer of equity in Chengdu Peak and offered the same for sale on the Chongqing United Assets and Equity Exchange. According to the industrial planning, the Company aligned resources to the strategy for business integration of rods, optical fibres and cables by putting the operation of all joint ventures under the supervision of their respective boards of directors.

The risk management system was further enhanced. In respect of legal affairs, the Company adhered to the principle of consulting legal advisors about the formulation of significant decisions, important rules and regulations and important transactions. The Company tried to standardize its operation practices by improving management systems. The Company has set up a special debt clearance group to collect old debts by using various lawful means. The balance of the consideration for transfer of equity interest in Dongguan CDC Cable Factory, totalling RMB72.93 million, was successfully collected in full during the Year.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As there was still room for further improvement in financial management, the Company revised and perfected related systems, tightened up comprehensive budget, cost, accounts receivable and inventory management, established the systems for regular inventory analysis and reporting and urged the achievement of KPI indicators.

Focused on the building of appraisal and incentive mechanisms and the development and allocation of all types of personnel teams, the Company improved its systems and further perfect the human resources management system. Quantitative assessment was conducted at different levels to evaluate the performance of the management, functional departments, manufacturing plants and employees, making the appraisal more relevant and rational.

The Company strengthened technological management according to product mix adjustment. In respect of product development and technological innovation, the upgraded program-controlled cables and data cables passed the UL758 test and certification for relevant products. As for the development of wind power cables, trial production of samples was completed and passed the torsion test administered by Shanghai Electric Cable Research Institute. DC feeder cables for railways, after preliminary work for trial production was completed, was entering the stage of trial production of samples. During the Year, the Company was granted 24 patents, including 1 invention patent, 1 design patent and 22 utility model patents.

Information technology was applied extensively to facilitate efficient management. The Company comprehensively adopted the office automation system and contract management information system of the Integrated Management Information System (IMIS) to promote the optimization of the management process and push management improvement and the industry development. The examination and approval process standardized by the contract management information system ensured that the implementation of contracts was subject to business, financial and legal assessment. Computerized management of warehouses and procurement entered the preliminary preparation stage.

### ACHIEVEMENTS AND INADEQUACIES OF MAJOR PROJECTS

*Completing the construction of locomotive cable accelerator project and deepening the cooperation with CSR*

The production expansion plan for phase 1 of electrical equipment cables was basically completed. The production line of electric cables for rail vehicles came on stream. Irradiation accelerators went into production and an irradiation centre was established to develop processing services. The development of locomotive cables series of products was basically finished with focuses on photovoltaic cables, wind power cables and nuclear power cables. During the Year, the review of the three systems and 3C was completed and the Company passes the test on TUV photovoltaic cables and plants audit. We obtained the approval for power cables permit from Sichuan Provincial Economy and Information Commission and submitted the same to Sichuan Bureau of Quality and Technical Supervision for filing. The development of wind power cables was completed and test report was issued by Shanghai Electric Cable Research Institute. This product was in the stage of marketing.

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The cooperation between the Company and CSR has made substantial progress and the Company began to deliver products to CSR Qingdao Sifang (南車青島四方) and CSR Zhuzhou Electric Locomotive Co., Ltd. In the second half of the year, the Company won the bid for the Hache project of CSR Ziyang Locomotive Works as well as the Changsha, Guangzhou, Zhengzhou and Kunming projects of Zhuzhou Electric Locomotive Works.

*Pushing forward joint venture cooperations for ultra fine components through various extensive business negotiations.*

We completed the upgrading of equipment technology to fulfill more product development needs and improve product quality. During the Year, 13 series of products passed UL certification and applied for product labels and construction of the project was basically finished.

The Company is eagerly looking for joint venture partners in respect of ultra fine components production and is steadily pushing forward such cooperation. We will work hard to finalise matters involved therein as soon as possible so as to enter the market earlier and achieve a significant growth in sales revenue.

## FINANCIAL ANALYSIS

### TURNOVER

During the Year, the turnover of the Group amounted to approximately RMB587,094,000, an increase of 11.7% as compared to approximately RMB525,614,000 for the year ended 31 December 2010 (the "Previous Year").

During the Year, the turnover of copper cables was approximately RMB396,366,000, an increase of 22.4% as compared with the Previous Year.

Chengdu SEI Optical Fibre Co., Ltd ("Chengdu SEI"), a company in which the Company owns 60% equity interest, recorded a turnover of optical fibre of approximately RMB141,046,000; Chengdu Shuangliu Heat Shrinkable Products Plant ("Shuangliu Heat Shrinkable"), a company in which the Company owns 66.7% equity interest, recorded a turnover of heat shrinkable joining sleeves of approximately RMB58,581,000.

### PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net loss attributable to equity holders of the Company for the Year amounted to approximately RMB66,045,000, while a net profit of approximately RMB87,035,000 was attributable to equity holders of the Company for the Previous Year.

### RESULTS ANALYSIS

As at 31 December 2011, the Group's total assets were approximately RMB1,403,396,000, representing a decrease of 5.9% as compared with approximately RMB1,490,675,000 as at the end of Previous Year. Current assets amounted to approximately RMB703,749,000, accounting for 50.1% of the total assets and representing a decrease of 11.4% as compared with approximately RMB793,907,000 as at the end of Previous Year. Property, plant and equipment totalled approximately RMB328,867,000, accounting for 23.4% of the total assets and representing an increase of 19.8% as compared with approximately RMB274,493,000 as at the end of Previous Year, which was mainly attributable to the purchases of plant and equipment for locomotive cable project.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As at 31 December 2011, the Group's total liabilities amounted to approximately RMB211,716,000; liability-to-asset ratio was 15.1%; bank and other short-term loans were RMB5,000,000, representing a decrease of 66.7% as compared with RMB15,000,000 as at the end of Previous Year. During the Year, the Group did not arrange other capital raising activities.

As at 31 December 2011, the Group's bank deposits and cash totalled approximately RMB242,285,000, representing a decrease of 16.2% as compared with RMB289,139,000 as at the end of Previous Year.

As at 31 December 2011, the Group's selling expenses, administration expenses, and finance costs amounted to approximately RMB39,264,000, RMB66,528,000 and RMB-7,267,000 respectively, representing a decrease of 6.6%, a decrease of 0.3% and a decrease of 44.6% respectively as compared with approximately RMB42,028,000, RMB66,724,000 and RMB-5,027,000 respectively in Previous Year.

As at 31 December 2011, the Group's trade and bill receivables and inventories amounted to approximately RMB162,864,000 and RMB263,328,000 respectively, representing an increase of 7.07% and an increase of 14.79% respectively as compared with approximately RMB152,105,000 and RMB229,396,000 respectively as at the end of Previous Year.

### ANALYSIS OF CAPITAL LIQUIDITY

As at 31 December 2011, the Group's current assets amounted to approximately RMB703,749,000 (2010: RMB793,907,000), current liabilities were approximately RMB139,289,000 (2010: RMB160,208,000), the annual receivables turnover period was 82 days and the annual inventory turnover period was 158 days. The above data indicates that the Group has strong solvency but its liquidity ability and management are yet to be improved. (Note: deposit, accounts and bill receivables are expressed in net value).

### ANALYSIS OF FINANCIAL RESOURCES

As at 31 December 2011, the Group's bank and other short-term loans were approximately RMB5,000,000. As the Group had comparatively sufficient bank deposits and cash with a total amount of approximately RMB242,285,000, therefore, the Group does not have short-term solvency risk.

### NON-CURRENT LIABILITIES OR LOAN

As at 31 December 2011, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator was approximately RMB8,813,000 (equivalent to approximately EUR1,080,000), which is a French government loan at an interest rate of 0.5% per annum. The loan denominated in Euro is subject to exchange rate risks resulting from fluctuations of the exchange rate in the international foreign exchange market. This long-term loan is installment loan in respect of which the maximum repayment period is thirty-six years. As the outstanding amount of the long-term loan is not substantial, there is no material impact on the operations of the Group.



# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## CAPITAL STRUCTURE OF THE GROUP

The Group's capital is derived from bank and other loans, raised proceeds, corporate profit and proceeds from the disposal of the land use rights of the old site of the Company. The use of raised proceeds strictly complied with legal requirements. In addition, in order to ensure the proper utilization of capital, the Group has strengthened its existing financial management system. The Group also paid attention to avoiding high risks and to improving its return on investments. During the Year, debts and obligations were repaid and performed when due in accordance with the relevant contractual terms.

## LIQUIDITY AND SOURCE OF FUNDS

The Group's net cash outflow from operating activities amounted to approximately RMB90,865,000 during the Year (2010: RMB59,652,000, representing an increase of RMB31,213,000).

During the Year, the Group spent approximately RMB45,908,000 (2010: RMB110,249,000, representing a decrease of approximately RMB64,341,000) on purchases of property, plant and equipment and on construction-in-progress.

As at 31 December 2011, the Group's total liabilities and non-controlling interests amounted to approximately RMB303,357,000 (2010: RMB317,253,000). The Group's interest expenses were approximately RMB998,000 for the Year (2010: RMB2,180,000).

## CONTINGENT LIABILITIES

As at 31 December 2011, the Group did not have any contingent liabilities (2010: Nil).

## BUSINESS OUTLOOK

### SET EXPLICIT GOALS AND ACCOMPLISH THREE MAJOR MISSIONS

#### *Integration and restructuring*

The Company will strengthen joint venture and cooperation, integrate resources and develop the industry. The Company intends to, with China PUTIAN Corporation as a participant, integrate resources and engage in comprehensive strategic cooperation with partners to break the bottleneck of fiber optical cable development and dramatically increase production capacity. We'll also introduce strategic investors when consensus is reached among all parties to integrate rods, optical fibres and cables and embark on a new pathway toward fiber optical cable development.

As a preliminary objective, the Company will put the ultra fine cables and components on the market by large volume in the first half of the year through cooperation with outside parties. We will join hands with our partners to develop the ultra fine cables industry, capitalizing on their advantages in types of ultra fine components, market size, production technology and management experience.

The Company will keep tightening the management of long-term investment, properly deal with problems left over from the past. We will speed up the transfer of equity in Chengdu Peak and Gaoxin Cable and resolve the previous issues of Sichuan Dragon as soon as practicable.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### *Proceed with major projects*

The Company will try to obtain the qualification in relation to electric equipment cables and CRCC certification from the Ministry of Railways sooner to gain an edge in its efforts to become a supplier of China CNR and enter the high-speed train market. We will enlarge our product and business scopes, develop electric cable business, continue to expand into the markets of special cables such as photovoltaic and wind power cables, make full use of the irradiation centre and fully utilize its equipment processing capacity.

As for ultra fine electronic wires and components, the Company will keep improving production process to enhance product quality and reduce production cost. We will provide sufficient technical, production and management personnel to ensure the efficient operation of production and operation.

### *Transform and improve efficiency of traditional products*

In respect of plastic cables and program-controlled cables, the most critical problem is cost control. The Company will make more detailed profit and loss estimates, identify key problems for further improvement and exercise strict cost control to increase gross profit; on the other hand, we will make corresponding adjustment to businesses according to the change in operating strategies of telecommunication operators.

The Company will expedite technological innovation in heat shrinkable products, implement effective marketing strategy and make proper arrangement for invitation to bid and bidding. We will tighten up production process control and cost control to cut down on cost, increase market competitiveness and ensure the long-term sustainable development.

The Company will make sure that the existing optical fibre production lines run at full capacity while keeping cutting production cost and maintaining efficient operation with the aim of participating in the centralized procurement of domestic telecommunication operators so as to achieve high profitability.

The Company will continue to improve the quality of feeder products, cut back raw material consumption, use flexible operating strategies to boost sales revenue. We will put more effort in market development, especially those with higher prices and returns.

### **IMPROVE MANAGEMENT TO GUARANTEE THE ACCOMPLISHMENT OF THE THREE MAJOR MISSIONS**

#### *Tighten budget and financial management and promote sophisticated management*

The Company will strengthen the central role of budgeting in the operation management and control, manage the process of budget implementation and enhance the analysis and feedback mechanism to improve operation objectives fulfilment. We will tighten up assets management and implement the accountability system for collection of payments for goods and inventory management to make sure that the proportions of accounts receivable and inventories relative to the revenue are controlled at reasonable levels while maintaining revenue growth. We will perfect the financial management system centered on basic accounting management and cost management and strive to improve financial accounting and cost control capabilities so that financial analysis can reflect the results and effects of the Company's operation strategies on an appropriate and timely basis.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)



### *Improve the internal control mechanism and enhance risk management*

The Company will further better the internal control mechanism by conducting thorough and comprehensive risk assessment and delegating specific risk control responsibilities. We will strengthen internal audit and special audit and conduct follow-up review of rectifications. We will further step up effort for corporate legal affairs management. Corporate general legal consulting system will be established and optimized under which legal review will be applied toward all corporate systems, economic contracts and important decisions, so as to effectively control legal risks. More effort will be put into the tracking, analysis, examination and appraisal of KPI implementation. We'll combine legal, audit and monitoring measures to strengthen audit and supervision of major decisions, material projects and significant matters as well as the supervision and review of the implementation of important regulations and systems. We will improve the functions of the Board, the supervisory committee and the audit committee and give full play to the role of the Board and the supervisory committee.

### *Innovate performance appraisal and incentive mechanisms and enhance HR management efficiency*

The Company will focus on innovating performance appraisal and incentive mechanisms and promoting professional capabilities training and management team building to improve HR management efficiency and provide sufficient human resources for the Company's development and industrial transformation and upgrading. We will establish a sound performance appraisal system for all employees holding different posts and engaging in different types of work, using more reasonable and proper evaluation approaches to improve the precision and accuracy of the appraisal. We will set up a mechanism to guarantee the reasonable and normal increase of employees' remuneration in light of the market and industry level so as to improve the attractiveness of the Company to potential employees. We will provide more training for all professional personnel and improve training quality and effect to comprehensively increase the professional capabilities of cadres and employees. We aim at expanding the abilities of the middle and higher level management for goal setting, correct decision making, efficient implementation and enthusiastic entrepreneurship to build a middle management team with outstanding professional capabilities and extensive operation and management experience.

## REPORT OF THE DIRECTORS

The Board is pleased to present its report and the audited financial statements of the Group for the Year.

### ACCOUNTS

1. The results of the Group are set out in the consolidated income statement on page 52 to 53 of this annual report.
2. The financial position of the Group as at 31 December 2011 are set out in the consolidated balance sheet on pages 48 to 51 of this annual report.

3. The changes in equity of the Group are set out in the consolidated statement of changes in equity on pages 57 and 58 of this annual report.

4. The cash flows of the Group are set out in the consolidated cash flows statements on pages 54 and 56 of this annual report.

### FINANCIAL HIGHLIGHTS

The following is the financial highlights of the Group for the five financial years ended 31 December 2011 which were extracted from the consolidated financial statements prepared in accordance with the Accounting Standards for Business Enterprises — Basic Standard issued by the Ministry of Finance of the PRC.

	<b>2011</b> <b>RMB'000</b>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i> (Restated)
Turnover	<b>587,094</b>	525,614	577,241	654,092	632,160
(Loss)/profit before income tax	<b>(56,509)</b>	93,651	7,857	21,363	203,557
Income tax expense	<b>(7,244)</b>	(806)	5,799	15,520	73
(Loss)/profit for the Year	<b>(63,733)</b>	92,845	2,058	5,843	203,484
Attributable to:					
(Loss)/profit attributable to equity holders of the Company	<b>(66,045)</b>	87,035	(9,259)	4,651	199,155
Minority interests	<b>2,312</b>	5,810	11,317	1,192	4,329
Total assets	<b>1,403,396</b>	1,490,675	1,517,858	1,448,358	1,393,077
Total liabilities	<b>221,716</b>	235,561	350,323	284,894	257,956
Minority interests	<b>81,640</b>	81,692	77,382	79,344	74,009
Total net assets	<b>1,181,680</b>	1,255,114	1,167,535	1,163,464	1,135,121

# REPORT OF THE DIRECTORS (Continued)

## PRINCIPAL ACTIVITIES

The principal activities of the Group are the manufacture and sale of various types of telecommunications cables, optical fibres and cable joining sleeves.

The Group's turnover and contribution to results from operations for the Year are analysed in segments according to the Group's principal activities and geographical markets as set out in note V.30 to the consolidated financial statements on pages 123 to 125 of this annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

The analysis of the Group's single largest supplier, the top five largest suppliers, the single largest customer and the top five largest customers for the Year are as follows:

	Percentage (%)	
	2011	2010
Purchases		
Single largest supplier	16	11
Five largest suppliers	49	48
Sales		
Single largest customer	22	24
Five largest customers	47	53

As far as the directors of the Company (the "Directors") are aware, none of the Directors or supervisors of the Company (the "Supervisors") or their respective connected persons or any Shareholders holding more than 5% of the Company's share capital owned any direct or indirect interests in any of the five largest suppliers or the five largest customers of the Group for the Year.

## FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2011 (2010: Nil).

## SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2011 are set out in note IV to the consolidated financial statements on page 92 and page 93 of this annual report.



# REPORT OF THE DIRECTORS (Continued)

## PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROGRESS

Details of the changes in the property, plant and equipment and construction-in-progress of the Group during the Year are set out in notes V.10, 11 and 12 respectively to the consolidated financial statements on pages 109 to 112 of this annual report respectively.

## SHARE CAPITAL

Details of the share capital of the Company are set out in note V.26 to the consolidated financial statements on page 122 of this annual report.

The Company did not have any proposal for bonus issue, placing of shares or issue of new shares during the Year and there was no change in the share capital of the Company during the Year and the period from 31 December 2011 up to the date of this annual report.

## OVERDUE TIME DEPOSITS

As at 31 December 2011, the Group did not have any deposit and trust deposit with non-banking financial institutions nor time deposits that cannot be recovered on maturity.

## INCOME TAX

In accordance with related requirements of the Administrative Measures with regard to the Recognition of High-tech Enterprises (《高新技術企業認定管理辦法》) (Guo Ke Fa Huo [2008] No. 172) and the Administrative Guidance with regard to the Recognition of High-tech Enterprises (《高新技術企業認定管理工作指引》) (Guo Ke Fa Huo [2008] No. 362) and Chuan Gao Qi Ren [2011] No. 4 issued by the High-tech Enterprise Accreditation Management Team of Sichuan, the Company and its subsidiaries Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant, Chengdu SEI Optical Fiber Co., Ltd., and Chengdu MCIL Radio Communications Cable Co., Ltd. are recognised as High-tech enterprises and entitled to a preferential tax rate of 15% for High-tech enterprises.

## MARKET RISKS

The Group is exposed to various types of market risks, including but not limited to fluctuations in copper prices, financial instruments and changes in interest rates, foreign exchange rates and inflation.

## RISKS RELATING TO COPPER PRICES AND OTHER COMMODITIES PRICES

The Group's revenue and profit are sensitive to fluctuations in prices in copper and other commodities. This is due to the fact that the Group generates all of its revenue and profit from the PRC. The Group does not enter into commodity derivative instruments or futures to hedge against any potential price fluctuations of copper and other commodities or for trading purposes. Therefore, fluctuations in the prices of copper and other commodities may have a material effect on the Group's revenue and profit.

# REPORT OF THE DIRECTORS (Continued)

## CREDIT RISK

The Group manages credit risk by setting up credit control policy and periodic evaluation of credit performance of other parties, measured by the extent of delinquency or default and their financial viability.

The Group performs ongoing credit evaluations of each of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of its current credit information.

The Group continuously monitors collections and payments from its customers and maintains a provision for estimated impairment for credit loss based upon its historical experience and any specific customer collection issues that it has identified. Impairment for trade receivables has historically been within the management's expectation and the Group will continue to monitor the collections from customers and maintain an appropriate level of credit losses. The Group did not hold any collateral from its customers.

The Group has no concerns over significant concentration of credit risk, with exposure spread over a number of financial institutions and customers.

The Board considered that the credit risk from deposits and bank balances is minimal as the balances are placed with financial institutions with high credit ratings and are state-owned banks with good reputation.

The Group does not provide any guarantees to third parties which would expose the Group to unnecessary credit risks.

## LIQUIDITY RISK

In managing of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the adequacy of bank and other borrowings.

## INTEREST RATE RISK

The Group's exposure to interest rate risk relates primarily to the Group's cash holdings and interest-bearing bank loans. The Group manages its interest rate exposure from certain cash holdings through placing them into a fixed rate time deposit and manages the exposure from all of its interest-bearing loans through the use of fixed rates.

## FOREIGN EXCHANGE RISK

All of the Group's transactions are carried out in RMB. The fluctuation of the RMB/USD exchange rate may affect the international and local copper prices, which may therefore affect the Group's operating results. In the past few years, the exchange rate of RMB was comparatively stable. RMB is not a freely convertible currency. On 21 July 2005, The People's Bank of China increased the exchange rate of RMB against U.S. dollar by 2.1%, and the exchange rate of RMB against a basket of currencies may fluctuate. In view of the above circumstances, the PRC government might take further actions and measures on the free trade of RMB. Therefore, fluctuations in exchange rates may have an adverse effect on the Group's net assets, earnings and any dividend declared, which shall be converted or translated into Hong Kong dollars.

The Group has been monitoring the exchange rate between RMB and Hong Kong dollar closely as the proceeds raised by the Group from the initial public offering are denominated in Hong Kong dollars. Meanwhile, appropriate measures aiming at reducing the risk of fluctuation in exchange rates have been taken to minimize such risks.

## REPORT OF THE DIRECTORS (Continued)

### NUMBER OF SHAREHOLDERS

Details of the number of Shareholders as recorded in the register of members of the Company as at 31 December 2011 are as follows:

Classification	Number of Shareholders
State-owned legal person shares	1
Overseas listed foreign invested shares -H Shares	90
Total number of Shareholders	91

### SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the largest Shareholder was China Potevio, holding 240,000,000 issued state owned legal person shares, representing 60% of the total issued share capital of the Company. At the beginning of the Year, HKSCC Nominees Limited ("HKSCC", holding shares of the Company on behalf of various customers) held 155,774,998 H Shares of the Company, representing 38.94% of the total

issued share capital of the Company. At the end of the Year, HKSCC held 155,856,998 H Shares of the Company, representing 38.96% of the total issued share capital of the Company.

As at 31 December 2011, save as stated in this section, there are no interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO"). Saved as stated in this section, at any time during the Year, the Board was not aware of any person holding any interests or short positions in the shares or underlying shares of the Company which are required to be disclosed pursuant to the SFO.

As shown in the register of substantial shareholders maintained under Section 336 of the SFO, the Group has been notified by the Shareholders holding 5% or more of the Company's issued H Shares. These are interests other than those held by Directors, Supervisors and chief executives of the Company which are disclosed below.

As indicated by HKSCC, as at 31 December 2011, the following Central Clearing and Settlement System ("CCASS") participants held 5% or more of the total issued H Shares:

CCASS participant	Number of H Shares held at the end of the Year	Percentage of H Shares	Percentage of total issued share capital
The Hongkong & Shanghai Banking Corporation Ltd.	23,499,100	14.6869%	5.8748%
Bank of China (Hong Kong) Limited	16,054,000	10.0337%	4.0135%
BOCI Securities Limited	8,072,000	5.0450%	2.0180%
Citic Securities Brokerage (HK) Limited	8,215,000	5.1343%	2.0538%
Hang Seng Securities Limited	8,838,563	5.5241%	2.2096%

# REPORT OF THE DIRECTORS (Continued)

Save as disclosed above, as at 31 December 2011, the Company was not aware of any other shareholding interests which are required to be disclosed pursuant to the SFO. The Board was not aware of any person holding, directly or indirectly, 5% or more of the interests in the total issued H Shares.

## SUFFICIENT PUBLIC FLOAT

According to public information made available to the Company and to the knowledge of each Director, the Company confirmed that the public held sufficient shares during the Year and up to the date of this report.

## DIRECTORS AND SUPERVISORS

During the Year and as at the date of this report, the Directors and Supervisors are as follows:

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### EXECUTIVE DIRECTORS

Zhang Xiaocheng  
Guo Aiqing  
Fu Ruolin  
Chen Ruowei  
Su Wenyu  
Jiang Jianping

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Choy Sze Chung, Jojo  
Wu Zhengde  
Li Yuanpeng

### SUPERVISORS

Yang Zhihe  
Xiong Ting  
Dai Xiaoyi

## PROFILE OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

### 1. DIRECTORS

#### Executive Directors

**Mr. Zhang Xiaocheng**, aged 55, Mr. Zhang has a master's degree in Business Administration and is a senior economist. He is currently a director and vice president of China Potevio and an executive Director and chairman of the sixth session of the Board of the Company. He is also the chairman of China Putian Houma Communications Co., Ltd. (侯馬普天通信電纜有限公司) and a director of Infotech Pacific Ventures L.P. in Beijing (北京盈富泰克創業投資有限公司). He was previously the director of the industrial economic research division of the Research Institute of Economics (經濟研究所) of Da Lian College of Economics and Management (大連經濟管理學院), the office secretary, the secretary to the general manager, the deputy director of office, the director of the research centre, the general manager of the corporate management department and the capital operation department of Potevio Group; the assistant to the factory manager and assistant factory manager of Xian Microwave Hardware Factory of the Posts and Telecommunications Ministry (郵電部西安微波設備廠), the Director of the second and fifth sessions of the Board of the Company and the chairman of the third and fourth Supervisory Committee of the Company. During the past three years, Mr. Zhang held directorships in two companies listed on the Shanghai Stock Exchange, namely Eastern Communications Co., Ltd. (東方通信股份有限公司) (Stock Code: 600776) and Shanghai Potevio Co., Ltd. (上海普天郵通科

## REPORT OF THE DIRECTORS (Continued)

技股份有限公司)(Stock Code: 600680). Mr. Zhang joined the Company in October 1997 and has more than twenty years of experience in corporate investment and operation management.

**Mr. Guo Aiqing**, aged 57, Mr. Guo received university education and is a senior engineer. He is currently an executive Director and Vice Chairman of the sixth session of the Board, the general manager and secretary to party committee of the Company. He was previously the assistant to the factory manager and standing deputy factory manager, the factory manager of Houma Cable Plant of the Posts and Telecommunications Ministry (郵電部侯馬電纜廠) and an executive Director of the second, third, fourth and fifth sessions of the Boards of the Company. Mr. Guo has also served as directors and chairmen in non-wholly owned subsidiaries including Chengdu SEI Optical Fiber Co., Ltd. (成都中住光纖有限公司), Chengdu MCIL Radio Communications Co. Ltd. (成都中菱無線通信電纜有限公司) and Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant (成都電纜雙流熱縮製品廠) and he has served as director and chairman in associates of the Company Chengdu CCS Optical Fibre Cable Co., Ltd. (成都康寧光纜有限公司) and Chengdu Peak Power Sources Co., Ltd. (成都皮克電源有限公司) respectively. Mr. Guo joined the Company in April 1999. He has over thirty years of experience in the production of telecommunication cables and corporate management.

**Ms. Fu Ruolin**, aged 42, Ms. Fu has a master's degree of Business Administration, a bachelor's degree in Posts and Telecommunications Management Engineering from Changchun Institute of Posts and Telecommunications and a master's degree of Business Administration of Business Collage of Renmin University of China. Ms. Fu is currently an executive Director of the sixth session of the Board of the Company, the general manager of the finance department of China Potevio and the director of Putian Eastern Communications Group Co., Ltd. (普天東方通信集團有限公司), the director of Nanjing PUTIAN Communications Technology Business Company Limited (南京普天通信科技產業園有限公司), the director of Beijing PUTIAN Investment Management Company Limited (北京普天聯創投資管理有限公司). Ms. Fu had consecutively served as assistant to general manager of the finance department, the chief of financial management division and deputy general manager of finance department of Potevio Group. During the past three years, Ms. Fu held directorships in two listed companies on the Shanghai Stock Exchange, namely Shanghai Potevio Co., Ltd. (上海普天郵通科技股份有限公司)(Stock Code: 600680) and Eastern Communications Co., Ltd. (東方通信股份有限公司)(Stock Code: 600776), and Nanjing PUTIAN Telecommunications Co., Ltd. (南京普天通信股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 200468). Ms. Fu joined the Company in September 2009 and has over ten years of extensive experience in financial management and business administration.



## REPORT OF THE DIRECTORS (Continued)

**Mr. Chen Ruowei**, aged 50, Mr. Chen has a master's degree in Business Administration and is a senior engineer. He holds bachelor's degree in Engineering from Tsinghua University, master's degree in Engineering from Beijing University of Posts and Telecommunications and master's degree in Business Administration from Norwegian School of Management. Mr. Chen is the deputy general manager of the communication business headquarters and general manager of marketing department II of China Potevio, and an executive Director of the fifth and sixth sessions of the Board of the Company and also holds directorships in Wuhan PUTIAN Power Co., Ltd. (武漢普天電源有限公司) concurrently. Mr. Chen had served as a teaching assistant of Wireless Communications department of Tianjin Institute of Technology, a senior engineer of technology department of Potevio Group, the general manager of Beijing Optel Telecommunication Technology Limited (北京奧普泰通信技術有限公司), a director and general manager of Hutchison Optel Telecommunication Technology Limited (和記奧普泰通信技術有限公司) and deputy general manager of systems headquarters of China Potevio. Mr. Chen joined the Company in August 2008 and has over twenty years of extensive experience in optical communication, information technology and business management.

**Mr. Su Wenyu**, aged 44, Mr. Su has a master's degree in Management, a bachelor's degree in Telecommunications Engineering from Changchun Institute of Posts and Telecommunications and a master's degree of Corporate Management from Beijing University of Posts and Telecommunications. Mr. Su is currently an executive Director of the sixth session of the Board of the Company, the deputy general manager of the headquarters of international business department of China Potevio, the deputy general manager of Beijing Great Dragon Information Technology International Co., Ltd. (北京巨龍東方國際信息技術有限責任公司) and the director of Shandong Huari Battery Co., Ltd. (山東華日電池有限公司). Mr. Su had consecutively served as the project manager of import and export department of Potevio Group, the department manager of Youdian Wanda Communications Co., Ltd (郵電萬達通信有限公司), the general manager of Putian Taili Communications Equipment Beijing Co., Ltd (北京普天太力通信設備銷售有限公司), the chief of joint venture cooperation division of international cooperation department and the deputy general manager of international cooperation department of Potevio Group as well as the deputy general manager and the department head of human resource department (人事總務部部長) of Panasonic Putian Mobile Communications Beijing Co., Ltd (北京松下普天通信設備有限公司). Mr. Su joined the Company in September 2009 and has over fifteen years of extensive experience in corporate operation management and external business development.

## REPORT OF THE DIRECTORS (Continued)

**Mr. Jiang Jianping**, aged 42, Mr. Jiang has a master's degree in Economics, a bachelor's degree in Economics (Accounting) from The Central Institute of Finance and Banking (中央財政金融學院) and a master's degree in Economics (Finance) from The Central University of Finance & Economics (中央財經大學). Mr. Jiang is currently an executive Director of the sixth session of the Board of the Company, the deputy general manager of corporate development department of China Potevio, executive deputy general manager of Putian Sea Oil New Energy Power Co., Ltd (普天海油新能源動力有限責任公司) and also holds directorships in Shanghai Potevio Network Technologies Co., Ltd. (上海普天網絡技術有限公司), Beijing Capital Co., Ltd (北京首信股份有限公司), Chongqing PUTIAN Communication Equipment Co., Ltd. (重慶普天通信設備有限公司), Hangzhou Swangoose Electrical Co., Ltd. (杭州鴻雁電器有限公司), director of Infotech Pacific Ventures L.P. in Beijing (北京盈富泰克創業投資有限公司), executive director (legal representative) of Shenzhen Changlang Information Technology Co., Ltd. (深圳市暢朗資訊技術有限公司) and a director of Shanghai Potevio Co., Ltd. (上海普天郵通科技股份有限公司), a company listed on the Shanghai Stock Exchange, (Stock Code: 600680). Mr. Jiang had consecutively held positions as the deputy division chief of the general affairs division of General Office of China Everbright Group Limited (中國光大(集團)總公司), the management specialist of three committees of capital operation department of Potevio Group (普天集團資本運營部三會管理專員) and the investment business manager, senior investment business manager and the deputy general manager of capital operation department of China Potevio. Mr. Jiang joined the Company in September 2009 and has over ten years of extensive experience in economic analysis and capital operation.

### *Independent Non-executive Directors*

**Mr. Choy Sze Chung**, Jojo, aged 53, Mr. Choy has a master's degree of Business Administration. He obtained Master of Business Administration Degree from University of Wales and Master of Business Law Degree from Monash University. Mr. Choy is currently the vice chairman of National Resources Securities Limited (中潤證券有限公司). Mr. Choy is the independent non-executive director of two companies listed on the Hong Kong Stock Exchange, namely, Zhaojin Mining Industry Company Limited (招金礦業股份有限公司) (Stock Code: 01818) and Sparkle Roll Group Limited (耀萊集團有限公司) (Stock Code: 00970). Mr. Choy is also the chairman of the Institute of Securities Dealers Limited, a committee member of Society of Registered Financial Planners Limited, a fellow member of Institute of Financial Accountants, a fellow member of the Institute of Compliance Officer, a member of Shantou Chinese People's Political Consultative Committee, a honorary president of Shantou Overseas Friendship Association, a honorary president of Shantou Overseas Exchange Association, a standing director of The Overseas Teo Chew Entrepreneurs Association, a honorary principal of Chen Po Sum School and a committee council member of Rotary Club Kowloon West. He is an independent non-executive Director of the fifth and sixth sessions of the Board of the Company. Mr. Choy has joined the Company since 16 February 2006. Mr. Choy has extensive experience in the securities industry and business management.

## REPORT OF THE DIRECTORS (Continued)

**Mr. Wu Zhengde**, aged 67, Mr. Wu is a doctorate postgraduate with a bachelor's degree, a master's degree and a doctorate degree of the University of Electronic Science and Technology of China in Chengdu. He is currently a member of the standing committee of the Chinese People's Political Consultative Conference, the deputy chairman of the Central Committee of Democratic Alliance, the deputy chairman of the Sichuan Provincial People's Political Consultative Conference, the vice-chancellor of the University of Electronic Science and Technology of China in Chengdu and a tutor for doctorate students in the discipline of "electromagnetic field and microwave technology". Mr. Wu is a national grade expert with remarkable contribution and was appointed as a fellow of the US New York Academy of Science in 1993. He is an independent non-executive Director of the fourth, fifth and sixth sessions of the Board of the Company. Mr. Wu has joined the Company since 1 October 2003.

**Mr. Li Yuanpeng**, aged 72, Mr. Li received university education in specialization. He is currently a senior consultant of The Fifth Research Institute of Telecommunications Technology, a professor-grade senior engineer, a member of the China Institute of Communications, a member of the Communication Lines Committee (通信線路委員會), a member of the Cable and Optical Fibre and Optical Cable Expert Committee of the China Electrical Equipment Industrial Association. Mr. Li was previously the director of the research department of the fifth Research Institute of Posts and Telecommunications Science Research Institute (郵電科學研究院), the deputy head of the Research Institute, the director of the Academic Committee of the Research Institute, the director of the Senior Technology Position Appraisal Committee, the director of the Cable Distribution Products Quality Control and the Testing Centre of the Posts and Telecommunications Ministry, a member of the Wire and Cable Subcommission of China Electrotechnical Commission, a member of the standing committee of the Optical Cable and Wire Subcommittee of China Electronic Components Association, a member of the council of the China Institute of Communication and a chief member of the Communication Lines Committee. He is an independent non-executive Director of the fifth and sixth sessions of the Board of the Company. Mr. Li has joined the Company since 17 August 2006.

## REPORT OF THE DIRECTORS (Continued)

### Service Contracts of Directors

Each of the existing Directors appointed or reelected on 18 September 2009 has entered into a service contract with the Company, with a term of three years commencing from 18 September 2009 up to 17 September 2012. The Directors' remuneration includes salary, bonus, allowance and other benefits including pension.

Save as disclosed above, no Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## 2. SUPERVISORS

**Mr. Yang Zhihe**, aged 60, Mr. Yang received university education in specialization. He is the general manager of audit compliance department of China Potevio, the chairman of the fifth and sixth sessions of the supervisory committee ("Supervisory Committee") of the Company. Mr. Yang also acts as a supervisor of China Potevio and the Chairman of the Supervisory Committee of Hangzhou Swangoose Electrical Co., Limited (杭州鴻雁電器有限公司). Mr. Yang had served as the section chief of production division and the deputy director of the industry development division of the Ministry of Machine and Electronics, director of economy operation division of the Ministry of Electronics Industry, director of economy operation division of the Ministry of Information Industry, the general manager of corporate management department and the deputy director of corporate reform office (企業改制辦副主任) of Potevio Group, secretary to party committee and deputy head of Guilin Potevio Telecommunication Equipment Factory

(桂林普天電信設備廠), vice secretary to party committee and secretary to discipline committee and chairman of labour union of Putian Capital Communications Equipment Factory (Group) (普天首信通信設備廠(集團)). Mr. Yang joined the Company in August 2008 and has over thirty years of extensive experience in corporate management, and audit compliance.

**Mr. Xiong Ting**, aged 49, Mr. Xiong received university education in specialization and is currently the Supervisor of the sixth session of the Supervisory Committee of the Company, the deputy secretary of the party committee, the secretary of the Disciplinary Commission and a chairman of the labour union of the Company. Mr. Xiong was the secretary of the league committee, the factory manager of the branch factory, the director of the office of the Ministry of Posts and Factory Telecommunications Cable Chengdu (郵電部成都電纜廠), assistant to general manager of the Company, manager of the supplier company and supervisor of the fifth session of the Supervisory Committee. Mr. Xiong joined the Company in 1982 and has over ten years of experience in corporate management.

**Ms. Dai Xiaoyi**, aged 38, Ms. Dai graduated from Chongqing Institute of Post and Telecommunications with a college degree, majoring in fiber-optic communication in the faculty of telecommunications. She is an engineer and is currently a deputy director of Party-Masses Work Department (黨群工作部副主任) and vice-chairman of the labour union of the Company. Ms. Dai joined the Company in September 1995 and had consecutively served as technician, assistant staff and engineer of the examination department (檢測部). Ms. Dai was democratically elected by the staff of the Company as a Supervisor of the sixth session of the Supervisory Committee of the Company.

# REPORT OF THE DIRECTORS (Continued)

## Service Contracts of Supervisors

Each of the existing Supervisors appointed or re-elected on 18 September 2009 has entered into a service contract with the Company, with a term of three years commencing from 18 September 2009 to 17 September 2012. Terms of office of all Supervisors are renewable for reelection or reappointment upon expiration.

Save as disclosed above, none of the Supervisors have entered into any service agreement with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## 3. COMPANY SECRETARY

**Ms. Kwong Yin Ping, Yvonne**, joined the Company on 27 October 2011. Ms Kwong Yin Ping holds a bachelor's degree in accountancy from the Hong Kong Polytechnic University and is an associate of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators. Ms Kwong had worked at the corporate secretarial departments of various well-established local and international professional firms and listed companies in the last twenty years.

## 4. SENIOR MANAGEMENT

**Mr. Dai Kang**, aged 45, received university education and is a senior engineer and currently the technology deputy general manager of the Company. Mr. Dai joined the Company in 1987, he has served as the deputy head of the technology department (技術處副處長), deputy chief engineer (副總工程師) and acting chief engineer (代總工程師) of the Company. Mr. Dai has extensive experience in cable technology and craftsmanship.

**Mr. Hu Mingde**, aged 44, completed university education and is currently the marketing deputy general manager of the Company. Mr. Hu joined the Company in 1990. He had served as manager of sales department, manager, assistant to general manager and deputy general manager of the Company. Mr. Hu has extensive experience in marketing and image promotion.

**Ms. Yu Qian**, aged 42, holder of a master's degree, is currently the Chief Financial Controller of the Company. Ms. Yu joined the Company in November 2011, and was once the Chief Financial Officer of Chengdu SEI Optical Fiber Co., Ltd. (a large optical fiber manufacturer in the PRC, which is affiliated to the Company). Ms. Yu is well experienced in financial supervision in the communication industry and is familiar with the financial position of the Company and the management and operation of stock companies.

## STAFF AND REMUNERATION POLICY OF THE GROUP

As at 31 December 2011, the Group had 1,054 staff members.

The Group remunerates its staff based on their performance, experience and prevailing industry practices. Other benefits offered to the staff include retirement benefits plans, medical benefits plans and housing fund plans. The Group also provides training to its staff.



## REPORT OF THE DIRECTORS (Continued)

### BASIC MEDICAL INSURANCE SCHEME FOR STAFF

The Company has participated in the basic medical insurance scheme for employees in Chengdu since October 2002 and has made a total payment amounting to approximately RMB2,341,000 in the Year (2010: RMB1,691,000). The Board considered that the implementation of the basic medical insurance scheme for staff has no material impact on the financial status of the Company.

### INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

There were no contracts of significance relating to the Company's business (to which the Company or any of its subsidiaries was a party) in which any Director or Supervisor had significant interests, whether directly or indirectly at any time during the Year and at the end of the Year.

### COMPETING BUSINESS INTERESTS OF DIRECTORS AND SUPERVISORS

During the Year, none of the Directors nor Supervisors have any interests in a business which directly or indirectly competes or may compete with the business of the Company (excluding the Company's business) and is discloseable under the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

### INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 31 December 2011, none of the Directors, Supervisors and Chief Executives or their associates had any interests and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he or she was taken or deemed to have under Part XV of the SFO), or which would have to be, pursuant to section 352 of the SFO, entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (for this purpose, the relevant provisions of the SFO were interpreted as the same also applicable to Supervisors).

### SHAREHOLDING OF DIRECTORS AND SUPERVISORS

At no time during the Year did any of the Directors or Supervisors hold any shares of the Company. None of the Directors and Supervisors had any interests in the share capital or debentures of the Company or any of its associated corporations (as defined in the SFO). None of the Directors and Supervisors, their spouses or children under 18 years old was granted rights to purchase shares or debentures of the Company or any of its associated corporations and there was no exercise of such rights by any of the said persons.

# REPORT OF THE DIRECTORS *(Continued)*

## **PURCHASE AND SALE OF SHARES OR DEBENTURES BY DIRECTORS AND SUPERVISORS**

At no time during the Year was the Company or any of its subsidiaries, holding companies or any fellow subsidiaries a party to any arrangement which enables the Directors and Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporations.

## **REMUNERATION OF DIRECTORS**

Details about the remuneration of Directors are set out in note VI.5.(5) to the consolidated financial statements on pages 140 and 141 of this annual report.

## **FIVE HIGHEST PAID INDIVIDUALS**

The five highest paid individuals in the Group during the Year include one Director. Details of the remuneration of the five highest paid individuals are set out in note VI.5.(6) to the consolidated financial statements on page 141 of this annual report.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

For the year ended 31 December 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **BANK AND OTHER BORROWINGS**

Details of the bank and other borrowings of the Group are set out in note V.17 and note V.24 to the consolidated financial statements on page 116 and page 120 of this annual report.

## **PLEDGE OF ASSETS**

During the Year, owing to sufficient working capital for production and operation, the Group did not obtain any new loan from banks which was secured by the Group's assets (2010: the Group did not obtain any loan from banks which was secured by the Group's assets).

At 31 December 2011, the Group did not pledge any land use right as security (2010: Nil).

## **PRE-EMPTIVE RIGHTS**

Pursuant to the articles of association of the Company (the "Articles of Association") and the Company Law of the PRC, there are no pre-emptive rights which require the Company to offer new shares of the Company to the existing Shareholders in proportion to their respective shareholdings.

## **MATERIAL LITIGATION OR ARBITRATION**

To the knowledge of the Board, none of the Company or other members of the Group was involved in, among other things, any material litigation or arbitration during the Year.

## **EXTRAORDINARY GENERAL MEETING**

During the Year, the Company did not hold any extraordinary general meeting.

## REPORT OF THE DIRECTORS (Continued)

### CODE ON CORPORATE GOVERNANCE PRACTICES

During the Year, none of the Directors is aware of any information that would reasonably indicate that the Company was not for any time during the Year in compliance with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The Board considers that the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the Year.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors and Supervisors of the Company.

After specific enquiries to the Board and the Supervisory Committee, the Board is pleased to confirm that all Directors and Supervisors had fully complied with the Model Code for Securities Transactions by the Directors of Listed Issuers set out in Appendix 10 of the Listing Rules during the Year.

### AUDIT COMMITTEE OF THE BOARD ("AUDIT COMMITTEE")

The Company established the Audit Committee in accordance with the Listing Rules. The Audit Committee comprises Mr. Choy Sze Chung, Jojo (Chairman of the Audit Committee), Mr. Wu Zhengde and Mr. Li Yuanpeng, all being independent non-executive Directors of the Company. The Audit Committee is responsible for matters such as conducting reviews of the internal control and financial reports and has reviewed the Company's audited financial statements for the year 2011.

The Audit Committee considered that the audited financial statements for the year 2011 complied with the requirements of the applicable accounting standards and laws and appropriate disclosure was made.

### AUDITORS

The Company convened an annual general meeting ("AGM") on 17 June 2011, at which Daxin Certified Public Accountants was appointed as the international auditors of the Company.

The financial statements of the Group prepared in accordance with the Accounting Standards for Business Enterprises issued by Ministry of Finance of the PRC have been audited by Daxin Certified Public Accountants. The auditors will retire at the forthcoming AGM to be convened and is eligible for re-appointment in the forthcoming AGM.

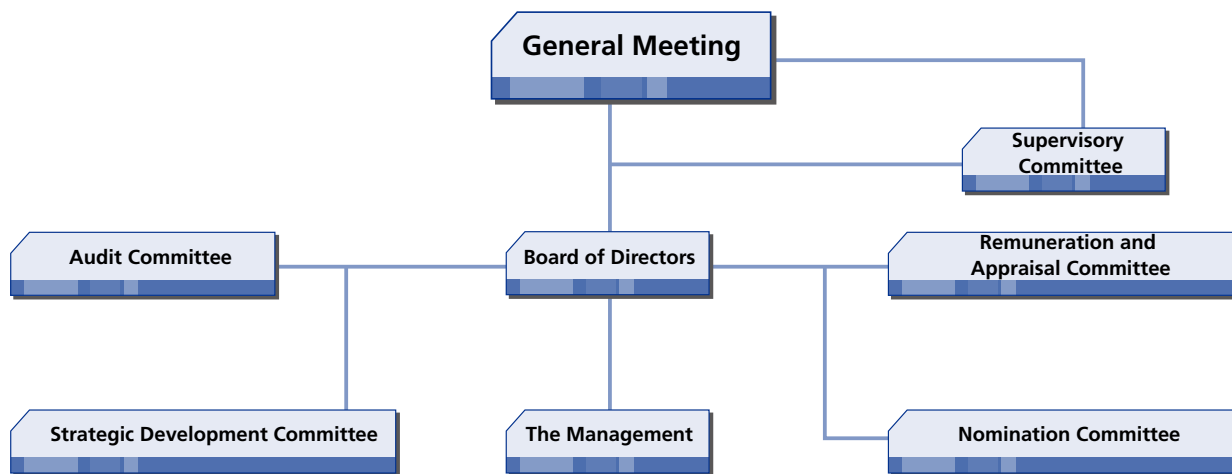
By order of the Board  
**Zhang Xiaocheng**  
Chairman

27 March 2012

# CORPORATE GOVERNANCE REPORT

The Board hereby reports to the Shareholders in respect of the Company's undertakings and its performance on corporate governance for the year ended 31 December 2011. The Company has been dedicated to the establishment of high level corporate governance and believed that sound corporate governance would enable the Company to further enhance the reliability and effectiveness of management and played an important role in maximizing the values of Shareholders.

The Company's corporate governance structure is set out as follows:



## CORPORATE GOVERNANCE REPORT *(Continued)*

### (a) CODE OF CORPORATE GOVERNANCE PRACTICES

As a listed company, we always endeavour to achieve the best corporate governance practices. The Board and the management of the Company believe that the Company should improve the accountability and transparency and strike a balance within various stakeholders (including but not limited to Shareholders, government, clients, creditors and staff). The Company must uphold a high standard of corporate governance. The Board understands that it is responsible for setting good corporate governance practices and procedures, with reference to and in application of the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules ("CG Code").

Therefore, the Board, the Supervisory Committee and senior management of the Company always endeavour to improve and implement effective corporate governance policies so as to ensure that all decisions adhere to the principles of integrity, consistency, openness, fairness and impartiality, thereby imposing a system of checks and balance. The Company will continue to improve its corporate governance structure, promote the quality of supervision and management and fulfill the Shareholders' and the public's expectation of the Company. The Company always monitors its internal operations in accordance with the Articles of Association while providing all market participants and supervisory authorities with timely, accurate and complete information about the Company. The following is a general description of the measures adopted by the Company during the Year:

- While preparing the financial statements for the year ended 31 December 2011, the Company has adopted the Accounting Standards for Business Enterprises — Basic Standard and 38 specific accounting standards issued by the Ministry of Finance of the People's Republic of China and the Application Guidance to Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other related requirements subsequently issued.
- None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not in compliance with the CG Code.

### (b) CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors and supervisors of the Company. As of 31 December 2011, none of the Directors nor the Supervisors held interests in any securities of the Company. Having made specific enquiries to all Directors and Supervisors, the Board confirmed that all Directors and Supervisors had fully complied with the Model Code from 1 January 2011 to 31 December 2011.

# CORPORATE GOVERNANCE REPORT *(Continued)*

## GOVERNANCE STRUCTURE

### (c) THE BOARD

Being the sixth session of the Board since the establishment of the Company which was elected at the extraordinary general meeting of the Company held on 18 September 2009, the Board currently comprises nine Directors, three of whom are independent non-executive Directors. The term of office for all Directors (including all independent non-executive Directors) is from 18 September 2009 to 17 September 2012. Members of the Board come from different industries and they have extensive experience in information technology, securities and finance, wire and cable industry, corporate management, financial accounting, project management and capital operation, etc. The independent non-executive Directors appointed by the Company are in compliance with rules 3.10 (1) and (2) of the Listing Rules. The list and biographies of Directors are set out on pages 16 to 20 of this annual report.

The main duties of the Board are to exercise management decisions with authority delegated by general meetings in respect of the Company's strategic development, business planning, management structure, investment and financing, financial control and human resources. The Board is responsible for deciding overall strategies and approving annual business plans and budgets of the Company so as to ensure that production and operation are properly planned, authorized, implemented and supervised. Besides, the Board is also responsible for the daily management of the Company. All substantial transactions or transactions of the Company with conflicts of interests are to be decided by the Board.

The Company's management is responsible for carrying out decisions made by the Board and to make decisions within their authority delegated by Directors in respect of the Company's operation.

Directors are elected in or replaced by way of the general meetings. Shareholders, the Board or the Supervisory Committee are entitled to nominate a candidate for directorship by written notice. Directors have a term of office of three years and are eligible to offer themselves for re-appointment upon expiry of the term.

The Company has one Director responsible for concrete management duties. This helps the Board closely review and monitor the Company's management procedure.

Each Director has fulfilled his duties in a conscientious, diligent and honest manner. During the Year, the Board of the Company had held four meetings respectively to discuss the Company's operating results, overall strategies, investment schemes as well as operation and financial performance. Directors could attend meetings in person or through other electronic communication devices.



## CORPORATE GOVERNANCE REPORT *(Continued)*

The Company has three independent non-executive Directors, which complies with the requirement of rules 3.10 (1) and 3.10 (A) of the Listing Rules. Independent non-executive Directors were assumed by the persons who are independent of any Directors, Supervisors, Chief Executives and substantial shareholders (as defined in the Listing Rules) or such individuals without any connection thereto (the independent third parties), which complies with the requirement of its independence of Listing Rules. According to the Listing Rules, each independent non-executive Director had confirmed his independence to the Stock Exchange prior to his appointment. On 13 January 2011, the Company has received written confirmation of independence from all independent non-executive Directors, confirming their independent status to the Company. The Company continues to consider them independent.

The Company's independent non-executive Directors of the Board have extensive experience in telecommunication, cable, economics, management or financial accounting. The backgrounds of independent non-executive Directors are also in compliance with the requirements of rule 3.10(2) of the Listing Rules which requires that at least one independent non-executive Director has appropriate professional qualifications, accounting or related financial management expertise.

The independent non-executive Directors expressed their analysis and opinions in respect of various issues as far as the Shareholders and the Company are concerned, and their extensive experience in business and finance are essential for the smooth development of the Company. The attendance of independent non-executive Directors in Board meeting, either by attending in person or by way of electronic communication was 100%, details of which are set out on page 38 in this section.

The Board is responsible for the preparation of the financial statements for each financial year, which give a true and fair view of the state of financial affairs and results of the Group for the Year and in compliance with relevant laws and disclosure requirements of the Listing Rules.

The Directors undertake that they have responsibility to compile company accounts making it a true and fair reflection of the Group's business position, results and cash flow performance during the period. When compiling the accounts for the year ended 31 December 2011, the Directors have:

- chosen the appropriate accounting policy which was applied consistently;
- approved early adoption of all of the provisions of the Accounting Standards for Business Enterprises — Basic Standard and 38 specific accounting standards issued by the Ministry of Finance of the People's Republic of China and the Application Guidance to Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other related requirements subsequently issued; and

## CORPORATE GOVERNANCE REPORT (Continued)

- made cautious and reasonable judgment and estimation and compiled the accounts on a going concern basis.

The Board should meet regularly. A minimum of four meetings shall be convened each year and if necessary, extraordinary Board meetings will be held. The company secretary is responsible for assisting the chairman of the Board to compile agendas. Each Director can request to have discussion topics be included in the agenda.

Notices of Board meetings or special committees meetings are delivered to the Directors or special committees members at least 14 days before the meetings for the Directors to prepare for the relevant meetings and incorporate other matters into the agenda. The meeting materials and the agenda of the Board meeting or special committee meeting are distributed to Directors or members of special committees at least 3 days before the meetings to allow sufficient time to enable them reviewing the relevant materials and prepare for the meetings.

Directors are free to express their views in the meetings. Important decisions will only be made after detailed discussions in the Board meetings. Directors confirm that they have the responsibility to act in the interests of the Shareholders and shall not ignore the interests of minority Shareholders.

The Company's general manager, deputy general manager and chief financial controller are invited to attend Board meetings. Senior management staff are also invited to attend Board meetings from time to time for explanation and giving responses to enquiries from the Board.

Detailed minutes of meetings are compiled for Board meetings or special committees meetings. Draft minutes are tabled in the next meeting for circulation among Directors or special committee members for perusal and comments before being endorsed by the Board or the special committees.

All Directors are free to communicate with the company secretary who is responsible for ensuring and advising on compliance with all procedures in connection with the Board and all applicable rules and regulations.

Minutes of Board meetings or special committees meetings must record in detail issues considered by the Directors during the meeting as well as the resolutions made including any worries or objections put forward by the Directors.

Minutes of Board meetings or special committees meetings are to be kept by the company secretary to which the Directors have free access.

The management shall on their own accord or upon enquiries provide appropriate and sufficient information to the Directors and special committees members and/or respond as soon as possible so as to keep them informed of the Company's latest development to facilitate their performance of duties

## CORPORATE GOVERNANCE REPORT *(Continued)*

Each Director is provided with a Director's Handbook containing guidance on practice. Provisions of relevant legislations or the Listing Rules are quoted in the Director's Handbook to remind Directors of the need to discharge their responsibilities including disclosure to the supervisory bodies of their interest, potential conflict of interests and details about changes of personal data. The Director's Handbook will be updated from time to time as per changes in laws and regulations as well as the Listing Rules.

The Board and the special committees are provided with sufficient resources for performance of duties including but not limited to hiring consultants as and when necessary with fees borne by the Company. Individual Directors can also hire consultants for advice on any specific issues of the Company with fees borne by the Company.

All Directors can obtain from the company secretary timely information and latest development about rules and regulations and other continual responsibilities which directors of listed companies must observe so as to ensure that each Director is informed of his own duties and that the Company implements Board procedures consistently and complies with the legislations as appropriate.

### **(d) CHAIRMAN AND GENERAL MANAGER**

The Company's chairman and the general manager are appointed by the Board. The positions are respectively taken up by Mr. Zhang Xiaocheng and Mr. Guo Aiqing with clearly defined duties.

The chairman is responsible for leading the Board in such a way that it operates efficiently, ensuring that the Board studies all major and relevant issues in a timely and constructive manner and examining implementation of Board resolutions. The general manager is responsible for managing the Group's operation and for coordinating the Group's business, implementing strategies formulated by the Board and rendering decisions on production and operation, with a similar duties as that of chief executive officers.

Clearly defined duties of the Company's chairman and general manager are stated in writing.

### **(e) INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has three independent non-executive Directors, representing one-third of the directorship. They are assumed by persons totally independent of Directors, Supervisors, Chief Executives and substantial shareholders (as defined in the Listing Rules). Independent non-executive Directors have a term of office for three years, commencing from 18 September 2009 to 17 September 2012. Mr. Choy Sze Chung, Jojo, Mr. Wu Zhengde and Mr. Li Yuanpeng, our independent non-executive Directors, strictly comply with the independence requirements of the Listing Rules. The three independent non-executive Directors assume membership in the audit committee, nomination committee, remuneration and appraisal committee, and strategic development committee under the Board.

## CORPORATE GOVERNANCE REPORT *(Continued)*

### (f) REMUNERATION AND APPRAISAL COMMITTEE

The remuneration and appraisal committee currently comprises five members, comprising three independent non-executive Directors, Mr. Choy Sze Chung, Jojo, Mr. Wu Zhengde and Mr. Li Yuanpeng and two executive Directors, Ms. Fu Ruolin and Mr. Jiang Jianping with effect from 18 September 2009. The committee is chaired by Mr. Wu Zhengde.

The role and main duties of the remuneration and appraisal committee include:

- to consider the appraisal criteria for Directors and senior management members, to perform the appraisal and provide suggestions;
- to make recommendations to the Board on the remuneration policy and structure for all Directors and senior management members and on the formulation of formal and transparent procedure for developing remuneration policy;
- to supervise the execution of the remuneration system;
- to determine the specific remuneration packages (including benefit in kind, pension rights and compensation payment such as compensation for loss or termination of office or appointment) for all individual executive Directors and senior management members and to make recommendations to the Board regarding the remuneration of non-executive Directors. The Committee shall consider remuneration paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;
- to review and approve the management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time;
- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent to agreement terms; and if compensation payable could not be consistent with agreement terms, it should be fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure they are consistent with agreement terms; and if compensation arrangements could not be consistent with agreement terms, it should be reasonable and appropriate;
- to ensure that no Director or any of his associates is involved in deciding his own remuneration;
- other matters authorised by the Board.

## CORPORATE GOVERNANCE REPORT *(Continued)*

The remuneration and appraisal committee shall report the passed resolution(s) and voting results to the Board after each meeting in writing.

The terms of reference of the remuneration and appraisal committee shall be made available for inspection on request, details of which are also published at the website of the Company (<http://putian.wsfg.hk>).

In evaluating the performance of the Directors and senior management, the Company used budget targets and audited financial reports as benchmarks. At the same time, sales revenue, net profits, and key performances were used as business indices. The Company's remuneration policy is that remuneration is linked with Company's performance. Directors' remuneration is determined upon appraisal by the remuneration and appraisal committee. By adopting such initiatives, the Company aims to attract, retain and encourage talents and provide supports for the achievement of operating targets of the Group. Total income of senior management during the Year comprises of a basic annual salary and a performance-based annual bonus. Remuneration of Directors and Supervisors are determined in general meetings according to related policies or regulations of the PRC and the actual position of the Company. The remuneration of the Directors and Supervisors working for the Company are paid according to the management duties they undertake in the Company.

As there was no adjustment to the remuneration of the appointed Directors and Supervisors during the Year, the remuneration and appraisal committee did not convene any meeting to consider the remuneration proposal for them during the Year. Details of the remuneration of Directors and Supervisors for the year ended 31 December 2011 are set out on pages 140 to 141.

During the Year, three independent non-executive Directors were paid director fees while the remaining Directors and Supervisors (including Directors and Supervisors working for the Company) were not paid any director or supervisor fees by the Company.

### **(g) NOMINATION COMMITTEE**

The Board set up a nomination committee currently comprising five members, including three independent non-executive Directors, Mr. Choy Sze Chung, Jojo, Mr. Wu Zhengde and Mr. Li Yuanpeng and two executive Directors, Mr. Chen Ruowei and Mr. Su Wenyu. The committee is chaired by Mr. Li Yuanpeng. The nomination committee holds meetings in due course every year.

The role and main duties of the Nomination Committee are:

- to submit proposals to the Board regarding its scale and composition according to the Company's operations, asset size and equity structure;
- to consider and submit proposal to the Board regarding standard and procedure for selection of Directors and managers;
- to regularly review the structure, size and composition (including skills, knowledge and experience) of the Board and make recommendations to the Board in relation to any proposed changes;
- to carry out extensive search for qualified candidates for Directors and managers;

## CORPORATE GOVERNANCE REPORT (Continued)

- to review candidates for Directors and managers and make suggestions to the Board;
- to review other senior management personnel to be appointed by the Board and make suggestions;
- to evaluate the independence of independent non-executive Directors;
- to submit proposals to the Board in respect of the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and chief executive; and
- other matters authorised by the Board.

The chairman of the nomination committee shall report the passed resolution(s) and the voting results to the Board after each meeting in writing.

The terms of reference of the nomination committee shall be made available for inspection on request, details of which are also published at the website of the Company (<http://putian.wsfg.hk>).

During the Year, the nomination committee had convened one meeting. Specific details of attendance of the meeting are set out on page 38 of this section. The committee mainly conducts the following tasks:

- To consider the appointment of chief financial controller of the Company and propose to the Board for approval.

### (h) AUDIT COMMITTEE

The Company has set up an audit committee since August 1999. The committee currently comprises three members, including the existing three independent non-executive Directors of the Company, namely Mr. Choy Sze Chung, Jojo, Mr. Wu Zhengde and Mr. Li Yuanpeng, and is chaired by Mr. Choy Sze Chung, Jojo. All of them comply with relevant requirements of the Listing Rules. Members of the audit committee have a term of three years. Terms of reference of the committee are formulated in accordance with recommendations of "A Guide for Effective Audit Committee" promulgated by Hong Kong Institute of Certified Public Accountants and the requirements of the Listing Rules. Its major duties include: to report to the Board, examine quality and procedure of the Group's interim and annual reports, review the connected transactions, monitor the financial reporting procedure, review soundness and effectiveness of internal control system of the Company, consider the appointment of independent auditors, co-ordinate and review its efficiency and work quality, study written reports of internal audit staff and review feedback from the management to such reports

Apart from that, the audit committee shall also undertake the following duties:

- To make recommendations on the engagement, reappointment or change of external auditors, approve the remuneration and terms of engagement of the external auditor, and any matters relating to resignation or dismissal of the auditor;

## CORPORATE GOVERNANCE REPORT *(Continued)*

- to supervise the internal auditing mechanism of the Company and its implementation;
- to communicate between the internal audit and the external auditors;
- to monitor the integrity of the Company's financial statements, annual report and accounts, and half-year report, and to review the significant financial reporting judgements contained therein. In reviewing these reports before submission to the Board, the committee shall focus particularly on:

any changes in accounting policies and practices;

major judgmental areas;

significant adjustments resulting from audit;

the going concern assumptions and any qualified opinions;

compliance with accounting standards; and

compliance with the Listing Rules and other legal and regulatory requirements in relation to financial reporting;

- to liaise with the Board and senior management. The committee shall meet, at least twice a year with the Company's auditors.
- to review the financial control, internal control and risk management systems;

- to discuss the internal control system with management to ensure that management has performed its duty and establish an effective internal control system, including whether the Company has adequate accounting and financial reporting resources, whether its personnel possess adequate qualifications and experience, staff training programmes and whether budget is sufficient;
- to consider major investigation findings on internal control matters and management's response;
- to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced, and to review and monitor the effectiveness of the internal audit function;
- to review the Group's financial and accounting policies and practices;
- to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or control systems and management's response;
- to ensure the Board timely response to the matters raised in the external auditor's management letter;
- to review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;



## CORPORATE GOVERNANCE REPORT (Continued)

- to develop and implement policies on engaging an external auditor to supply non-audit services. The committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- to consider any material or unusual items reflected in the report and accounts, and appropriately consider any matters raised by the Company's staff responsible for accounting and financial reporting function, compliance officer or auditors.
- to review internal control system of the Company and to audit material connected transactions;
- to review the following arrangements made by the Company: employees of the Company can raise concerns in strict confidence about possible improprieties in financial reporting, internal control or other aspects. The audit committee should ensure that appropriate arrangements are made to enable the Company to conduct fair and independent investigation and take proper measures;
- to act as the key representative body for overseeing the Company's relation with the external auditor; and
- other matters authorized by the Board.

The terms of reference of the audit committee shall be made available for inspection on request, details of which are also published at the website of the Company (<http://putian.wsfg.hk>).

During the Year, the audit committee had convened two meetings. Specific details of attendance of the meetings are set out on page 38 of this section. All resolutions passed during the meetings of the committee were duly recorded in accordance with related rules, and the records were filed upon perusal by all members of the audit committee with amendments. After each meeting, the chairman submitted reports on the significant matters discussed to the Board.

Major works finished by the audit committee during the Year included:

- To review the Group's report of the Directors, financial reports and results announcement for the year ended 31 December 2011 and propose to the Board for approval;
- To review a resolution in relation to the re-appointment of Daxin Certified Public Accountants as the auditor of the Company for the year 2011, with a term up to the conclusion of the next annual general meeting of the Company and propose to the Board for approval;
- To review the Group's interim results report, unaudited financial reports and interim results announcement for the six months ended 30 June 2011;
- To review recommendations on management put forward by auditors and responses from the Company's management;
- To review matters related to accounting policies and accounting practices adopted by the Group;

## CORPORATE GOVERNANCE REPORT (Continued)

- To assist the Board in making independent assessment of effectiveness of the Group's financial reporting procedures and internal supervisory system;
- To supervise the internal audit works of the Company; and
- To advise on significant events of the Company and remind the management to pay attention to related risks.

### (i) STRATEGIC DEVELOPMENT COMMITTEE

The strategic development committee currently comprises five members, including three independent non-executive Directors, Mr. Choy Sze Chung, Jojo, Mr. Wu Zhengde and Mr. Li Yuanpeng and two executive Directors, Mr. Zhang Xiaocheng and Mr. Guo Aiqing. The committee is chaired by Mr. Zhang Xiaocheng.

The role and main duties of the strategic development committee include:

- To study and advise on the Company's mid to long-term strategic development and planning;
- To study and advise on the material investment, financing proposal, significant use of capital and project of asset operation subject to approval of the Board pursuant to the Articles of Association;
- To study and advise on any other material events which have influence on the development of the Company;

- To check the implementation of the above matters; and
- Other relevant matters authorized by the Board.

Work procedures of the strategic development committee include:

- Any intentions of material investment, use of capital and project of operating assets; preliminary assessment on feasibility study and basic information of cooperating parties reported by relevant functional department of the Company or the responsible person of controlled (invested) company;
- To keep record in strategic development committee of the Board of intended investment projects assessed initially by the management of the Company after a letter of advice thereof is signed by the general manager of the Company;
- To report to the management of the Company about the progress of relevant agreement, contract, articles and feasibility report entered by relevant functional department of the Company or the responsible person of controlled (invested) company with external parties based on the management's opinion on preliminary assessment; and
- To submit formal proposals to the strategic development committee upon a review by the management of the Company and a letter of advice signed by the general manager of the Company.

## CORPORATE GOVERNANCE REPORT (Continued)

The strategic development committee convened meetings and held discussion in accordance with the proposal of management of the Company and submitted results of which for consideration of the Board and meanwhile, reported the results to the management of the Company.

During the Year, the strategic development committee did not convene a meeting.

During the Year, attendance at Board meetings, audit committee meetings, nomination committee meetings and remuneration and appraisal committee meetings are set out as follows:

	The Board			Audit Committee			Nomination Committee			Remuneration and Appraisal Committee		
	Number of meetings during the Year	Attendance		Number of meetings during the Year	Attendance		Number of meetings during the Year	Attendance		Number of meetings during the Year	Attendance	
		in person	by way of electronic communication		in person	by way of electronic communication		in person	by way of electronic communication		in person	by way of electronic communication
<b>Executive Directors</b>	9	2	7	2	1	1	1	—	1	—	—	—
Zhang Xiaocheng (Chairman)	9	2	7	—	—	—	—	—	—	—	—	—
Guo Aiqing (Vice Chairman)	9	2	7	—	—	—	—	—	—	—	—	—
Fu Ruolin	8	1	7	—	—	—	—	—	—	—	—	—
Chen Ruowei	9	2	7	—	—	—	1	—	1	—	—	—
Su Wenyu	8	1	7	—	—	—	1	—	1	—	—	—
Jiang Jianping	8	1	7	—	—	—	—	—	—	—	—	—
<b>Independent Non-Executive Directors</b>												
Choi Sze Chung, Jojo	9	2	7	2	1	1	1	—	1	—	—	—
Wu Zhengde	9	2	7	2	1	1	1	—	1	—	—	—
Li Yuanpeng	9	2	7	2	1	1	1	—	1	—	—	—

# CORPORATE GOVERNANCE REPORT *(Continued)*

## (j) AUDITOR'S REMUNERATION

The auditor engaged by the Company is nominated by the Board and is approved by Shareholders in the general meeting. Its remuneration was determined by the Board as authorized by the general meeting. During the Year, the remuneration paid to the auditor for auditing services totaled RMB1.05 million, no remuneration was paid to the auditor for provision of non-audit related services to the Company.

## MONITORING MECHANISM

### SUPERVISORY COMMITTEE

The Supervisory Committee was established in accordance with the relevant PRC law. It independently performs its supervisory duty under the law to protect against infringement of lawful rights of Shareholders, the Company and its staff. Also, it reviews the financial position and the financial information of the Company pursuant to the Articles of Association, monitors the decisions made by the Board and senior management for operation and management of the Company as to whether they are in accordance with relevant requirements of the laws and regulations. On 18 September 2009, an extraordinary general meeting was held to elect and confirm the sixth session of the Supervisory Committee of the Company. It comprised three Supervisors, including one Supervisor acting as staff representative and two shareholders' representative Supervisors. All Supervisors (including Supervisor acting as staff representative) will serve a term of office from 18 September 2009 up to 17 September 2012. The members of the Supervisory Committee include Mr. Yang Zhihe, Mr. Xiong Ting and Ms. Dai Xiaoyi, with Mr. Yang Zhihe as the chairman of the Supervisory Committee. The number of members and composition of the Supervisory Committee of the Company are in accordance with the relevant laws and regulations. Biographies of the Supervisors are set out on page 21 of this annual report.

During the Year, the Supervisory Committee convened two meetings.

All Supervisors have attended all the Board meetings and performed their monitoring obligations on behalf of Shareholders as to whether the financial activities of the Company, the performance of duties of Directors and senior management and the decision making procedures of the Board of the Company are in compliance with the laws and regulations. The Supervisors had performed their statutory duties impartially.

## INTERNAL CONTROL AND INTERNAL AUDIT

The Board is responsible for the establishment and maintenance of the Company's internal control system for reviewing relevant financial, operating and supervisory control procedures to protect Shareholders' interests and the Group's assets. The management is authorized by the Board to adopt such internal control system, effectiveness of which is reviewed by the audit committee.

The internal control system includes a management framework with clearly defined duties for the purposes of:

1. assisting the Company in reaching various business targets and ensuring that assets of the Company will not be defalcated or disposed of;
2. ensuring that the Company's accounting records provide reliable financial data for internal use or public disclosure; and
3. ensuring compliance with related legislations and requirements.

## CORPORATE GOVERNANCE REPORT (Continued)

Aiming at more effective review on the effectiveness of the internal control system, the Company set up an internal audit department in October 2003 to inspect, monitor and assess the disclosure of financial information, operations and internal control activities of the Company and its associates on a regular basis and when necessary, based on different potential risks and the importance of internal control systems for different businesses and workflows, so as to ensure the transparency of information disclosure, operating efficiency and effectiveness of the corporate monitoring mechanism. The independent and objective evaluation and recommendation are provided in the form of an audit report. The external auditors are entitled to have access to all information of the Company and to make enquiries to relevant persons in performing their duties. The manager of the internal audit department directly reports the relevant outcomes and its opinions to the audit committee for consideration. Upon consideration by the audit committee, the audit committee puts forward its recommendation to the management of the Company and regularly reports to the Board.

Attaching much importance to internal control, the Company had set up relevant internal management systems and procedures for corporate governance, operation, construction, finance, administrative personnel. In December 2004, the Board approved the Internal Control System which summarizes and clarifies the objectives, content, methods and obligations of the internal control system. This will facilitate the Company's continuing inspection and assessment on implementation of the existing systems and the effectiveness of internal controls.

The Board conducted a review to examine whether the internal control systems of the Company and its subsidiaries are effective and complete. Subjects of review included the supervision of the Company's finance, operation, compliance and risk management. To further implement internal control more efficiently, the Board had confirmed the following major procedures:

- The Company has a framework with well defined authority and duties with a hierarchical chain of supervision. The heads of all the departments participate in the formulation of strategic plans. Entrepreneurial strategies for the coming three years were formulated for achievement of annual operation plan and annual business and financial targets. Strategic plans and business plans for the year are the basis for annual budgets, and according to the budgets; the Company had confirmed and allocated resources in view of the priorities of different business opportunities. The three-year strategic plans are approved by the Board (subject to yearly review), annual business plans and annual budgets are also to be approved by the Board each year.
- The Company has a comprehensive account management system providing the management with an index for assessing financial and business performance as well as notifiable and discloseable financial information. In case discrepancy occurs in budgets, analysis and explanation will be made and appropriate action will be taken to rectify the problems as and when necessary.
- The Company has set up systems and procedures for confirmation, assessment, handling and controlling of risks including risks in respect of law, credit, market, centralization, operation, environment, acts and risks which may affect the Company's development.

The internal audit department will carry out independent review of confirmed risks and supervision so as to reasonably guarantee the management and audit committee that the risks are satisfactorily handled and control is fully effected.

# CORPORATE GOVERNANCE REPORT *(Continued)*

## CHIEF FINANCIAL OFFICER

The chief financial officer is in charge of the Group's financial operations and is responsible to the general manager. The chief financial officer is responsible for supervising the financial and internal control reporting issue of the Company and its subsidiaries so as to confirm that the Company is in compliance with the Listing Rules in relation to the requirements of financial reports and other relevant accounting regulations. On 29 November 2011, the Board appointed Ms. Yu Qian as the chief financial officer of the Company.

The chief financial officer is responsible for preparing financial statements in accordance with the accounting principles generally accepted in the PRC and Hong Kong and to ensure compliance with disclosure requirements as stipulated by the China Securities Regulatory Commission and the Stock Exchange.

The chief financial officer is also responsible for arranging and preparing the Company's annual budget scheme and the annual final accounting proposal, as well as monitoring the implementation of the Company's annual financial and operating plans. In addition, the chief financial officer shall work with and give recommendation to the Board in establishing relevant internal control systems.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for ensuring that the financial statements for each financial year are prepared to give a true and fair view of the state of affairs, profitability and cash flow of the Group in accordance with the disclosure requirements of the relevant laws and regulations and disclosure provisions of the Listing Rules.

In preparing the financial statements of the Group for the year ended 31 December 2011, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The auditor's statement about their reporting responsibilities on the financial statements is set out on page 46 and page 47 of this annual report.

## RELATIONS WITH SHAREHOLDERS, INVESTORS AND OTHER INTERESTED PARTIES

The Company is committed to ensuring that all Shareholders, especially the minority Shareholders, can enjoy equal status and fully exercise their rights.

# CORPORATE GOVERNANCE REPORT (Continued)

## GENERAL MEETING

The general meeting which is the highest authority of the Company, exercises its rights under the law to make decisions on significant events of the Company. The Company establishes and maintains various communication channels by way of publication of annual reports, interim reports and announcements. The relevant reports and announcements are also published on the Company's website. Each year, the annual general meeting or extraordinary general meeting (if applicable) serves as a direct communication channel between the Board and the Shareholders. All Directors understand that the general meetings serve as an effective platform for Shareholders and provide a major venue for direct communication among Directors, Supervisors and other senior management and Shareholders and exchange of opinions with Directors, who shall report to Shareholders with regard to the Group's operations and respond to their enquiries to secure effective communications with Shareholders. Accordingly, the Company had attached much importance to the general meetings. In addition to a 45-day notice before the holding of the general meeting, the Company requires that all Directors and senior management shall use their best endeavors to attend the general meetings. Also, all Shareholders are encouraged to attend the general meetings, at which they can make enquiries about the Company's operation status or financial data, Shareholders are welcome to express their views therein.

Details of the procedures of voting by poll are included in the notice of annual general meeting in circular to Shareholders sent together with annual reports. Results of polls will be published on the websites of the Stock Exchange and the Company in due course.

In 2011, the Company convened one annual general meeting.

## CONTROLLING SHAREHOLDER

During the Year, China Potevio is the controlling Shareholder of the Company, which holds 60% of the total issued share capital of the Company.

As the controlling Shareholder of the Company, China Potevio has never overridden the general meeting to directly or indirectly intervene the Company's decision-making and operation. In 2003, in order to further improve the management of investor relations, the Company has always maintained independence of its controlling Shareholder in terms of staff, assets, finance, organisation and business.

## INFORMATION DISCLOSURE AND INVESTOR RELATION MANAGEMENT

The Company strictly complies with the requirements on information disclosure under the Listing Rules and discloses to the Shareholders and related parties all discloseable information to the best knowledge of the Company on a timely and fair basis.

The Office of the Board is responsible for information disclosure of the Company and reception of visits of its Shareholders and investors. In 2003, for further enhancement in investor relations management, the Company had formulated Information Disclosure Management System and Information Management System to ensure information disclosure on an open, fair and impartial basis and to improve the Company's transparency.

In 2011, the Company's management maintained close contact and good communication with visiting investors by meeting them. The Company provides its announcements, interim and annual reports with detailed financial information and results to Shareholders on its website (<http://putian.wsfg.hk>).



## CORPORATE GOVERNANCE REPORT *(Continued)*

On 27 March 2012, the 17th meeting of the sixth session of the Board was convened to approve the amendments to the Implementation Rules of Remuneration and Appraisal Committee of the Board, the Implementation Rules of Nomination Committee of the Board and the Implementation Rules of Audit Committee of the Board, which have been published at the website of the Company (<http://putian.wsfg.hk>) for Shareholders' inspection.

### OTHER INTERESTED PARTIES

The Company is committed to providing satisfactory services to customers and room for development to employees. The Company takes efforts to improve its profitability under the principle of honesty and faithfulness with a high sense of responsibility toward its Shareholders, investors, employees, customers, suppliers and the society. At the same time, the Company oversees and develops its businesses in compliance with local rules and environmental protection regulations to improve its corporate governance, and actively participates in social services and environmental protection.

### CONTINUOUS ENHANCEMENT OF CORPORATE GOVERNANCE

The Company will follow the model of corporate governance developed by the world's leading corporations as always so as to comply with the requirements of the regulatory authorities. The Company will regularly review and enhance its corporate governance procedures and implementations to ensure the sustainable development of the Company.

# REPORT OF THE SUPERVISORY COMMITTEE

## To Shareholders,

During the Year, all members of the Supervisory Committee had diligently exercised the supervisory functions of the Supervisory Committee in accordance with the relevant provisions of various legal rules and regulations like Company Law, Listing Rules and Articles of Association by attending all Board meetings and general meetings convened by the Company. Some members attended general manager's meetings and decision-making meetings of the Company. In Year 2011, the tasks of the Supervisory Committee strengthened the supervision over legality and compliance of work of the Board and operational decisions of the management as well as execution of resolutions approved by general meetings by the Board. With surveillance over the Company's operation and implementation of internal compliance system as well as the duty performance of the Company's Directors and senior management, the Supervisory Committee provided opinions and recommendations. As for the financial position and annual reports of the Company, it listened carefully to financial manager's report with regard to the financial position and operating results of the Company and carried out diligent reviews and analysis.

The Supervisory Committee would like to render its independent opinion as follows:

## 1. OPERATION OF THE COMPANY IN COMPLIANCE WITH THE LAW

The Supervisory Committee was of the opinion that during 2011, the Company's operations had strictly complied with the Company Law, the Listing Rules, the Articles of Association and other applicable laws and regulations, as well as established and continuously improved the relevant internal control systems. The Company's decision-making procedure was legitimate and all the resolutions passed at the general meetings were strictly implemented.

## 2. DISCHARGE OF DUTIES BY DIRECTORS, MANAGERS AND OTHER SENIOR MANAGEMENT

The Supervisory Committee was of the opinion that the Directors, managers and other senior management of the Company had performed their duties diligently, pragmatically and faithfully and there was no abuse of rights, violation of law or regulations or Articles of Association and no acts detrimental to the interests of Shareholders, the Company and the Company's staff members were found.

## 3. WORK REPORT OF THE BOARD

The Supervisory Committee had a detailed review of the work report of the Board submitted by the Board for consideration at the annual general meeting for the Year and considered that the report had objectively and thoroughly reflected various work done by the Company during the Year.

## 4. TRUTHFULNESS OF FINANCIAL REPORT

After detailed examination of the financial system and the annual financial report of the Company, the Supervisory Committee considers that the financial report truly and fairly reflected the financial and assets position and operation of the Company. No violation of discipline, regulations and financial system of the Company has been found. The financial report, which had been audited by the auditors, has objectively and truthfully reflected the financial position of the Company.

## REPORT OF THE SUPERVISORY COMMITTEE *(Continued)*

### 5. OPINIONS ON MANAGEMENT IN AUDITOR'S MANAGEMENT LETTER

The Supervisory Committee considers that the Company should make formal study on the opinions on management raised by the management letter, and work out practical and feasible measures and solutions for implementation as soon as possible.

### 6. LITIGATIONS

During the year 2011, the Company had no material litigations.

The Supervisory Committee is of the opinion that, during the year 2011, the Company has further enhanced its internal control, collected the arrears of consideration for transfer of equity interest in Dongguan CDC Cable Factory, improved financial work and achieved certain growth in operating income over the last year. The Supervisory Committee recognizes the efforts made by the Company in corporate management. Meanwhile, it also requires the management of the Company seriously review such problems as insufficient promotion of key projects, failure to accomplish the budget and the target of "promoting growth of the Company's economic benefits" and insufficient implementation of refine management, draw lessons from the past and improve relevant works. It suggests the Board to pay close attention to this, exchange opinions with the management in a timely manner, strengthen cost accounting and management, endeavour to improve the Company's profitability and ensure the sustainable and healthy development of the Company.

In the year 2012, the Supervisory Committee will continue to exercise its function in supervising the decision-making, finance, Directors and senior management of the Company, implement specific surveillances and fulfil its duties in accordance with the Company Law, the Articles of Association and relevant provisions of the Listing Rules as always to realize the development and improve the operating efficiency of the Company for the protection of the interest of all Shareholders.

**Yang Zhihe**

*Chairman of the Supervisory Committee*

26 March 2012

# AUDITORS' REPORT

## 大信會計師事務所有限公司

15th Floor, College of Beijing Nation Mansion  
No.1 Zhichun Road  
Haidian  
Beijing

北京  
海淀區  
知春路1號  
學院國際大廈15層

Daxin Shen Zi [2012] 1-1387

### To the Shareholders of Chengdu PUTIAN Telecommunications Cable Co., Ltd.

We have audited the accompanying financial statements of Chengdu PUTIAN Telecommunications Cable Co., Ltd. (the "Company") which comprise the consolidated and the company's balance sheets as at 31 December 2011, and the consolidated and the company's income statements, the consolidated and the company's cash flow statements and the consolidated and the company's statements of changes in owners' equities for the year then ended and notes to these financial statements.

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### 1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

It is the management's responsibility to prepare and fairly present these financial statements. This responsibility includes: (1) preparing and fairly presenting these financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, executing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 2. AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selection of the audit procedures is based on the judgment of the auditors, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 3. AUDIT OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as of 31 December 2011, and of their financial performance and their cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

DaXin Certified Public Accountants Co., Ltd

*Chinese Certified Public Accountant:*

*Chinese Certified Public Accountant:*

Beijing • China  
27 March 2012

# CONSOLIDATED BALANCE SHEET

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED 31 December 2011 Monetary unit: RMB YUAN

Item	Note	End of year	Beginning of year
<b>Current assets:</b>			
Cash and bank balances	V.1	<b>242,284,772.64</b>	289,139,050.33
Reserved deposits			
Loans to other banks			
Transactional financial assets			
Bills receivable	V.2	<b>38,193,476.74</b>	10,564,368.50
Accounts receivable	V.3	<b>124,670,185.05</b>	141,541,058.85
Prepayments	V.4	<b>2,657,646.11</b>	21,677,335.42
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance accounts receivable reserve			
Interest receivable			
Dividends receivable			
Other receivables	V.5	<b>32,614,916.10</b>	101,589,255.80
Put option			
Inventories	V.6	<b>263,327,508.31</b>	229,395,521.98
Current Portion of non-current assets			
Other current assets			
<b>Total current assets</b>		<b>703,748,504.95</b>	793,906,590.88

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

## CONSOLIDATED BALANCE SHEET (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED    31 December 2011    Monetary unit: RMB YUAN

Item	Note	End of year	Beginning of year
<b>Non-current assets:</b>			
Loans to others and payment on behalf			
Available-for-sale financial assets	V.7	<b>14,121,120.00</b>	20,485,296.00
Held-to-maturity investment			
long-term accounts receivable			
Long-term equity investments	V.9	<b>204,541,934.69</b>	217,723,567.27
Investment property	V.10	<b>2,992,841.32</b>	22,763,943.24
Fixed assets	V.11	<b>325,874,374.80</b>	251,728,841.40
Construction in progress	V.12	<b>93,706,380.86</b>	121,263,137.82
Construction material			
Disposal of fixed assets			
Productive Biological Assets			
Oil and gas			
Intangible assets	V.13	<b>39,659,991.93</b>	40,665,346.67
Development cost			
Goodwill			
Long term prepaid expenses			
Deferred tax assets	V.14	<b>18,751,025.08</b>	22,138,441.50
Other non-current assets			
Total non-current assets		<b>699,647,668.68</b>	696,768,573.90
Total assets		<b>1,403,396,173.63</b>	1,490,675,164.78

Corporate Representative:

Chief Accountant:

Accounting Supervisor:



## CONSOLIDATED BALANCE SHEET (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED 31 December 2011 Monetary unit: RMB YUAN

Item	Note	End of year	Beginning of year
<b>Current liabilities:</b>			
Short term loans	V.17	5,000,000.00	15,000,000.00
Borrowings from central bank			
Deposits taking and inter-bank deposits			
Loans from others			
Transactional financial liabilities			
Bills payable			
Accounts payable	V.18	87,050,210.78	74,834,461.96
Receipt in advance	V.19	9,207,453.91	10,422,405.63
Call option			
Commission and charges payable			
Staff remuneration payables	V.20	20,033,557.16	22,383,812.67
Tax payable	V.21	(25,459,804.87)	(14,548,090.39)
Interest payable	V.22	366,260.00	501,776.32
Dividend payable			
Other payables	V.23	43,091,435.30	51,614,102.16
Premium payable for reinsurance			
Net provision for insurance contracts			
Amount payable to securities broker			
Amount payable to securities underwriter			
Non-current liabilities			
due within one year			
Other current liabilities			
Total current liabilities		139,289,112.28	160,208,468.35

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

## CONSOLIDATED BALANCE SHEET (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED 31 December 2011 Monetary unit: RMB YUAN

Item	Note	End of year	Beginning of year
<b>Non-current liabilities:</b>			
Long term loans	V.24	<b>8,813,449.17</b>	9,508,807.37
Bonds payable			
Long-term payables			
Designate accounts payable			
Provision			
Deferred tax liabilities	V.14	<b>2,221,665.93</b>	3,133,183.11
Other non-current liabilities	V.25	<b>71,392,191.30</b>	62,710,406.83
Total non-current liabilities		<b>82,427,306.40</b>	75,352,397.31
Total liabilities		<b>221,716,418.68</b>	235,560,865.66
<b>Equity</b>			
Share capital	V.26	<b>400,000,000.00</b>	400,000,000.00
Capital reserve	V.27	<b>659,009,711.28</b>	666,347,345.52
Less: treasury shares			
Special reserve			
Surplus reserve	V.28	<b>8,726,923.61</b>	8,726,923.61
General risk reserve			
Retained earnings	V.29	<b>32,302,989.58</b>	98,347,827.12
Translation reserve			
Total equity attributable to the equity holders of the Company		<b>1,100,039,624.47</b>	1,173,422,096.25
Minority interest		<b>81,640,130.48</b>	81,692,202.87
Total equity		<b>1,181,679,754.95</b>	1,255,114,299.12
Total liabilities and equity		<b>1,403,396,173.63</b>	1,490,675,164.78

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

# CONSOLIDATED INCOME STATEMENT

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For 2011

Monetary unit: RMB YUAN

item	Note	Current year	Prior year
<b>I. Total operating income</b>		<b>587,094,326.94</b>	525,614,186.80
Operating income	V.30	<b>587,094,326.94</b>	525,614,186.80
Interest income			
Insurance premiums earned			
Commissions income			
<b>II. Total operating costs</b>		<b>655,298,938.98</b>	588,929,614.98
Operating costs	V.30	<b>560,488,874.71</b>	451,703,198.87
Interest expense			
Commission charges			
Refund of insurance premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Commissions on insurance policies			
Cession charges			
Business taxes and surcharges	V.31	<b>2,070,144.94</b>	1,557,064.48
Selling expenses	V.32	<b>39,263,632.25</b>	42,028,110.15
Administration expenses	V.33	<b>66,528,031.97</b>	66,723,892.79
Finance costs	V.34	<b>(7,267,180.76)</b>	(5,026,696.22)
Assets impairment loss	V.36	<b>(5,784,564.13)</b>	31,944,044.91
Add: Changing income of fair value			
Gain/(losses) on investment	V.35	<b>(3,459,922.23)</b>	102,367,974.52
Including: Losses on investment of associates and jointly controlled entities	V.35	<b>(7,070,051.85)</b>	(5,630,937.04)
exchange gains (losses)			
<b>III. Operating profit/(loss)</b>		<b>(71,664,534.27)</b>	39,052,546.34
Add: Non-operating income	V.37	<b>16,311,692.27</b>	58,906,309.46
Including: Gain on disposal of non-current assets		<b>1,027,194.81</b>	52,648,076.29
Less: Non-operating expenses	V.38	<b>1,156,160.30</b>	4,307,805.15

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

## CONSOLIDATED INCOME STATEMENT *(Continued)*

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For 2011

Monetary unit: RMB YUAN

item	Note	Current year	Prior year
<b>IV. Total profit/(loss)</b>		<b>(56,509,002.30)</b>	93,651,050.65
Less: Income tax expenses	V.39	<b>7,224,378.77</b>	805,970.37
<b>V. Net profit(loss)</b>		<b>(63,733,381.07)</b>	92,845,080.28
Net profit attributable to parent company's shareholders		<b>(66,044,837.54)</b>	87,034,531.62
Minority interests		<b>2,311,456.47</b>	5,810,548.66
<b>VI. Earnings per share:</b>			
(i) Basic earning per share <i>(RMB/share)</i>	V.40	<b>(0.17)</b>	0.22
(ii) Diluted earning per share <i>(RMB/share)</i>	V.40	<b>(0.17)</b>	0.22
<b>VII. Other comprehensive income</b>	V.41	<b>(5,409,549.60)</b>	(3,765,309.60)
<b>VIII. Total comprehensive income</b>		<b>(69,142,930.67)</b>	89,079,770.68
Total comprehensive income attributable to the Company's shareholders		<b>(71,454,387.14)</b>	(50,191,884.49)
Total comprehensive income attributable to minority interests		<b>2,311,456.47</b>	5,810,548.66

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

# CONSOLIDATED CASH FLOW STATEMENT

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For 2011

Monetary unit: RMB YUAN

Item	Note	Current year	Prior year
<b>I. Cash flow from operating activities:</b>			
Cash receives from sale of goods or rendering of services		<b>587,351,465.17</b>	585,373,210.79
Net increase in interbank deposit and the deposit			
Net increase in borrowing from the central bank			
Net increase in loans from other financial institutions			
Premium received for insurance contracts			
Premium received for reinsurance contracts			
Increase in reserve fund			
Increase in transactional monetary funds			
Interest, charges and commission received			
Deposits taking			
Increase in repurchase fund			
Tax refund		<b>669,018.66</b>	
Other cash receives from activities related to operation	V.42	<b>55,207,081.48</b>	47,746,357.76
Sub-total of cash inflow from operating activities		<b>643,227,565.31</b>	633,119,568.55
Cash paid to purchase goods or receiving services		<b>537,437,878.36</b>	482,492,106.49
Loans to customer and payment on behalf			
Increase in deposits with central bank and inter-bank			
Compensation paid for insurance contract			
Interest, handling charges and commission paid			
Bonus payment for insurance contract			
Cash paid to and on behalf of employees		<b>60,601,811.93</b>	61,114,968.07
Cash paid for all types of taxes		<b>25,681,100.34</b>	27,083,626.61
Other cash paid for activities related to operation	V.42	<b>110,371,677.52</b>	122,081,101.45
Sub-total of cash outflow from operating activities		<b>734,092,468.15</b>	692,771,802.62
Net cash flow from operating activities		<b>(90,864,902.84)</b>	(59,652,234.07)

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

## CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For 2011

Monetary unit: RMB YUAN

Item	Note	Current year	Prior year
<b>II. Cash flow from investment activities:</b>			
Cash received from investments		<b>35,000,000.00</b>	
Cash received from return of investment		<b>89,945.20</b>	
Net cash received from return of fixed assets,intangible assets and other long-term assets		<b>18,873,581.00</b>	35,304,595.89
Net cash received from disposal of subsidiaries and other business units		<b>86,780,000.00</b>	32,000,000.00
Other cash received from activities related to investment			
Sub-total of cash inflow from investment activities		<b>140,743,526.20</b>	67,304,595.89
Cash paid for acquisition of fixed assets,intangible assets and other long-term assets		<b>45,908,379.30</b>	110,249,161.32
Cash paid for acquisition of investment		<b>38,850,000.00</b>	
Increase in secured loans			
Acquisition of net cash from subsidiaries and other business units			
Other cash paid for activities related to investment			
Sub-total of cash outflow from investment activities		<b>84,758,379.30</b>	110,249,161.32
Net cash flow from investment activities		<b>55,985,146.90</b>	(42,944,565.43)

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

# CONSOLIDATED CASH FLOW STATEMENT (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For 2011

Monetary unit: RMB YUAN

Item	Note	Current year	Prior year
<b>III. Cash flow from financing activities:</b>			
Cash received from investment			
Including: Cash received from subsidiary company absorbing minority's investment			
Proceeds from loans		6,000,000.00	15,000,000.00
Cash received from bonds issued			
Other cash received from activities related to financing			
Sub-total of cash inflow from financing activities		6,000,000.00	15,000,000.00
Repayment of loans		16,000,000.00	15,000,000.00
Cash paid for dividends, profit, or interest payments		1,709,967.80	2,672,692.28
Including: Dividend and profits paid to minority shareholders of the subsidiaries		900,000.00	1,500,000.00
Other cash paid relating to operating services financing activities		20,000.00	36,000.00
Sub-total of cash outflow from financing activities		17,729,967.80	17,708,692.28
Net cash flow from financing activities		(11,729,967.80)	(2,708,692.28)
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		(244,553.95)	(75,595.11)
<b>V. Net increase in cash and cash equivalents</b>		(46,854,277.69)	(105,381,086.89)
Add: beginning balance of cash and cash equivalents	V.43	289,139,050.33	394,520,137.22
<b>VI. Ending balance of cash and cash equivalents</b>		242,284,772.64	289,139,050.33

Corporate Representative:

Chief Accountant:

Accounting Supervisor:



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For 2011

Monetary unit: RMB YUAN

Item	31 December 2011										
	Shareholder's equity attributable to parent company's shareholder										Total shareholder's equity
	Share capital	Capital reserve	Less: treasury			General risk provision	Retained earnings	Others	Sub-total	Minority interest	
			shares	Special reserve	Surplus reserve						
<b>I. Balance at the end of last year</b>	400,000,000.00	666,347,345.52			8,726,923.61		98,347,827.12		1,173,422,096.25	81,692,202.87	1,255,114,299.12
Add: changes of accounting policy											
Prior period errors correction											
Others											
<b>II. Balance at the beginning of last year</b>	400,000,000.00	666,347,345.52			8,726,923.61		98,347,827.12		1,173,422,096.25	81,692,202.87	1,255,114,299.12
<b>III. Increase(decrease)</b>		(7,337,634.24)					(66,044,837.54)		(73,382,471.78)	(52,072.39)	(73,434,544.17)
(i) Net profit							(66,044,837.54)		(66,044,837.54)	2,311,456.47	(63,733,381.07)
(ii) Other comprehensive profit		(5,409,549.60)							(5,409,549.60)		(5,409,549.60)
the sum of (i) and (ii)		(5,409,549.60)					(66,044,837.54)		(71,454,387.14)	2,311,456.47	(69,142,930.67)
(iii) Shareholders increase or decrease capital (decrease)		(1,928,084.64)							(1,928,084.64)	(1,463,528.86)	(3,391,613.50)
1. capital invested by owners											
2. share-based payment recorded into shareholders' equity											
3. others		(1,928,084.64)							(1,928,084.64)	(1,463,528.86)	(3,391,613.50)
(iv) Retained earnings										(900,000.00)	(900,000.00)
1. appropriation to surplus reserves											
2. appropriation to general risk provision											
3. distribution to all owners (or shareholders)										(900,000.00)	(900,000.00)
4. others											
(v) Transfer within owners' equity(loss)											
1. transferred from capital surplus											
2. transferred from surplus reserve											
3. surplus reserve marked up losses											
4. others											
(vi) Special reserves											
1. appropriation this year											
2. use in this year											
<b>IV. Balance at the ending of the year</b>	400,000,000.00	659,009,711.28			8,726,923.61		32,302,989.58		1,100,039,624.47	81,640,130.48	1,181,679,754.95

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For 2011

Monetary unit: RMB YUAN

31 December 2010											
Shareholder's equity attributable to parent company's shareholder											Total
Item	Share capital	Capital reserve	Less: treasury			General risk provision	Retained earnings	Others	Sub-total	Minority interest	shareholder's equity
			shares	Special reserve	Surplus reserve						
I. Balance at the end of last year	400,000,000.00	670,112,655.12			2,162,765.04		17,877,454.07		1,090,152,874.23	77,381,654.21	1,167,534,528.44
Add: Changes of accounting policy											
Prior period errors correction											
Others											
II. Balance at the beginning of last year	400,000,000.00	670,112,655.12			2,162,765.04		17,877,454.07		1,090,152,874.23	77,381,654.21	1,167,534,528.44
III. Increase(decrease)		(3,765,309.60)			6,564,158.57		80,470,373.05		83,269,222.02	4,310,548.66	87,579,770.68
(i) Net profit							87,034,531.62		87,034,531.62	5,810,548.66	92,845,080.28
(ii) Other comprehensive profit		(3,765,309.60)							(3,765,309.60)		(3,765,309.60)
the sum of (i) and (ii)		(3,765,309.60)					87,034,531.62		83,269,222.02	5,810,548.66	89,079,770.68
(iii) Shareholders increase or decrease capital (decrease)											
1. capital invested by owners											
2. share-based payment recorded into shareholders' equity											
3. others											
(iv) Retained earnings					6,564,158.57		(6,564,158.57)			(1,500,000.00)	(1,500,000.00)
1. appropriation to surplus reserves					6,564,158.57		(6,564,158.57)				
2. appropriation to general risk provision											
3. distribution to all owners (or shareholders)										(1,500,000.00)	(1,500,000.00)
4. others											
(v) Transfer within owners' equity(loss)											
1. transferred from capital surplus											
2. transferred from surplus reserve											
3. surplus reserve marked up losses											
4. others											
(vi) Special reserves											
1. appropriation this year											
2. use of this year											
IV. Balance at the ending of the year	400,000,000.00	666,347,345.52			8,726,923.61		98,347,827.12		1,173,422,096.25	81,692,202.87	1,255,114,299.12

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

# BALANCE SHEET

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED 31 December 2011 Monetary unit: RMB YUAN

Item	Note	End of year	Beginning of year
<b>Current assets:</b>			
Cash and bank balances		<b>126,737,290.46</b>	182,937,152.40
Reserved deposits			
Bills receivable		<b>21,367,192.43</b>	1,364,989.21
Accounts receivable	XI.1	<b>55,934,333.37</b>	58,191,369.00
Prepayments		<b>920,658.99</b>	20,929,288.30
Interest receivable			
Dividend receivable			
Other receivables	XI.2	<b>57,771,479.02</b>	114,123,219.82
Inventories		<b>155,154,976.95</b>	138,588,788.52
Current Portion of non-current assets			
Other current assets			
Total current assets		<b>417,885,931.22</b>	516,134,807.25
<b>Non-current assets:</b>			
Available-for-sale financial assets		<b>14,121,120.00</b>	20,485,296.00
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investment	XI.3	<b>371,494,500.62</b>	381,284,519.70
Investment property		<b>25,975,914.76</b>	22,763,943.24
Fixed assets		<b>242,785,796.36</b>	187,768,623.39
Construction in progress		<b>11,687,360.86</b>	50,818,541.15
Construction material			
Disposal of fixed assets			
Productive Biological Assets			
Oil and gas			
Intangible assets		<b>38,603,728.88</b>	39,684,645.32
Development cost			
Goodwill			
Long-term prepaid expense			
Deferred tax assets		<b>16,362,240.15</b>	18,990,554.32
Other non-current assets			
Total non-current assets		<b>721,030,661.63</b>	721,796,123.12
Total assets		<b>1,138,916,592.85</b>	1,237,930,930.37

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

## BALANCE SHEET (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED 31 December 2011 Monetary unit: RMB YUAN

Item	Note	End of year	Beginning of year
<b>Current liabilities:</b>			
Short-term loan			
Transactional financial liabilities			
Bills payable			
Accounts payable		32,829,027.74	27,725,079.76
Receipt in advance		1,576,791.07	1,845,446.23
Staff remuneration payable		8,113,407.90	9,331,565.62
Tax payable		(27,189,966.22)	(15,582,019.32)
Interest payable			
Dividend payable			
Other payables		33,662,631.26	41,784,436.70
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		48,991,891.75	65,104,508.99
<b>Non-current liabilities:</b>			
Long term loans		8,813,449.17	9,508,807.37
Bonds payable			
Long-term accounts payable			
Designated accounts payable			
Provision			
Deferred tax liabilities		1,708,968.00	2,663,594.40
Other non-current liabilities			9,970,000.00
Total non-current liabilities		10,522,417.17	22,142,401.77
Total liabilities		59,514,308.92	87,246,910.76
<b>Equity</b>			
Share capital		400,000,000.00	400,000,000.00
Capital reserve		657,887,196.28	663,296,745.88
Less: treasury shares			
Special reserve			
Surplus reserve		8,726,923.61	8,726,923.61
General risk reserve			
Retained earnings		12,788,164.04	78,660,350.12
Total equity		1,079,402,283.93	1,150,684,019.61
Total liabilities and equity		1,138,916,592.85	1,237,930,930.37

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

# INCOME STATEMENT

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For 2011

Monetary unit: RMB YUAN

Item	Note	Current year	Prior year
<b>I. Operating incomes</b>	XI.4	<b>252,127,816.86</b>	210,672,642.09
Less: Operating costs	XI.4	<b>281,406,030.91</b>	201,635,859.39
Business taxes and surcharges		<b>837,189.83</b>	726,980.72
Selling expenses		<b>15,481,077.09</b>	14,083,209.28
Administration expenses		<b>42,409,302.02</b>	45,095,639.69
Finance costs		<b>(6,751,373.44)</b>	(4,670,145.99)
Assets impairment loss		<b>(5,639,547.66)</b>	25,488,124.36
Add: Changing income of fair value			
Gain(losses) on investment	XI.5	<b>(1,659,922.23)</b>	78,955,464.96
Including: Losses on investment of associates and jointly controlled entities	XI.5	<b>(7,070,051.85)</b>	(5,630,937.04)
<b>II. Operating profit/(loss)</b>		<b>(77,274,784.12)</b>	7,268,439.60
Add: Non-operating income		<b>14,275,659.34</b>	57,228,060.41
Including: Gain on disposal of non-current assets		<b>1,040,465.97</b>	54,657,778.16
Less: Non-operating expenses		<b>244,747.13</b>	1,644,899.37
<b>III. Total profit/(loss)</b>		<b>(63,243,871.91)</b>	62,851,600.64
Less: Income tax expenses		<b>2,628,314.17</b>	(2,789,985.06)
<b>IV. Net profit(loss)</b>		<b>(65,872,186.08)</b>	65,641,585.70
<b>V. Earnings per share:</b>			
(I) Basic earning per share (RMB/share)			
(II) Diluted earning per share (RMB/share)			
<b>VI. Other comprehensive income</b>		<b>(5,409,549.60)</b>	(3,765,309.60)
<b>VII. Total comprehensive income</b>		<b>(71,281,735.68)</b>	61,876,276.10

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

# CASH FLOW STATEMENT

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For 2011

Monetary unit: RMB YUAN

Item	Note	Current year	Prior year
<b>I. Cash flow from operating activities:</b>			
Cash receives from sale of goods or rendering of services		<b>214,885,863.71</b>	237,795,743.19
Tax refund			
Other cash receives from activities related to operation		<b>59,926,186.74</b>	44,741,750.44
Sub-total of cash inflow from operating activities		<b>274,812,050.45</b>	282,537,493.63
Cash paid to purchase goods or receiving services		<b>268,913,305.09</b>	235,828,945.34
Cash paid to and on behalf of employees		<b>32,707,839.99</b>	33,424,126.82
Cash paid for all types of taxes		<b>5,265,826.75</b>	3,527,256.32
Other cash paid for activities related to operation		<b>86,633,864.90</b>	78,862,037.24
Sub-total of cash outflow from operating activities		<b>393,520,836.73</b>	351,642,365.72
Net cash flow from operating activities		<b>(118,708,786.28)</b>	(69,104,872.09)
<b>II. Cash flow from investment activities:</b>			
Cash received from investments		<b>35,000,000.00</b>	
Cash received from return of investment		<b>1,889,945.20</b>	3,000,000.00
Net cash received from return of fixed assets,intangible assets and other long-term assets		<b>2,829,581.00</b>	3,079,122.43
Net cash received from disposal of subsidiaries and other business units		<b>86,780,000.00</b>	32,000,000.00
Other cash received from activities related to investment			
Sub-total of cash inflow from investment activities		<b>126,499,526.20</b>	38,079,122.43
Cash paid for acquisition of fixed assets,intangible assets and other long-term assets		<b>24,995,699.53</b>	58,566,005.87
Cash paid for acquisition of investment		<b>38,850,000.00</b>	
Acquisition of net cash from subsidiaries and other business units			
Other cash paid for activities related to investment			
Sub-total of cash outflow from investment activities		<b>63,845,699.53</b>	58,566,005.87
Net cash flow from investment activities		<b>62,653,826.67</b>	(20,486,883.44)

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

## CASH FLOW STATEMENT (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For 2011

Monetary unit: RMB YUAN

Item	Note	Current year	Prior year
<b>III. Cash flow from financing activities:</b>			
Cash received from investment			
Proceeds from loans			
Other cash received from activities related to financing			
Sub-total of cash inflow from financing activities			
Repayment of loans			
Cash paid for dividends, profit, or interest payments		<b>144,902.33</b>	73,941.65
Other cash paid relating to operating services financing activities			
Sub-total of cash outflow from financing activities		<b>144,902.33</b>	73,941.65
Net cash flow from financing activities		<b>(144,902.33)</b>	(73,941.65)
<b>IV. Influence of foreign exchange rate changes on cash and cash equivalents</b>			(4,397.37)
<b>V. Net increase in cash and cash equivalents</b>		<b>(56,199,861.94)</b>	(89,670,094.55)
Add: beginning balance of cash and cash equivalents		<b>182,937,152.40</b>	272,607,246.95
<b>VI. Ending balance of cash and cash equivalents</b>		<b>126,737,290.46</b>	182,937,152.40

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

# STATEMENT OF CHANGES IN EQUITY

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For 2011

Monetary unit: RMB YUAN

Item	31 December 2011							
	Share capital	Capital reserve	Less: treasury shares	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others
<b>I. Balance at the end of last year</b>	400,000,000.00	663,296,745.88			8,726,923.61		78,660,350.12	1,150,684,019.61
Add: changes of accounting policy								
Prior period errors correction								
Others								
<b>II. Balance at the beginning of last year</b>	400,000,000.00	663,296,745.88			8,726,923.61		78,660,350.12	1,150,684,019.61
<b>III. Increase(decrease)</b>		(5,409,549.60)					(65,872,186.08)	(71,281,735.68)
(i) Net profit							(65,872,186.08)	(65,872,186.08)
(ii) Other comprehensive profit		(5,409,549.60)						(5,409,549.60)
the sum of (i) and (ii)		(5,409,549.60)					(65,872,186.08)	(71,281,735.68)
(iii) Shareholders increase or decrease capital (decrease)								
1. capital invested by owners								
2. share-based payment recorded into shareholders' equity								
3. others								
(iv) Retained earnings								
1. appropriation to surplus reserves								
2. appropriation to general risk provision								
3. distribution to all owners (or shareholders)								
4. others								
(v) Transfer within owners' equity(loss)								
1. transferred from capital surplus								
2. transferred from surplus reserve								
3. surplus reserve marked up losses								
4. others								
(vi) Special reserves								
1. appropriation this year								
2. use of this year								
<b>IV. Balance at the ending of the year</b>	400,000,000.00	657,887,196.28			8,726,923.61		12,788,164.04	1,079,402,283.93

Corporate Representative:

Chief Accountant:

Accounting Supervisor:



# STATEMENT OF CHANGES IN EQUITY (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For 2011

Monetary unit: RMB YUAN

Item	31 December 2010							
	Share capital	Capital reserve	Less: treasury shares	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others
<b>I. Balance at the end of last year</b>	400,000,000.00	667,062,055.48			2,162,765.04		19,582,922.99	1,088,807,743.51
Add: changes of accounting policy								
Prior period errors correction								
Others								
<b>II. Balance at the beginning of last year</b>	400,000,000.00	667,062,055.48			2,162,765.04		19,582,922.99	1,088,807,743.51
<b>II. Increase (decrease)</b>		(3,765,309.60)			6,564,158.57		59,077,427.13	61,876,276.10
(i) Net profit							65,641,585.70	65,641,585.70
(ii) Other comprehensive profit		(3,765,309.60)						(3,765,309.60)
the sum of (i) and (ii)		(3,765,309.60)					65,641,585.70	61,876,276.10
(iii) Shareholders increase or decrease capital (decrease)								
1. capital invested by owners								
2. share-based payment recorded into shareholders' equity								
3. others								
(iv) Retained earnings					6,564,158.57		(6,564,158.57)	
1. appropriation to surplus reserves					6,564,158.57		(6,564,158.57)	
2. appropriation to general risk provision								
3. distribution to all owners (or shareholders)								
4. others								
(v) Transfer within owners' equity(loss)								
1. transferred from capital surplus								
2. transferred from surplus reserve								
3. surplus reserve marked up losses								
4. others								
(vi) Special reserves								
1. appropriation this year								
2. use of this year								
<b>IV. Balance at the ending of the year</b>	400,000,000.00	663,296,745.88			8,726,923.61		78,660,350.12	1,150,684,019.61

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## I. BACKGROUND OF THE COMPANY

Chengdu PUTIAN Telecommunications Cable Company Limited (the "Company") was incorporated on 1 October 1994 after its restructuring from Chengdu Cable Plant of the Posts and Telecommunications Ministry of China (now known as "China PUTIAN Corporation"). Pursuant to the approvals granted by The State Council of the People's Republic of China (the "PRC") for issuance of shares in Hong Kong, the shares of the Company have been listed on the Stock Exchange of Hong Kong Limited since 13 December 1994 through the placing and public offer of H shares with stock code 1202. The original name at the time of listing was Chengdu Telecommunications Cable Company Limited and the Company obtained "Qihechuanrongzong business license No.1972" issued by Chengdu Administration Bureau of Industry and Commerce. The registered capital of the Company is RMB400,000,000 of which: China PUTIAN Corporation holds RMB240,000,000 representing 60% of the total shares; public shareholders hold RMB160,000,000 representing 40% of the total shares (H Shares).

The Company's corporate governance structure is set out as follows: shareholders general meeting, board of directors, supervisory committee, audit committee and the management. The organisational structure is set out as follows: office and administration department, finance department, human resources department, China Communist Party Committee, quality control department, production safety department, investment department, engineering department and technology centre (including cable technology department, laboratory testing department, application development department and the general administrative department). Currently, the Company has 4 subsidiaries, 1 jointly controlled entity and 2 associates.

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Business license registration number:	510100400020197
Registered address:	No. 18, Xinhang Road, The West Park of Hi-Tech Development Zone, Chengdu, Sichuan Province, the PRC
Legal representative:	Zhang Xiaocheng
Principal activities:	The Company is principally engaged in the manufacture and sale of various types of telecommunication cables, optical fibres and cable joining sleeves.

On 21 January 2005, China PUTIAN Corporation and China Potevio Company Limited entered into a share transfer agreement. China PUTIAN Corporation agreed to transfer 60% of its equity in Chengdu PUTIAN Telecommunications Cable Company Limited to China Potevio Company Limited with no consideration. On 30 August 2005, a share transfer supplementary agreement was signed to redefine the terms and effective date of this share transfer. "Guozichanquan No.[2005] 287" was issued by the State Owned Assets Supervision and Administration Commission of The State Council on 10 March 2005 and "Shangzipi No.[2005] 2581" was issued by The Ministry of Commerce of the PRC on 7 November 2005 for the approval of this supplementary agreement. On 8 February 2006, the Company changed to new business license.

On 10 November 2000, the Company changed its name to Chengdu PUTIAN Telecommunications Cable Company Limited.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)*

## **I. BACKGROUND OF THE COMPANY *(CONTINUED)***

In 2005, the Company sold a plot of land located at No.2 Zijing West Road, Hi-tech Development Zone, Chengdu through public auction. In November 2007, the Company moved to and built its new plants at No.18, Xinhang Road, West Park of Hi-tech Development Zone, Chengdu.

The immediate holding company of the Company is China Potevio Company Limited and the ultimate holding company is China PUTIAN Corporation.

## **II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS**

### **1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared on the going concern basis, reflecting the business transactions and affairs actually incurred, in accordance with the Basic Standard and the 38 specific standards of Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, the Application Guidance of Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other regulations issued thereafter (hereafter referred to as "the Accounting Standards for Business Enterprises"). The financial statements have also been prepared based on the following principal accounting policies and accounting estimates.

### **2. STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES**

The financial statements of the Company for the year ended 31 December 2011 were prepared under the requirements of Accounting Standards for Business Enterprises, and truly and completely present the Company's financial position as of 31 December 2011 and the operating results, cash flows and other relevant information for the year then ended.

### **3. ACCOUNTING YEAR**

Accounting year of the Company is the calendar year from 1 January to 31 December.

### **4. RECORDING CURRENCY**

The Company's recording currency is Renminbi ("RMB").

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

### 5. BUSINESS COMBINATION

#### (1) Business combination involving enterprises under common control

For this kind of business combination, assets and liabilities obtained by the absorbing party are measured at their carrying amounts. The difference between the carrying amount of the net assets obtained and the carrying amount of the considerations paid for the combination is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Any cost directly attributable to the combination should be recognized in profit or loss for the current period.

#### (2) Business combination not involving enterprises under common control

For this kind of business combination, the acquisition cost is the fair value of assets paid, liabilities incurred or assumed and equity instruments issued, in exchange for the control of the acquiree. The cost of combination realized through several stages is the total amount of cost of every business combination. If there are terms and conditions that may adjust the considerations, and the adjustment is likely to occur and can be reliably measured at the date of acquisition, the relevant amount shall be recorded as part of the acquisition costs.

The identifiable assets, liabilities and contingent liabilities acquired or assumed, through business combination not involving enterprises under common control are recognized at fair values at the date of business combination. When the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill. When the costs of a business combination are less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, after reassessment, the difference is included in profit or loss in the current period.

For business combination not involving enterprises under common control, the costs incurred by the acquirer, including the expenses for audit, legal services and valuation and other related administrative expenses, are recorded in profit or loss of the current period. The transaction costs of the equity or debt instruments issued by the acquirer for the business combination are recorded into the amount of initial measurement of the equity or debt instruments.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)*

### II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

#### 6. PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the financial statements of all the subsidiaries and special purposes entities.

The consolidated financial statements are prepared in accordance with "Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements" and relevant regulations, and all significant intra-group transactions and balances are eliminated. Interests in subsidiaries that are not attributable to the Company's equity shareholders are presented separately as minority interest in the consolidated financial statements.

When preparing consolidated financial statements, adjustments are made if the subsidiaries' accounting policies and accounting period are different from the Company.

In preparing the consolidated financial statements, if the subsidiaries are acquired from business combination not involving enterprises under common control, the identified net assets of the subsidiaries are adjusted based on their fair values on the date of acquisition. If the subsidiaries are acquired under business combination involving enterprises under common control, the combination is deemed to have taken place at the beginning of the year and the assets, liabilities, retained earnings and cash flows of the subsidiaries are included in the consolidated financial statements from the beginning of the year.

#### 7. CASH AND CASH EQUIVALENTS

Cash presented in the consolidated cash flow statement represents the cash on hand and deposits available for payment at any time.

Cash equivalents presented in the consolidated cash flow statement refer to short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

### 8. FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

#### (1) Foreign currency transactions

Foreign currency transactions are recorded in the recording currency using the spot exchange rate of the transaction date.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rate at the end of the reporting period. Exchange differences arising from the differences between the spot exchange rate at the balance sheet date and the spot exchange rate used in initial recognition or at the previous balance sheet date are recognized in profit or loss for the current period, except for those arising from borrowings denominated in foreign currencies and used for financing the construction of qualifying assets, which are capitalized as cost of the related assets.

Foreign currency non-monetary items measured at historical cost are translated at the spot exchange rate on the transaction date. Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date of determining the fair value. The exchange difference arising is treated as part of the change in fair value and is recorded in profit or loss in the current period or in other comprehensive income as capital reserve.

#### (2) Foreign currency translation

When preparing the consolidated financial statements, the financial statements of subsidiaries, joint ventures and associates prepared in currencies other than the Company's recording currency are translated into the Company's recording currency before consolidation.

Assets and liabilities are translated at the spot exchange rate prevailing at the balance sheet date. The equity items, except for undistributed profits, are translated at the spot exchange rates when they are incurred. Income and expenses are translated at the spot exchange rates at the dates of transactions. The resulting translation differences are presented as a separate component of equity in the balance sheet.

The cash flows of items denominated in foreign currencies are translated at the spot exchange rates at the dates of transactions. The effect of exchange differences is presented separately in the cash flow statement.

All or pro-rata exchange differences arising from translation of financial statements of foreign operations are recorded in profit or loss of the period in which the operations are disposed of.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)*

### II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

#### 9. FINANCIAL INSTRUMENTS

##### (1) Recognition, classification and measurement

Financial instruments are classified as financial assets or financial liabilities.

Upon initial recognition, financial assets are classified into financial assets at fair value through profit or loss (including trading securities and financial assets designated as at fair value through profit or loss), held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Except for receivables, the classification of financial asset is based on the intention and capability of holding the financial assets of the Company and its subsidiaries.

Upon initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss, (including trading securities and financial liabilities designated as at fair value through profit or loss) and other financial liabilities.

A financial asset or a financial liability is recognized when the Company becomes a contractual party of a financial instrument.

Financial assets and financial liabilities are initially recognized at fair values. Subsequent measurement is recorded based on different category. Financial assets at fair value through profit or loss, available-for-sale financial assets and financial liabilities at fair value through profit or loss are subsequently measured at fair values. Financial guarantee and loans bearing interest rate lower than the market interest rate are subsequently measured at the higher of the amount recognized according to "Accounting Standards for Enterprises No.13 - Contingencies" and the balance of initial fair value less amortized costs determined in accordance with "Accounting Standards for Enterprises No.14 - Revenue"; held-to-maturity investments, loans and receivables, and other financial liabilities are subsequently measured at amortized costs.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

### 9. FINANCIAL INSTRUMENTS *(CONTINUED)*

#### (1) Recognition, classification and measurement *(Continued)*

Except for financial instruments held for hedging purposes, the gain or loss arising from subsequent measurements of the changes in fair values of the financial assets and financial liabilities are accounted for as follows: 1) Changes in fair values of financial assets or financial liabilities at fair value through profit or loss are recorded as change in fair value in profit or loss; Interests or cash dividends received are recognized as investment income; Upon disposal, the difference between the considerations and the value at initial recognition are recognized as investment income, and the gain or loss from changes in fair values are adjusted accordingly. 2) Changes in fair values of available-for-sale financial assets are recognized in capital reserve; Interest from available-for-sale financial assets is recognized as investment income using the effective interest method; Dividends from available-for-sale equity instruments are recognized as investment income when the investee declares dividends; Upon disposal, the difference between the considerations and the carrying value deducting the accumulated fair value changes previously recorded in capital reserve are recognized as investment income.

#### (2) Transfer of financial assets

The criteria for transfer of financial assets: When the risk and rewards of ownership of the asset are transferred, or when there is no transfer and not retaining the risk and rewards of the ownership, but lost the control of the asset, the financial asset shall be derecognized.

Measurement for transfer of financial assets: When the criteria for derecognition of a financial asset are met, such transfer shall be financially measured, where the difference between the considerations and the carrying value deducting the accumulated fair value changes previously recorded in capital reserve are recorded in profit or loss in current period.

If the criteria for partial derecognition of financial asset are met, the fair value shall be proportionally allocated between the derecognized portion and the retained portion, the difference between the considerations for the partial disposal and the carrying value of the disposal portion, deducting the accumulated fair value changes of the disposal portion previously recorded in capital reserve are recorded in profit or loss in current period.

#### (3) De-recognition of financial liabilities

When all or part of the current obligation to the financial liabilities has been terminated, the relevant financial liabilities shall be derecognized.



## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)*

### II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

#### 9. FINANCIAL INSTRUMENTS *(CONTINUED)*

##### **(4) Determination of fair values of financial assets and financial liabilities**

If there is an active market for the financial instruments, the quoted prices in the active market shall be used to determine the fair values of these financial instruments; If there is no active market for the financial instruments, valuation techniques would be adopted to determine their fair values.

The valuation techniques include the latest transaction price in arms length basis of similar instruments and market, the fair values of similar financial instruments and the discounted cash flows forecast. When adopting these valuation techniques, market data is preferred and the use of data specific to the Company and its subsidiaries is minimized.

##### **(5) Impairment of financial assets**

At the balance sheet date, except for financial assets at fair value through profit or loss, the Company performs impairment assessment for all other financial assets. If there is objective evidence that an asset is impaired, the recoverable amount shall be assessed and the carrying value shall be reduced to the recoverable amount.

For significant financial assets, the Company performs impairment assessment on an individual basis. For insignificant financial assets, the Company performs impairment assessment on individual financial asset or groups of financial assets with similar credit risk. For assets (including significant and insignificant financial asset) that are not individually impaired, they are grouped into financial assets with similar credit risk and re-assessed for impairment. For assets that are individually identified as impaired, they are not included in any group of assets with similar credit risk for the purpose of impairment review.

When held to maturity investments, loans and receivables are impaired, the carrying amount of an asset shall be reduced to the present value of future cash flows, and the difference is recorded in profit or loss of the current period. When an available-for-sale financial asset is impaired, the accumulative losses arising from the decrease in fair value as recorded in capital reserve are transferred to profit or loss of the current period. The accumulative losses that are transferred out from capital reserve is the difference between cost of initial recognition deducting the amount recovered and the accumulated amortized costs, or difference between the current fair value and the amount previously impaired.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

### 9. FINANCIAL INSTRUMENTS *(CONTINUED)*

#### (6) Reclassification of financial assets

A held-to-maturity investment not yet matured is reclassified as available-for-sale financial asset if:

- 1) There is no available fund to continue financing the investment and to hold the investment until maturity;
- 2) The management has no intention to hold the investment until maturity;
- 3) There are restrictions of laws or administrative regulations or other reasons that preclude the investments from being held to maturity;
- 4) Other indicators that the Company is unable to hold the investment until maturity.

The reclassification of held-to-maturity investment to available-for-sale financial assets requires the approval by the board of directors.

### 10. RECEIVABLES

Receivables include trade receivables, long term receivables and other receivables. If there is objective evidence that receivables have been impaired, impairment loss shall be recognized in profit or loss base on the differences between the carrying values and the present value of estimated future cash flows.

#### (1) Provision for bad debts for receivables individually significant

Judgment or amount in determining whether a balance is individually significant	Individual receivable with carrying amount exceeding RMB5 million
Provision policies of bad debt provision for individually significant balance	Impairment review is performed on an individual basis. When there is objective evidence that they have been impaired, impairment loss shall be recognized in profit or loss base on the differences between the carrying values and the present value of estimated future cash flows.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

### II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

#### 10. RECEIVABLES *(CONTINUED)*

##### (2) Provision for bad debts for receivables on a group basis

With respect to individual insignificant receivables, they are group together with those individually significant receivables not impaired after impairment review on an individual basis, and provide certain percentage of bad debt provision based on the aging analysis, the actual bad debts of the same or similar receivable portfolios in the previous years, and the actual bad debts of current year. The Group provides bad debts provision based on the aging at the rates set out below:

Aged	Provision rate for trade receivables (%)	Provision rate for other receivables (%)
Within 1 year	0.00	0.00
1 year to 2 years	10.00	10.00
2 years to 3 years	30.00	30.00
3 years and 5 years	80.00	80.00
Over 5 years	100.00	100.00

##### (3) Provision for bad debts for individually insignificant receivables

Basis for individual provision	If there is any objective evidence that a receivable is impaired, e.g., a debtor is liquidated, bankrupt or deceased, where the amount could not be recovered from the net assets or estates of the debtor.
Provision method	When there is indication of impairment for a receivable, it is excluded from the portfolio and tested for impairment individually to determine the impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

### 11. INVENTORY

#### (1) Classification

Inventory means finished goods and merchandise that are ready for sale, work-in-progress, or material used in the process of production or provision of service in the ordinary course of business. Inventory includes raw materials, supplementary materials, subcontracted materials, packing materials, low value consumables, work-in-progress, semi-finished goods and finished goods (merchandise in warehouse), etc.

#### (2) Measurement

Raw materials and semi-finished goods are accounted for based on standard costs as planned, and adjusted to actual costs incurred at each period end. Finished goods, supplementary materials and subcontracted materials are measured using the weighted average method and actual costs incurred.

#### (3) Measurement of net realizable value and provision for impairment

At the balance sheet date, inventory is recorded at the lower of cost and net realizable value on an individual basis. For items with significant quantity and low values, provision is made based on their categories.

Net realizable value of inventories is determined as follows: 1) net realizable value of finished goods is the estimated selling price less relevant tax and selling expenses; 2) for materials held for production, net realizable value equals the cost if the net realizable value of the finished goods produced from the materials exceeds the cost; when the price of raw materials decreases indicating that the net realizable value of the relevant finished goods would be lower than cost, the net realizable value is the estimated selling price less costs to completion, selling expenses and relevant tax; and 3) net realizable value of materials held for sale is the market price.

#### (4) Inventory system

The Company adopts perpetual inventory system.

#### (5) Amortization of low-value consumables and packaging materials

Low-value consumables and packing materials are fully written off.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)*

### II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

#### 12. LONG-TERM EQUITY INVESTMENT

##### (1) Measurement of investment cost

- 1) For a long-term equity investment obtained from business combination involving enterprises under common control, the initial cost is measured at the combining party's share of net asset value of the combined party. For a long-term equity investment obtained from business combination not involving enterprises under common control, its initial cost is the acquisition cost at the date of acquisition.
- 2) For a long-term equity investment acquired by cash, the initial investment cost shall be the actual consideration paid;
- 3) For a long-term equity investment acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued;
- 4) For a long-term equity investment contributed by an investor, the initial investment cost shall be the value stipulated in the investment contract or mutually agreed;
- 5) For a long-term equity investment acquired by exchange of asset or debt restructuring, the initial investment cost is determined by the relevant standards and regulations.

##### (2) Subsequent measurement of long-term equity investments

Long-term equity investments are subsequently measured using equity method or cost method. For long-term investments using equity method, the Company's share of investee's profit or loss is recognized as investment income with a corresponding adjustment to the carrying value of the relevant long-term equity investment. When the investee distributes profit or declares cash dividends, the carrying value of the relevant long term equity investment is reduced by the Company's attributable share of the distribution or cash dividend.

For long-term equity investments using cost method, unless increasing or reducing the investment cost, the carrying value is unchanged. The Company's attributable share of the profit distributions or cash dividends declared by the investee are recognized as investment income.

For a long term equity investment having joint-control or significant influence, it is measured using the equity method. All other investments are measured using the cost method.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

### 12. LONG-TERM EQUITY INVESTMENT *(CONTINUED)*

#### (3) Basis of conclusion for common control and significant influence over the investee

Common control: Through contractual or mutual agreements among two or more joint venture partners, the financial and operation policies of the investee must be approved by the decisions of all partners.

Significant influence: Significant influence over the investee exists when holding more than 20% but less than 50% of the shares with voting rights. Even if the holding is below 20%, there is still significant influence if any of the following conditions is met:

- 1) There is representative in the board of directors or similar governing body in the acquiree;
- 2) Participation in the investee's policy setting process;
- 3) Assign key management to the investee;
- 4) The investee relies on the technology or technical information of the investing company; and
- 5) Other evidence that could prove the significant influence over the investee.

#### (4) Impairment test and provision of impairment

At the balance sheet date, the Company reviews whether there is impairment indicator for the long-term equity investments. When there is impairment indicator, the recoverable amount is estimated and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment loss is not reversed once provided.

The recoverable amount is the higher of net fair value on disposal and the present value of estimated future cash flows. If there is agreed price under arm's length transaction, the net fair value is the agreed price less relevant tax expense. If there is no agreed price under arm's length transaction but an active market for the asset or similar asset, the market value less relevant tax expenses is the net fair value on disposal.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)*

### II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

#### 13. INVESTMENT PROPERTY

##### (1) Classification and measurement

Investment properties include land use rights and buildings for leasing and land use rights held for resale after appreciation in value.

Investment property is initially measured at cost and cost model is adopted for subsequent measurement.

##### (2) Cost model measurement

The building of an investment property is depreciated over its useful life. The overall measurement policy is the same as fixed assets.

For land use rights leased out or held for resale after appreciation in value, they are amortized over their useful lives using the straight-line method. The overall measurement policy is the same as intangible assets.

At the balance sheet date, the Company reviews whether there is impairment indicator for investment property. When there is impairment indicator, the recoverable amount is estimated and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

#### 14. FIXED ASSETS

##### (1) Recognition of fixed assets

Fixed assets are tangible assets that are held for production, provision of services, leasing or administrative purposes, and have useful life more than one financial year. Fixed asset are recognized when both of the following conditions are met:

- 1) It is probably the future economic benefits associated to the fixed assets will flow to the enterprise;
- 2) The cost of the fixed asset can be measured reliably.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

### 14. FIXED ASSETS (CONTINUED)

#### (2) Classification and depreciation

Fixed assets held by the Company are mainly classified as: buildings, machinery, transportation equipment, and other equipment. The useful life and residual value of an asset is assessed based on its nature and the manner of use. At the end of each reporting period, the useful lives, residual values and the depreciation method are reviewed, and adjusted if there are variances with the original estimates. Other than fully depreciated assets which are still in use and land individually measured and recorded, depreciation is provided for all fixed assets.

Category	Estimated useful lives (years)	Expected residual value	Annual depreciation rate
Buildings	15-30	3%	3.23%-6.47%
Machinery	5-18	3%	5.39%-19.4%
Transportation equipment	6	3%	16.17%
Other equipment	4-15	3%	6.47%-24.25%

#### (3) Impairment of fixed assets

At each balance sheet date, the Company reviews whether there is impairment indicator for fixed assets. When there is impairment indicator, the recoverable amount is estimated and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

Impairment indicators include: 1) Continuous decline in market price; 2) Outdated technology; 3) Damage; 4) Assets being idle for long time causing the recoverable amount lower than its carrying amount; and 5) Production of large amount of substandard products.

The recoverable amount is the higher of the fair value less estimated cost of disposal and the present value of the estimated future cash flow of an asset. If there is agreed price in arms length transaction, the fair value of an asset shall be the agreed price. If there is no agreed price under arm's length transaction but there is an active market for the asset or similar assets, the market value less relevant cost of disposal is the recoverable amount.



## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the year ended 31 December 2011(Expressed in RMB Yuan unless otherwise stated)*

### II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

#### 14. FIXED ASSETS *(CONTINUED)*

##### **(4) Recognition and measurement of fixed assets held under finance lease**

Basis for recognition of fixed assets held under finance lease: a lease that transfers all the risks and reward of the relevant asset. The asset is recognized if one or more of the following criteria is met: 1) upon the expiry of the lease term, the ownership is transferred to the lessee; 2) the lessee has the option to purchase the asset at a predetermined price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and it is reasonably ascertained at the inception of lease that the option will be exercised; 3) the lease term approximates the useful life of the relevant asset even if the ownership is not transferred; 4) at the inception of the lease, the present value of the minimum lease payments is substantially equivalent to the fair value of the leased asset; and 5) the leased assets are of such a specialized nature that only the lessee can use them without major modification.

Measurement of fixed assets held under finance lease: a fixed asset held under finance lease is initially recognized at the lower of fair value of the leased asset and the present value of the minimum lease payments.

The subsequent measurement of a fixed asset held under finance lease is accounted for in accordance with the depreciation and impairment policies of owned fixed assets.

#### 15. CONSTRUCTION IN PROGRESS

##### **(1) Classification**

There are two types of construction in progress: self-construction and subcontracting construction.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

### 15. CONSTRUCTION IN PROGRESS *(CONTINUED)*

#### (2) Criteria and time of transfer from construction in progress to fixed assets

Construction in progress is transferred to fixed assets when the project is substantially completed and the fixed assets are ready for intended use. A fixed asset is ready for intended use if any of the following criteria is met:

The construction (including installation) of the fixed asset is completed or substantially completed;

The fixed asset is put to trial production and operates satisfactorily or continually produces products with satisfactory quality, or the result of the trial run proves it running or operating satisfactorily;

Further expenditure incurred for construction is very minimal or remote;

The constructed fixed asset achieves or almost achieves the design or the requirements of contract, or complies with the design or the requirements of contract.

#### (3) Impairment test and provision of impairment of construction in progress

At each balance sheet date, the Company reviews whether there is impairment indicator for construction in progress. When there is impairment indicator, the recoverable amount is estimated and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

The recoverable amount is the higher of the fair value less estimated cost of disposal and the present value of the estimated future cash flows of the construction in progress.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

### II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

#### 16. BORROWING COSTS

##### (1) Basis for capitalization of borrowing costs

The Company's borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized. Other borrowing costs are recognized as expenses in profit or loss when incurred. Qualifying assets are fixed assets, investment properties and inventories, etc. that take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

##### (2) Calculation of amount to be capitalized

Capitalization period: The period beginning from the commencement of capitalizing borrowing costs to the date of ceasing capitalization. The borrowing costs during the suspension of capitalization are not included.

Suspension of capitalization: When there are abnormal interruptions which last more than three months, the relevant capitalization of borrowing costs is suspended.

Calculation of amount to be capitalized: 1) The actual interest expense incurred for the designated borrowings, less the interest income from the unused funds of the designated borrowings or investment income from the temporary investments; 2) The weighted average of general borrowings occupied, based on the accumulated expenditure exceeding the capital expenditure from designated borrowings times the interest rate of the general borrowings so occupied. The interest rate is the weighted average rate of the general borrowings; and 3) For borrowings with discount or premium, the discount or premium was amortized over the term of the borrowings to adjust the interest in every period using the effective interest rates.

The effective interest rate is based on the coupon rate of the borrowings to calculate the amortization of discount and premium. The effective interest rate is the rate in discounting the estimated future cash flows to the carrying value of the borrowings.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

### 17. INTANGIBLE ASSETS

#### (1) Measurement of intangible assets

Intangible assets are initially recognized at costs. The actual costs of purchased intangible assets include the consideration and relevant expenses paid. For intangible asset contributed by investors, the price contained in the investment agreement or mutually agreed is the actual cost of the intangible asset. If the price contained in the investment agreement or mutually is not a fair value, the fair value of the intangible asset is regarded as the actual cost. The cost of a self developed intangible asset is the total expenditure incurred in brings the asset to its intended use.

Subsequent measurement of intangible assets: 1) Intangible assets with finite useful lives are amortized on a straight-line basis over the useful lives of the intangible assets; at the end of each year, the useful lives and amortization policy are reviewed, and adjusted if there are variance with original policies; 2) Intangible assets with indefinite useful lives are not amortized and the useful lives are reviewed at each year end date. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortized using the straight line method according to the estimated useful life.

#### (2) Estimation of the useful life of intangible assets with finite useful life

The Company estimates the useful life of an intangible asset with finite useful life based the following criteria: 1) the useful life of product produced by the relevant intangible assets and the useful life of similar intangible assets; 2) the present technologies and arts and their future development; 3) the market demand of the products produced from or the services provided by the intangible asset; 4) The anticipated action of present or potential competitors; 5) the maintenance expenditure on the intangible asset to maintain its future economic benefits and the Company's ability to pay the reverent expenditures; 6) the restriction in the period of controlling the intangible asset, imposed by relevant laws and regulation or similar restrictions, like patent term and lease term; and 7) the useful life of other assets which are related to the relevant intangible asset.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)*

### II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

#### 17. INTANGIBLE ASSETS *(CONTINUED)*

##### **(3) Estimation of infinite useful life**

The useful life of an intangible asset is indefinite if the period of the future economic benefits generated by the intangible asset could not be reasonably determined, or the useful life could not be reasonably ascertained.

Estimation of intangible assets with infinite useful lives: 1) For intangible assets derived from contractual rights or other legal rights and there are no explicit years of use stipulated in the contract or laws and regulations; 2) Useful life still could not be estimated after considering the industrial practice or relevant expert opinion.

At each year end date, the useful lives of the intangible assets with indefinite useful lives are reviewed. The assessment is performed by the departments that use the intangible assets, using the down-to-top approach, to determine if there are changes to the indefinite useful lives.

##### **(4) Impairment test and provision of impairment of intangible assets**

At each balance sheet date, the Company reviews whether there is impairment indicator for intangible assets. When there is impairment indicator, the recoverable amount is estimated and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

The recoverable amount is the higher of the fair value less estimated cost of disposal and the present value of the estimated future cash flows of the intangible asset.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

### 17. INTANGIBLE ASSETS *(CONTINUED)*

#### (5) Basis for development phase for internal research and development activities and basis for capitalization of expenditure incurred in development stage

Expenditures for internal research activities are expensed in the period as incurred. For expenditures incurred in the development stage are recognized as intangible assets if all of the following criteria are met: 1) it is very probable the completion of the intangible asset available for use or for sale is feasible; 2) the intention to complete the intangible asset for use or for sale; 3) the intangible asset could generate future economic benefit, if there are market for the intangible asset or the market for the products produced with the intangible assets, or for intangible asset for internal use, which is objectively evidenced; 4) the availability of adequate technological, financial and other resources to complete the development of the intangible asset and the ability to use or to sell the intangible asset; and 5) expenditures attributable to the development of the intangible asset could be reliably measured.

Basis for distinguishing research phase and development phase of an internal research and development project: research stage is the activities carried out for the planned investigation and search of new technology and knowledge, which has the characteristics of planning and exploration; before commercial production or other uses, the application of new technologies and new knowledge obtained from the research phase to develop new or improved plant and equipment and produce new or improved materials and products is regarded as development phase, which has the characteristics of very probable pin-pointing and forming results.

### 18. LONG-TERM PREPAID EXPENSES

Long-term prepaid expenses are expenses which have been paid but the economic benefit is over one year (not including one year), mainly including long term prepaid rentals and long term lease prepayments. Long-term prepaid expenses are amortized over the beneficial period. If a long-term prepaid expense could not provide economic benefit after reporting period, the unamortized amount is transferred to profit or loss in the current period.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

*For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)*

### II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

#### 19. PROVISION

##### (1) Recognition

Provision is made when the Company has a present obligation, the outflow of economic benefits for the obligation is very probable, and the amount could be reliably measured.

##### (2) Measurement

The best estimate of the expenditure from current obligation is initially recorded as provision. When the necessary expenditures falls within a range and the probability of each result in the range are identical, the best estimate is the median of the range; if there are severable items involved, every possible result and relevant probability are taken into account for the best estimation.

At the balance sheet date, the carrying value of provision is reviewed. If there is objective evidence that the carrying value could not reflect the current best estimate, the carrying value is adjusted to the best estimated value.

#### 20. REVENUE RECOGNITION

##### (1) Sales of goods

Revenue from the sale of goods is recognized according to the actual receipts or receivables from the purchase parties and based on the contractual or agreed prices, only when all of the following conditions are satisfied: 1) the significant risks and rewards of ownership of the inventory have been passed to the buyer; 2) do not retain continual managerial role in the ownership of goods, and do not have control over the items sold; 3) the sales amount could be measured reliably; 4) it is probable that the associated economic benefits will flow to the enterprise; and 5) the associated costs incurred or to be incurred could be measured reliably.

If there is deferred payment clause in the agreement or mutually agreed price, which in substance is a financing nature, the fair value of the receivables is recorded as sales amount.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

### 20. REVENUE RECOGNITION *(CONTINUED)*

#### (2) Provision of services

At the balance sheet date, when the outcome of a service transaction could be reliably estimated, revenue from the provision of service is recognized using the percentage of completion method. The percentage of completion is recognized by the Company by reference to the work certified.

At the balance sheet date, when the outcome of a service transaction could not be reliably estimated, it is accounted for as follows: 1) If the cost of provision of service is estimated to be recoverable, revenue from the provision of service is recognized to the extent of actual cost incurred to date, and the relevant cost is transferred to cost of service in profit or loss; 2) If the cost of provision of service is estimated to be unrecoverable, the relevant cost is transferred to cost of service in profit or loss but revenue is not recognized.

#### (3) Abalienating the right to use an asset

When the inflow of economic benefits from the abalienation of assets is probable and the income can be measured reliably, the income from abalienating the right to use an asset is recognized.

### 21. GOVERNMENT GRANT

#### (1) Classification of government grants

Government grants are classified to asset related government grant and revenue nature government grant.

#### (2) Accounting for government grant

Income for asset related government grant is deferred, and amortized over the useful life of corresponding asset as nominal income in profit or loss. For revenue related government grant, it is accounted for: 1) For government grant compensating the enterprise's future expenses or losses, the income is deferred and is recognized in profit or loss when the corresponding expenses or losses incur; 2) For government grant compensating the enterprise's expenses or losses already incurred, it is recognized in profit or loss for the current period.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

### II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

#### 22. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are recognized:

- (1) Based on the temporary difference between the carrying amount and the tax base amount of an asset or liability (Asset or liability not recognized in balance sheet but the tax base is ascertained by the current tax laws and regulation, the tax base is the temporary difference), and the expected applicable tax rate at the time of recovering the relevant asset or discharge of relevant liability.
- (2) Deferred tax asset is recognized to the extent that there is enough future profit for the utilization of the deductible temporary difference. At the balance sheet date, if there is sufficient evidence that there would be enough future benefit for the utilization of the deductible temporary difference, the deferred asset not previously recognized is recognized in current period. If there is not sufficient evidence that there would be enough future benefit for the utilization of the deductible temporary difference, the carrying value of the deferred asset reduced in current period.
- (3) Deferred tax is recognized for assessable temporary difference related to the investments of the subsidiaries and associated companies, unless the Company could control the reversal of the temporary differences and the temporary differences would not be reserved in the foreseeable future.

#### 23. LEASE

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessees. All other leases are classified as operating leases. Rental expenses are recognized as expense over the lease term on a straight line basis or recognized as expense in current period.

Lease business is accounted for according to "Accounting Standards for Business Enterprises - Leases".

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS *(CONTINUED)*

### 24. ASSETS HELD FOR SALE

#### (1) Basis of recognition for assets held for sale

Assets held for sale is recognized when both of the following conditions are met: 1) a non-cancelable contract is signed with the acquirer; 2) the transfer would be completed within one year.

#### (2) Accounting for assets held for sale

For fixed assets held for sale, the fixed asset is adjusted to its residual value, which is the estimated fair value of the asset less the cost to sale but limited to the original carrying value of the asset. For the amount that the original carrying value exceeds the adjusted estimated residual value, it is recorded as impairment loss in profit or loss for current period.

Other non-current assets held for sale (including single asset or group of assets which are group of asset for sale in whole lot) are accounted for in accordance with the policy set out in above paragraph.

### 25. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

#### (1) Changes in accounting policies

There were no changes in the Company's accounting policies in current period.

#### (2) Changes of accounting estimates

There were no changes in the Company's accounting estimates in current period.

### 26. PRIOR PERIOD ADJUSTMENTS

The Company had no prior period adjustments in current period.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011(Expressed in RMB Yuan unless otherwise stated)

### III. TAXES

#### (1) MAJOR TAXATION AND TAX RATES:

Main taxation	Taxation basis	Rate
Enterprise income tax	Taxable income	15%
Value-added tax	Value added amount	17%
Business tax	Service revenue, value-added taxes and transfer amount	5%
City construction tax	Goods turnover tax actually paid	5%/7%
Educational surcharges	Goods turnover tax actually paid	3%
Supplementary food regulation surcharge	Sales revenue and rental income	0.1%
Local educational surcharges	Goods turnover tax actually paid	2%
Property tax	The net book value of property or rental income from property	1.2%/12%
Land use tax	The actual area of land occupied	RMB6 per square meter
Individual income tax	Taxable income of individual	5%-45%

#### (2) PREFERENTIAL TAX TREATMENT AND APPROVAL:

According to the regulations of <High-tech enterprise recognition and management method> (Guokefahuo[2008]No.172 ) and <Working guidelines for the recognition and management of high-tech enterprises> (Guokefahuo [2008] No.362), and according to Chuangaoqiren[2011] No.4 issued by the High-tech Enterprise Recognition and Management Group, the Company and its subsidiaries, Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant, Chengdu SEI Optical Fiber Co., Ltd and Chengdu MCIL Radio Communications Co., Ltd are recognized as high-tech enterprises and enjoy the High-tech Enterprises Preferential Tax Rate of 15%.

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### IV. SCOPE OF CONSOLIDATION AND CONSOLIDATED FINANCIAL STATEMENTS

The Company consolidates all the subsidiaries and special purposes entities in these consolidated financial statements.

The consolidated financial statements are prepared in accordance with "Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements" and relevant regulations, and all significant intra-group transactions and balances are eliminated. Interests in subsidiaries that are not attributable to the Company's equity shareholders are presented separately as minority interest in the consolidated financial statements.

When preparing consolidated financial statements, adjustments are made if the subsidiaries' accounting policies and accounting year end are different from the Company.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## IV. SCOPE OF CONSOLIDATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

If preparing the consolidated financial statements, if the subsidiaries are acquired from business combination not involving entities under common control, the identified net assets of the subsidiaries are adjusted on the basis of their fair values on the date of acquisition. If subsidiaries are acquired under business combination involving enterprises under common control, the assets, liabilities, retained earnings and cash flows of the subsidiaries are included in the consolidated financial statements from the beginning of the year.

### DETAILS OF THE SUBSIDIARIES

#### Subsidiaries obtained through set-up or investment

Name of subsidiaries	Type of subsidiaries	Registered address	Registered capital	Principal activities and scope of operation	Paid-in capital at the year ended	Other items in substance form part of the investment
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	Stated-owned enterprise and collective cooperation	Jingdu Village, Baijia Town, Shuangliu, Chengdu	22,520,000.00	Manufacture and sale of heat-shrink cable joining sleeves, cold-shrink cable, electric wire and cable and accessories	15,013,376.15	
Chengdu SEI Optical Fiber Co., Ltd	Limited company	The westpark of Hi-tech Development Zone, Chengdu	USD 13,750,000.00	Manufacture and sale of optical fiber and related material	70,424,819.71	
Chengdu MCIL Radio Communications Co., Ltd	Limited company	The westpark of Hi-tech Development Zone, Chengdu	82,100,000.00	Manufacture and sale of copper cables, parts and components for wireless telecommunications system network	72,702,773.95	
Chengdu Gaoxin Cable Co., Ltd	Limited company	Yan alley, Pingle Town, Qionglai City	8,116,116.38	Manufacture and sale of cables and wires, special cables and other telecommunications products	8,116,116.38	

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

### IV. SCOPE OF CONSOLIDATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### DETAILS OF THE SUBSIDIARIES (CONTINUED)

##### Subsidiaries obtained through set-up or investment (Continued)

Name of subsidiaries	Equity held (%)	Voting right held (%)	Consolidated or not	Minority interests	Amount of minority interest for deduction of minority interest's losses	The balance of the amount of shareholders' equity attributable to parent company deducting losses for the year to minority interest exceed the amount of equity at the beginning of year of subsidiaries of minority interest
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	66.67	66.67	Yes	23,548,599.03		
Chengdu SEI Optical Fiber Co., Ltd.	60.00	60.00	Yes	56,036,245.78		
Chengdu MCIL Radio Communications Co., Ltd.	96.67	100.00	Yes	2,055,285.67		
Chengdu Gaoxin Cable Co., Ltd.	100.00	100.00	Yes			

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

### 1. CASH AND BANK BALANCES

#### (1) Classification

Item	End of the year			Beginning of the year		
	Foreign currency balance	Exchange rate	RMB	Foreign currency balance	Exchange rate	RMB
Cash			171,699.83			277,886.62
— Renminbi			171,699.83			277,886.62
Deposits at banks			234,685,618.78			278,226,013.55
— Renminbi			229,765,164.55			273,973,499.27
— US dollars	780,912.92	6.3009	4,920,454.23	642,111.87	6.6227	4,252,514.28
Other monetary funds			7,427,454.03			10,635,150.16
— Renminbi			7,427,454.03			10,635,150.16
Total			242,284,772.64			289,139,050.33

#### (2) Other monetary funds

Item	End of the year	Beginning of the year
Letter of guarantee deposit	6,361,320.45	
L/C guarantee deposit	1,066,133.58	10,635,150.16
Total	7,427,454.03	10,635,150.16

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

### V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 2. BILLS RECEIVABLES

Bills receivables comprise

Item	End of the year	Beginning of the year
Bank acceptance bills	34,512,368.07	9,159,379.29
Commercial acceptance bills	3,681,108.67	1,404,989.21
Total	38,193,476.74	10,564,368.50

#### 3. ACCOUNTS RECEIVABLES

##### (1) Accounts receivables comprise

Category	End of the year			
	Carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
1. Individual significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a group basis — Provision for bad debts is made according to aging analysis	151,795,159.03	89.19	27,345,849.03	18.01
3. Individual insignificant receivables of which provision for bad debts is made on an individual basis	18,396,129.27	10.81	18,175,254.22	98.80
Total	170,191,288.30	100.00	45,521,103.25	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. ACCOUNTS RECEIVABLES (CONTINUED)

#### (1) Accounts receivables comprise (Continued)

Category	Carrying amount Amount	Beginning of the year Percentage (%)	Provision for bad debts	
			Amount	Percentage (%)
1. Individual significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a group basis — Provision for bad debts is made according to aging analysis	168,853,200.26	88.72	30,488,823.87	18.06
3. Individual insignificant receivables of which provision for bad debts is made on an individual basis	21,457,620.42	11.28	18,280,937.96	85.20
Total	190,310,820.68	100.00	48,769,761.83	

#### Details of accounts receivables of which provision for bad debts is made according to aging analysis

Age	End of the year			Beginning of the year		
	Carrying amount	Percentage (%)	Provision for bad debts	Carrying	Percentage (%)	Provision for bad debts
Within 1 year	93,380,731.15	61.52		116,072,730.29	68.74	
1-2 years	30,191,331.86	19.89	3,019,133.19	19,924,756.92	11.80	1,992,475.70
2-3 years	4,814,391.71	3.17	1,444,317.51	5,491,957.50	3.25	1,647,587.26
3-5 years	2,631,529.91	1.73	2,105,223.93	2,574,973.21	1.53	2,059,978.57
Over 5 years	20,777,174.40	13.69	20,777,174.40	24,788,782.34	14.68	24,788,782.34
Total	151,795,159.03	100.00	27,345,849.03	168,853,200.26	100.00	30,488,823.87



# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. ACCOUNTS RECEIVABLES (CONTINUED)

#### (1) Accounts receivables comprise (Continued)

Details of individual insignificant receivables of which provision for bad debts is made on an individual basis

Name	End of the year	provision	Percentage (%)	Reason for individually made provision
Henan Qingfeng County Federation of Industry and Trade Co., Ltd	<b>1,007,986.64</b>	1,007,986.64	100.00	Not expected to be recoverable
Chengdu Telecommunications Cable Factory sales division	<b>1,062,382.43</b>	1,062,382.43	100.00	Not expected to be recoverable
China Posts Equipment Co., Ltd, Middlesouth Company	<b>1,116,797.27</b>	1,116,797.27	100.00	Not expected to be recoverable
Urumqi Zhida Electronics Co., Ltd	<b>1,344,969.65</b>	1,344,969.65	100.00	Not expected to be recoverable
Chuandong Electromechanical Co., Ltd	<b>1,606,692.41</b>	1,606,692.41	100.00	Not expected to be recoverable
Shenyang Hengyuanda Communications Equipment Co., Ltd	<b>1,621,814.62</b>	1,621,814.62	100.00	Not expected to be recoverable
KAB/VOLEX	<b>2,058,597.74</b>	2,058,597.74	100.00	Not expected to be recoverable
Total	<b>9,819,240.76</b>	9,819,240.76		

Note: The total amount of the individual insignificant receivables of which provision for bad debts is made on an individual basis is 18,396,129.27, of which the large amount is 9,819,240.76.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. ACCOUNTS RECEIVABLES (CONTINUED)

#### (2) Details of recovered receivables

Name	Reason for write back	Reasons for provision for bad debts made previously	Provision for bad debts made previously in relation to the recovered amount	Amount recovered
Guangzhou Tongguang Communication Technology Co., Ltd	Amount recovered	No repayment after several years' demands	866,600.50	866,600.50
Total			866,600.50	866,600.50

Note: According to the civil mediation agreement Haiminerchuzi (2011) No.235 issued by the Guangzhou Haizhu District People's Court, the plaintiff, Chengdu MCIL Radio Communications Co., Ltd. and the defendant, Guangzhou Tongguang Communication Technology Co., Ltd. reached a repayment agreement and the defendant agreed to repay the outstanding amount of RMB866,600.50.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. ACCOUNTS RECEIVABLES (CONTINUED)

#### (3) Top five accounts receivable

Name	Relationship	Amount	Age	Percentage (%)
1. Leoni Special Cable (Changzhou) Co., Ltd	Not related party	18,238,816.17	Within 1 year	10.72
2. ZTE Kangxun Telecom Company Limited	Not related party	14,998,353.16	Within 1 year	8.81
3. Sichuan Petroleum Administration Supplies Corporation	Not related party	7,297,300.00	Within 1 year	4.29
4. CSR Investment Leasing Co., Ltd	Not related party	6,496,114.28	Within 1 year	3.82
5. Hangzhou Stanley Communication Equipment Co., Ltd	Not related party	5,879,760.75	Within 1 year	3.45
Total		52,910,344.36		31.09

#### (4) Accounts receivables denominated in foreign currencies

Foreign currency	End of the year			Beginning of the year		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
US dollars	74,580.97	6.3009	469,927.23	52,285.80	6.6227	346,273.15
Total			469,927.23			346,273.15

Note: At the end of the reporting year, there was no counterparty holding 5% or more of the Company's voting shares.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. PREPAYMENTS

#### (1) Aging analysis

Age	End of the year		Beginning of the year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	2,463,231.04	92.68	21,677,335.42	100.00
Over 1 year	194,415.07	7.32		
Total	2,657,646.11	100.00	21,677,335.42	100.00

#### (2) Top five prepayments

Name	Relationship	Amount	Percentage to total prepayments (%)	Age	Reasons of outstanding
1. Sumitomo Electric Asia, Ltd	Not related party	324,703.26	12.22	Within 1 year	Contract not yet completed
2. Beijing Hanhehongjia Technology Co., Ltd	Not related party	157,600.00	5.93	Within 1 year	Contract not yet completed
3. Wujiang TAI-LAKE Industrial Auxiliary Materials Co., Ltd	Not related party	93,500.00	3.52	Within 1 year	Contract not yet completed
4. Dalian Tokai-Jinqi-Fuji Carbon Co. Ltd	Not related party	84,695.00	3.19	Within 1 year	Contract not yet completed
5. Tongling Tinco Tinned Wires Co., Ltd	Not related party	71,757.32	2.70	Within 1 year	Contract not yet completed
Total		732,255.58	27.56		

Note: At the end of the reporting year, there was no counterparty holding 5% or more of the Company's voting shares.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

### V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 5. OTHER RECEIVABLES

##### (1) Other receivables comprise

Category	End of the year			
	Carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
1. Individual significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a group basis — Provision for bad debts is made according to aging analysis	39,429,961.35	70.42	20,380,285.74	51.69
3. Individual insignificant receivables of which provision for bad debts is made on an individual basis	16,565,240.49	29.58	3,000,000.00	18.11
Total	55,995,201.84	100.00	23,380,285.74	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. OTHER RECEIVABLES (CONTINUED)

#### (1) Other receivables comprise (Continued)

Category	Beginning of the year		Beginning of the year	
	Carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
1. Individual significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a group basis				
— Provision for bad debts is made according to aging analysis	63,165,759.10	41.02	49,398,022.30	78.20
3. Individual insignificant receivables of which provision for bad debts is made on an individual basis	90,821,519.00	58.98	3,000,000.00	3.30
Total	153,987,278.10	100.00	52,398,022.30	

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

### V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 5. OTHER RECEIVABLES (CONTINUED)

##### (1) Other receivables comprise (Continued)

Details of other receivables of which provision for bad debts is made according to aging analysis

Age	End of the year			Beginning of the year		
	Carrying amount	Percentage (%)	Provision for bad debts	Carrying amount	Percentage (%)	Provision for bad debts
Within 1 year	13,493,395.52	34.22		11,000,880.90	17.42	
1-2 years	4,061,427.75	10.30	406,142.78	2,821,343.80	4.47	282,134.38
2-3 years	2,652,643.68	6.73	795,793.10	220,722.69	0.35	66,216.81
3-5 years	220,722.69	0.56	176,578.15	365,703.00	0.58	292,562.40
Over 5 years	19,001,771.71	48.19	19,001,771.71	48,757,108.71	77.18	48,757,108.71
Total	39,429,961.35	100.00	20,380,285.74	63,165,759.10	100.00	49,398,022.30

Details of individual insignificant receivables of which provision for bad debts is made on an individual basis

Name	End of the year	Provision for bad debts	Percentage (%)	Reason for individually made provision
Chongqing Super PCB Co., Ltd	3,000,000.00	3,000,000.00	100.00	Not expected to be recoverable
Total	3,000,000.00	3,000,000.00		

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. OTHER RECEIVABLES (CONTINUED)

#### (2) Details of recovered receivables

Name	Reason for write back	Reasons for provision for bad debts made previously	Provision for bad debts made previously in relation to the recovered amount	Amount recovered
China Leasing Co., Ltd.	Amount recovered	No repayment after several years' demands	30,000,000.00	1,500,000.00
Total			30,000,000.00	1,500,000.00

Note: Together with Zhongjing International New Technology Co., Ltd and China Leasing Co., Ltd, the Company signed a tripartite agreement on 22 December 2011. Under the agreement, the Company will transfer the claims of China Leasing Co., Ltd. of RMB30,000,000.00 to Zhongjing International Technology Co., Ltd at a price of RMB1,500,000.00., and the Company no longer possesses the ownership of the claims of China Leasing Co., Ltd after the sale.



# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. OTHER RECEIVABLES (CONTINUED)

#### (3) Top five other receivables

Name	Relationship	Amount	Age	Percentage (%)
1. Chengdu Bada Connector Co., Ltd	Related party	10,703,665.06	Within 1 year	19.11
2. Tianyun Technology ( Suzhou) Co., Ltd	Not related party	4,786,324.75	Within 1 year	8.55
3. Pipe Material & Equipment Corporation of CNPC	Not related party	4,649,265.00	Within 1 year	8.30
4. Shenzhen Fu Chang Co., Ltd	Not related party	3,566,915.53	Over 5 years	6.37
5. Chongqing Super PCB Co., Ltd	Not related party	3,000,000.00	Over 5 years	5.36
Total		<u>26,706,170.34</u>		47.69

Note: At the end of the reporting year, there was no counterparty holding 5% or more of the Company's voting shares.

### 6. INVENTORIES

#### (1) Inventories comprise

Item	End of the year			Beginning of the year		
	Carrying amount	Provision	Net book value	Carrying amount	Provision	Net book value
Raw materials	83,147,734.39	13,119,027.28	70,028,707.11	80,181,572.69	16,927,028.74	63,254,543.95
Supplementary materials (Packing materials and consumables)	3,022,779.91	2,369,419.07	653,360.84	2,550,557.68	2,369,419.07	181,138.61
Work in progress	33,064,427.41	1,653,894.56	31,410,532.85	31,812,941.55	3,592,052.93	28,220,888.62
Finished goods	209,111,871.51	49,024,259.87	160,087,611.64	163,523,124.72	44,143,320.17	119,379,804.55
Others	1,516,898.18	369,602.31	1,147,295.87	25,206,106.35	6,846,960.10	18,359,146.25
Total	<u>329,863,711.40</u>	<u>66,536,203.09</u>	<u>263,327,508.31</u>	<u>303,274,302.99</u>	<u>73,878,781.01</u>	<u>229,395,521.98</u>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. INVENTORIES (CONTINUED)

#### (2) Movements in the provision for diminution in value of inventories

Item	Beginning of the year	Increase in the year	Decrease in the year Reversal	Write off	End of the year
Raw materials	16,927,028.74		3,808,001.46		13,119,027.28
Supplementary materials (Packing materials and consumables)	2,369,419.07				2,369,419.07
Work in progress	3,592,052.93	180,468.63	32,091.48	2,086,535.52	1,653,894.56
Finished goods	44,143,320.17	7,938,862.18	189,875.46	2,868,047.02	49,024,259.87
Others	6,846,960.10		6,477,357.79		369,602.31
Total	73,878,781.01	8,119,330.81	10,507,326.19	4,954,582.54	66,536,203.09

#### (3) Details of provision for diminution in value of inventories

Item	Reason for provision	Reason for reversal
Raw materials	Cost exceeds net realizable value, mainly due to slow moving and damaged raw materials	Previous influence factors of writing down inventory value have disappeared
Work in progress	Cost exceeds net realizable value	Previous influence factors of writing down inventory value have disappeared
Finished goods	Cost exceeds net realizable value	Previous influence factors of writing down inventory value have disappeared
Others	Cost exceeds net realizable value	Previous influence factors of writing down inventory value have disappeared

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

### V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise

Item	End of the year	Beginning of the year
Equity instrument	14,121,120.00	20,485,296.00
Total	14,121,120.00	20,485,296.00

Note: The available-for-sale financial assets amounting to RMB14,121,120.00 represent the Company's investment in the shares of Chengdu Hi-Tech Development Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code 000628). The fair value of the financial assets during the current reporting year changed to RMB14,121,120.00.

#### 8. INVESTMENTS IN A JOINTLY CONTROLLED ENTITY AND ASSOCIATES

##### (1) Details of the jointly controlled entity

Name of jointly controlled entity	Equity held by the Company (%)	Voting right held by the Company (%)	Total assets as at end of the year	Total liabilities as at end of the year	Net assets as at end of the year	Total revenue during the year	Net profit
Chengdu Peak Power Sources Co, Ltd	50.00	50.00	6,288,896.16	3,067,887.37	3,221,008.79	3,868,819.96	(163,364.73)

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. INVESTMENTS IN A JOINTLY CONTROLLED ENTITY AND ASSOCIATES (CONTINUED)

#### (2) Details of the associates

Name of associate	Equity held by the Company (%)	Voting right held by the Company (%)	Total assets as at end of the year	Total liabilities as at end of the year	Net assets as at end of the year	Total revenue during the year	Net profit
Chengdu CCS Fibre Cable Co., Ltd	49.00	49.00	519,862,922.00	114,942,720.00	404,920,202.00	414,109,323.00	(12,897,448.00)
Chengdu Bada Connector Co., Ltd	49.00	49.00	86,096,488.31	77,993,216.45	8,025,217.33	99,494,747.67	836,412.85

### 9. LONG-TERM EQUITY INVESTMENTS

Name of investee company	Measurement method	Investment cost	Beginning of the year	Increase/decrease	End of the year	Shareholding held by the Company (%)	Voting right held by the Company (%)	Reasons for differences between shareholding and voting right held by the Company	Impairment provided during the year	Cash dividend for the year
Chengdu CCS Fibre Cable Co., Ltd	Equity method	149,859,539.16	205,208,245.27	(6,797,346.29)	198,410,898.98	49.00	49.00			
Chengdu Peak Power Sources Co., Ltd	Equity method	2,340,000.00	2,314,034.88	(703,530.48)	1,610,504.40	50.00	50.00			
Chengdu Bada Connector Co., Ltd	Equity method	2,452,827.16	3,501,531.57	430,824.92	3,932,356.49	49.00	49.00			
Sichuan Tian Xin Cable Co., Ltd	Cost method	22,241,465.26	22,241,465.26	(22,241,465.26)		29.96	29.96			
Sichuan Dragon Network Technology Co., Ltd	Cost method	1,535,000.00	1,535,000.00		1,535,000.00	16.67	16.67		946,825.18	
Chengdu South Star Thermo Power Co., Ltd	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	7.14	7.14		5,000,000.00	
Sichuan Cable Materials Plant	Cost method	125,903.35	125,903.35		125,903.35	30.00	30.00		125,903.35	
Shudu Mansion	Cost method	90,000.00	90,000.00		90,000.00				90,000.00	
Total		183,644,734.93	240,016,180.33	(29,311,517.11)	210,704,663.22				6,162,728.53	

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

### V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 10. INVESTMENT PROPERTIES

##### Investment properties measured at cost

Item	Beginning of the year	Additions	Disposals	End of the year
<b>1. Cost</b>	26,833,865.43		22,540,099.15	<b>4,293,766.28</b>
Buildings	26,833,865.43		22,540,099.15	<b>4,293,766.28</b>
Land use rights				
<b>2. Accumulated depreciation and amortization</b>	4,069,922.19	101,608.92	2,870,606.15	<b>1,300,924.96</b>
Buildings	4,069,922.19	101,608.92	2,870,606.15	<b>1,300,924.96</b>
Land use rights				
<b>3. Provision for impairment</b>				
Buildings				
Land use rights				
<b>4. Net book value</b>	22,763,943.24			<b>2,992,841.32</b>
Buildings	22,763,943.24			<b>2,992,841.32</b>
Land use rights				

Note: Depreciation and amortization of investment properties for the year was RMB101,608.92. No impairment was recognized in respect of these investment properties for the year.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. FIXED ASSETS

#### Details of fixed assets and their accumulated depreciation and movements

Item	Beginning of the year	Additions	Disposals	End of the year
<b>1. Cost</b>	546,476,381.32	107,047,213.98	41,603,138.46	<b>611,920,456.84</b>
Buildings	143,448,199.07	37,669,573.62		<b>181,117,772.69</b>
Machinery	368,081,689.51	67,768,986.42	40,269,890.12	<b>395,580,785.81</b>
Transportation equipment	10,645,607.33	323,702.00	942,337.00	<b>10,026,972.33</b>
Other equipment	24,300,885.41	1,284,951.94	390,911.34	<b>25,194,926.01</b>
		<b>Charge for the year</b>		
<b>2. Accumulated depreciation</b>	282,138,865.60	29,911,574.97	35,977,428.47	<b>276,073,012.10</b>
Buildings	24,077,237.67	8,661,806.91		<b>32,739,044.58</b>
Machinery	234,787,781.16	18,672,896.89	34,719,004.21	<b>218,741,673.84</b>
Transportation equipment	7,193,309.28	666,115.79	905,611.37	<b>6,953,813.70</b>
Other equipment	16,080,537.49	1,910,755.38	352,812.89	<b>17,638,479.98</b>
<b>3. Net carrying amount</b>	264,337,515.72			<b>335,847,444.74</b>
Buildings	119,370,961.40			<b>148,378,728.11</b>
Machinery	133,293,908.35			<b>176,839,111.97</b>
Transportation equipment	3,452,298.05			<b>3,073,158.63</b>
Other equipment	8,220,347.92			<b>7,556,446.03</b>
<b>4. Provision for impairment</b>	12,608,674.32		2,635,604.38	<b>9,973,069.94</b>
Buildings				
Machinery	11,983,755.76		2,635,604.38	<b>9,348,151.38</b>
Transportation equipment	113.10			<b>113.10</b>
Other equipment	624,805.46			<b>624,805.46</b>
<b>5. Net book value</b>	251,728,841.40			<b>325,874,374.80</b>
Buildings	119,370,961.40			<b>148,378,728.11</b>
Machinery	121,310,152.59			<b>167,490,960.59</b>
Transportation equipment	3,452,184.95			<b>3,073,045.53</b>
Other equipment	7,595,542.46			<b>6,931,640.57</b>

Note 1: Depreciation of fixed assets for the year was RMB29,911,574.97. Assets amounting to RMB70,524,901.98 were transferred from construction in progress to fixed assets during the year.

Note 2: At the end of the reporting year, there were no significant temporary idle assets or assets to be disposed.

Note 3: At the end of the reporting year, no asset was held under finance lease.

Note 4: At the end of the reporting year, no asset was leased to others under operating leases.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

### V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 12. CONSTRUCTION IN PROGRESS

##### (1) Details of construction in progress

Name of project	End of the year			Beginning of the year		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
1. Construction at Shuangliu Southwest Airport Economic Development Zone Industrial Park	75,777,877.25		75,777,877.25	61,343,245.25		61,343,245.25
2. Integrated technology improvement	11,687,360.86		11,687,360.86	44,008,042.02		44,008,042.02
3. Accelerator technology improvement	5,194,146.77		5,194,146.77	7,633,825.41		7,633,825.41
4. Construction at West District of Putian Industrial Park				6,810,499.13		6,810,499.13
5. MCIL production line	920,124.20		920,124.20	920,124.20		920,124.20
6. Other projects	126,871.78		126,871.78	547,401.81		547,401.81
Total	93,706,380.86		93,706,380.86	121,263,137.82		121,263,137.82

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. CONSTRUCTION IN PROGRESS (CONTINUED)

#### (2) Movements in significant construction projects

Name of project	Beginning of the year	Additions	Transfer to		End of the year	Status	Accumulated capitalized borrowing costs	Of which: capitalized during the year		Capitalization rate of the year	Source of funds
			fixed assets	Other disposals							
1. Construction at Shuangliu Southwest Airport Economic Development Zone Industrial Park	61,343,245.25	14,434,632.00			75,777,877.25	Construction completed, pending for validation	292,376.94	292,376.94	10% higher than the national standard capitalization rate		Exchange with Shuangliu County Land and Resources Bureau
2. Integrated technology improvement	44,008,042.02	20,977,720.74	53,298,401.90		11,687,360.86	Substantially completed					Internal funds
3. Accelerator technology improvement	7,633,825.41	931,648.11	3,371,326.75		5,194,146.77	Further testing required					Internal funds
4. Construction at West District of Putian Industrial Park	6,810,499.13	5,912,699.44	12,723,198.57			Main building constructed					Internal funds
5. MCIL production line	920,124.20				920,124.20	Testing required					Internal funds
6. Other projects	547,401.81	711,444.73	1,131,974.76		126,871.78	Testing required					Internal funds
Total	121,263,137.82	42,968,145.02	70,524,901.98		93,706,380.86						



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

### V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 13. INTANGIBLE ASSETS

##### (1) Details of intangible assets

Item	Beginning of the year	Additions	Disposals	End of the year
<b>1. Cost</b>	45,369,017.58	99,145.30		<b>45,468,162.88</b>
Land use rights	43,549,845.30			<b>43,549,845.30</b>
Technical know-how	1,071,672.28			<b>1,071,672.28</b>
Others	747,500.00	99,145.30		<b>846,645.30</b>
<b>2. Accumulated amortization</b>	4,703,670.91	1,104,500.04		<b>5,808,170.95</b>
Land use rights	3,652,530.17	997,332.72		<b>4,649,862.89</b>
Technical know-how	303,640.74	107,167.32		<b>410,808.06</b>
Others	747,500.00			<b>747,500.00</b>
<b>3. Net carrying amount</b>	40,665,346.67			<b>39,659,991.93</b>
Land use rights	39,897,315.13			<b>38,899,982.41</b>
Technical know-how	768,031.54			<b>660,864.22</b>
Others				<b>99,145.30</b>
<b>4. Provision for impairment</b>				
Land use rights				
Technical know-how				
Others				
<b>5. Net book value</b>	40,665,346.67			<b>39,659,991.93</b>
Land use rights	39,897,315.13			<b>38,899,982.41</b>
Technical know-how	768,031.54			<b>660,864.22</b>
Others				<b>99,145.30</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

#### (1) Details of recognized deferred tax assets and deferred tax liabilities

Item	End of the year	Beginning of the year
<b>Deferred tax assets:</b>		
Provision for impairment of assets	18,751,025.08	22,138,441.50
Subtotal	18,751,025.08	22,138,441.50
<b>Deferred tax liabilities:</b>		
Depreciation of fixed assets	512,697.93	469,588.71
Changes in fair value of available-for-sale financial assets	1,708,968.00	2,663,594.40
Subtotal	2,221,665.93	3,133,183.11

#### (2) Details of unrecognized deferred tax assets

Item	End of the year	Beginning of the year
Provision for impairment of assets	27,857,094.21	63,545,127.78
Total	27,857,094.21	63,545,127.78

#### (3) Deferred tax assets arising from deductible temporary differences or deferred tax liabilities arising from taxable temporary differences

Item	Amount
Items of taxable temporary difference	
Depreciation of fixed assets	2,050,791.92
Changes in fair value of available-for-sale financial assets	11,393,120.00
Total	13,443,911.92
Items of deductible temporary difference	
Provision for bad debts on accounts receivable	38,889,151.13
Provision for bad debts on other receivables	2,155,143.65
Provision for impairment of inventories	66,536,203.09
Provision for impairment of fixed assets	9,973,069.94
Provision for impairment of long-term equity investments	6,162,728.53
Total	123,716,296.34

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

### V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 15. DETAILS OF PROVISION FOR IMPAIRMENT OF ASSETS

Item	Beginning of the year	Provision for the year	Decrease for the year Reversal	Write back	End of the year
1. Provision for bad debts	101,167,784.13	1,014,901.32	4,411,470.07	28,869,826.39	<b>68,901,388.99</b>
2. Provision for impairment of inventories	73,878,781.01	8,119,330.81	10,507,326.19	4,954,582.54	<b>66,536,203.09</b>
3. Provision for impairment of available-for-sale financial assets					
4. Provision for impairment of held-to-maturity investments					
5. Provision for impairment of long-term equity investments	22,292,613.06			16,129,884.53	<b>6,162,728.53</b>
6. Provision for impairment of investment properties					
7. Provision for impairment of fixed assets	12,608,674.32			2,635,604.38	<b>9,973,069.94</b>
8. Provision for impairment of construction materials					
9. Provision for impairment of construction in progress					
10. Provision for impairment of productive biological assets Including: Impairment of matured productive biological assets					
11. Provision for impairment of oil and gas assets					
12. Provision for impairment of intangible assets					
13. Provision for impairment of goodwill					
14. Others					
Total	209,947,852.52	9,134,232.13	14,918,796.26	52,589,897.84	<b>151,573,390.55</b>

#### 16. PLEDGED ASSETS

Item	End of the year	Reason for pledged
1. Assets for guarantee		
2. Pledged assets for other reason L/C guarantee deposit	<b>1,066,133.58</b>	Outstanding
Total	<b>1,066,133.58</b>	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. SHORT-TERM BORROWINGS

Short-term borrowings comprise

Item	End of the year	Beginning of the year
Pledged loan		
Secured loan		
Guaranteed loan	5,000,000.00	15,000,000.00
Credit loan		
Total	5,000,000.00	15,000,000.00

Note 1: The guaranteed loan was borrowed by the Company's subsidiary Chengdu MCIL Radio Communications Co., Ltd. and supported by joint responsibility provided by the Company for the period from 23 March 2011 to 22 March 2012.

Note 2: At the end of the reporting year, the Company had no short-term borrowings in default.

### 18. ACCOUNTS PAYABLES

#### (1) Aging analysis

Item	End of the year		Beginning of the year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	77,077,562.69	88.54	60,503,511.63	80.85
1-2 years	3,923,779.00	4.51	9,738,129.83	13.01
2-3 years	2,367,439.75	2.72	3,791,151.44	5.07
Over 3 years	3,681,429.34	4.23	801,669.06	1.07
Total	87,050,210.78	100.00	74,834,461.96	100.00

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

### V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 18. ACCOUNTS PAYABLES (CONTINUED)

##### (2) Accounts payables denominated in foreign currencies

Currency	End of the year			Beginning of the year		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
US dollars	2,622,045.02	6.3009	16,521,243.47			
Total			16,521,243.47			

Note 1: At the end of the reporting year, there was no counterparty holding 5% or more of the Company's voting shares.

Note 2: The payables aged over 1 year mainly represent outstanding payables for purchases of raw materials and construction projects.

#### 19. RECEIPTS IN ADVANCE

##### Aging analysis

Item	End of the year		Beginning of the year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	8,827,637.24	78.80	10,077,540.39	96.69
1-2 years	71,688.70	0.78	90,185.64	0.87
2-3 years	55,027.02	0.60	196,883.64	1.89
Over 3 years	253,100.95	19.82	57,795.96	0.55
Total	9,207,453.91	100.00	10,422,405.63	100.00

Note: At the end of the reporting year, there was no counterparty holding 5% or more of the Company's voting shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. STAFF REMUNERATION PAYABLES

Item	Beginning of the year	Increase	Decrease	End of the year
1) Salaries, bonus, allowance and subsidies	16,516,584.33	43,026,833.35	45,157,303.31	<b>14,386,114.37</b>
2) Staff welfare	39,540.40	2,929,114.28	2,915,464.88	<b>53,189.80</b>
3) Social insurance	(67,037.68)	14,744,086.01	14,715,873.22	<b>(38,824.89)</b>
Including: Medical insurance		4,686,031.92	4,690,209.15	<b>(4,177.23)</b>
Basic pension insurance	(67,037.68)	8,877,111.46	8,843,365.42	<b>(33,291.64)</b>
Unemployment insurance		792,309.85	793,363.19	<b>(1,053.34)</b>
Labor injury insurance		187,561.36	187,561.36	
Birth insurance		201,071.42	201,374.10	<b>(302.68)</b>
4) Housing accumulation fund		2,334,192.64	2,199,243.64	<b>134,949.00</b>
5) Compensation for dismissal		61,700.00	40,700.00	<b>21,000.00</b>
6) Labor union expenses and employee education expenses	5,901,632.62	1,136,795.07	1,554,391.81	<b>5,484,035.88</b>
7) Others	(6,907.00)	3,161,359.73	3,161,359.73	<b>(6,907.00)</b>
Total	22,383,812.67	67,394,081.08	69,744,336.59	<b>20,033,557.16</b>

### 21. TAX PAYABLE

Item	End of the year	Beginning of the year	Remark
Value-added tax	<b>(29,627,038.59)</b>	(19,115,513.63)	
Business tax	<b>143,590.89</b>	200,254.33	
City construction tax	<b>92,065.31</b>	248,653.90	
Enterprise income tax	<b>3,235,144.47</b>	2,172,186.70	
Property tax	<b>189,882.76</b>	708,053.55	
Land use tax	<b>174,357.98</b>	785,926.32	
Individual income tax	<b>129,377.53</b>	168,557.03	
Educational surcharges	<b>60,612.51</b>	137,599.24	
Other taxes	<b>142,202.27</b>	146,192.17	
Total	<b>(25,459,804.87)</b>	(14,548,090.39)	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. INTEREST PAYABLE

Item	End of the year	Beginning of the year
Interest payable on other payables	366,260.00	501,776.32
Total	366,260.00	501,776.32

### 23. OTHER PAYABLES

#### (1) Aging analysis

Item	End of the year		Beginning of the year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	20,403,533.07	47.35	6,873,370.51	13.32
1-2 years	6,692,137.86	15.53	38,938,535.76	75.44
2-3 years	12,786,081.72	29.67	3,390,644.51	6.57
Over 3 years	3,209,682.65	7.45	2,411,551.38	4.67
Total	43,091,435.30	100.00	51,614,102.16	100.00

#### (2) Details of significant other payables

Name	Amount	Nature
Sichuan Heyin Property Co., Ltd	7,350,000.00	Prepaid post employment expense resulting from transfer of shares
Chongqing GuanCheng Metal Processing Co., Ltd	6,177,068.10	Deposits
Total	13,527,068.10	

Note: At the end of the reporting year, there was no counterparty holding 5% or more of the Company's voting shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24. LONG-TERM BORROWINGS

#### (1) Long-term borrowings comprise:

Item	End of the year	Beginning of the year
Pledged loan		
Secured loan		
Guaranteed loan	8,813,449.17	9,508,807.37
Credit loan		
Total	8,813,449.17	9,508,807.37

#### (2) Details of long-term borrowings

Lender	Date of inception	Date of maturity	Currency	Interest rate (%)	End of the year Foreign currency	RMB
Bank of China Shududadao Branch	1997-2-21	2033-2-21	Euro	0.50	1,079,748.75	8,813,449.17
Total						8,813,449.17

Lender	Date of inception	Date of maturity	Currency	Interest rate (%)	Beginning of the year Foreign currency	RMB
Bank of China Shududadao Branch	1997-2-21	2033-2-21	Euro	0.50	1,079,748.75	9,508,807.37
Total						9,508,807.37

Note 1: The long-term borrowings were guaranteed by China PUTIAN Corporation with the method of joint responsibility for the period from 21 February 1997 to 21 February 2033.

Note 2: As at end of the year, there were no long-term borrowings in default.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25. OTHER NON-CURRENT LIABILITIES

Item	End of the year	Beginning of the year
Fine electronic wire and component project fund (Note 1)		9,970,000.00
Shuangliu land acquisition compensation (Note 2)	<b>68,722,191.30</b>	52,440,406.83
Heat shrinkable materials supporting fund		300,000.00
Supporting fund for bend-insensitive optical fiber (G657A/B) (Note 3)	<b>2,520,000.00</b>	
Project funding of pipe mending pressure-sensitive contraction bands from Shuangliu Science and Technology Bureau	<b>50,000.00</b>	
Project funding of radiation crosslinking of solar photovoltaic cable from Shuangliu Science and Technology Bureau	<b>100,000.00</b>	
Total	<b>71,392,191.30</b>	62,710,406.83

Note 1: Pursuant to Chenggaocaifa [2001] No.029 issued by the Finance Bureau of Chengdu Hi-tech Industrial Development Zone, Chenggaoguan [2004] No.27 "Preferential Policies for Encouraging Industrial Enterprises to Develop by Chengdu Hi-tech Industrial Development Zone" issued by the Administration Committee of Chengdu Hi-tech Industrial Development Zone and Chenggaojingfa [2009] No.12 "Notice of the 2008 Technology Improvement Plan for the Fifth Batch of Enterprises of Hi-tech Zone" issued by the Trade Development Council of the Hi-Tech Zone of Chengdu City, in January 2009, the Company received a designated fund of RMB9.97 million from the Finance Bureau of Chengdu Hi-Tech District for the fine electronic wire and component project. Since the project passed the final test, the amount of RMB9.97 million was recognised as non-operating income.

Note 2: Pursuant to Shuangfutu [2008] No.129 "Approval of the Acquisition of the Land, on which the Production Facilities of Shuangliu Heat Shrinkable Product are Erected, of Chengdu Telecom Cable" and "Administration of the Land Acquisition and Reserve of Shuangliu County" issued by the Chengdu Shuangliu County Government, a subsidiary of the Company, Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant, signed a "State Owned Land Use Rights Acquisition Agreement" with Shuangliu Land Reserve Centre in March 2009 pursuant to which the county government agreed to buy back the land use rights of a parcel of state-owned land with 47,767.75 square meters located at Jingdu Village, Baijia Town, Shuangliu County, from the subsidiary at a consideration of RMB87.2043 million. The subsidiary received the first, second and third relocation compensations of RMB20 million, RMB35 million and RMB17 million in 2009, 2010 and 2011 respectively. During the prior current year, the Company paid relocation expenses of RMB2.5596 million, and RMB0.7182 million.

Note 3: Pursuant to Chenggaojingfa [2010] No.248 "Notice of the 2010 Technology Improvement Plan for the Fifth Batch of Enterprises of Hi-tech Zone", the Company received a supporting fund of RMB2.52 million from the Finance Bureau of Chengdu Hi-tech Zone for the bend-insensitive optical fiber project (G657A/B) in 2011. Since the project was still in progress and had not yet reached the intended level of usage, the amount of RMB2.52 million was recognised as deferred income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 26. SHARE CAPITAL

Item	Beginning of the year	Issue of shares	Changes in the year (+/-)			Sub total	End of the year
			Bonus shares	Premium transferred to shares	Others		
China Potevio Company Limited	240,000,000.00						240,000,000.00
H share	160,000,000.00						160,000,000.00
Total shares	400,000,000.00						400,000,000.00

### 27. CAPITAL RESERVE

Item	Beginning of the year	Increase in the year	Decrease in the year	End of the year
Share premium (Note 1)	304,271,595.21		1,928,084.64	302,343,510.57
Other capital reserve	362,075,750.31		5,409,549.60	356,666,200.71
Including: (1) Transferred from capital reserve	343,857,949.07			343,857,949.07
(2) Changes in fair value of available-for-sale financial assets (Note 2)	15,093,701.60		5,409,549.60	9,684,152.00
(3) Other changes in the equity of the investee	73,500.00			73,500.00
(4) Other	3,050,599.64			3,050,599.64
Total	666,347,345.52		7,337,634.24	659,009,711.28

Note 1: The Company's share premium decreased by RMB1,928,084.64 is caused by the difference between the long-term equity investments bought from a subsidiary's minority shareholder and the share of the subsidiary's net assets continuously calculated by the new share ratio since the date of purchase.

Note 2: Changes in fair value of available-for-sale financial assets, which is RMB5,409,549.60, represents the fair value changes of the stock High-tech Development (SZ.000628) held by the Company in current year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 28. SURPLUS RESERVE FUND

Item	Beginning of the year	Increase in the year	Decrease in the year	End of the year
Statutory surplus reserve fund	8,726,923.61			8,726,923.61
Total	8,726,923.61			8,726,923.61

### 29. RETAINED EARNINGS

Details of retained earnings

Item	Amount	Appropriation or distribution proportion
Unappropriated earnings from last year before adjustment	98,347,827.12	
Prior year adjustments		
Adjusted unappropriated earnings at beginning of the year	98,347,827.12	
Add: Net profit for the year attributable to shareholders of the parent company	(66,044,837.54)	
Less: Appropriation to statutory surplus reserve fund		
Appropriation to discretionary surplus reserve fund		
Appropriation for general provision of risk		
Dividend payable to ordinary shareholders		
Transferred from dividend on ordinary shares to share capital		
Other transfers		
Unappropriated earnings at the end of the year	32,302,989.58	

### 30. OPERATING INCOME AND OPERATING COSTS

#### (1) Analysis of operating income

Item	Current year	Prior year
Income from principal operations	545,722,408.33	491,667,951.03
Other operating income	41,371,918.61	33,946,235.77
Total	587,094,326.94	525,614,186.80

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30. OPERATING INCOME AND OPERATING COSTS (CONTINUED)

#### (2) Analysis of operating costs

Item	Current year	Prior year
Costs for principal operations	<b>495,784,571.71</b>	422,360,141.60
Other operating costs	<b>64,704,303.00</b>	29,343,057.27
Total	<b>560,488,874.71</b>	451,703,198.87

#### (3) Analysis of principal operations by products

Name of products	Current year		Prior year	
	Income from principal operations	Costs from principal operations	Income from principal operations	Costs from principal operations
Plastic telephone cable	<b>32,060,457.87</b>	<b>32,213,584.60</b>	38,108,323.70	35,177,100.75
Program-controlled cable	<b>48,401,241.71</b>	<b>57,608,903.10</b>	47,822,510.64	49,564,985.56
Locomotive cable	<b>6,186,471.27</b>	<b>7,802,438.45</b>	3,570,905.90	4,651,319.07
Purchased cable and accessories	<b>83,951,642.48</b>	<b>83,362,589.23</b>	57,459,290.00	56,966,762.36
Heat shrinkable products	<b>57,510,036.61</b>	<b>52,135,701.77</b>	93,237,859.46	62,134,107.35
Wire feed cable	<b>134,220,285.16</b>	<b>118,995,791.06</b>	115,576,004.56	108,989,657.29
Optical fiber	<b>140,280,038.00</b>	<b>103,907,881.43</b>	106,454,337.37	80,830,543.33
Other cables	<b>43,112,235.23</b>	<b>39,757,682.07</b>	29,438,719.40	24,045,665.89
Total	<b>545,722,408.33</b>	<b>495,784,571.71</b>	491,667,951.03	422,360,141.60

Note: Other cables mainly include electrical equipment cable, nano coaxial cable, data cable, composite steel, composite aluminum, and etc.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30. OPERATING INCOME AND OPERATING COSTS (CONTINUED)

#### (4) Geographical analysis of main operations

Regions	Current year		Prior year	
	Income from principal operations	Costs from principal operations	Income from principal operations	Costs from principal operations
Northern China	67,613,223.37	51,458,529.97	56,326,011.93	44,056,855.45
Eastern China	157,079,730.93	134,373,317.98	123,795,756.49	105,313,159.30
Southern China	24,745,721.74	20,574,934.58	37,182,750.17	33,537,668.91
Central China	154,870,330.34	161,058,159.78	129,423,967.65	107,400,459.23
Southwest China	114,791,095.85	110,628,103.05	101,165,656.79	90,566,963.32
Northwest China	23,818,016.47	15,609,864.05	41,692,144.70	39,403,371.09
Overseas	2,804,289.63	2,081,662.30	2,081,663.30	2,081,664.30
Total	545,722,408.33	495,784,571.71	491,667,951.03	422,360,141.60

#### (5) Income from the top five customers

Item	Operating revenue	Proportion (%)
1. ZTE Kangxun Telecom Co., Ltd	126,866,336.87	21.61
2. Leoni Special Cable (Changzhou) Co., Ltd	47,281,832.05	8.05
3. Hangzhou Stanley Communication equipment Co., Ltd	45,820,645.91	7.80
4. Sichuan Telecom Co., Ltd	35,609,498.43	6.07
5. Chengdu CCS Optical Fibre Co., Ltd	23,227,312.63	3.96
Total	278,805,625.89	47.49

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31. BUSINESS TAX AND SURCHARGES

Item	Tax base	Current year	Prior year
Business tax	5%	<b>379,016.74</b>	257,755.75
City construction tax	5%, 7%	<b>667,290.44</b>	453,800.38
Educational surcharges	3%	<b>307,112.36</b>	208,856.15
Local educational surcharges	2%	<b>201,544.77</b>	137,063.40
Property tax	1.2%, 12%	<b>411,920.62</b>	395,871.63
Price regulation fund	0.1%	<b>103,260.01</b>	103,717.17
Total		<b>2,070,144.94</b>	1,557,064.48

### 32. SELLING EXPENSES

Item	Current year	Prior year
Staff and salaries	<b>4,432,157.77</b>	3,920,218.63
Transportation cost	<b>13,130,171.72</b>	11,992,936.35
Packing expenses	<b>5,064,506.47</b>	3,559,183.75
Business expenses	<b>11,323,987.37</b>	11,465,227.92
Advertising	<b>2,086,587.91</b>	7,319,100.75
Office and traveling expenses	<b>1,371,093.58</b>	1,694,768.28
Others	<b>1,855,127.43</b>	2,076,674.47
Total	<b>39,263,632.25</b>	42,028,110.15

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 33. ADMINISTRATION EXPENSES

Item	Current year	Prior year
Staff salaries	<b>17,333,674.96</b>	19,087,707.82
Social insurance premiums	<b>7,619,632.04</b>	7,334,834.48
Depreciation and amortization	<b>6,465,473.11</b>	5,596,158.71
Entertainment	<b>1,450,116.05</b>	1,559,570.69
Office and traveling expenses	<b>3,072,631.88</b>	4,076,576.68
Research and development costs	<b>6,738,141.25</b>	8,371,437.07
Taxes	<b>4,645,468.98</b>	4,286,760.47
Agency fee	<b>5,748,055.06</b>	3,757,300.00
Repairs and maintenance	<b>5,172,527.30</b>	4,191,992.12
Water and electricity	<b>3,913,630.70</b>	3,849,381.76
Others	<b>4,368,680.64</b>	4,612,172.99
Total	<b>66,528,031.97</b>	66,723,892.79

### 34. FINANCE COSTS

Item	Current year	Prior year
Interest expenses	<b>997,871.93</b>	2,180,287.70
Less: Interest income	<b>7,466,249.20</b>	6,266,177.18
Exchange loss		
Less: Exchange gain	<b>1,138,722.12</b>	1,248,657.12
Bank charges	<b>339,918.63</b>	307,850.38
Total	<b>(7,267,180.76)</b>	(5,026,696.22)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 35. INVESTMENT INCOME

#### (1) Analysis of investment income

Item	Current year	Prior year
Investment income from long-term equity investments measured using cost method		
Investment income from long-term equity investments measured using equity method	(7,070,051.85)	(5,630,937.04)
Investment income from disposal of long-term equity investments	3,520,184.42	107,998,911.56
Investment income from financial assets held for trading	89,945.20	
Investment income from held-to-maturity investments		
Investment income from available-for-sale financial assets		
Investment income from disposal of financial assets held for trading		
Investment income from disposal of held-to-maturity investments		
Investment income from disposal of available-for-sale financial assets		
Others		
Total	(3,459,922.23)	102,367,974.52

#### (2) Investment income from long-term equity investments measured using equity method

Investee	Current year	Prior year
Chengdu CCS Optical Fibre Co., Ltd	(6,797,346.29)	(5,351,382.42)
Chengdu Bada Connector Co., Ltd	(703,530.48)	(425,192.80)
Chengdu Peak Power Sources Co., Ltd	430,824.92	145,638.18
Total	(7,070,051.85)	(5,630,937.04)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36. IMPAIRMENT LOSSES ON ASSETS

Item	Current year	Prior year
1. Provision for bad debts	(3,396,568.75)	(8,050,124.42)
2. Diminution in value of inventories	(2,387,995.38)	39,994,169.33
3. Impairment loss on available-for-sale financial assets		
4. Impairment loss on held-to-maturity investments		
5. Impairment loss on long-term equity investments		
6. Impairment loss on investment properties		
7. Impairment loss on fixed assets		
8. Impairment loss on construction materials		
9. Impairment loss on construction in progress		
10. Impairment loss on productive biological assets		
11. Impairment loss on oil and gas assets		
12. Impairment loss on intangible assets		
13. Impairment loss on goodwill		
14. Others		
Total	(5,784,564.13)	31,944,044.91

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### 37. NON-OPERATING INCOME

#### (1) Analysis of non-operating income

Item	Current year		Prior year	
	Amount	Amount recorded in exceptional gains or losses	Amount	Amount recorded in exceptional gains or losses
Gain on disposal of non-current assets	1,073,502.44	1,073,502.44	55,324,546.84	55,324,546.84
Including: Gain on disposal of fixed assets	1,073,502.44	1,073,502.44	2,611,990.94	2,611,990.94
Gain on disposal of intangible assets				
Others			52,712,555.90	52,712,555.90
Gain from debt restructuring				
Gain from exchange of non-monetary assets				
Donations received			27,086.71	27,086.71
Government grants	11,341,963.16	11,341,963.16	3,342,931.23	3,342,931.23
Others	3,896,226.67	3,896,226.67	211,744.68	211,744.68
Total	16,311,692.27	16,311,692.27	58,906,309.46	58,906,309.46

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 37. NON-OPERATING INCOME (CONTINUED)

#### (2) Analysis of government grants

Item	Current year	Prior year	Remark
Subsidy for water price	83,465.10	27,242.60	Chengjianong [2009] No.245 issued by Chengdu Price Bureau
Subsidy for transfer of patent	611,018.06	185,688.63	Sichuan Patent Application Grant Funds Management Method
Government subsidy for Chengdu Putian Industrial Base Project (Phase I)	9,970,000.00	2,120,000.00	Chenggaocaifa [2001] No.029, Chenggaoguan [2004] No.27, Chenggaojingfa [2009] No.12
Special funds of Standardization strategy from Chengdu Hi-tech Zone	60,000.00		
Transformation of the production line of low water peak communication fiber		1,010,000.00	Chenggaojingfa [2006] No. 1
Transfer of compensation for Shuangliu relocation from deferred income	617,480.00		Shuangfutu [2008] No.129
Total	11,341,963.16	3,342,931.23	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 38. NON-OPERATING EXPENSES

Item	Current year		Prior year	
	Amount	Amount recorded in exceptional gains or losses	Amount	Amount recorded in exceptional gains or losses
Loss on disposal of non-current assets	46,307.63	46,307.63	2,676,470.55	2,676,470.55
Including: Loss on disposal of fixed assets	46,307.63	46,307.63	2,673,507.42	2,673,507.42
Loss on disposal of intangible assets			2,963.13	2,963.13
Loss on debt restructuring				
Loss on exchange of non-monetary assets				
Donations			20,000.00	20,000.00
Others	1,109,852.67	1,109,852.67	1,611,334.60	1,611,334.60
Total	1,156,160.30	1,156,160.30	4,307,805.15	4,307,805.15

### 39. INCOME TAX EXPENSE

Item	Current year	Prior year
Income tax expense for the year according to tax laws and related regulations	3,793,853.13	4,249,724.79
Adjustment of deferred tax	3,430,525.64	(3,443,754.42)
Total	7,224,378.77	805,970.37

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 40. CALCULATION OF BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

According to "Information Disclosure and Preparation Regulations of Companies Publicly Issuing Securities No. 9 - Calculation and Disclosure of Return Rate of Net Assets and Earnings per Share (Revised in 2010)" ("China Securities Regulatory Commission Announcement [2010] No. 2"), and "Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No. 1 - Non-operating Profit and Loss (2008)" ("China Securities Regulatory Commission Announcement [2008] No. 43") issued by China Securities Regulatory Commission ("CSRC"), earnings per share are calculated as follows:

Item	Code	Current year	Prior year
Net profit (after non-operating items) attributable to ordinary shareholders of the Company (I)	P0	(66,044,837.54)	87,034,531.62
Net profit attributable to ordinary shareholders with deduction of non-operating items (II)	P0	(85,110,994.16)	(75,571,643.10)
Total shares at the beginning of the year	S0	400,000,000	400,000,000
Additional shares from transfer of surplus fund or share dividends during the year	S1		
Additional shares from issue of new shares or debt for equity swap	Si		
Reduction in shares from share repurchase during the year	Sj		
Reduction in shares from share consolidation	Sk		
Number of months during the year	M0	12	12
Number of months from the following month of the increase in shares to the end of the year	Mi		
Number of months from the following month of the decrease in shares to the end of the year	Mj		
Weighted average number of outstanding ordinary shares	S	400,000,000	400,000,000
Basic earnings per share (I)		(0.17)	0.22
Basic earnings per share (II)		(0.21)	(0.19)
Adjusted net profit for the year attributable to ordinary shareholders (I)	P1	(66,044,837.54)	87,034,531.62
Adjusted net profit (after deduction of non-operating profit and loss items) attributable to ordinary shareholders (II)	P1	(85,110,994.16)	(75,571,643.10)
Increase in weighted average number of outstanding ordinary shares from warrants, share options and convertible bonds			
Diluted weighted average number of outstanding ordinary shares		400,000,000	400,000,000
Diluted earnings per share (I)		(0.17)	0.22
Diluted earnings per share (II)		(0.21)	(0.19)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 40. CALCULATION OF BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE (CONTINUED)

#### (1) Basic earnings per share

Basic earnings per share =  $P0 \div S$

$S = S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk$

Including: "P0" represents net profit or loss after non-operating items attributable to ordinary shareholders of the Company; "S" represents the weighted average number of outstanding ordinary shares; "S0" represents total number of shares at the beginning of the year; "S1" represents additional shares from transfer of surplus fund or share dividends during the year; "Si" represents additional shares from issue of new shares or debt for equity swap during the year; "Sj" represents the reduction in shares from share repurchase during the year; "Sk" represents the reduction in shares from share consolidation during the year; "M0" represents the number of months during the year; "Mi" represents the number of months from the month following the increase in shares to the end of the year; "Mj" represents the number of months from the month following the decrease in shares to the end of the year.

#### (2) Diluted earnings per share

Diluted earnings per share =  $P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{Increase in weighted average number of outstanding ordinary shares from warrants, share options and convertible bonds})$ .

Where P1 is the net profit or loss after non-operating items attributable to ordinary shareholders of the Company, of which the effect from dilutive potential ordinary shares has been adjusted in accordance with Accounting Standards for Business Enterprises and the relevant regulations. When calculating the diluted earnings, the Company has taken into account all the effect from dilutive potential ordinary shares on the net profit or loss after non-operating items attributable to ordinary shareholders of the Company and the weighted average number of outstanding shares, and included the effect of each dilutive potential ordinary shares according to the magnitude of their impact in an ascending order until the lowest dilutive earnings per share is obtained.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 41. OTHER COMPREHENSIVE INCOME

Item	Current year	Prior year
1. Gain or loss from available-for-sale financial assets	(5,409,549.60)	(3,765,309.60)
Less: Available-for-sale financial assets' affect on income tax		
Net amount carried forward into profit and loss in current year, which was recognized as other comprehensive income in previous years		
Subtotal	(5,409,549.60)	(3,765,309.60)
2. Share of other comprehensive income of investees using equity method		
Less: Tax effect of share of other comprehensive income of investee using equity method		
Net amount of previously recognized other comprehensive income transferred to profit or loss in current period		
Subtotal		
3. Profit (loss) from cash flow hedge forward contracts		
Less: Tax effect of cash flow hedge forward contracts		
Net amount of previously recognized other comprehensive income transferred to profit or loss in current period		
Adjustment on initial recognition upon transfer to hedged items		
Subtotal		
4. Exchange difference arising from translations of financial statements denominated in foreign currency		
Less: Transfer to profit or loss of the current year upon disposal of foreign operations		
Subtotal		
5. Others		
Less: Tax effect of other items recognized in other comprehensive income		
Net amount of previously recognized other comprehensive income transferred to profit or loss in current period		
Subtotal		
Total	(5,409,549.60)	(3,765,309.60)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 42. NOTES TO CASH FLOW STATEMENT

#### (1) Cash received from other items relating to operating activities

Item	Current year	Prior year
Grants from government other than tax refund	<b>3,124,483.16</b>	3,342,931.23
Cash from leasing of fixed assets (investment properties)	<b>1,567,851.00</b>	982,713.69
Interest income	<b>7,466,249.20</b>	6,266,177.18
Others	<b>43,048,498.12</b>	37,154,535.66
Total	<b>55,207,081.48</b>	47,746,357.76

#### (2) Cash paid for other items relating to operating activities

Item	Current year	Prior year
Administration expenses paid by cash	<b>23,725,641.63</b>	22,046,994.24
Selling expenses paid by cash	<b>34,831,474.48</b>	38,107,891.52
Bank charges included in finance costs	<b>339,918.63</b>	307,850.38
Others	<b>51,474,642.78</b>	61,618,365.31
Total	<b>110,371,677.52</b>	122,081,101.45

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 43. SUPPLEMENTARY INFORMATION OF CASH FLOW STATEMENT

#### (1) Supplementary information of cash flow statement

Item	Current year	Prior year
<b>1. Net profit adjusted to cash flows from operating activities:</b>		
<b>Net profit</b>	<b>(63,733,381.07)</b>	92,845,080.28
Add: Provision for impairment on assets	<b>(5,784,564.13)</b>	31,944,044.91
Depreciation of fixed assets, oil and gas assets and productive biological assets	<b>30,013,183.89</b>	27,690,359.17
Amortization of intangible assets	<b>1,104,500.04</b>	1,104,500.04
Amortization of long-term prepaid expenses		
Loss on disposal of fixed assets, intangible assets and other long-lived assets ("-" represents gain)	<b>(4,547,379.23)</b>	(160,648,051.55)
Loss on fixed assets written off ("-" represents gain)		1,063.70
Loss from changes in fair value ("-" represents gain)		
Finance costs ("-" represents gain)	<b>997,871.93</b>	431,470.11
Investment loss ("-" represents gain)	<b>6,980,106.65</b>	5,630,937.04
Decrease in deferred tax assets ("-" represents increase)	<b>3,387,416.42</b>	(3,486,859.86)
Increase in deferred tax liabilities ("-" represents decrease)	<b>43,109.27</b>	(621,360.96)
Decrease in inventories ("-" represents increase)	<b>(26,589,408.41)</b>	(8,457,825.44)
Decrease in operating receivables ("-" represents increase)	<b>16,194,355.74</b>	29,394,476.72
Increase in operating payables ("-" represents decrease)	<b>(48,930,713.94)</b>	(75,480,068.23)
Others		
Net cash flows from operating activities	<b>(90,864,902.84)</b>	(59,652,234.07)
<b>2. Significant non-cash investing and financing activities:</b>		
Conversion of debts to capital		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
<b>3. Changes in cash and cash equivalents</b>		
Ending balance of cash	<b>242,284,772.64</b>	289,139,050.33
Less: Beginning balance of cash	<b>289,139,050.33</b>	394,520,137.22
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	<b>(46,854,277.69)</b>	(105,381,086.89)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 43. SUPPLEMENTARY INFORMATION OF CASH FLOW STATEMENT (CONTINUED)

#### (2) Cash and cash equivalents

Item	End of the year	Beginning of the year
<b>1. Cash</b>	<b>242,284,772.64</b>	289,139,050.33
Including: Cash on hand	<b>171,699.83</b>	277,886.62
Bank deposits available for payment at any time	<b>234,685,618.78</b>	278,226,013.55
Other monetary funds available for payment at any time	<b>7,427,454.03</b>	10,635,150.16
Deposits with central bank available for payment at any time		
Deposits due from bank		
Call loans to bank		
<b>2. Cash equivalents</b>		
Including: Bonds investments maturing within three months		
<b>3. Cash and cash equivalents at the end of the year</b>	<b>242,284,772.64</b>	289,139,050.33

Note: The Company did not acquire or dispose of any subsidiaries or associates during the year.

## VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS

### 1. PARENT COMPANY

Name of parent company	Relationship	Type of legal entity	Registered address	Legal representative	Principal activities	Registered capital	Equity interest in the Company (%)	Voting share in the Company (%)	Ultimate controller	Code of entity
China Potevio Company Limited	Parent company	Limited company	Beijing	Xing Wei	Manufacturing of telecommunication products	190,000.00	60.00	60.00	China PUTIAN Corporation	10000157X

### 2. SUBSIDIARIES

Please refer to Note IV. 1., Details of subsidiaries.

### 3. JOINT VENTURES AND ASSOCIATES

Please refer to Note V. 8., Investments in jointly controlled entities and associates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. OTHER RELATED PARTIES

Name	Relationship with the Company
Houma PUITAN Rongsheng Optical Fiber Co., Ltd	Controlled by the same parent company
Nanjing PUTIAN Tianji Intelligent Building Co., Ltd	Controlled by the same parent company
China Potevio Information Industry Chengdu Company Limited	Controlled by the same parent company

### 5. RELATED PARTY TRANSACTIONS

#### (1) Related party transactions for purchase of goods and receipt of services

Name of related party	Details of transaction	Method and decision making procedures for determining the price of the related party transaction	Current year	
			Amount	Percentage to total similar transactions (%)
Chengdu Bada Connector Co., Ltd	Purchase of goods	Market price	56,351,624.60	11.37
Chengdu CCS Fibre Cable Co., Ltd	Purchase of goods	Market price	83,536.07	0.02
Total			56,435,160.67	11.39

Name of related party	Details of transaction	Method and decision making procedures for determining the price of the related party transaction	Prior year	
			Amount	Percentage to total similar transactions (%)
Chengdu Bada Connector Co., Ltd	Purchase of goods	Market price	52,309,388.42	12.39
Total			52,309,388.42	12.39

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (2) Related party transactions relating to sales of goods and rendering of services

Name of related party	Details of transaction	Method and decision making procedures for determining the price of the related party transaction	Current year	
			Amount	Percentage to total similar transactions (%)
Chengdu Bada Connector Co., Ltd	Sales of goods	Market price	3,134,831.99	0.57
Chengdu CCS Fibre Cable Co., Ltd	Sales of goods	Market price	23,146,467.19	4.24
China Potevio Company Limited	Sales of goods	Market price	17,334,735.53	3.18
Total			43,616,034.71	7.99

Name of related party	Details of transaction	Method and decision making procedures for determining the price of the related party transaction	Prior year	
			Amount	Percentage to total similar transactions (%)
China Potevio Company Limited	Sales of goods	Market price	9,886,839.15	2.00
Houma PUTAN Rongsheng Optical Fiber Co., Ltd	Sales of goods	Market price	802,125.60	0.16
Chengdu Bada Connector Co., Ltd	Sales of goods	Market price	1,104,048.26	0.22
Chengdu CCS Fibre Cable Co., Ltd	Sales of goods	Market price	16,047,380.83	3.24
Nanjing PUTIAN Tianji Intelligent Building Co., Ltd	Sales of goods	Market price	547,499.66	0.11
China Potevio Information Industry Chengdu Company Limited	Sales of goods	Market price	471,256.85	0.10
Total			28,859,150.35	5.83

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (3) Details of capital borrowing and lending of related parties

Name of related party	Lending amount	Beginning date	Maturity Date	Interest
Chengdu Bada Connector Co., Ltd	8,000,000.00	1 January 2011	31 December 2011	565,722.22
	2,000,000.00	11 July 2011	31 August 2011	76,096.00
Total	10,000,000.00			641,818.22

#### (4) Related party transactions relating to guarantee

Guarantor	Guarantee provided to	Amount of guarantee	Date of commencement	Date of expiration	Guarantee discharged?
China PUTIAN Corporation	Chengdu PUTIAN Telecommunications Cable Company Limited	1,079,748.75	21 February 1997	21 February 2033	No

#### (5) Director's remuneration

The remuneration of every Director for 2011 is set out below:

Name of Director	Emoluments of Directors	Bonuses	Other allowances	Social insurance	Subtotal
<b>Executive Directors:</b>					
Zhang Xiaocheng					
Guo Aiching	121,332.00	132,668.40	6,400.00	19,867.20	280,267.60
Chen Ruowei					
Fu Ruolin					
Su Wenyu					
Jiang Jianping					
<b>Independent Non-executive Directors:</b>					
Choy Sze Chung, Jojo	41,666.69				41,666.69
Wu Zhengde	41,666.69				41,666.69
Li Yuanpeng	41,666.69				41,666.69
Total	246,332.07	132,668.40	6,400.00	19,867.20	405,267.67

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (5) Director's remuneration

The remuneration of every Director for 2010 is set out below:

Name of Director	Emoluments of Directors	Bonuses	Other allowances	Social insurance	Subtotal
<b>Executive Directors:</b>					
Zhang Xiaocheng					
Guo Aiching	121,332.00	150,317.00		17,338.40	288,987.40
Chen Ruowei					
Fu Ruolin					
Su Wenyu					
Jiang Jianping					
<b>Independent Non-executive Directors:</b>					
Choy Sze Chung, Jojo	30,000.00				30,000.00
Wu Zhengde	30,000.00				30,000.00
Li Yuanpeng	30,000.00				30,000.00
Total	211,332.00	150,317.00		17,338.40	378,987.40

#### (6) The remunerations of the five highest paid individuals in the Company (including one Director whose remuneration has been listed in the above table) in 2011 are set out below:

Items	2011	2010
Emoluments	376,908.00	376,908.00
Bonuses	368,171.40	426,289.00
Other allowances	32,000.00	
Social insurance	99,336.00	86,442.00
Total	876,415.40	889,639.00

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## 6. RECEIVABLES AND PAYABLES OF RELATED PARTIES

### I. Details of receivables due from related parties

Item	Name of related party	End of the year	Beginning of the year
Accounts receivables	Chengdu CCS Optical Fibre Cable Co., Ltd	5,025,808.91	6,418,362.76
Accounts receivables	Nanjing PUTIAN Tianji Intelligent Building Co., Ltd	93,192.96	3,729,505.27
Other receivables	Chengdu Bada Connector Co., Ltd	10,703,665.06	8,471,618.89
Other receivables	Chengdu Peak Power Sources Co., Ltd	248,066.01	212,626.66

### II. Details of payables due to related party

Item	Name of related party	End of the year	Beginning of the year
Accounts payables	Chengdu Bada Connector Co., Ltd	19,475,163.38	3,777,542.60
Accounts payables	Chengdu CCS Optical Fibre Cable Co., Ltd	1,860.00	1,860.00
Accounts payables	Nanjing PUTIAN Tianji Intelligent Building Co., Ltd	65,000.00	4,067,384.00
Accounts payables	China Potevio Company Limited		395,143.84

## VII. CONTINGENT LIABILITIES

The Company provided guarantee of RMB5 million to the subsidiary with the method of joint responsibility, Chengdu MCIL Radio Communications Co., Limited, for obtaining a bank loan. The guarantee period started from 23 March 2011 to 22 March 2012.

## VIII. COMMITMENT

None

## IX. SUBSEQUENT EVENTS

None

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## X. OTHER SIGNIFICANT EVENTS

Financial assets and liabilities measured at fair value

Item	Beginning of the year	Changes in fair value	Accumulated changes in fair value recorded in equity	Provision for impairment	End of the year
Financial assets:					
1. Financial assets measured at fair value and the changes are recognized in profit or loss for the year (excluding derivative financial assets)					
2. Derivative financial assets					
3. Available-for-sale financial assets	20,485,296.00	(6,364,176.00)	(5,409,549.60)		14,121,120.00
Subtotal of financial assets	20,485,296.00	(6,364,176.00)	(5,409,549.60)		14,121,120.00
Investment property					
Productive biological assets					
Others					
Subtotal of the above	20,485,296.00	(6,364,176.00)	(5,409,549.60)		14,121,120.00
Financial liabilities					

## XI. NOTES ON SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

### 1. ACCOUNTS RECEIVABLES

#### (1) Accounts receivables comprise

Category	End of the year			
	Carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
1. Individual significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a group basis — Provision for bad debts is made according to aging analysis	73,690,462.58	80.34	17,756,129.21	24.10
3. Individual insignificant receivables of which provision for bad debts is made on an individual basis	18,028,004.18	19.66	18,028,004.18	100.00
Total	91,718,466.76	100.00	35,784,133.39	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XI. NOTES ON SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 1. ACCOUNTS RECEIVABLES (CONTINUED)

#### (1) Accounts receivables comprise (Continued)

Category	Beginning of the year		Beginning of the year	
	Carrying amount	Provision for bad debts	Amount	Percentage
	Amount	Percentage (%)	Amount	Percentage (%)
1. Individual significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a group basis				
— Provision for bad debts is made according to aging analysis	74,802,508.01	77.87	19,748,601.47	26.40
3. Individual insignificant receivables of which provision for bad debts is made on an individual basis	21,255,466.64	22.13	18,118,004.18	85.24
Total	96,057,974.65	100.00	37,866,605.65	

Details of accounts receivables of which provision for bad debts is made according to aging analysis

Age	End of the year			Beginning of the year		
	Carrying amount	Percentage (%)	Bad debt provision	Carrying amount	Percentage (%)	Bad debt provision
Within 1 year	34,173,892.81	46.37	46,372,593.23	61.99		
1-2 years	22,893,957.60	31.07	2,289,395.76	6,362,097.01	8.51	636,209.70
2-3 years	1,333,351.34	1.81	400,005.40	4,044,631.11	5.41	1,213,389.33
3-5 years	1,112,663.92	1.51	890,131.14	620,921.13	0.83	496,736.91
Over 5 years	14,176,596.91	19.24	14,176,596.91	17,402,265.53	23.26	17,402,265.53
Total	73,690,462.58	100.00	17,756,129.21	74,802,508.01	100.00	19,748,601.47



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XI. NOTES ON SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 1. ACCOUNTS RECEIVABLES (CONTINUED)

#### (1) Accounts receivables comprise (Continued)

Details of individual insignificant receivables of which provision for bad debts is made on an individual basis

Name	End of the year	provision	Percentage (%)	Reason for individually made provision
Henan Qingfeng County Federation of Industry and Trade Co., Ltd	1,007,986.64	1,007,986.64	100.00	Not expected to be recoverable
Chengdu Telecommunications Cable Factory Sales Division	1,062,382.43	1,062,382.43	100.00	Not expected to be recoverable
China Posts Equipment Co., Ltd, Middlesouth Branch Company	1,116,797.27	1,116,797.27	100.00	Not expected to be recoverable
Urumqi Zhida Electronics Co., Ltd	1,344,969.65	1,344,969.65	100.00	Not expected to be recoverable
Chuandong Electromechanical Co., Ltd	1,606,692.41	1,606,692.41	100.00	Not expected to be recoverable
Shenyang Hengyuanda Communications Equipment Co., Ltd.	1,621,814.62	1,621,814.62	100.00	Not expected to be recoverable
KAB/VOLEX	2,058,597.74	2,058,597.74	100.00	Not expected to be recoverable
Total	9,819,240.76	9,819,240.76		

Note: The total amount of the individual insignificant receivables of which provision for bad debts is made on an individual basis is RMB18,028,004.18, of which the larger amounts are RMB9,819,240.76.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XI. NOTES ON SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 1. ACCOUNTS RECEIVABLES (CONTINUED)

#### (2) Top five accounts receivables

Name	Relationship	Amount	Age	Percentage (%)
1. ZTE Kangxun Telecom Company Limited	Not related party	14,998,353.16	Within 1 year	16.35
2. Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	Related party	6,942,329.67	Within 1 year	7.57
3. China CRS Investment Leasing Co., Ltd	Not related party	6,496,114.28	Within 1 year	7.08
4. Chengdu CCS Optical Fibre Cable Co., Ltd	Related party	5,025,808.91	2-3 years	5.48
5. Shenzhen Minli Electronics Co., Ltd	Not related party	2,909,933.97	Within 1 year	3.17
Total		36,372,539.99		39.65

### 2. OTHER RECEIVABLES

#### (1) Other receivables comprise

Category	End of the year			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
1. Individual significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a group basis — Provision for bad debts is made according to aging analysis	27,813,143.18	35.29	18,679,569.22	67.16
3. Individual insignificant receivables of which provision for bad debts is made on an individual basis	51,637,905.06	64.71	3,000,000.00	5.88
Total	79,451,048.24	100.00	21,679,569.22	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XI. NOTES ON SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 2. OTHER RECEIVABLES (CONTINUED)

#### (1) Other receivables comprise (Continued)

Category	Beginning of the year		Beginning of the year	
	Carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
1. Individual significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a group basis				
— Provision for bad debts is made according to aging analysis	56,708,200.87	34.26	48,385,630.98	85.32
3. Individual insignificant receivables of which provision for bad debts is made on an individual basis	108,800,649.93	65.74	3,000,000.00	2.76
Total	165,508,850.80	100.00	51,385,630.98	

Details of other receivables of which provision for bad debts is made according to aging analysis

Age	End of the year			Beginning of the year		
	Carrying amount	Percentage (%)	Bad debt provision	Carrying amount	Percentage (%)	Bad debt provision
Within 1 year	7,429,511.62	26.71		8,253,968.29	14.56	
1-2 years	1,883,019.78	6.77	188,301.98	11,066.80	0.02	1,106.68
2-3 years				46,722.69	0.08	14,016.81
3-5 years	46,722.69	0.17	37,378.15	129,678.00	0.23	103,742.40
Over 5 years	18,453,889.09	66.35	18,453,889.09	48,266,765.09	85.11	48,266,765.09
Total	27,813,143.18	100.00	18,679,569.22	56,708,200.87	100.00	48,385,630.98

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XI. NOTES ON SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 2. OTHER RECEIVABLES (CONTINUED)

#### (1) Other receivables comprise (Continued)

Details of individual insignificant receivables of which provision for bad debts is made on an individual basis

Name	End of the year	Provision for bad debts	Percentage (%)	Reason for individually made provision
Chongqing Super PCB Co., Ltd	3,000,000.00	3,000,000.00	100.00	Not expected to be recoverable
Total	3,000,000.00	3,000,000.00		

#### (2) Details of significant other receivables and nature

Name	Amount	Nature
Chengdu Bada Connector Co., Ltd	10,703,665.06	Borrowing
Total	10,703,665.06	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XI. NOTES ON SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 2. OTHER RECEIVABLES (CONTINUED)

#### (3) Details of recovered receivables

Name	Reason for write back	Reasons for provision for bad debts made previously	Provision for bad debts made previously in relation to the recovered amount	Amount recovered
China Leasing Co., Ltd.	Amount recovered	No repayment after several years' demands	30,000,000.00	1,500,000.00
Total			30,000,000.00	1,500,000.00

Note: Together with Zhongjing International New Technology Co., Ltd and China Leasing Co., Ltd, the Company signed a tripartite agreement on 22 December 2011. Under the agreement, the Company will transfer the claims of China Leasing Co., Ltd. of RMB30 000,000.00 to Zhongjing International Technology Co., Ltd at a price of RMB1,500,000.00., and the Company no longer possesses the ownership of the claims of China Leasing Co., Ltd after the sale.

#### (4) Top five other receivables

Name	Relationship	Amount	Age	Percentage (%)
1. Chengdu Bada Connector Co., Ltd	Related party	10,703,665.06	Within 1 year	13.47
2. Suzhou Tianyun Technology Co., Ltd	Not related party	4,786,324.75	Within 1 year	6.02
3. Shenzhen Fu Chang Co., Ltd	Not related party	3,566,915.53	Over 5 years	4.49
4. Chongqing Super PCB Co., Ltd	Not related party	3,000,000.00	Over 5 years	3.78
5. Jialing Property Co., Ltd	Not related party	1,417,260.00	Over 5 years	1.78
Total		23,474,165.34		29.54

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XI. NOTES ON SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 3. LONG-TERM EQUITY INVESTMENTS

Name	Measurement method	Initial investment	Beginning of the year	Increase/ decrease	End of the year	Shareholding	Voting right	Reasons for differences between shareholding and voting right held by the Company	Impairment	Impairment provided	Cash dividend for the year
						held by the Company (%)	held by the Company (%)	during the year			
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	Cost method	15,013,376.15	15,013,376.15		15,013,376.15	66.67	66.67				1,800,000.00
Chengdu MCIL Radio Communications Co., Ltd.	Cost method	72,702,773.95	72,702,773.95		72,702,773.95	96.67	96.67				
Chengdu SEI Optical Fiber Co., Ltd.	Cost method	70,424,819.71	70,424,819.71		70,424,819.71	60.00	60.00				
Chengdu Gaoxin Cable Co., Ltd.	Cost method	8,811,596.12	5,419,982.62	3,391,613.50	8,811,596.12	100.00	100.00				
Sichuan Tian Xin Cable Co., Ltd	Cost method	22,241,465.26	22,241,465.26	(22,241,465.26)		29.96	29.96				
Sichuan Dragon Network Technology Co, Ltd.	Cost method	1,535,000.00	1,535,000.00		1,535,000.00	16.67	16.67		946,825.18		
Sichuan Cable Material Plant	Cost method	125,903.35	125,903.35		125,903.35	30.00	30.00		125,903.35		
Chengdu South Star Thermo Power Co., Ltd	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	7.14	7.14		5,000,000.00		
Shu Du Building	Cost method	90,000.00	90,000.00		90,000.00				90,000.00		
Chengdu CCS Optical Fibre Cable Co., Ltd.	Equity method	149,859,539.16	205,208,245.27	(6,797,346.29)	198,410,898.98	49.00	49.00				
Chengdu Peak Power Sources Co., Ltd.	Equity method	2,340,000.00	2,314,034.88	(703,530.48)	1,610,504.40	50.00	50.00				
Chengdu Bada Connector Co., Ltd.	Equity method	2,452,827.16	3,501,531.57	430,824.92	3,932,356.49	49.00	49.00				
Total		350,597,300.86	403,577,132.76	(25,919,903.61)	377,657,229.15				6,162,728.53		

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XI. NOTES ON SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 4. OPERATING INCOMES AND OPERATING COSTS

#### (1) Details of operating incomes

Item	Current year	Prior year
Income from principal operations	210,288,518.39	176,911,356.60
Other operating income	41,839,298.47	33,761,285.49
Total	252,127,816.86	210,672,642.09

#### (2) Details of operating costs

Item	Current year	Prior year
Costs from principal operations	220,127,467.63	174,760,407.56
Other operating costs	61,278,563.28	26,875,451.83
Total	281,406,030.91	201,635,859.39

#### (3) Analysis of main operations by products

Name of products	Current year		Prior year	
	Income from principal operations	Cost from principal operations	Income from principal operations	Cost from principal operations
Plastic telephone cable	32,060,457.87	32,213,584.60	38,108,323.70	35,177,100.75
Program-controlled cable	48,401,241.71	57,608,903.10	47,822,510.64	49,564,985.56
Locomotive cable	6,186,471.27	7,802,438.45	3,570,905.90	4,651,319.07
Purchased cable and accessories	83,951,642.48	83,362,589.23	57,459,290.00	56,966,762.36
Other cables	39,688,705.06	39,139,952.25	29,950,326.36	28,400,239.82
Total	210,288,518.39	220,127,467.63	176,911,356.60	174,760,407.56

Note: Other cables mainly include electrical equipment cable, nano coaxial cable, data cable composite steel, composite aluminum, and etc.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XI. NOTES ON SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 4. OPERATING INCOMES AND OPERATING COSTS (CONTINUED)

#### (4) Geographical analysis of main operations

Regions	Current year		Prior year	
	Income from principal operations	Cost from principal operations	Income from principal operations	Cost from principal operations
North China	304,845.34	319,108.40	103,096.05	101,928.68
East China	966,261.53	1,011,470.83	3,215,696.13	3,179,284.44
Central China	145,918,185.46	152,745,384.73	119,730,040.23	118,374,323.25
Southwest China	61,829,189.76	64,722,045.09	45,827,178.42	45,160,510.56
Northwest China	1,270,036.30	1,329,458.58	8,035,345.77	7,944,360.63
Total	210,288,518.39	220,127,467.63	176,911,356.60	174,760,407.56

#### (5) Top five customers

Item	Operating revenue	Proportion (%)
1. ZTE Kangxun Telecom Company Limited	126,866,336.87	50.32
2. China Telecom Sichuan Branch	35,609,498.43	14.12
3. Chengdu CCS Optical Fiber Cable Co., Ltd	23,227,312.63	9.21
4. China Telecom Chongqing Branch	8,217,689.30	3.26
5. China Telecom Hunan Branch	7,741,713.60	3.07
Total	201,662,550.83	79.98



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XI. NOTES ON SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 5. INVESTMENT INCOME

#### (1) Details of investment income

Item	Current year	Prior year
Investment income from long-term equity investments measured using cost method	1,800,000.00	3,000,000.00
Investment income from long-term equity investments measured using equity method	(7,070,051.85)	(5,630,937.04)
Investment income from disposal of long-term equity investments	3,520,184.42	81,586,402.00
Investment income from financial assets held for trading	89,945.20	
Investment income from held-to-maturity investments		
Investment income from available-for-sale financial assets		
Investment income from disposal of financial assets held for trading		
Investment income from disposal of held-to-maturity investments		
Investment income from disposal of available-for-sale financial assets		
Others		
Total	(1,659,922.23)	78,955,464.96

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XI. NOTES ON SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 5. INVESTMENT INCOME (CONTINUED)

#### (2) Investment income from long-term equity investments measured by cost method

Investee	Current year	Prior year
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	1,800,000.00	3,000,000.00
Total	1,800,000.00	3,000,000.00

#### (3) Investment income from long-term equity investments measured by equity method

Investee	Current year	Prior year
Chengdu CCS Optical Fibre Cable Co., Ltd	(6,797,346.29)	(5,351,382.42)
Chengdu Peak Power Sources Co., Ltd	(703,530.48)	(425,192.80)
Chengdu Bada Connector Co., Ltd	430,824.92	145,638.18
Total	(7,070,051.85)	(5,630,937.04)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XI. NOTES ON SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 6. SUPPLEMENTARY INFORMATION OF CASH FLOW STATEMENT

Item	Current year	Prior year
<b>1. Net loss adjusted to cash flows of operating activities:</b>		
<b>Net loss</b>	<b>(65,872,186.08)</b>	65,641,585.70
Add: Provision for impairment on assets	<b>(5,639,547.66)</b>	25,488,124.36
Depreciation of fixed assets, oil and gas assets and productive biological assets	<b>15,697,734.36</b>	15,704,322.54
Amortization of intangible assets	<b>1,080,916.44</b>	1,080,916.44
Amortization of long-term prepaid expenses		
Loss on disposal of fixed assets, intangible assets and other long-lived assets ("-" represents gain)	<b>(4,560,650.39)</b>	(136,241,217.03)
Loss on fixed assets written off ("-" represents gain)		
Loss from changes in fair value ("-" represents gain)		
Finance costs ("-" represents gain)	<b>144,902.33</b>	(995,657.46)
Investment loss ("-" represents gain)	<b>5,180,106.65</b>	2,630,937.04
Decrease in deferred tax assets ("-" represents increase)	<b>2,628,314.17</b>	(3,454,451.46)
Increase in deferred tax liabilities ("-" represents decrease)		
Decrease in inventories ("-" represents increase)	<b>(13,970,083.40)</b>	(26,889,075.40)
Decrease in operating receivables ("-" represents increase)	<b>47,442,758.10</b>	4,544,667.66
Increase in operating payables ("-" represents decrease)	<b>(100,841,050.80)</b>	(16,615,024.48)
Others		
Net cash flows from operating activities	<b>(118,708,786.28)</b>	(69,104,872.09)
<b>2. Significant non-cash investing and financing activities</b>		
Conversion of debts to capital		
Convertible bonds due within one year		
Fixed assets acquired under finance lease		
<b>3. Changes in cash and cash equivalents:</b>		
Ending balance of cash	<b>126,737,290.46</b>	182,937,152.40
Less: Beginning balance of cash	<b>182,937,152.40</b>	272,607,246.95
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	<b>(56,199,861.94)</b>	(89,670,094.55)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XII. SUPPLEMENTARY INFORMATION

### 1. DETAILS OF NON-OPERATING PROFIT AND LOSS ITEMS IN THE YEAR

According to "Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No. 1 - Non-operating Profit and Loss (2008)" (China Securities Regulatory Commission Announcement [2008] No. 43") issued by China Securities Regulatory Commission ("CSRC"), non-operating profit and loss items are as follows:

Item	Amount	Note
1. Profit or loss on disposal of non-current assets, including reversal of provision for impairment on assets	4,547,379.23	
2. Tax rebate or reduction without official approval documents or on an occasional basis		
3. Government subsidies accounted for in profit or loss for the year (those closely related to the business of the entity, excluding government grants entitled according to the national standards or amounts)	11,341,963.16	
4. Capital occupation fee received by non-financial institutions and recognized in profit or loss for the year	641,818.22	
5. The shortfall between investment cost received by the entity from its subsidiaries, associates and jointly controlled entities and the investment income generated from the fair value of the identifiable net assets of the investee that the entity entitles		
6. Exchange difference from exchange of non-monetary assets		
7. Profit and loss from entrusted investments or asset management		
8. Provision for impairment on assets due to natural disasters, etc		
9. Profit or loss from debt restructuring		
10. Enterprise restructuring costs		
11. Profit or loss calculated at the difference between transacted amounts of non-arm's length transaction and the fair value of the non-arm's length transaction		
12. Profit or loss arising from consolidating subsidiaries under common control		
13. Profit or loss arising from contingencies not related to the principal operations of the entity		

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XII. SUPPLEMENTARY INFORMATION (CONTINUED)

### 1. DETAILS OF NON-OPERATING PROFIT AND LOSS ITEMS IN THE YEAR (CONTINUED)

Item	Amount	Note
14. Investment income obtained from holding transactional financial assets and transactions financial liabilities generated changes in fair values and disposal tradable financial assets and transactions financial liabilities and sellable financial assets apart with company normal operations related effective hedging business	89,945.20	
15. Reversal of impairment of receivables provided by specific provision		
16. Profit and loss from entrusted loans		
17. Profit and loss arising from changes in fair value of investment property under fair value model on subsequent measurement		
18. Profit and loss according to tax and accounting laws and regulations require a one-time adjustment of profit or loss		
19. Entrusted fee income obtained from entrusted operation		
20. Other net non-operating income/expenses other than the above items	2,786,374.00	
21. Other non-recurring profit and loss items recognized		
22. Effect of minority interest	(371,862.97)	
23. Effect of income tax	30,539.78	
Total	19,066,156.62	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XII. SUPPLEMENTARY INFORMATION (CONTINUED)

### 2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

According to "Information Disclosure and Preparation Regulations of Companies Publicly Issuing Securities No. 9 - Calculation and Disclosure of Return Rate of Net Assets and Earnings per Share (Revised in 2010)" ("China Securities Regulatory Commission Announcement [2010] No. 2"), and "Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No. 1 - Non-operating Profit and Loss (2008)" (China Securities Regulatory Commission Announcement [2008] No. 43") issued by China Securities Regulatory Commission ("CSRC"), earnings per share are calculated as follows:

#### (1) Current year

Loss for the year	Return on net weighted average assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net loss attributable to ordinary shareholders of the Company	(5.79)	(0.17)	(0.17)
Net loss attributable to shareholders deducted non-operating gains and losses of the Company after deducting extraordinary items	(7.46)	(0.21)	(0.21)

#### (2) Prior year

Loss for the year	Return on net weighted average assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net loss attributable to ordinary shareholders of the Company	7.19	0.22	0.22
Net loss attributable to shareholders deducted non-operating gains and losses of the Company after deducting extraordinary items	(6.24)	(0.19)	(0.19)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XII. SUPPLEMENTARY INFORMATION (CONTINUED)

### 3. ANALYSIS OF THE UNUSUAL ITEMS OF THE FINANCIAL STATEMENTS

The analysis of the financial figures with changes more than 30% (including 30%) and represents more than 5% of the total assets (including 5%) or 10% of the total net loss (including 10%) as follow:

#### (1) Consolidated balance sheet

Item	End of the year	Beginning of the year	Changes in amount	Percentage (%)	Note
Bills receivables	<b>38,193,476.74</b>	10,564,368.50	27,629,108.24	261.53	Note 1
Other receivables	<b>32,614,916.10</b>	101,589,255.80	(68,974,339.70)	(67.90)	Note 2
Available-for-sale financial assets	<b>14,121,120.00</b>	20,485,296.00	(6,364,176.00)	(31.07)	Note 3
Tax payable	<b>(25,459,804.87)</b>	(14,548,090.39)	(10,911,714.48)	(75.00)	Note 4

Note 1: As at end of the year, the bills receivables were RMB38,193,476.74, representing an increase of 261.53% compared to the receivables as at beginning of the year. It was mainly due to the increase in usage of bank acceptance bills by customers for settlement and the bills receivables were not yet due as at the end of the reporting year.

Note 2: As at end of the year, the other receivables were RMB32,614,916.10, representing a decrease of 67.90% compared with the other receivables as at beginning of the year. It was mainly due to the receipts of the final installment for the disposal of a subsidiary Dongguan CDC Cable Factory, in previous year.

Note 3: As at end of the year, the available-for-sale financial assets were RMB14,121,120.00, representing a decrease of 31.07% compared with the available-for-sale financial assets as at beginning of the year. It was mainly due to the fair value changes of the stock Hi-tech Development (SZ.000628).

Note 4: As at end of the year, the tax payable was RMB-25,459,804.87, representing a decrease of 75.00% compared with the tax payable as at beginning of the year. It was mainly due to higher input value-added tax from the acquisition of fixed assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)

## XII. SUPPLEMENTARY INFORMATION (CONTINUED)

### 3. ANALYSIS OF THE UNUSUAL ITEMS OF THE FINANCIAL STATEMENTS

#### (2) Consolidated income statement

Item	Current year	Prior year	Changes in amount	Percentage (%)	Note
Finance costs	(7,267,180.76)	(5,026,696.22)	(2,240,484.54)	(44.57)	Note 1
Assets impairment loss	(5,784,564.13)	31,944,044.91	(37,728,609.04)	(118.11)	Note 2
Non-operating income	16,311,692.27	58,906,309.46	(42,594,617.19)	(72.31)	Note 3
Income tax expenses	7,224,378.77	805,970.37	6,418,408.40	796.36	Note 4

Note 1: The finance costs for the current year was RMB-7,267,180.76, representing a decrease of 44.57% when compared with finance costs of prior year. It was mainly due to the exchange gains and losses in current year.

Note 2: The assets impairment loss for the current year was RMB-5,784,564.13, representing a decrease of 118.11% when compared with the assets impairment loss of prior year. It was mainly due to the reversal of provision for assets previously made.

Note 3: The non-operating income for the current year was RMB16,311,692.27, representing a decrease of 72.31% when compared with the non-operating income of prior year. It was mainly due to the compensation for relocation received in prior years.

Note 4: The income tax expenses for the current year was RMB7,224,378.77, representing an increase of 796.36% when compared with the income tax expenses of prior year. It was mainly due to the deferred tax recognized as a result of the reversal of provision for assets previously made.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

*For the year ended 31 December 2011 (Expressed in RMB Yuan unless otherwise stated)*

## **XIII. APPROVAL OF FINANCIAL STATEMENTS**

The Company's financial statements are approved by the board of directors on 27 March 2012. According to the Company's Memorandum and Articles of Associations, the financial statements will be laid for approval during the shareholders' meeting.

**CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED**

27 March 2012

The notes to financial statements on pages 66 to 161 are signed off by the following responsible persons:

*Corporate Representative:*

*Chief Accountant:*

*Accounting Supervisor:*

Signature:

Signature:

Signature:

Date:

Date:

Date:

# CORPORATE INFORMATION

## REGISTERED NAME OF THE COMPANY

成都普天電纜股份有限公司

## ENGLISH NAME OF THE COMPANY

Chengdu PUTIAN Telecommunications  
Cable Company Limited

## LEGAL REPRESENTATIVE

Zhang Xiaocheng

## EXECUTIVE DIRECTORS

Zhang Xiaocheng (*Chairman*)  
Guo Aiqing (*Vice Chairman*)  
Fu Ruolin  
Chen Ruowei  
Su Wenyu  
Jiang Jianping

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Choy Sze Chung, Jojo  
Wu Zhengde  
Li Yuanpeng

## SUPERVISORS

Yang Zhihe  
Xiong Ting  
Dai Xiaoyi

## COMPANY SECRETARY

Kwong Yin Ping, Yvonne

## QUALIFIED ACCOUNTANT

Yu Qian

## AUTHORIZED REPRESENTATIVES

Guo Aiqing  
Kwong Yin Ping, Yvonne

## BOARD COMMITTEES

### AUDIT COMMITTEE

Choy Sze Chung, Jojo (*Chairman*)  
Wu Zhengde  
Li Yuanpeng

### REMUNERATION AND APPRAISAL COMMITTEE

Wu Zhengde (*Chairman*)  
Choy Sze Chung, Jojo  
Li Yuanpeng  
Fu Ruolin  
Jiang Jianping

### NOMINATION COMMITTEE

Li Yuanpeng (*Chairman*)  
Choy Sze Chung, Jojo  
Wu Zhengde  
Chen Ruowei  
Su Wenyu

### STRATEGIC DEVELOPMENT COMMITTEE

Zhang Xiaocheng (*Chairman*)  
Guo Aiqing  
Choy Sze Chung, Jojo  
Wu Zhengde  
Li Yuanpeng

## CORPORATE INFORMATION *(Continued)*

### REGISTERED ADDRESS AND OFFICE ADDRESS OF THE COMPANY IN THE PRC

No. 18, Xinhang Road,  
The West Park of Hi-tech Development Zone,  
Chengdu, Sichuan Province, The PRC  
Postal Code: 611731  
Tel: (028) 8787 7008  
Fax: (028) 8787 7010

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1105  
Hua Qin International Building  
340 Queen's Road Central  
Central, Hong Kong

### BUSINESS REGISTRATION NUMBER

No. 1972 of Qi He Chuan Rong Zong Zi

### TAXATION REGISTRATION NUMBER

51010920193968x

### PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited  
Stock Code: 1202

### AUDITOR

Daxin Certified Public Accountants  
15th Floor, College of Beijing Nation Mansion,  
No. 1, Zhichun Road,  
Hadian District, Beijing,  
The PRC  
Postal Code: 100083

### LEGAL ADVISERS

#### THE PRC

Sichuan Kaiping Law Firm  
15th Floor, Block B, XinTianDi Mansion,  
No. 424, Shuhan Road, Yangxixian,  
Chengdu, Sichuan Province,  
The PRC  
Postal Code: 610036

#### HONG KONG

K&L Gates  
44/F, Edinburgh Tower, The Landmark  
15 Queen's Road Central  
Hong Kong

## CORPORATE INFORMATION *(Continued)*

### PRINCIPAL BANKERS

Sichuan branch, Bank of China Limited  
No. 35 Middle Renmin Road (2 Duan),  
Chengdu, Sichuan Province,  
The PRC

### H SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited  
Rooms 1712-1716, 17th Floor,  
Hopewell Centre,  
183 Queen's Road East,  
Wanchai,  
Hong Kong

### ADDRESS FOR INSPECTION OF CORPORATE DATA

The Office of the Board  
Chengdu PUTIAN Telecommunications  
Cable Company Limited  
No. 18, Xinhang Road,  
The West Park of Hi-tech Development Zone,  
Chengdu, Sichuan Province,  
The PRC

### TIME OPEN FOR SHAREHOLDERS RECEPTION

On 8th and 18th every month (or the following day  
in case of holiday in the PRC)  
9:00 am to 12:00 am  
2:00 pm to 5:00 pm  
Tel: (028) 8787 7008  
Fax: (028) 8787 7010

### THE COMPANY'S WEBSITE AND EMAIL

Website: <http://putian.wsfg.hk>

Email: [cdc@cdc.com.cn](mailto:cdc@cdc.com.cn)