DBA Telecommunication (Asia) Holdings Limited
DBA 電訊(亞洲)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3335)

Annual Report 2011

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Yu Longrui
(Chairman and Chief Executive Officer)
Mr. Zheng Feng
Mr. Chan Wai Chuen
Mr. Yu Longhui
Mr. Yeung Shing

Independent Non-executive Directors

Mr. Zheng Qingchang
Mr. Yu Lun
Mr. Yun Lok Ming

Authorized Representatives

Mr. Yeung Shing
Mr. Chan Wai Chuen

Audit Committee

Mr. Zheng Qingchang *(Chairman)*
Mr. Yu Lun
Mr. Yun Lok Ming

Remuneration Committee

Mr. Zheng Qingchang *(Chairman)*
Mr. Yu Lun
Mr. Yun Lok Ming

Company Secretary

Mr. Chan Wai Chuen

Auditor

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
34/F., The Lee Gardens
33 Hysan Avenue, Causeway Bay
Hong Kong

Registered Office

P.O. Box 309 GT, Ugland House
South Church Street, George Town
Grand Cayman, Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Unit 2307, 23rd Floor
Great Eagle Centre
23 Harbour Road, Wanchai
Hong Kong
Telephone: (852) 3106 3068
Facsimile: (852) 3106 5533

Stock Code

3335

Website

www.dba-asia.com

Cayman Islands Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Legal Advisors

(As to Hong Kong law)
Fred Kan & Co.

(As to Cayman Islands Law)
Maples and Calder

(As to the PRC law)
Chen & Co.

Principal Bankers

Agricultural Bank of China
Standard Chartered Bank (Hong Kong) Limited

Five Years Financial Summary

Following is a summary of the consolidated results and the consolidated assets and liabilities of the Group for the last five financial years prepared on a basis as stated in the notes below:

Consolidated Results

	For the year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**5,647,554**	3,658,074	2,110,661	1,624,925	1,197,756
Profits before tax	**467,110**	299,820	154,402	339,329	298,238
Income tax	**(85,807)**	(62,433)	(45,336)	(81,693)	(50,950)
Profit for the year	**381,303**	237,387	109,066	257,636	247,288

Consolidated Assets and Liabilities

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	**568,429**	545,478	423,359	288,790	119,535
Total current assets	**1,982,750**	1,316,976	1,346,705	1,263,065	1,159,658
Total assets	**2,551,179**	1,862,454	1,770,064	1,551,855	1,279,193
Total non-current liabilities	**(17,500)**	(100,000)	(408,966)	(338,634)	(319,632)
Total current liabilities	**(718,258)**	(318,627)	(154,069)	(117,426)	(70,064)
Total liabilities	**(735,758)**	(418,627)	(563,035)	(456,060)	(389,696)
Net assets	**1,815,421**	1,443,827	1,207,029	1,095,795	889,497

Notes:

The summary of the consolidated assets and liabilities of the Group as at end for the five financial years ended 31 December 2011 was prepared as if the current group structure had been in existence throughout these financial years.

Financial Highlights

Financial Summary

Year ended 31 December

		2011 RMB'000	2010 RMB'000	Change %
Turnover		**5,647,554**	3,658,074	**+54.4**
– Information technology business		**955,397**	762,506	**+25.3**
– Intelligent self-service business		**4,656,037**	2,859,770	**+62.8**
– Agency business		**36,120**	35,798	**+0.9**
Gross profit		**656,657**	476,208	**+37.9**
Profit attributable to shareholders		**381,303**	237,387	**+60.6**
Operating cash flows		**312,612**	59,638	**+424.2**
Earnings per share	– Basic (Note 1)	**RMB36.68 cents**	RMB22.88 cents	**+60.3**
	– Diluted (Note 2)	**RMB36.22 cents**	RMB21.32 cents	**+69.9**
Dividends per share		**HK2.50 cents**	HK2.00 cents	**+25.0**

Notes:

1. The calculation of basic earnings per share is based on the profits attributable to ordinary equity shareholders of the Company of approximately RMB381,303,000 (2010: RMB237,387,000) and the weighted average number of 1,039,465,000 ordinary shares (2010: 1,037,500,000 ordinary shares) in issue during the year. Details of the calculations for the years ended 31 December 2011 and 2010 are set in note 8 to the financial statement.

2. The calculation of diluted earnings per share is based on the profits attributable to ordinary equity shareholders of the Company of approximately RMB381,303,000 (2010: RMB250,141,000) and the weighted average number of ordinary shares of 1,052,653,000 ordinary shares (2010: 1,173,513,000 ordinary shares). Details of the calculations for the year ended 31 December 2011 and 2010 are set in note 8 to the financial statement.

Financial Highlights

Key Financial Figures

Year ended 31 December

	2011 RMB'000	2010 RMB'000	Change
Total Assets	**2,551,179**	1,862,454	**+37.0%**
Net Assets	**1,815,421**	1,443,827	**+25.7%**
NAV per shares (RMB) (Note 1)	**1.74**	1.39	**+25.2%**
Cash and bank	**599,160**	495,773	**+20.9%**
Net cash	**429,483**	209,666	**+104.8%**
Return on equity	**21.0%**	16.4%	**+4.6% pts**
Return on total assets	**15.0%**	12.8%	**+2.2% pts**
Current ratio	**2.8x**	4.1x	**-1.3x**
Gearing ratio (Note 2)	**6.6%**	15.4%	**-8.8% pts**
Debt to equity ratio (Note 3)	**9.4%**	19.8%	**-10.4% pts**
Gross profit margin	**11.6%**	13.0%	**-1.4% pts**
Net profit margin	**6.8%**	6.5%	**+0.3% pts**
Average inventory turnover (Note 4)	**24.8 days**	20.6 days	**+4.2 days**
Average trade receivable turnover (Note 5)	**29.7 days**	31.5 days	**-1.8 days**
Average trade and bills payable turnover (Note 6)	**20.1 days**	6.7 days	**+13.4 days**

Notes:

1. The calculation of net asset value per share for the year ended 31 December 2011 and 2010 is based on the shareholders' equity and the total number of ordinary shares in issue as at 31 December 2011 and 2010 respectively;

2. Gearing ratio for 2011 decrease to 4.8% after completion of full redemption of convertible bonds. The calculation of gearing ratio is based on the interest bearing borrowings divided by total assets at the relevant year end dates;

3. Debt comprises interest-bearing borrowings;

4. The calculation of average inventory turnover is based on the average of opening and closing inventory balance divided by turnover and multiplied by 365 days;

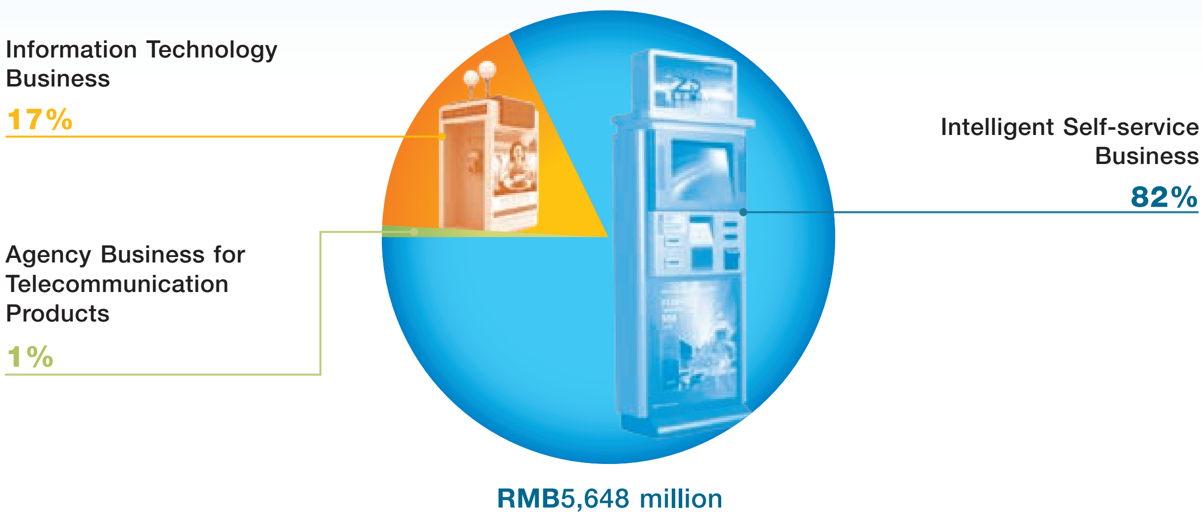
5. The calculation of average trade receivable turnover is based on the average of opening and closing balance for trade receivable, divided by turnover and multiplied by 365 days;

6. The calculation of average trade and bills payable turnover is based on the average of opening and closing for trade payable divided by total cost of sales and multiplied by 365 days.

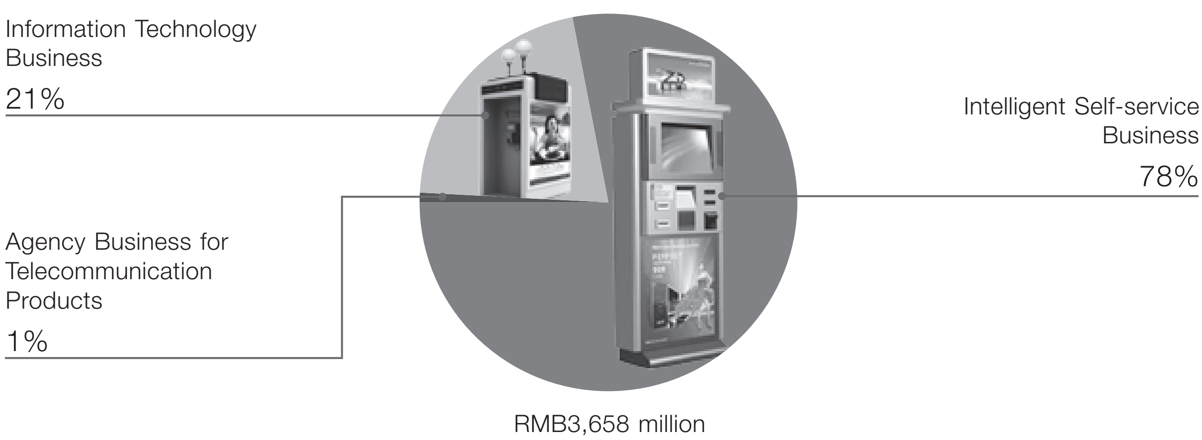
Financial Highlights

Breakdown of Turnover by Business Structure

For the year ended 31 December 2011



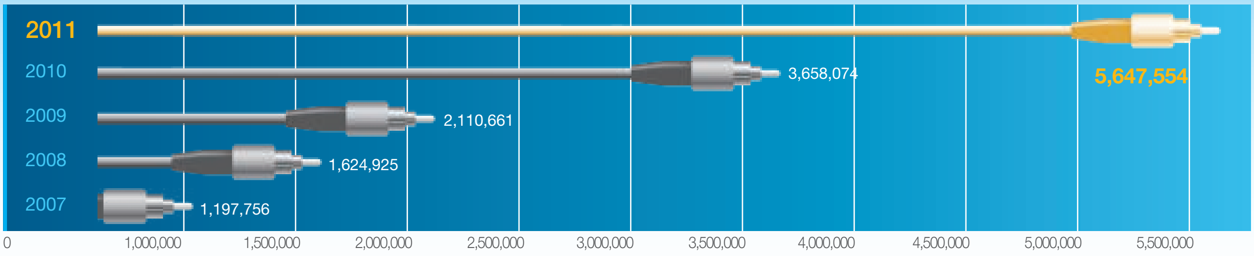
For the year ended 31 December 2010



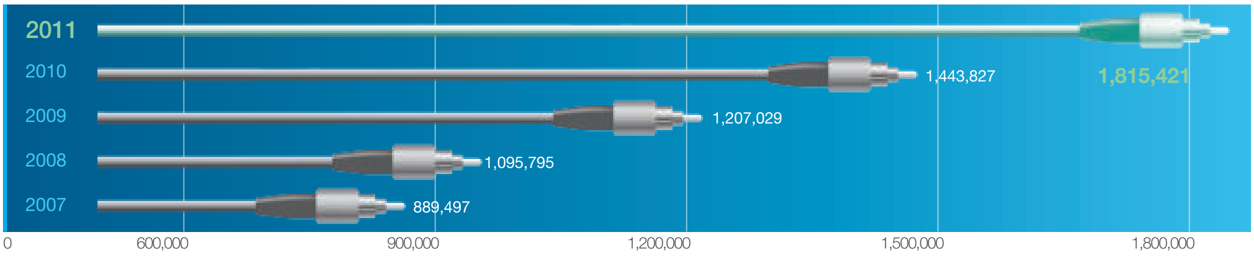
Financial Highlights

Year ended 31 December

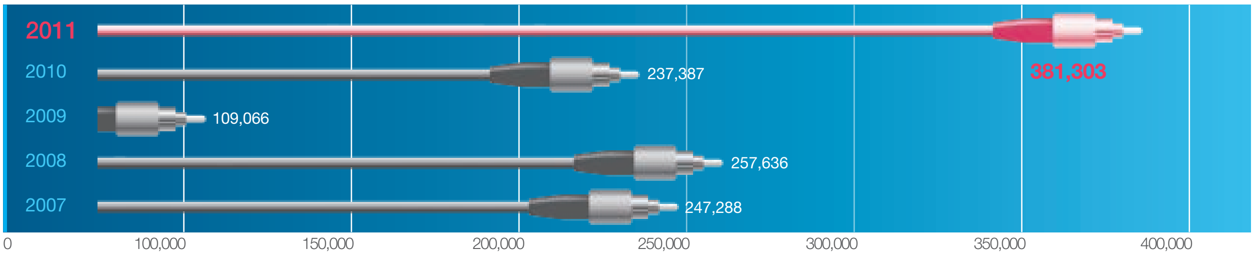
Turnover
RMB'000



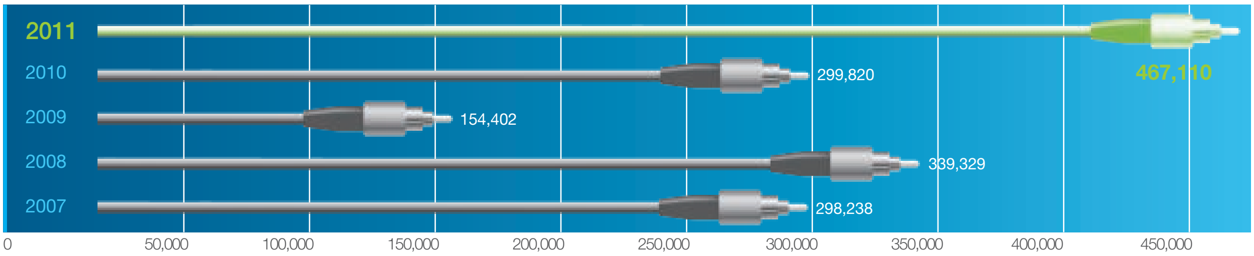
Net assets
RMB'000



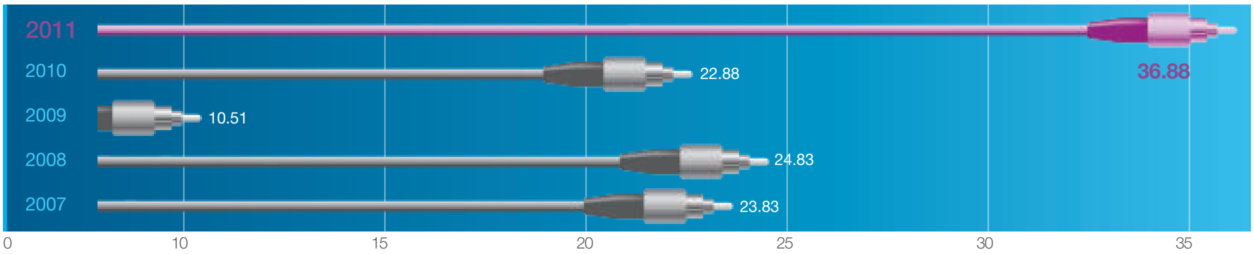
Profits attributable to shareholders
RMB'000



Profits before taxation
RMB'000



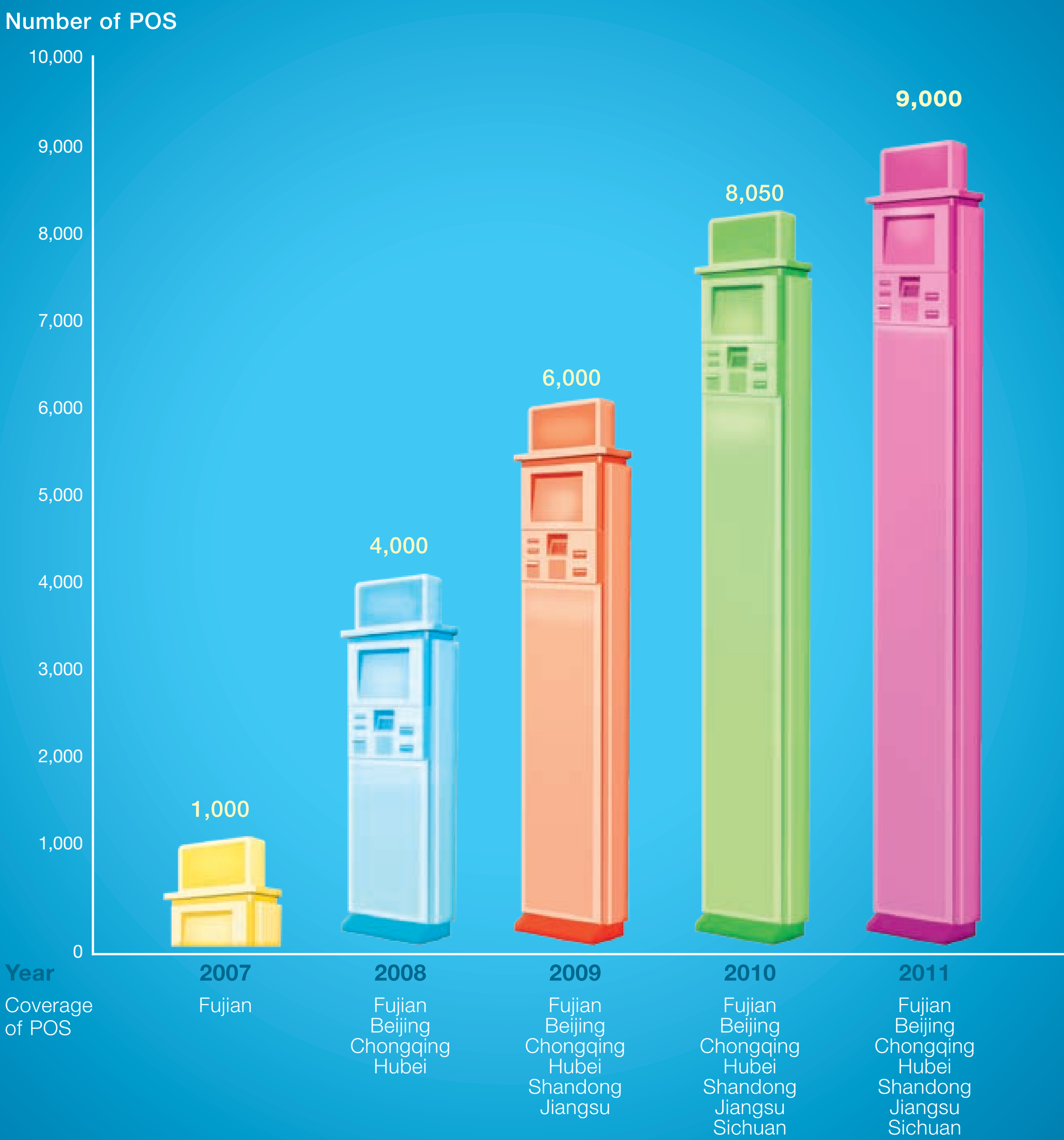
Basic earings per share
RMB cents



Financial Highlights

Progress of Development of Intelligent Self-service Business

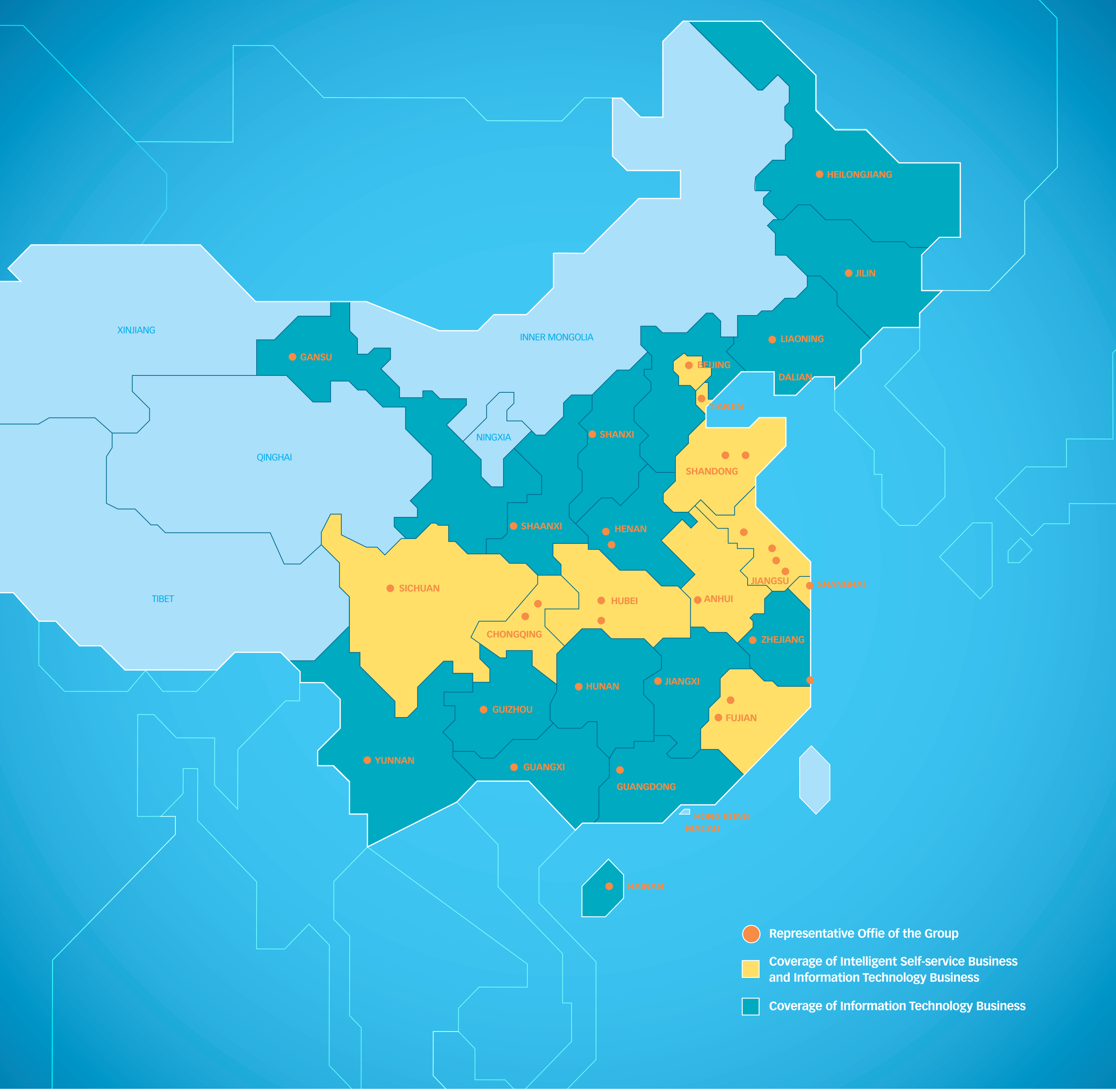
Year ended 31 December



Financial Highlights

Geographical Coverage

Year ended 31 December 2011



Chairman's Statement

On behalf of the Board of Directors (the "Board" or the "Directors"), I am delighted to announce the financial results of DBA Telecommunication (Asia) Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2011.

Business Review

In light of the current conditions and the trend of social informationization in China, the Group integrated resources and brought its strengths into full play, and continued to implement the strategy of combined development to achieve win-win results which was promoted by hi-tech manufacturing industry and hi-tech services industry, so as to sustain the leapfrogging development of information technology business and intelligent self-service business in 2011.

For the year ended 31 December 2011, the Group recorded a turnover of approximately RMB5,648 million, representing an increase of 54.4%. Gross profit increase to approximately RMB657 million, representing an increase of 37.9% against last year. Profit attributable to shareholders increase to approximately RMB381 million, an increase of 60.6% against last year. Basic earnings per share were RMB36.68 cents, representing an increase of 60.3% against last year. Turnover from information technology business for the year amounted to approximately RMB955 million, an increase of 25.3% as compared with last year. Intelligent self-service business grew significantly, with total turnover of approximately RMB4,656 million, an increase of 62.8% compared period last year.

Information Technology Business

In recognition of the market requirement of development in the world telecommunication technology and information-based society in China, based on the "Adjustment, Consolidation and Elevation" on the structure of products and technologies for its information technology business, in year 2011, the Group implemented the strategy of "Reinforcement, Accumulation and Expansion". Firstly, it has established three major product categories with competitive advantages, that is urban information devices, electronic intelligent equipment and systems and FTTH optical fibre connection products; Secondly, the combination of development in telecommunication technologies and industrial application technologies has expanded the market applications of the Group's technology products in the development of information-based society in China, such as intelligent urban all-in one cards（「一卡通」）and systems, electric self-service payment systems, prepaid IC cards for water meters, gas meter terminals and systems, and therefore further enlarge the market base of its products; and thirdly, the research and development activities of the integrated technology solutions for the targeted markets have achieved significant breakthroughs with five copy rights patents obtained in the system-integrated management software of the integrated technology solutions, as at 31 December 2011, 17 copy rights patents have been obtained by the Company, which realized the enhancement of the Group's information technology business from hardware manufacturing to integrated technology solutions, and processed the initiative in marketing operations.

Intelligent Self-service Business

The intelligent self-service business of the Group was engaged in provision of self-service prepaid card sales, recharge and self-service payments services as well as electronic payment services of merchant transaction by expanding the chain and the network of the terminals and systems of community financial e-service platforms.

Chairman's Statement

For the intelligent self-service business, in response to the huge market for the technology service industry in China and the Group's strategies for the development of the intelligent self-service business, firstly, in 2011 the Group continued to roll out its intelligent self-service business by forming additional three branches, the Group has already established ten branches in ten provinces and municipalities with over 9,000 intelligent self-service terminals as at 31 December 2011; secondly, the Group unleashed the potential value of intelligent self-service terminals by expanding its service scope, including the introduction of LED advertising business and new electronic inter-media business; thirdly, the Group introduced additional service modes and extended the span of the service industry. As of the year end of 2011, more than 3,000 retail customer E-POSs terminals (a terminal integrated telephone and financial e-payment) have been installed. The Group has successfully reached extensive agreements with China UnionPay E-Commerce Co., Ltd. (中國銀聯商務有公司) and related commercial banks on the cooperation of electronic payment services in the commercial sectors.

Financial Review

Liquidity and Financial Resources

As at 31 December 2011, the Group had total assets of approximately RMB2,551 million comprising non-current assets of approximately RMB568 million and current assets of approximately RMB1,983 million.

The Group's total borrowing has significantly reduced from approximately RMB286 million as at 31 December 2010 to approximately RMB170 million as at 31 December 2011. Such reduction was resulted from the partial redemption of the convertible bonds.

The Group's cash and cash equivalents amounted to approximately RMB599 million as at 31 December 2011. They were mostly denominated in RMB and Hong Kong dollars.

Convertible Bonds

On 6 November 2007, the Company issued aggregate principal amount of RMB330,000,000 US Dollar settled 1.0% Convertible Bonds due 2012. In view of the best interests of the Group's financial status and the shareholders, the Company intended to repurchase the outstanding Bonds using the Group's internal resources.

As at 31 December 2011, the principal amount of all the outstanding Bonds and the aggregate redemption amounts, including interests payables to the Bondholders, amounted to RMB45,727,000. Thereafter, the Company has continued to repurchase all the outstanding Bonds. On 26 January 2012, the Company has completed the repurchase of all the outstanding Bonds. There is no outstanding principals and interest payables on Bonds following the repurchase and cancellation of the Bonds.

The Board is confident that the expenditure of the amounts used to redeem all of the Bonds will not have any material adverse effect on the financial position of the Group and that the financial position of the Group will remain sound.

Capital Commitments

As at 31 December 2011, the Group had no capital commitments in relation to prepaid lease payment in respect of lease and the acquisition of properties, plant and equipment.

Outlook

Improvement of our life style is usually made possible by the advancement in technology. As our information technology business and intelligent self-service business have strong complementary strengths and enjoy collective advantages, the Group will continue to pursue the strategy of combined development to achieve win-win results. With the deepening of informationization and modernization in the PRC, it is anticipated that the scale and efficiency of the Group's overall business operations will grow significantly.

Information Technology Business

The Group's established information technology product structure and market effect as well as our advancing development strategy will guarantee steady development and sustainable growth of our IT business and results.

Intelligent Self-service Business

Adhering to its development strategy of "Wozhong e-Service", the Group will continue to introduce new services through its established and ever-expanding intelligent chain service "Wozhong Community Financial e-Service Platform", so as to extend its coverage of services to bring about new revenue stream and higher investment return.

The Group will stick to its existing unique business model. By alliance with banks and institutes that may bring complementary strength to our business, the operating scale and efficiency of our E-POS service business is expected to grow further.

In addition, the Group will continue to improve and enhance its corporate governance standards. Focus will be put on the training and education of staff, team establishment and continual promotion of management and staff, to meet the operational and management needs for its business and organization expansion. The Group will also continue to make ongoing improvement to various aspects such as brand building, marketing, research and development, service loading and cost control, to persistently enhance its overall competitiveness.

Dividends

Subject to approval by shareholders at the forthcoming annual general meeting on 30 April 2012, the Board has recommended the payment of a final dividend of HK2.50 cents per share for the year ended 31 December 2011 (2010: HK2.00 cents).

Chairman's Statement

Appreciation

On behalf of the Board, I would like to take this opportunity to express gratitude to all staff for their devotion and hard work. I would also like to extend sincere thanks to our customers and shareholders for their continuous support and trust. We will continue to strive for excellence and do our very best to maximize returns to stakeholders in the coming years.

Yu Longrui
Chairman and Chief Executive Officer

Hong Kong, 15 March 2012

Management Discussion and Analysis

Business Review

Based on the development strategy of "Reinforcement, Accumulation and Expansion" in information technology business and intelligent self-service business in 2011, the Group achieved remarkable operation results by putting every effort to improve the operation management of the Group.

For the year ended 31 December 2011, the Group recorded a turnover of approximately RMB5,648 million, representing an increase of 54.4% against the same period last year. Gross profit amounted to approximately RMB657 million, representing an increase of 37.9% against the same period last year. Profit attributable to shareholders amounted to approximately RMB381 million, representing an increase of 60.6% against the same period last year. Earnings per share were RMB36.68 cents representing an increase of 60.3%.

Information Technology Business

The Group's information technology business provides three categories of products, i.e., urban information devices, electronic intelligent equipment and corresponding solutions, and FTTH (Fiber To The Home) related products and components.

The first category of the Group's products, i.e., urban information devices, includes public telephone booth with advertisement display and WIFI base station, ATM booth, and other urban electronic information booth. As one of the first-of-its-kind manufacturers in China, the Group accumulates over ten years of operating experience with approximately 100 patents of outlook design and an economies-of-scale competitive edge. The Group also serves as a role model in China for its key installation projects, such as, venues of Beijing 2008 Olympic Games, Chang'an Avenue in Beijing ect. As of 31 December 2011, the revenue from sales of the Group's urban information devices amounted to RMB183 million, representing a year-on-year increase of 19%.

The development of personal communication service in China has led to a decreased demand for public telephones. Nevertheless, according to the ITU's Universal Service Principles, the infrastructure for public telephones remains in service for as long as it takes. Set up by telecommunication carriers and standing along the road sides of urban and rural areas, public telephone infrastructure, like public telephone booths, if modified, can be a huge resource to function as advertisement display and WIFI base station, which will surely boost value-added revenue drastically.

Report from CCID shows that there are about 25 million public telephones and 5 million public telephone booths as of 31 December 2011. If common public telephone booths were turned into public telephone booths with advertisement display, there would be a market of RMB20 billion. In general, the replacement cycle of public telephone booths as outdoor telecommunication equipment is approximately 5 to 7 years. Meanwhile, the urbanization and City Beautiful Movement in China will add tens of thousands of public telephone booths each year and stimulate investment in urban advertisement devices.

The second category of the Group's products, i.e., electronic intelligent equipment and corresponding solutions, include intelligent self-service prepaid card sales, recharge, and payment devices, intelligent EDC system, intelligent IC card water meter and gas meter, and other intelligent devices and solutions, which are widely used in fields like telecommunication, transportation, water supply, gas supply, electricity supply, hospitals, and schools. As of 31 December 2011, the revenue from sales of the Group's electronic intelligent equipment and corresponding solutions amounted to RMB494 million, representing a year-on-year increase of 33%.

Management Discussion and Analysis

The Group's electronic intelligent devices have an unparallel product line integrating various products into a complex system. For example, intelligent devices for prepaid water, gas, and electricity are front ends for users to monitor and manage expenses, while intelligent self-service prepaid card sales, recharge, and payment devices are back ends for users to make enquiries, payment and recharge settlement.

With the development of China's economy, services that are convenient and fast have become the expectation of both the government and the people, thanks to the rising labor cost, the escalating rent for public utilities and service providers, and the rapid pace of people's work and life. As a result, in order to save the rental cost, the intelligent self-service mode will gradually replace the traditional extensive mode with numerous business halls. Moreover, the prevailing fact nowadays suggests that the future trend is for intelligent self-service devices rather than manual services. By utilizing the intelligent devices, gain on retained capital and payment arrears will no longer be an issue for public utility service providers for water, electricity and gas. According to calculation in the Analysis on China Gas Meter Market Absorption Capacity Demand (《中國燃氣表市場容量分析報告》) and Forecast for the Industry of Intelligent Water Meter (《智能水錶產業背景及預測》), the market value for intelligent devices in China reaches over RMB200 billion.

The third category of the Group's products, i.e., FTTH related products and components, comprise of optic communication transmission connection products, various optical fiber distributing devices, optical fibre distributing boxes, pigtails and jumpers. As of 31 December 2011, the revenue from sales of the Group's FTTH related products and components amounted to RMB278 million, representing a year-on-year increase of 18%.

Since early 1990s, China's telecommunication carriers have been setting up optical fiber networks nationwide. As of late 1990s, the trunk optical fiber transmission networks and local area optical fiber networks have taken shape in China. Although China has realized fiber to the community and rural area, fiber to the home and office remain less in shape. Thus, "the last mile connection" has become an important goal for China to be fully equipped with optical fiber information highway. The tri-networks integration of telecommunications, cable TV and the Internet in China is about to create another strong surge of market demand, which will be in favor of the Company to experience exponential growth in the related market. The CCID report shows, the market value for FTTH products is going to exceed RMB300 billion, whereas the market value for fiber optic products stands at RMB50 billion or so.

In 2011, the Group reinforced and extended the scope and depth of marketing. By virtue of our marketing strategy, we have seen remarkable results in marketing with expanded market penetration of our premier products, increased market influence of new products and increased efforts for product introduction and market development, organization of a series of marketing activities for new products and participation in international exhibitions for smart electronics products, etc.. Following the principle of improvement, accumulation and innovation, we have improved the commercialization of scientific research resources through increased application of achieved research technology to products. As at 31 December 2011, the Group have obtained 156 software and hardware technology patents and 17 copy rights patents with high market acceptable level.

With the advantage of integrated production, sales, research and development and through the employment of advanced production equipment, the Group has effectively enhanced the production efficiency and reduced the adverse effects of increasing labor costs on manufacturing industry. We have also committed to reducing procurement and manufacturing costs to maintain our advantage in product's price-to-performance ratio.

Intelligent Self-service Business

The Group continued to pursue the development strategies of the intelligent self-service business, China's first high-tech service, established by the Board. For the year ended 31 December 2011, the Group has over 12,000 intelligent self-service terminals and recorded a turnover of approximately RMB4,656 million from intelligent self-service business, representing an increase of 62.8% as compared with the same period last year. In the scope of community service, following the establishment of a number of branches in Fujian Province, Beijing, Chongqing, Hubei Province, Shandong Province, Jiangsu Province and Sichuan Province, the Group set up Shanghai branch, Tianjin branch and Anhui branch in 2011 and made preparation for the establishment of a new branch in Hangzhou, Zhejiang Province. The Group deployed over 9,000 community financial e-service platforms as well as over 3,000 electronic payment service terminals (E-POS).

On 1 March 2011, the Group obtained approval from the Ministry of Commerce of the People's Republic of China to expand its business scope from sales of pre-paid cards to recharging and selfservice payment services. Taking such opportunity, the Group upgraded the original smart card vending machines, making it capable of self-service for account opening, selling of phone cards, recharging, e-payment, making enquiries and displaying online advertisement, by using payment method of cash, bank cards and mobile payment. Now it is a unique and advanced community financial e-service platform with multiple purposes and fully-owned IPR. The Group entered into strategic cooperation agreements with Chongqing Public E-Card Co., Ltd. (重慶城市通卡有限公司) and Beijing Xiao Bang Shou Service Centre (北京市小幫手服務中心) in the first half of 2011, achieving a new breakthrough in the expansion of customer and service scopes.

With respect to the development of E-POS business under the intelligent self-service business, the Group has entered into the strategic partnership on E-POS services with China Citic Bank, Fuzhou Branch and China UMS (中國銀商) in the first half of 2011 following the establishment of partnership of "Wozhong – China UMS – Industrial Bank Fuzhou Branch".

Leveraging on the potential vast resources of "Wozhong Community Financial e-Service platform" as an advertising medium, the Group continuously promoted the advertising and marketing of its own service brand "Wozhong e-Service", so as to facilitate the sustainable leap development of "Wozhong e-Service" business.

Group's Liquidity, Financial Resources and Capital Structure

As at 31 December 2011, the total shareholders' fund of the Group was approximately RMB1,815 million (2010: 1,443 million). The Group had current assets of approximately RMB1,983 million (2010: RMB1,317 million) and current liability of approximately RMB718 million (2010: RMB319 million) and the current ratio was approximately 2.8 times (2010: 4.1 times).

The Group's outstanding borrowing as at 31 December 2011 were the bonds payables of approximately RMB46 million (2010: RMB156 million) and bank borrowings of approximately RMB124 million (2010: RMB130 million). The Group's gearing ratio (calculated as total borrowing over shareholders' equity) as at 31 December 2011 was 6.6% (2010: 15.4%).

As at 31 December 2011, the Group had cash and cash equivalents of approximately RMB599 million (2010: RMB496 million). The majority of the Group's funds was deposited in banks in the PRC and licensed banks in Hong Kong and the Group possesses sufficient cash and bank balances to meet its commitment and working capital requirement in the coming financial year.

Capital Commitments

As at 31 December 2011, the Group had no capital commitments in relation to prepaid lease payment in respect of lease and the acquisition of properties, plant and equipment.

Contingent Liabilities

The Group had no contingent liabilities as at 31 December 2011.

Charge on the Group's Assets

As at 31 December 2011, the Group had buildings, construction in progress – buildings and prepaid lease payments with an aggregate carrying value of approximately RMB140 million (2010: RMB136 million), which were pledged to secure bank facilities granted to the Group.

Final Dividend

The Board has recommended the payment of a final dividend for the year ended 31 December 2011 of HK2.50 cents per Share (2010: HK2.00 cents) to shareholders whose names appear on the register of members of the Company on 10 May 2012. Upon approval by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 30 April 2012, the final dividend will be paid on or around 31 July 2012.

Closure of Register of Members

(i) For determining the entitlement to attend and vote at the Annual General Meeting

The register of members of the Company will be closed between 26 April 2012 and 30 April 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for attending the Annual General Meeting with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 25 April 2012.

(ii) For determining the entitlement to the proposed final dividend

The register of members of the Company will be closed between 8 May 2012 and 10 May 2012 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on 7 May 2012.

Employees and Remuneration Policies

As at 31 December 2011, the Group had approximately 798 employees supporting its principal activities. The Group recognizes the importance of having a high caliber and competent staff; hence it continues to provide remuneration packages to employees with reference to prevailing market practices and individuals performance. Other benefits, such as medical coverage and retirement plans, are also provided. In addition, share option may be granted to eligible employees in accordance with the terms of the Group's approved share option scheme.

Purchase, Sale or Redemption of Listed Securities

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2011.

Directors' Profile

Executive Directors

Yu Longrui (俞龍瑞), aged 49, is the Chairman, an executive Director and the Chief Executive Officer of the Company and co-founder of the Group. Mr. Yu is responsible for overall strategic planning and formulation of corporate policies for the Group. Mr. Yu graduated from the Fujian College of Agriculture with a bachelor's degree in economics in 1986 and completed research courses for senior factory managers organised by the Economic Management Institute of Tsinghua University in 1998 and another research course on financial studies organised by the Central University of Finance and Economics in 2002. He has more than 16 years of corporate management experience in the PRC telecommunication industry. Mr. Yu was appointed as the Vice-Chairman of the Ninth Council of the Fujian Province Youth Entrepreneur Association and was accredited as the Seventh Outstanding Youth Entrepreneurs of Fujian Province in March 2002. In September 2003, he was appointed as the executive director of the Seventh Board of Directors of the China Enterprise Confederation/China Enterprisers' Association with tenure from September 2003 to August 2008. In March 2004, Mr. Yu was accredited as the Ninth Ten Outstanding Youth Entrepreneurs of Fujian Province. Mr. Yu was appointed as a standing member of the Fujian Communication Industry Association in December 2004. In April 2006, Mr. Yu was appointed as the Vice-Chairman of Fujian Entrepreneur Association. Mr. Yu is the brother of Mr. Yu Longhui, an executive Director of the Company, and he is also the controlling shareholder (as defined in the Rules Governing Listing of Securities on the Stock Exchange of Hong Kong Limited) of the Company.

Zheng Feng (鄭鳳), aged 48, is an executive Director of the Company and is responsible for the research and development of the Group's technology and products. Mr. Zheng graduated from Xiamen University in 1988 and obtained a bachelor's degree in engineering. He also obtained a master's degree in engineering from the Huazhong University of Science and Technology in 2000. Mr. Zheng was qualified in 2001 as a senior engineer in applied electronics technology by The Fujian Province's Board of Technicians in Senior Engineering Profession. Prior to joining the Group, Mr. Zheng worked as an engineer and a group leader of the laboratory of an enterprise from 1988 to 1996 and the quality control technology manager of a network technology company from 1997 to 2002. Mr. Zheng served as the Chief Technical Officer of a technology company from 2002 to 2003. He has over 23 years of experience in the electronics and telecommunication product industries. Mr. Zheng joined the Group in July 2003.

Chan Wai Chuen (陳偉銓), aged 42, is an executive Director, the Chief Financial Officer and company secretary of the Company. Mr. Chan is responsible for overall financial planning and financial management of the Group. Mr. Chan graduated from the City University of Hong Kong in 1993 with a bachelor's honour degree in accountancy and The Hong Kong Polytechnic University in 2002 with a master's degree in corporate finance. He is a fellow of The Association of Chartered Certified Accountants and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has approximately 18 years of experience in financial control, capital market, corporate finance, and mergers and acquisitions. Since his graduation in 1993, he has worked for Ernst & Young and PricewaterhouseCoopers as an auditing and advisory professional for about six years. He then started to work for investment banks in the United Kingdom and in Hong Kong. Prior to joining the Group, he had served as the Chief Financial Officer in two Hong Kong-listed companies for about three years. Mr. Chan joined the Group in August 2004.

Yu Longhui (俞龍輝), aged 53, is an executive Director of the Company and co-founders of the Group, Mr. Yu has been the chief executive director of Skyban Telecommunication (Fujian) Limited ("Skyban Telecom"), a subsidiary of the Company, since June 2006. Mr. Yu has been responsible for the project planning and implementation of industry plans in Skyban Telecom. During the period between September 2000 and May 2006, Mr. Yu served as the director and the vice president of Fujian Deban Group Co., Ltd.. From May 1983 to August 2000, Mr. Yu worked in various positions, including senior teacher, the director of political department and the vice general secretary, of Fuqing Hygiene School, Fujian Province. Mr. Yu graduated from Fujian Medical University, formerly known as Fujian Medical College, in January 1983. He obtained a bachelor degree in business administration from Party School of The Fujian Committee of the Chinese Communist Party in December 2002. Mr. Yu further obtained a master degree in business administration from Fuzhou University in January 2005. Mr. Yu was appointed as executive Director on 1 September 2009.

Mr. Yu is the brother of Mr. Yu Longrui, the Chairman, an executive Director and the Chief Executive Officer and the controlling shareholder (as defined in the Rules Governing Listing of Securities on the Stock Exchange of Hong Kong Limited) of the Company.

Yeung Shing (楊誠), aged 49, is an executive Director of the Company and co-founder of the Group. Mr. Yeung is responsible for business development of the Group. He graduated from the Fujian Architecture and Engineering Institute in 1984 majoring in Industrial and Residential Construction. Mr. Yeung was qualified as an engineer by the Appraisal Committee for the midlevel engineering technology personnel in 1995. Mr. Yeung has over 18 years of corporate management experience in the PRC telecommunication industry.

Independent Non-executive Directors

Zheng Qingchang (鄭慶昌), aged 59, graduated from (the Fujian College of Agriculture in 1977 majoring in agricultural machinery and completed a researcher course on Marxist philosophy in the Postgraduate College of the Xiamen University in 1998. He was qualified as a professor by the Appraisal Committee of Senior Teachers of High School of Fujian Province in 1999. Mr. Zheng is the guiding teacher for doctorate program students in professional agricultural and economic management and the deputy head of the Faculty of Arts and Social Science of the Fujian Agricultural and Forestry University. He was appointed as Deputy Head of the Economic and Social Development Research Consultative Committee of the Political Consultative Conference of Fuzhou City in 2004 and the Standing Vice-Chairman of The Research Association with Fujian Province Characteristics in 2001. Mr. Zheng is also an independent non-executive director of a listed company in Shanghai. He was appointed as an independent non-executive Director of the Group on 14 April 2006.

Directors' Profile

Yu Lun (余輪), aged 60, graduated from Fuzhou University in 1986 with a master's degree in engineering. He was qualified as a professor by the Fujian Province's Board of Senior High School Teachers in August 1997 and is a professor and the head of the Faculty of Physics and Information Engineering of Fuzhou University. Mr. Yu was appointed as a standing member of the second Council and the Chairman of the Youth Technological Exchange Association of China Graphical Round Shape Club from 1994 to 1998. He was the general manager of the Fuzhou University Science and Technology Development Company from 1996 to 2003. Mr. Yu was among the Outstanding Experts of Fujian Province selected jointly by the Fujian Provincial Committee of the Chinese Communist Party and the People's Government of Fujian Province in 1997. Mr. Yu was appointed as an expert for the "Digital Fujian" program of the Experts Team Constructing the Public Technological Information Network in 2003 and a member of the Tenth Five Year Plan and 2010 Plan regarding new and high technology industry in Fujian Province in 2000. In 2001, he was appointed as an expert member of the Debate Forum for Experts in Interconnection among Telecommunication Networks of Fujian Province for four years. The Group appointed Mr. Yu as an independent non-executive Director on 14 April 2006.

Yun Lok Ming (忻樂明), aged 43, graduated from the City University of Hong Kong in 1993 with a bachelor's degree in accountancy. He then obtained a master's degree in business administration from the University of Adelaide in 2004. He is a fellow of The Association of Chartered Certified Accountants and an associate of Hong Kong Society of Accountants. Mr. Yun has more than 18 years of experience in auditing and accounting. Mr. Yun was appointed as an independent nonexecutive Director of the Group on 14 April 2006.

Directors' Report

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2011.

Principal Activities

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 17 to the consolidated financial statements.

Results and Dividend

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 39.

A final dividend of HK2.50 cents (2010: HK2.00 cents) per ordinary share has been proposed by the Directors and is subject to approval by shareholders in the forthcoming annual general meeting of the Company ("AGM").

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2011 amounted to approximately RMB236,646,000 (2010: RMB260,509,000).

Financial Summary

A summary of results, assets and liabilities of the Group for each of the five years ended 31 December 2011 is set on page 3.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

Directors' Report

Directors

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Yu Longrui *(Chairman and Chief Executive Officer)*
Mr. Zheng Feng
Mr. Chan Wai Chuen
Mr. Yu Longhui
Mr. Yeung Shing

Independent Non-executive Directors

Mr. Zheng Qingchang
Mr. Yu Lun
Mr. Yun Lok Ming

In accordance with the Article 112 of the articles of association of the Company (the "Articles of Association"), Messrs. Mr. Yu Longrui, Mr. Zheng Feng and Mr. Yun Lok Ming shall retire at the forthcoming annual general meeting of the Company ("AGM") and, being eligible, will offer themselves for re-election.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of independent non-executive Directors to be independent.

Each of the independent non-executive Directors was appointed for a period commencing from his appointment date and subject to retirement by rotation at the annual general meeting.

None of the Directors proposed for re-election at the forthcoming AGM has service contract with the Company or any of its subsidiaries not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests and Short Position in Shares and Share Options

As at 31 December 2011, the interests and short positions of the directors of the Company in the shares of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long Positions or Short Positions in Ordinary Shares of the Company:

		Interests in shares as at 31 December 2011					
Name of Directors	**Capacity**	**Personal interests**	**Corporate interests**	**Total**	**Interests in underlying shares pursuant to share option as at 31 December 2011**	**Aggregate interests as at 31 December 2011**	**Approximate percentage of issued share capital of the Company as at 31 December 2011**
Yu Longrui	Beneficial owner	30,792,000	500,680,000 (Note)	531,472,000	Nil	531,472,000	51.06%
Yu Longhui	Beneficial owner	–	500,680,000	500,680,000	Nil	500,680,000	48.10%

Note:

These 500,680,000 ordinary shares are held by Daba International Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 77.6%, 6.86%, 5.49%, 4.57%, 2.74% and 2.74% by Mr. Yu Longrui, Mr. Yu Longhui, Ms. Yang Yahua, Mr. Yu Qiang, Mr. Yang Minyong and Mr. Mo Kaifei respectively.

Directors' Rights To Acquire Shares

Interest in Options to Subscribe for Shares

Pursuant to the Company's share option schemes, the Company has granted to certain directors options to subscribe the shares, details of which as at 31 December 2011 were as follows:

Name of Directors	Date of grant	Exercise period	Exercise price HK$	Number of shares subject to outstanding options at 31 December 2010	Number of shares subject to outstanding options at 31 December 2011	Approximate percentage of issued share capital of the Company at 31 December 2011
Zheng Feng	14.11.2006	01.07.2008-31.12.2010	1.26	832,000	–	–
	14.11.2006	01.07.2009-31.12.2015	1.26	832,000	832,000	0.08%
				1,664,000	832,000	0.08%
Chan Wai Chuen	14.11.2006	01.07.2009-31.12.2015	1.26	1,260,000	1,260,000	0.12%
	03.09.2007	01.01.2009-31.12.2015	1.65	2,000,000	2,000,000	0.19%
	03.09.2007	01.01.2010-31.12.2012	1.65	2,000,000	2,000,000	0.19%
	03.09.2007	01.01.2011-31.12.2013	1.65	2,000,000	2,000,000	0.19%
	18.01.2010	01.07.2010-31.12.2013	1.26	1,280,000	1,280,000	0.12%
	06.09.2010	01.04.2011-31.12.2014	1.26	1,460,000	1,480,000	0.14%
				10,000,000	10,000,000	0.96%
Yeung Shing	03.09.2007	01.01.2009-31.12.2015	1.65	664,000	664,000	0.06%
	03.09.2007	01.01.2010-31.12.2012	1.65	668,000	668,000	0.06%
	03.09.2007	01.01.2011-31.12.2013	1.65	668,000	668,000	0.06%
				2,000,000	2,000,000	0.19%

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. These options represent personal interest held by the relevant directors as beneficial owners.

3. No share options were granted to the directors, no share options was exercised by the directors and no share options held by the directors was lapsed or cancelled.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any director of the Company, as at 31 December 2011, other than the interests of the directors of the Company as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Name of Shareholders	Number of ordinary shares held as at 31 December 2011	Approximate percentage of the Company's issued share capital as at 31 December 2011
Daba International Investments Limited	500,680,000 (Note)	48.10%
Chartered Asset Management Pte Ltd	125,376,000	12.04%
CAM-GTF Limited	83,716,000	8.04%
Sanlam Universal Funds plc	82,834,880	7.96%

Note: Daba International Investments Limited is beneficially owned by Mr. Yu Longrui, Mr. Yu Longhui, Ms. Yang Yahua, Mr. Yu Qiang, Mr. Yang Minyong and Mr. Mo Kafei as to 77.6%, 6.86%, 5.49%, 4.57%, 2.74% and 2.74% respectively. Mr. Yu Longrui is the spouse of Ms. Yang Yahua, brother of Mr. Yu Longhui and Mr. Yu Qiang, brother-in-law of Mr. Yang Minyong and uncle of Mr. Mo Kaifei.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 December 2011, were entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Share Options

On 14 April 2006, the Company adopted a share option scheme (the "Scheme") providing incentives and rewards to eligible participants who have contributed to the success of the Group's operation. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultants, advisers, managers or officers of the Group, and the Company's shareholders. The Scheme will remain in force for 10 years from the date of adoption.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

As at the date of this report, total 21,472,000 share options (representing approximately 2.06% of the existing issued share capital of the Company at the date of this annual report) have been granted or committed to be granted pursuant to the Scheme.

Additional information in relation to the Company's share option schemes is set out in note 29 to the financial statements.

The following table discloses movements in the Company's share options during the year:

	Outstanding as at 31 December 2010	Granted during the year	Exercised during the year	Lapsed/ Cancelled during the year	Outstanding as at 31 December 2011
Category 1: Directors					
Zheng Feng	1,664,000	–	–	832,000	832,000
Chan Wai Chuen	10,000,000	–	–	–	10,000,000
Yeung Shing	2,000,000	–	–	–	2,000,000
Total for Directors	13,664,000	–	–	832,000	12,832,000
Category 2: Employees	8,040,000	–	–	2,520,000	5,520,000
Category 3: Suppliers	6,240,000	–	–	3,120,000	3,120,000
Category 4: Consultant	6,700,000	–	3,400,000	3,300,000	–
All categories	**34,644,000**	**–**	**3,400,000**	**9,772,000**	**21,472,000**

Details of specific categories of share options are as follows:

Option types	Date of grant	Exercise period	Exercise price HK$
2011	14.11.2006	01.07.2009-31.12.2015	1.26
2011a	03.09.2007	01.01.2009-31.12.2015	1.65
	02.10.2007	01.01.2009-31.12.2015	1.65
2012	03.09.2007	01.01.2010-31.12.2012	1.65
	02.10.2007	01.01.2010-31.12.2012	1.65
2013	03.09.2007	01.01.2011-31.12.2013	1.65
	02.10.2007	01.01.2011-31.12.2013	1.65
2013a	08.01.2010	01.07.2010-31.12.2013	1.26
2014	06.09.2010	01.04.2011-31.12.2014	1.26

Notes:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

2. During the year, no option were granted under the option scheme.

3. During the year, 9,772,000 options were lapsed or cancelled under the share option scheme.

On 16 March 2012, the board proposed to adjust the exercise period of 3,578,000 share options granted (the "Share Options") under the Share Option Scheme by extending the exercise period of the Share Options by four years and eight months (the "Proposed Extension of Exercise Period"). Details of the Share Options are set out below:

Option Types	No. of Share Options	Exercise Price	Current Expiry Date	Proposed Expiry Date
2012	3,578,000	HK$1.65	31 December 2012	31 August 2017

The Board considers the Proposed Extension of Exercise Period to be a reasonable approach to reward the holders of the Share Options (the "Optionholders") for their continuing services and contribution to the Company's performance and to continue to incentivize them to perform their utmost for the Company and that such an approaches balances the interests of both the Company and Shareholders of the Company ("Shareholders"), and these of the Optionholders.

Approval of Shareholders

Under the terms of the Share Option Scheme and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Proposed Extension of Exercise Period requires the approval of shareholders of the Company ("Shareholders") in general meeting.

The Board considers that the Proposed Extension of Exercise Period the interests of the Company and Shareholders as a whole.

Arrangement to Purchase Shares

Other than the share option schemes disclosed above, at no time during the year ended 31 December 2011 was the Company, its holding company, or any or its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate, and none of the directors or the chief executive or any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or exercised any such right.

Directors' Service Contract

There is no unexpired directors' service contract that is not terminable by the Company within one year of any Director proposed for re-election at the forthcoming AGM.

Directors' Interests In Contracts Of Significance

Save as disclosed, no contract of significance to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of year or at any time during the year.

Employees and Remuneration Policies

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of the merits, qualifications and competence of employees.

The emoluments of the Directors are decided by the Remuneration Committee with regard to the Company's operating results, individual performance and comparable market statistics. None of the directors or any of their associates, and executive is involved in deciding his own remuneration.

As at 31 December 2011, the Group had approximately 798 employees, an increase of approximately 0.6% from a year ago. Approximately 99% of the Group's employees are located in the PRC. The Group remunerates its employees based on their individual performance, job nature and responsibilities. Moreover, the Group provides its employees with training and various benefits including medical welfare, provident funds, bonuses and other incentives. The Group also encourages employees to pursue a balanced lifestyle and provided them with a good working environment to realize their maximum potential and contribution to the Group.

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the schemes is set out in note 30 to the consolidated statements and under the heading "Share Option Scheme of the Company" in this report.

Purchase, Sale or Redemption of Listed Securities

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2011.

Corporate Governance

The Group continues to achieve high standards of corporate governance which it believes is crucial to the development of its business and to safeguarding the interests of the Company's shareholders.

The Company has also taken effective measures to ensure that it is in compliance with the code provisions and as far as reasonably possible the recommended best practices of the Code on Corporate Governance Practices (the "Code") which came into effect on 1 January 2005. In the opinion of the Board, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the accounting period ended 31 December 2011, with derivations from the Code provision A.2.1 of the Code in respect of the separate roles of the Chairman and the Chief Executive Officer.

Code A.2.1 of the Code stipulates that the roles of Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Yu Longrui is currently the Chairman and the Chief Executive Officer of the Company.

After reviewing the management structure, the Board is of the opinion that Board decisions are collective decisions of all Directors made by way of voting and not decisions of the Chairman of the Board alone. Further, there is a clear division of responsibilities between the management of the Board and the day-to-day management of the business of the Company, which relies on the support of the senior management. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same position provides the Group with stronger and more consistent leadership and allows for more effective planning.

As such, the power of management of the Company is not concentrated in any one individual. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group. The Board has full confidence in Mr. Yu Longrui and believes that the current arrangement is beneficial to the business prospect of the Group.

In compliance with the code provisions of the Corporate Governance Code, the Company has an Audit Committee and a Remuneration Committee set up under the Board.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that for the year ended 31 December 2011, all Directors had complied with the required standard set out in the Model Code.

Audit Committee

The Company has an audit committee (the "Audit Committee") which was established in accordance with the requirements of the Corporate Governance Code and Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors, namely Mr. Zheng Qingchang, Mr. Yu Lun and Mr. Yun Lok Ming. The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management. Mr. Zheng Qingchang is the chairman of the committee.

Remuneration Committee

The Company has a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. The Remuneration Committee has three members, all independent non-executive Directors, namely Mr. Zheng Qingchang, Mr. Yu Lun and Mr. Yun Lok Ming. Mr. Zheng Qingchang is the chairman of the committee.

Nomination Committee

The Company has a nomination committee (the "Nomination Committee") with written terms of reference in compliance with Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the board of Directors on appointment of Directors and management of the succession of the board of Directors. The Nomination Committee has three members, all independent non-executive Directors, namely Mr. Zheng Qingchang, Mr. Yu Lun and Mr. Yun Lok Ming. Mr. Zheng Qingchang is the chairman of the committee.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Major Customers and Suppliers

During the year, the five largest customers of the Group in aggregate accounted for about 16% of the turnover of the Group.

The five largest suppliers of the Group in aggregate accounted for about 9% of its total purchases for the year. Purchase from the largest supplier accounted for about 3% of the total purchases for the year.

None of the Directors, their associates or any shareholders, which to the knowledge of the directors owned more than 5% of the Company's issued share capital, had an interest in the share capital of any of the five largest suppliers and customers of the Company.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rate basis to existing shareholders.

Auditor

The consolidated financial statements of the Company for the year ended 31 December 2011 have been audited by Crowe Horwath (HK) CPA Limited. A resolution will be submitted to the forthcoming annual general meeting of the Company for the re-appointment of Crowe Horwath (HK) CPA Limited as auditor of the Company.

On behalf of the Board

Yu Longrui
Chairman and Chief Executive Officer

Hong Kong, 15 March 2012

Corporate Governance Report

Code on Corporate Governance Practices

The Board of Directors (the "Board") of the Company is committed to establishing and maintaining high standards of corporate governance. Prior to the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 May 2006, the Company has applied the principles of all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in appendix 14 of Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices since 2006.

Corporate Governance Practice

The Board is in the opinion that the Company has complied with the Code since 11 May 2006.

Code Provision A.2.1. stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yu Longrui is currently the Chairman and the Chief Executive Officer of the Company.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer ("Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code.

Board of Directors

The Board currently consists of five executive Directors and three independent non-executive Directors. One of the independent non-executive Directors has the appropriate professional and accounting qualifications required by Rule 3.10(2) of the Listing Rules. Composition of the Board shall refer to page 2 of this annual report.

The Board is responsible for the leadership and control of the Group (comprising the Company and its subsidiaries) and oversees the Group's businesses, strategic decisions and performance. Its principal functions are to consider and approve the strategies, financial objectives, annual budget and investment proposals of the Group.

Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Chief Executive Officer, working with other executive Directors and the management team of each business division, is responsible for managing the business of the Group, including implementation of the strategies and decisions approved by the Board and assuming full responsibility to the Board for operations of the Group.

The Board shall meet at least four times a year after listing on 11 May 2006 at approximately quarterly intervals and also as and when required. The Company Secretary assists the Chairman in establishing the meeting agenda, and each Director may request inclusion of items in the agenda. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the Directors. The Company Secretary and the Qualified Accountant shall attend all Board meetings to provide information on corporate governance, compliance, accounting and financial matters when necessary.

During the period from 1 January 2011 to 31 December 2011 (the "Reporting Period"), save for executive Board meetings held between executive Directors during the normal course of business of the Company, the Board had held 18 regular meetings.

Corporate Governance Report

The members of the Board as at 31 December 2011 and the attendance of each member for the aforesaid meetings are as follows:

Executive Directors	Number of Attendance
Mr. Yu Longrui *(Chairman and Chief Executive Officer)*	18/18
Mr. Zheng Feng	18/18
Mr. Chan Wai Chuen	18/18
Mr. Yu Longhui	18/18
Mr. Yeung Shing	18/18
Independent Non-executive Directors	
Mr. Zheng Qingchang	18/18
Mr. Yu Lun	18/18
Mr. Yun Lok Ming	18/18

The biographies of the Directors are set out on pages 19 to 21 of this annual report.

Board and committee minutes are recorded in appropriate detail and draft minutes are circulated to all Directors and committee members for comments before being approved by the Board and committees at the next immediate meeting. All minutes are kept by the Company Secretary and are open for inspection by the Directors.

The Company has received annual confirmations of independence from Mr. Zheng Qingchang, Mr. Yu Lun and Mr. Yun Lok Ming and considers them to be independent of the Group with reference to the factors as set out in Rule 3.13 of the Listing Rules.

The members of the Board have no financial, business, family or material/relevant relationship with each other except Mr. Yu Longrui, the Chairman, an executive Director and the Chief Executive Officer of the Company is the brother of Mr. Yu Longhui, the executive Directors of the Company.

All Directors (including independent non-executive Directors) are subject to retirement at annual general meeting of the Company by rotation at least once every three years in accordance with the Company's Articles of Association. All retiring Directors shall be eligible for re-election. All the independent non-executive Directors have been appointed for a term of one year commencing from 14 April 2006.

Chairman and Chief Executive Officer

Mr. Yu Longrui is currently the Chairman and the Chief Executive Officer of the Company.

After reviewing the management structure, the Board is of the opinion that Board decisions are collective decisions of all Directors made by way of voting and not decisions of the Chairman of the Board alone. Further, there is a clear division of responsibilities between the management of the Board and the day-to-day management of the business of the Company, which relies on the support of the senior management. The Board believes that vesting the roles of both Chairman and the Chief Executive Officer in the same position provides the Group with stronger and more consistent leadership and allows for more effective planning.

As such, the power of management of the Company is not concentrated in any one individual. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group. The Board has full confidence in Mr. Yu Longrui and believes that the current arrangement is beneficial to the business prospect of the Group.

Remuneration Committee

The Company established its remuneration committee (the "Remuneration Committee") on 14 April 2006 with written terms of reference in compliance with the Code. The primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management of the Company. The Remuneration Committee has three members comprising the three independent non-executive Directors, namely Mr. Zheng Qingchang, Mr. Yun Lun and Mr. Yun Lok Ming. Mr. Zheng Qingchang is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once a year after listing on 11 May 2006. The Remuneration Committee held one meeting during the Reporting Period on 22 March 2011, all of which were attended by all members.

Nomination Committee

The Company established nomination committee (the "Nomination Committee") on 14 April 2006 with written terms of reference in compliance with the Code. The primary duties of the Nomination Committee are to make recommendations to the Board of Directors on appointment of Directors and management of the succession of the board of Directors. The Nomination Committee has three members comprising the three independent non-executive Directors, namely Mr. Zheng Qingchang, Mr. Yun Lun and Mr. Yun Lok Ming. Mr. Zheng Qingchang is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once a year after listing on 11 May 2006. The Nomination Committee held one meeting during the Reporting Period on 22 March 2011, all of which were attended by all members.

Auditor's Remuneration

The external auditors of the Group provided professional services in respect of the audit of financial statements for the year ended 31 December 2011. The external auditors of the Group also reviewed the 2011 unaudited interim financial report of the Company prepared under HKFRSs.

During the year ended 31 December 2011, the remuneration paid to the external auditors of the Group, is set out as follows:

	Fee paid/payable RMB'000
Services rendered	
Audit and other non-audit services	1,353

Audit Committee

The Company has established its audit committee (the "Audit Committee") on 14 May 2006 with written terms of reference in compliance with the Code. The Primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The Audit Committee has three members comprising the three independent non-executive Directors, namely Mr. Zheng Qingchang, Mr. Yun Lun and Mr. Yun Lok Ming. Mr. Zheng Qingchang is the chairman of the Audit Committee.

The Audit Committee shall meet at least twice a year after listing on 11 May 2006. The Audit Committee has held three meetings on 20 January 2011, 22 March 2011 and 23 August 2011 respectively.

All members of the Audit Committee possess in-depth experience in their own profession. One of the committee members, Mr. Yun Lok Ming, possesses appropriate professional and accounting qualifications which meet the requirements of Rule 3.10(2) of the Listing Rules.

Full minutes of Audit Committee are kept by the secretary of the Audit Committee. Draft and final version of minutes of the Audit Committee meetings are set to all members of the Audit Committee for their comment and records respectively, in both cases, within a reasonable time after the meeting.

Since 1 January 2011, the Audit Committee met with the external auditor, Crowe Horwath (HK) CPA Limited, twice on 22 March 2011 and 23 August 2011 respectively to discuss any areas of concerns during the audit. The meeting between the external auditor and the Audit Committee on 22 March 2011 was held without the presence of the management of the Company.

The Audit Committee has reviewed the audit plan of the external auditor during the course of their audit at the meeting held on 20 January 2011.

At the meeting on 22 March 2011, the Audit Committee reviewed the annual report with the external auditor without the presence of the management before submission to the Board. The Committee focus not only on the impact of the adoption of new accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements by the Group in review of the Company's annual report.

Accountability

The Directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cashflows of the Group.

In preparing the accounts for the year ended 31 December 2011, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

Crowe Horwath (HK) CPA Limited, the auditor of the Company, acknowledges their reporting responsibilities in the auditor's report on the financial statements of the Group for the year ended 31 December 2011.

Internal Controls

The Company places great importance on internal control and risk management. The Board has overall responsibility for the Group's internal control systems and through the Audit Committee, conducts review on the effectiveness of these systems covering the financial, operational, procedural compliance and risk management functions. The process used in reviewing the effectiveness of these internal control systems includes discussion with management on risk areas identified by management. The purpose of the Group's internal control system is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems so that the Group's objectives can be achieved.

Corporate Communication

The Company is committed to a policy of open and regular communication and fair disclosure of information to the shareholders. The Company acknowledges that accurate and fair disclosure is necessary for the shareholders to form their own judgment on the operation and performance of the Group.

Investor Relations

The Company believes that effective communication with the investment community is essential for enhancing investors' knowledge and understanding of the Company's business performance and strategies. To achieve this, the Company pursues a proactive policy of promoting investor relations and communications. The main purpose of the Company's investor relations policy, therefore, is to enable investors to have access, on a fair and timely basis, to information that is reasonably required for making the best investment decisions.

During the year ended 31 December 2011, the Group had actively participated in investor forums and road shows held in Hong Kong and abroad. It also arranged briefings and meetings with analysts and fund managers to enhance their understanding of the Group. The Group also received regular investor audit reports from our investor relations consultant after such events; so that the management could internally discuss and review its investor relations program and communicate strategies.

Investors and the public have access to up-to-date corporate information of the Group through the corporate website of www.dba-asia.com. The website enables them to obtain information on the Group's financial performance and latest business developments.

On behalf of the Board

Yu Longrui
Chairman and Chief Executive Officer

Hong Kong, 15 March 2012

Independent Auditor's Report

國富浩華 (香港) 會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

34/F The Lee Gardens,
33 Hysan Avenue,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DBA TELECOMMUNICATION (ASIA) HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of DBA Telecommunication (Asia) Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 39 to 108, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 15 March 2012

Betty P.C. Tse
Practising Certificate Number P03024

Consolidated Income Statement

For the year ended 31 December

	Notes	2011 RMB'000	2010 RMB'000
Turnover	4	**5,647,554**	3,658,074
Cost of sales		**(4,990,897)**	(3,181,866)
Gross profit		**656,657**	476,208
Other revenue and other net income	4	**11,493**	10,625
Selling and distribution expenses		**(142,637)**	(101,904)
General and administrative expenses		**(41,902)**	(52,967)
Profit from operations		**483,611**	331,962
Finance costs	5(a)	**(16,501)**	(32,142)
Profit before taxation	5	**467,110**	299,820
Income tax	6	**(85,807)**	(62,433)
Profit for the year		**381,303**	237,387
Attributable to:			
Owners of the Company	13	**381,303**	237,387
		RMB Cents	RMB Cents
Earnings per share			
– basic	8(a)	**36.68**	22.88
– diluted	8(b)	**36.22**	21.32

The notes on pages 45 to 108 form part of these financial statements.

Details of dividends payable to owners of the Company attributable to profit for the year are set out in note 7.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	2011 **RMB'000**	2010 RMB'000
Profit for the year	**381,303**	237,387
Other comprehensive income/(loss) for the year		
Exchange differences on translation of financial statements of operations outside Mainland China, net of nil tax	**546**	(317)
Total comprehensive income for the year	**381,849**	237,070
Attributable to:		
Owners of the Company	**381,849**	237,070

The notes on pages 45 to 108 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December

	Notes	**2011 RMB'000**	2010 RMB'000
Non-current assets			
Prepaid lease payments	14	**9,526**	9,754
Property, plant and equipment	15	**554,226**	530,491
Intangible assets	16	**4,677**	5,233
		568,429	545,478
Current assets			
Inventories	18	**451,224**	314,942
Trade receivables	19	**567,311**	352,081
Prepayments, deposits and other receivables	20	**365,055**	154,180
Cash and cash equivalents	21	**599,160**	495,773
		1,982,750	1,316,976
Current liabilities			
Trade and bills payables	22	**490,644**	57,637
Accruals and other payables	23	**48,352**	55,706
Amount due to a director	24	**–**	84
Bank loans	25	**106,450**	30,000
Tax payables	26	**27,085**	19,093
Bonds payable	27	**45,727**	156,107
		(718,258)	(318,627)
Net current assets		**1,264,492**	998,349
Total assets less current liabilities		**1,832,921**	1,543,827
Non-current liabilities			
Bank loans	25	**(17,500)**	(100,000)
NET ASSETS		**1,815,421**	1,443,827
CAPITAL AND RESERVES	28		
Share capital		**108,198**	107,900
Share premium and reserves		**1,707,223**	1,335,927
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**1,815,421**	1,443,827

Approved and authorised for issue by the Board of Directors on 15 March 2012

On behalf of the Board

Yu Longrui
Director

Yeung Shing
Director

The notes on pages 45 to 108 form part of these financial statements.

Statement of Financial Position

At 31 December

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Investments in subsidiaries	17	**204,784**	212,437
Current assets			
Prepayments, deposits and other receivables	20	**649**	–
Amounts due from subsidiaries	17	**134,161**	196,177
Cash and cash equivalents	21	**253**	42
		135,063	196,219
Current liabilities			
Accruals and other payables	23	**1,060**	789
Amounts due to subsidiaries	17	**80,865**	1,323
Amount due to a director	24	**–**	84
Bonds payable	27	**45,727**	156,107
		(127,652)	(158,303)
Net current assets		**7,411**	37,916
NET ASSETS		**212,195**	250,353
CAPITAL AND RESERVES	28		
Share capital		**108,198**	107,900
Share premium and reserves		**103,997**	142,453
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**212,195**	250,353

Approved and authorised for issue by the Board of Directors on 15 March 2012

On behalf of the Board

Yu Longrui
Director

Yeung Shing
Director

The notes on pages 45 to 108 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Note	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	General reserve RMB'000	Exchange reserve RMB'000	Special reserve RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Total RMB'000
			Attributable to owners of the Company									
At 1 January 2010		107,900	215,491	(57,000)	226,939	(41,173)	79,201	9,330	648	665,693	1,099,129	1,207,029
Profit for the year		–	–	–	–	–	–	–	–	237,387	237,387	237,387
Exchange differences on translation of financial statements of operations outside Mainland China		–	–	–	–	(317)	–	–	–	–	(317)	(317)
Total comprehensive (loss)/income		–	–	–	–	(317)	–	–	–	237,387	237,070	237,070
Redemption of convertible bonds	28(c)(viii)	–	–	–	–	–	–	–	(1,201)	–	(1,201)	(1,201)
Transfer to retained profits upon early redemption of convertible bonds		–	–	–	–	–	–	–	553	(553)	–	–
Transfer to reserve	28(c)(iii)	–	–	–	41,408	–	–	–	–	(41,408)	–	–
Cancellation of share options	28(c)(vii)	–	–	–	–	–	–	(172)	–	172	–	–
Lapse of share options	28(c)(vii)	–	–	–	–	–	–	(1,226)	–	1,226	–	–
Recognition of equity-settled share-based payment	28(c)(vii)	–	–	–	–	–	–	929	–	–	929	929
At 31 December 2010 and 1 January 2011		107,900	215,491	(57,000)	268,347	(41,490)	79,201	8,861	–	862,517	1,335,927	1,443,827
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**381,303**	**381,303**	**381,303**
Exchange differences on translation of financial statements of operations outside Mainland China		**-**	**-**	**-**	**-**	**546**	**-**	**-**	**-**	**-**	**546**	**546**
Total comprehensive income		**-**	**-**	**-**	**-**	**546**	**-**	**-**	**-**	**381,303**	**381,849**	**381,849**
Transfer to reserve	28(c)(iii)	**-**	**-**	**-**	**59,973**	**-**	**-**	**-**	**-**	**(59,973)**	**-**	**-**
Exercise share options	28(c)(vii)	**298**	**4,678**	**-**	**-**	**-**	**-**	**(1,220)**	**-**	**-**	**3,458**	**3,756**
Lapse of share options	28(c)(vii)	**-**	**-**	**-**	**-**	**-**	**-**	**(1,274)**	**-**	**1,274**	**-**	**-**
Recognition of equity-settled share-based payment	28(c)(vii)	**-**	**-**	**-**	**-**	**-**	**-**	**3,585**	**-**	**-**	**3,585**	**3,585**
Dividends approval in respect of previous year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(17,596)**	**(17,596)**	**(17,596)**
At 31 December 2011		**108,198**	**220,169**	**(57,000)**	**328,320**	**(40,944)**	**79,201**	**9,952**	**-**	**1,167,525**	**1,707,223**	**1,815,421**

The notes on pages 45 to 108 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December

	Notes	2011 RMB'000	2010 RMB'000
Operating activities			
Profit before taxation		**467,110**	299,820
Adjustments for:			
Interest income	4	**(3,518)**	(3,032)
Gain on repurchase of bonds payable		**(405)**	–
Finance costs	5(a)	**16,501**	32,142
Depreciation	5(c)	**43,179**	28,485
Amortisation of prepaid lease payments	5(c)	**228**	230
Loss on disposal of property, plant and equipment	5(c)	**8**	52
Amortisation of intangible asset	5(c)	**556**	324
Equity-settled share-based payment expenses		**3,585**	929
		527,244	358,950
Change in working capital			
(Increase)/decrease in prepayments, deposits and other receivables		**(210,875)**	54,514
Increase in inventories		**(136,282)**	(216,848)
Increase in trade receivables		**(215,230)**	(72,996)
Increase/(decrease) in trade and bills payables		**433,007**	(1,068)
Decrease in accruals and other payables		**(7,353)**	(5,869)
Decrease/increase in amount due to a director		**(84)**	22
Cash generated from operations		**390,427**	116,705
Income tax paid – The People's Republic of China ("PRC")	26	**(77,815)**	(57,067)
Net cash generated from operating activities		**312,612**	59,638
Investing activities			
Payment for the acquisition of intangible asset		**–**	(5,557)
Payment for the acquisition of property, plant and equipment		**(66,923)**	(145,653)
Increase in pledged bank deposits		**(190,600)**	–
Interest received		**3,518**	3,032
Net cash used in investing activities		**(254,005)**	(148,178)
Financing activities			
Proceeds from new bank loans		**40,450**	90,000
Proceeds from shares issued under share options scheme		**3,756**	–
Repayment of bank loans		**(46,500)**	(30,000)
Interest paid		**(16,501)**	(18,518)
Dividend paid		**(17,596)**	–
Repayment of bonds payable		**(109,975)**	(217,684)
Net cash used in financing activities		**(146,366)**	(176,202)
Net decrease in cash and cash equivalents for the year		**(87,759)**	(264,742)
Cash and cash equivalents at 1 January		**475,773**	740,832
Effect of foreign exchange rate changes		**546**	(317)
Cash and cash equivalents at 31 December	21	**388,560**	475,773

The notes on pages 45 to 108 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2011

1. General Information

DBA Telecommunication (Asia) Holdings Limited (the "Company") was incorporated as an exempted company and registered in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are P.O. Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands and Unit 2307, 23rd Floor, Great Eagle Center, 23 Harbour Road, Wanchai, Hong Kong respectively.

The functional currency of the Company and its subsidiaries (together the "Group") in the People's Republic of China (the "PRC") are Hong Kong dollars ("HK$") and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency for easy reference for international investors.

The subsidiaries of the Company are principally engaged in:

a) Information technology business: the design, manufacture and sales of telecommunication equipment and related products.

b) Intelligent self-services business: Engaging in payment service in public utility including but not limited to pre-paid phone cards, water, electricity and gas through sales of pre-paid cards, recharging and other services requiring self-service payments utilizing intelligent self-service equipment such as smart card vending machines, recharging machines and payment machines; display of advertisement on intelligent self-service terminals; and provision of electronic payment and settlement services.

c) Agency business: trading of telecommunication products.

2. Significant Accounting Policies

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. Significant Accounting Policies *(Continued)*

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis as set out in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next year are discussed in note 35.

c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate and jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, if any (note 2(t)).

2. Significant Accounting Policies *(Continued)*

d) Property, plant and equipment

Property, plant and equipment are carried in the statement of financial position at cost less accumulated depreciation and impairment losses, if any (note 2(t)).

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Construction in progress include property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress is carried at cost less any recognised impairment loss (note 2(t)). Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (note 2(p)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The principal annual rates are as follows:

Buildings situated on leasehold land	Over the shorter of the term of the lease or 20 years
Leasehold improvements	20%
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Intelligent self-service terminals	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2. Significant Accounting Policies *(Continued)*

d) Property, plant and equipment *(Continued)*

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

e) Intangible assets

Intangible assets acquired separately and with finite useful lives represents customer lists held by the Group. The intangible assets are carried in the statement of financial position at cost less accumulated amortisation and impairment loss (note 2(t)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over its estimated useful life of 10 years. Both the useful lives and method of amortisation are reviewed annually.

f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

2. Significant Accounting Policies *(Continued)*

f) Leased assets *(Continued)*

ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

g) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter carried at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (note 2(t)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are carried at cost less allowance for impairment of doubtful debts (note 2(t)).

2. Significant Accounting Policies *(Continued)*

i) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are carried at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

j) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently carried at amortised cost unless the effect of discounting would be immaterial, in which case they are carried at cost.

k) Convertible bonds

Convertible bonds issued by the Company that contain a liability and a conversion option are classified separately into the respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, the liability component is measured at fair value. The difference between the gross proceeds of the issue of the convertible bonds and the fair values assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded conversion option is exercised (in which case the balance carried in convertible bonds equity reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance carried in convertible bonds equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

2. Significant Accounting Policies *(Continued)*

k) Convertible bonds *(Continued)*

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component is included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Upon early redemption of the convertible bonds, the early redemption consideration will be allocated to the liability component and equity component using the same allocation basis when the convertible bonds were originally issued. Differences between the fair value and the carrying amount of the liability component will be recognised in profit or loss. The difference between the early redemption consideration and the fair value of the equity component will be included in equity (convertible bonds equity reserve) and released to retained profits.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

m) Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The resultant asset is amortised on a straight line basis, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses on the same basis as intangible assets that are acquired separately. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

2. Significant Accounting Policies *(Continued)*

n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are carried at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) Sales of goods

Revenue is recognised when goods including telecommunication equipment, telecommunication value-added cards, insurance prepaid cards and online game value-added cards are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of goods returned and any trade discounts.

ii) Agency business

Income from agency business is recognised when services are rendered.

iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

iv) Electronic payment and settlement service income

Service income is recognised when the transaction is confirmed by the consumer/account holder.

v) Advertising income

Advertising income is recognised on a time proportion basis over the term of the agreements.

2. Significant Accounting Policies *(Continued)*

p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

q) Employee benefits

i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. Significant Accounting Policies *(Continued)*

r) Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees:

The accounting policy is set out in note 2(q)(ii).

Share options granted to suppliers/consultants:

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received. The fair values of the goods or services received are expensed on a straight-line basis over the vesting period unless the goods or services qualify for recognition as assets. Corresponding adjustment is made to equity (share option reserve).

s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax asset arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period or periods, in which the tax loss or credit can be utilised.

2. Significant Accounting Policies *(Continued)*

s) Income tax *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

2. Significant Accounting Policies *(Continued)*

t) Impairment of assets

i) Impairment of receivables

Current and non-current receivables that are carried at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets which credit risk characteristics that are similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. Significant Accounting Policies *(Continued)*

t) Impairment of assets *(Continued)*

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- prepaid lease payments; and
- investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the higher of its fair value less costs to sell its and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2. Significant Accounting Policies *(Continued)*

t) Impairment of assets *(Continued)*

ii) Impairment of other assets (Continued)

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

u) Translation of foreign currencies

Foreign currency transactions during the year are translated into the functional currency at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operation outside Mainland China are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of an operation outside Mainland China, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2. Significant Accounting Policies *(Continued)*

u) Translation of foreign currencies *(Continued)*

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e., partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. Significant Accounting Policies *(Continued)*

w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these financial statements.

Improvements to HKFRSs issued in 2010

Improvements to HKFRSs issued in 2010 omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7 Financial instruments: Disclosures. The disclosures about the Group's and the Company's financial instruments in note 33 have conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

4. Turnover and Other Revenue

Turnover represents the invoiced value of goods sold after deducting goods returned, trade discounts and sales tax.

	2011	2010
	RMB'000	RMB'000
Turnover		
Information technology business: the design, manufacture and sales of telecommunication equipment and related products	**955,397**	762,506
Intelligent self-services business:		
– Engaging in payment service in public utility including but not limited to pre-paid phone cards, water, electricity and gas through sales of pre-paid cards, recharging and other services requiring self-service payments utilizing intelligent self-service equipment such as smart card vending machines, recharging machines and payment machines; display of advertisement on intelligent self-service terminal	**4,654,948**	2,858,955
– provision of electronic payment and settlement services	**1,089**	815
Agency business: trading of telecommunication products	**36,120**	35,798
	5,647,554	3,658,074
Other revenue and other net income		
Interest income on financial assets not at fair value through profit or loss – bank interest income	**3,518**	3,032
Reversal of staff welfare payable	**7,569**	7,569
Gain on repurchase of bonds payable	**405**	–
Sundry income	**1**	24
	11,493	10,625
	5,659,047	3,668,699

5. Profit Before Taxation

Profit before taxation is arrived at after charging/(crediting) the following:

a) Finance cost

	2011 RMB'000	2010 RMB'000
Interest on convertible bonds		
– Effective interest expense on convertible bonds wholly repayable within five years	**–**	11,988
Default interest on bonds payable	**5,203**	9,459
Interest on bank loans wholly repayable within five years	**8,506**	7,409
Other finance charges	**2,792**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**16,501**	28,856
Debt extinguishment loss on convertible bonds upon redemption	**–**	3,286
	16,501	32,142

b) Staff costs (including directors' emoluments)

	2011 RMB'000	2010 RMB'000
Contributions to defined contribution retirement plan	**2,600**	2,589
Equity-settled share-based payment expenses	**2,235**	929
Salaries, wages and other benefits (note i and note ii)	**71,802**	61,063
	76,637	64,581

5. Profit Before Taxation *(Continued)*

c) Other items

	2011 **RMB'000**	2010 RMB'000
Amortisation of intangible assets	**556**	324
Amortisation of prepaid lease payments (note i)	**228**	230
Auditor's remuneration	**1,353**	1,075
Loss on disposal of property, plant and equipment	**8**	52
Cost of inventories (note i)	**4,990,897**	3,181,866
Equity-settled share-based payment expenses for consultants and suppliers	**1,350**	–
Depreciation (note i)	**43,179**	28,485
Less: Amount included in research cost	**(126)**	(132)
	43,053	28,353
Research cost (note ii)	**11,683**	19,337
Operating lease payments in respect of premises	**2,500**	2,150

Notes:

i) Cost of inventories includes RMB8,725,000 (2010: RMB6,158,000) relating to staff costs, depreciation and amortisation, which are also included in the respective total amounts disclosed separately above.

ii) Included in research costs are depreciation of RMB126,000 (2010: RMB132,000) and staff costs of RMB6,635,000 (2010: RMB6,725,000).

6. Income Tax in the Consolidated Income Statement

a) Income tax in the consolidated income statement represents:

	2011 **RMB'000**	2010 RMB'000
Current tax – PRC Enterprise Income Tax for the year	**85,807**	62,433

6. Income Tax in the Consolidated Income Statement *(Continued)*

a) Income tax in the consolidated income statement represents: *(Continued)*

i) The Group had five PRC subsidiaries.

A subsidiary, Fujian Create State Industry Co., Ltd., a wholly-foreign-owned enterprise, was subject to PRC Enterprise Income Tax at a rate of 24% (2010: 22%) on the assessable profits for the year. No provision for PRC enterprise Income Tax has been made as the company had no assessable profits for the year ended 31 December 2011.

A subsidiary, Skyban Telecommunication (Fujian) Limited ("Skyban Fujian"), a wholly-foreign-owned enterprise, was subject to PRC Enterprise Income Tax at a rate of 24% (2010: 22%) on the assessable profits for the year. It is exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. It was under 50% reduction period for the year ended 31 December 2011. Therefore, the applicable income tax rate for Skyban Fujian was 12% for the year ended 31 December 2011 (2010: 11%).

In accordance with the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC issued on 16 March 2007 and Implementation Regulation of the New Law by the State Council of the PRC issued on 6 December 2007, the Enterprise Income Tax rate of Fujian Create State Industry Co., Ltd. and Skyban Fujian in the PRC increased from 18% to 25% progressively from 1 January 2008 onwards.

A subsidiary, Wozhong Intelligent System Service (China) Co., Ltd., a wholly-foreign-owned enterprise, was subject to PRC Enterprise Income Tax at a rate of 25% (2010: 25%) on the assessable profits for the year.

A subsidiary, Wozhong Advertising (Fuzhou) Co., Ltd., a PRC domestic – invested company, was subject to PRC Enterprise Income Tax at a rate of 25% (2010: 25%) on the assessable profits for the year.

A subsidiary, Wozhong e-Payment Technology Service (Fujian) Co., Ltd., a PRC domestic – invested company, was subject to PRC Enterprise Income Tax at a rate of 25% (2010: 25%) on the assessable profits for the year.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

ii) No provision for Hong Kong profits tax has been made as the Group did not earn any income subject to Hong Kong profits tax during the year (2010: nil).

6. Income Tax in the Consolidated Income Statement *(Continued)*

b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2011 **RMB'000**	2010 RMB'000
Profit before taxation	**467,110**	299,820
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**119,748**	73,067
Tax effect of profits entitled to tax exemption in the PRC	**(35,015)**	(15,423)
Tax effect of non-deductible expense and unused tax losses not recognised	**4,521**	5,901
Others	**(3,447)**	(1,112)
Actual tax expense	**85,807**	62,433

7. Dividends

(a) Dividends payable to owners of the Company attributable to the year:

	2011 **RMB'000**	2010 RMB'000
Final dividend proposed after the end of the reporting period of HK2.50 cents per ordinary share (2010: HK2.00 cents)	**21,086**	17,596

(b) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year:

	2011 **RMB'000**	2010 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK2.00 cents per ordinary share (2010: nil)	**17,596**	–

8. Earnings Per Share

a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB381,303,000 (2010: RMB237,387,000) and the weighted average number of 1,039,465,000 ordinary shares (2010: 1,037,500,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2011 **RMB'000**	2010 RMB'000
Issued ordinary shares at 1 January	**1,037,500**	1,037,500
Effect of share options exercised (note 29)	**1,965**	–
Weighted average number of ordinary shares at 31 December	**1,039,465**	1,037,500

b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of approximately RMB381,303,000 (2010: RMB250,141,000) and the weighted average number of ordinary shares of 1,052,653,000 (2010: 1,173,513,000 ordinary shares), calculated as follows:

i) Profit attributable to owners of the Company (diluted)

	2011 **RMB'000**	2010 RMB'000
Profit attributable to owners	**381,303**	237,387
After tax effect of effective interest on the liability component of convertible bonds	**–**	12,754
Profit attributable to owners (diluted)	**381,303**	250,141

8. Earnings Per Share *(Continued)*

b) Diluted earnings per share *(Continued)*

ii) Weighted average number of ordinary shares (diluted)

	2011 **'000**	2010 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,039,465**	1,037,500
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 29)	**13,188**	48
Effect of conversion of convertible bonds (note 27)	**–**	135,965
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,052,653**	1,173,513

9. Segment Reporting

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the chief operating decision marker ("CODM") for the purposes of resource allocation and performance assessment. The identities of CODM are the board of directors. The CODM consider the business from business activities' perspective. The group has presented the following three segments reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Information technology business: the design, manufacture and sales of telecommunication equipment and related products.

– Intelligent self-service business: Engaging in payment service in public utility including but not limited to pre-paid phone cards, water, electricity and gas through sales of pre-paid cards, recharging and other services requiring self-service payments utilizing intelligent self-service equipment such as smart card vending machines, recharging machines and payment machines; display of advertisement on intelligent self-service terminals; and provision of electronic payment and settlement services.

– Agency business: trading of telecommunication products.

Currently the above Group's activities are carried out in Mainland China.

9. Segment Reporting *(Continued)*

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets other than corporate assets. Segment liabilities include all liabilities managed directly by the segments other than corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales, assistance provided by intelligent self-service business segment to agency business segment, including sharing of assets and selling and distribution cost, are not measured.

The revenue from external parties reported to the Group's CODM is measured in a manner consistent with that in the consolidated income statement.

The measure used for reporting segment profit is "adjusted EBITDA" i.e., "adjusted earnings before interest, taxes, depreciation and amortisation". To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditor's remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, CODM is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation and amortization, income tax expenses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments and the reconciliation to the corresponding consolidated totals in the financial statements are shown below.

9. Segment Reporting *(Continued)*

Segment results, assets and liabilities *(Continued)*

a) For the year ended 31 December 2011

	Information technology business RMB'000	Intelligent self-service business RMB'000	Agency business RMB'000	Inter-segment elimination RMB'000	Consolidated RMB'000
Revenue from external customers	**955,397**	**4,656,037**	**36,120**	**–**	**5,647,554**
Inter-segment revenue	**60,031**	**–**	**–**	**(60,031)**	**–**
Reportable segment revenue	**1,015,428**	**4,656,037**	**36,120**	**(60,031)**	**5,647,554**
Reportable segment profit (adjusted EBITDA)	**267,069**	**275,456**	**8,302**	**(12,020)**	**538,807**
Interest income from bank deposits					**3,518**
Corporate expenses					**(14,751)**
Finance costs					**(16,501)**
Depreciation and amortisation					**(43,963)**
Profit before taxation					**467,110**
Interest income from bank deposits	**2,271**	**1,247**	**–**	**–**	**3,518**
Finance cost	**1,709**	**14,792**	**–**	**–**	**16,501**
Depreciation and amortisation	**5,725**	**38,238**	**–**	**–**	**43,963**
Income tax expenses	**31,866**	**52,945**	**996**	**–**	**85,807**
Reportable segment assets	**1,479,255**	**1,180,152**	**–**	**(109,402)**	**2,550,005**
Corporate assets					**1,174**
Total assets					**2,551,179**
Reportable segment liabilities	**231,690**	**475,897**	**–**	**–**	**707,587**
Corporate liabilities					**28,171**
Total liabilities					**735,758**
Additions to non-current segment assets during the year	**8,593**	**58,330**	**–**	**–**	**66,923**

9. Segment Reporting *(Continued)*

Segment results, assets and liabilities *(Continued)*

b) *For the year ended 31 December 2010*

	Information technology business RMB'000	Intelligent self-service business RMB'000	Agency business RMB'000	Inter-segment elimination RMB'000	Consolidated RMB'000
Revenue from external customers	762,506	2,859,770	35,798	–	3,658,074
Inter-segment revenue	174,900	–	–	(174,900)	–
Reportable segment revenue	937,406	2,859,770	35,798	(174,900)	3,658,074
Reportable segment profit (adjusted EBITDA)	221,934	161,341	8,228	(21,951)	369,552
Interest income from bank deposits					3,032
Corporate expenses					(11,583)
Finance costs					(32,142)
Depreciation and amortisation					(29,039)
Profit before taxation					299,820
Interest income from bank deposits	2,013	1,019	–	–	3,032
Finance cost	–	32,142	–	–	32,142
Depreciation and amortisation	2,455	26,584	–	–	29,039
Income tax expenses	29,850	31,394	1,189	–	62,433
Reportable segment assets	1,141,555	850,174	–	(129,670)	1,862,059
Corporate assets					395
Total assets					1,862,454
Reportable segment liabilities	56,832	341,746	–	–	398,578
Corporate liabilities					20,049
Total liabilities					418,627
Additions to non-current segment assets during the year	37,396	113,814	–	–	151,210

9. Segment Reporting *(Continued)*

Geographical information

No analysis of the Group's revenue from external customers and non-current assets by geographical location has been presented as all the Group's operating activities are carried out in the PRC.

Major customers

No analysis of the Group's revenue from operations by major customers has been presented as there are no transactions with a single external customer equal to or greater than 10 per cent. of the Group's total revenues.

Revenue from major products and services

The analysis of the Group's revenue from its major products and services is the same as that set out in note 4.

10. Staff Retirement Benefits

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan managed by independent trustees. Under the MPF Scheme, each relevant entity within the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings subject to a cap of HK$1,000 per month and thereafter contributions are voluntary. Contributions to the plan vest immediately.

The employees of the Group's subsidiaries in the PRC are members of a state-sponsored retirement plan, which is a defined contribution retirement plan operated by the local government in the PRC and these subsidiaries make mandatory contributions to the state-sponsored retirement plan to fund the employees retirement benefits. The retirement contributions paid by the PRC subsidiaries are based on certain percentage of the relevant portion of the payroll of all qualifying employees in accordance with the relevant regulations in the PRC and are charged to profit or loss as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the state-sponsored retirement plan operated by the local government in the PRC. Contributions to the plan vest immediately.

The contributions paid for the year were approximately RMB2,600,000 (2010: RMB2,589,000). As at 31 December 2011, there were no material forfeitures available to offset the Group's future contributions (2010: nil).

11. Directors' Emoluments

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

	For the year ended 31 December 2011						
Name of director	Directors' fee RMB'000	Discretionary bonuses RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share based payments (note) RMB'000	Total RMB'000
Executive directors							
Mr. Yu Longrui	–	131	1,567	20	1,718	–	1,718
Mr. Zheng Feng	–	23	186	1	210	173	383
Mr. Chan Wai Chuen	–	76	1,062	20	1,158	1,037	2,195
Mr. Yu Longhui	–	22	181	1	204	–	204
Mr. Yeung Shing	–	16	196	20	232	216	448
Independent non-executive directors							
Mr. Yu Lun	66	–	–	–	66	–	66
Mr. Zheng Qingchang	66	–	–	–	66	–	66
Mr. Yun Lok Ming	82	–	–	–	82	–	82
	214	268	3,192	62	3,736	1,426	5,162

11. Directors' Emoluments *(Continued)*

	For the year ended 31 December 2010						
Name of director	Directors' fee RMB'000	Discretionary bonuses RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (note) RMB'000	Total RMB'000
Executive directors							
Mr. Yu Longrui	–	138	1,660	21	1,819	–	1,819
Mr. Zheng Feng	–	23	186	1	210	–	210
Mr. Chan Wai Chuen	–	80	1,045	21	1,146	693	1,839
Mr. Yu Longhui	–	22	180	1	203	–	203
Mr. Yeung Shing	–	17	208	21	246	88	334
Independent non-executive directors							
Mr. Yu Lun	66	–	–	–	66	–	66
Mr. Zheng Qingchang	66	–	–	–	66	–	66
Mr. Yun Lok Ming	86	–	–	–	86	–	86
	218	280	3,279	65	3,842	781	4,623

During the year, no emoluments (2010: nil) were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived or agreed to waive any emoluments for the years ended December 2011 and 2010.

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(q)(ii).

12. Individuals With Highest Emoluments

Of the five individuals with the highest emoluments, four (2010: four) are directors of the Company whose emoluments are disclosed in note 11. The emoluments in respect of the remaining one (2010: one) individual is as follow:

	2011 **RMB'000**	2010 RMB'000
Salaries and other benefits	**223**	236
Contributions to retirement scheme	**20**	21
Share-based payments	**156**	85
	399	342

The emoluments of the remaining one (2010: one) individual with highest emoluments are from nil up to RMB816,000 (equivalent of HK$1,000,000) (2010: nil up to RMB865,000 (equivalent of HK$1,000,000)).

During the year ended 31 December 2011, no emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2010: nil).

13. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company includes a loss of approximately RMB12,219,000 (2010: a loss of RMB31,132,000) which has been dealt with in the financial statements of the Company.

14. Prepaid Lease Payments

	The Group	
	2011	2010
	RMB'000	RMB'000
Carrying amount at 1 January	**9,983**	10,213
Amortisation	**(228)**	(230)
Carrying amount at 31 December	**9,755**	9,983
Current portion included in prepayments, deposits and other receivables (note 20)	**(229)**	(229)
Non-current portion	**9,526**	9,754

a) All the prepaid lease payments are for land situated in the PRC under medium-term leases.

b) At 31 December 2011, all the above prepaid lease payments with an aggregate carrying value of approximately RMB9,455,000 (2010: RMB9,683,000) have been pledged to banks to secure banking facilities, as set out in note 32, granted to the Group.

c) The amortisation charge of RMB60,000 (2010: RMB60,000) and RMB168,000 (2010: RMB170,000) for the year are included in cost of sales and administrative expenses in the consolidated income statement.

15. Property, Plant and Equipment

The Group

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Intelligent self-service terminals RMB'000	Construction in progress-intelligent self-service terminals RMB'000	Construction in progress-buildings RMB'000	Total RMB'000
Cost									
At 1/1/2010	18,583	437	20,583	6,276	4,303	279,979	14,536	116,040	460,737
Exchange adjustments	–	(16)	–	–	–	–	–	–	(16)
Additions	–	–	33,817	2,444	306	–	105,988	3,098	145,653
Transfer	–	–	–	–	–	120,524	(120,524)	–	–
Disposal	–	–	–	(58)	–	–	–	–	(58)
At 31/12/2010 and 1/1/2011	18,583	421	54,400	8,662	4,609	400,503	–	119,138	606,316
Exchange adjustments	–	(18)	–	(8)	–	–	–	–	(26)
Additions	–	–	90	847	2,901	–	58,215	4,870	66,923
Transfer	124,008	–	–	–	–	58,215	(58,215)	(124,008)	–
Disposal	–	–	–	(9)	–	–	–	–	(9)
At 31/12/2011	142,591	403	54,490	9,492	7,510	458,718	–	–	673,204
Accumulated depreciation									
At 1/1/2010	8,744	437	11,696	4,774	3,232	18,479	–	–	47,362
Exchange adjustment	–	(16)	–	–	–	–	–	–	(16)
Charge for the year	836	–	1,024	484	284	25,857	–	–	28,485
Disposal	–	–	–	(6)	–	–	–	–	(6)
At 31/12/2010 and 1/1/2011	9,580	421	12,720	5,252	3,516	44,336	–	–	75,825
Exchange adjustments	–	(18)	–	(7)	–	–	–	–	(25)
Charge for the year	836	–	4,034	860	490	36,959	–	–	43,179
Disposal	–	–	–	(1)	–	–	–	–	(1)
At 31/12/2011	10,416	403	16,754	6,104	4,006	81,295	–	–	118,978
Carrying amounts									
At 31/12/2011	132,175	–	37,736	3,388	3,504	377,423	–	–	554,226
AT 31/12/2010	9,003	–	41,680	3,410	1,093	356,167	–	119,138	530,491

a) All buildings are situated on land in the PRC under medium-term leases.

b) At 31 December 2011, certain of the Group's buildings with an aggregate carrying amount of approximately RMB129,853,000 (at 31 December 2010, certain of the Group's buildings and all construction in progress with carrying amounts of approximately RMB6,502,000 and RMB119,138,000 respectively) have been pledged to banks to secure banking facilities, as set out in note 32, granted to the Group.

16. Intangible Assets

	The Group	
	2011	2010
	RMB'000	RMB'000
Cost:		
At 1 January	**5,557**	–
Addition	**–**	5,557
At 31 December	**5,557**	5,557
Accumulated amortisation:		
At 1 January	**(324)**	–
Charge for the year	**(556)**	(324)
At 31 December	**(880)**	(324)
Carrying amount:		
At 31 December	**4,677**	5,233

Intangible assets represent customers list with finite useful lives held by the Group.

The amortisation charge for the year is included in general and administrative expenses in the consolidated income statement.

17. Investments in Subsidiaries/Amounts Due from/to Subsidiaries

	The Company	
	2011	2010
	RMB'000	RMB'000
Unlisted shares at cost	**204,784**	212,437

The amounts due from/(to) subsidiaries are unsecured, non-interest-bearing and repayable on demand.

17. Investments in Subsidiaries/Amount Due from/to Subsidiaries *(Continued)*

Particulars of all subsidiaries as at 31 December 2011 are as follows:

Name	Place of incorporation/ operation	Issued and fully paid-up/ registered capital	Proportion of equity interest held by the Company Directly	Proportion of equity interest held by the Company Indirectly	Principal activity
Skyban International Holdings Limited	British Virgin Islands/ Hong Kong	20,000 ordinary shares of US$1 each/ 50,000 ordinary shares of US$1 each	100%	–	Investment holding
Fujian Create State Industry Co., Ltd. (note (a))	PRC/PRC	Paid-up capital of RMB96,000,000	–	100%	Design, manufacture and sales of telecommunication equipment and related products and trading of telecommunication equipment
International Intelligent System Limited	British Virgin Islands/ Hong Kong	10,000 ordinary shares of US$1 each/ 50,000 ordinary shares of US$1 each	100%	–	Investment holding
Wozhong Intelligent System Service (China) Co., Ltd. (note (b))	PRC/PRC	Paid-up capital of RMB150,000,000	–	100%	Sales of telecommunication value-added cards, insurance prepaid cards and online game value-added cards through intelligent self-service terminals
Skyban Telecommunication (Fujian) Limited (note (c))	PRC/PRC	Paid-up capital of RMB73,000,000	–	100%	Design, manufacture and sales of telecommunication equipment and related products and trading of telecommunication equipment
Wozhong Advertising (Fuzhou) Co., Ltd. (note (d))	PRC/PRC	Paid-up capital of RMB5,000,000	–	100%	Display of advertisements on intelligent self-service terminals
Wozhong e-Payment Technology Service (Fujian) Co., Ltd. (note (e))	PRC/PRC	Paid-up capital of RMB5,000,000	–	100%	Provision of electronic payment and settlement services
Tianrun Investment (China) Limited	British Virgin Islands/ Hong Kong	10,000 ordinary shares of US$1 each/ 50,000 ordinary shares of US$1 each	100%	–	Not yet commenced business

17. Investments in Subsidiaries/Amount Due from/to Subsidiaries *(Continued)*

Particulars of all subsidiaries as at 31 December 2011 are as follows: (Continued)

a) Fujian Create State Industry Co., Ltd. was established in the PRC on 5 April 1997 as a sino-foreign equity joint venture with a registered capital of RMB30,000,000 and with an operating period of 50 years from 5 April 1997 to 4 April 2047. It was restructured into a wholly-foreign-owned enterprise on 13 November 2003. On 5 December 2006, additional registered capital of RMB66,000,000 was injected and total registered capital of the subsidiary is RMB96,000,000.

b) Wozhong Intelligent System Service (China) Co., Ltd. was established in the PRC on 30 November 2006 as a wholly-foreign-owned enterprise and with an operating period of 50 years from 30 November 2006 to 29 November 2056.

c) Skyban Telecommunication (Fujian) Limited was established in the PRC on 26 September 2006 as a wholly-foreign-owned enterprise and has an operating period of 50 years from 26 September 2006 to 25 September 2056.

d) Wozhong Advertising (Fuzhou) Co., Ltd. was established in the PRC on 21 August 2008 as a PRC domestic-invested company and has an operating period of 50 years from 21 August 2008 to 20 August 2058.

e) Wozhong e-Payment Technology Service (Fujian) Co., Ltd. was established in the PRC on 11 December 2009 as a PRC domestic – invested company and has an operating period of 50 years from 11 December 2009 to 10 December 2059.

18. Inventories

	The Group	
	2011	2010
	RMB'000	RMB'000
Raw materials	**41,544**	60,341
Work in progress	**5,806**	3,478
Finished goods	**89,009**	54,873
General merchandise	**314,865**	196,250
Total	**451,224**	314,942

19. Trade Receivables

Sales transactions of the Group's intelligent self-service business, excluding the electronic payment and settlement services of the Group, are done on a cash basis. For the information technology business and agency business, the Group normally grants credit terms of 180 days to its customers after evaluating the business relationship with and creditworthiness of the customers. For the electronic payment and settlement services included in the intelligent self-service business, the Group normally grants credit terms of 180 days to its customers after evaluating the business relationship and creditworthiness of the customers.

a) The ageing analysis of trade receivables presented based on invoice date as at the end of the reporting period is as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
0 to 30 days	**113,639**	83,728
31 to 60 days	**112,650**	88,516
61 to 90 days	**75,559**	70,560
91 to 180 days	**265,463**	109,277
	567,311	352,081

b) Trade receivables that are not impaired

	The Group	
	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**567,311**	352,081

c) Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Credit evaluations of its customers' financial position and condition is performed on each and every major customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not hold any collateral over these balances.

The Group's credit risk management policy is set out in note 33(b).

20. Prepayments, Deposits and Other Receivables

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advance to staff	**487**	1,182	**–**	–
Deposit for acquisition of property, plant and equipment	**–**	55,000	**–**	–
Deposits	**489**	308	**–**	–
Deposits to suppliers (note (a))	**360,320**	96,514	**–**	–
Prepaid expenses	**3,530**	947	**649**	–
Prepaid lease payments (note 14)	**229**	229	**–**	–
	365,055	154,180	**649**	–

a) The amount represents deposits paid to suppliers for purchase of inventories. The Group generally utilised the deposits to suppliers within one year from the date of deposits.

21. Cash and Cash Equivalents

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits with banks	**500**	–	**–**	–
Cash at bank and on hand	**598,660**	495,773	**253**	42
Cash and cash equivalents in the statement of financial position	**599,160**	495,773	**253**	42
Less: Pledged deposits (note (a))	**(210,600)**	(20,000)		
Cash and cash equivalents in the statement of cash flows	**388,560**	475,773		

a) The bank deposit of RMB210,600,000 (2010: RMB20,000,000) are bank deposits pledged to banks to secure credit facilities granted to the Group, as set out in note 32. The carrying amounts of the pledged deposits approximate their fair values. The pledged bank deposits will be released upon the settlement of relevant bank borrowings and bills payable.

b) Cash and cash equivalents of approximately RMB598,753,000 (2010: RMB495,512,000) are denominated in PRC Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

c) Cash at bank earns interest at floating rates based on daily bank deposits rates of 0.4%-0.5% (2010: 0.36%) per annum.

22. Trade and Bills Payables

	The Group	
	2011	2010
	RMB'000	RMB'000
Trade payables (note (a))	**70,644**	7,637
Bills payables (note (b))	**420,000**	50,000
Financial liabilities measured at amortised cost	**490,644**	57,637

a) The ageing analysis of trade payables presented based on invoice date as at the end of the reporting period is as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
0 to 30 days	**70,644**	7,612
31 to 60 days	**–**	25
	70,644	7,637

b) The ageing analysis of bills payables presented based on bills issued date as at the end of the reporting period is as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
0 to 30 days	**–**	–
31 to 60 days	**–**	–
61 to 90 days	**–**	–
91 to 180 days	**420,000**	50,000
	420,000	50,000

22. Trade and Bills Payables *(Continued)*

b) *(Continued)*

(i) At 31 December 2011, bills payables of RMB240,000,000 (2010: nil) were guaranteed by a director of the Group, Mr. Yu Longrui ("Mr. Yu") (note 30) for an amount not exceeding RMB270,000,000 (2010: nil), guaranteed by a related party, Fujian Dongya (note 30), for an amount not exceeding RMB190,000,000 (2010: nil), guaranteed by a related party, Dufule (note 30) for an amount not exceeding RMB190,000,000 (2010: nil), and guaranteed by an independent third party person for an amount not exceeding RMB190,000,000 (2010: nil).

(ii) At 31 December 2011, another bills payables of RMB60,000,000 (2010: nil) were guaranteed by Mr. Yu for an amount not exceeding RMB80,000,000. The guarantee was also used to support the secured bank loan mentioned in note 25(b).

(iii) At 31 December 2011, another bills payables of RMB60,000,000 (2010: nil) were guaranteed by a related party, Fujian Dongya (note 30) for an amount not exceeding RMB40,000,000 and guaranteed by a director of the Group, Mr. Yu (note 30) for an amount not exceeding RMB60,000,000 (2010: nil). It is further pledged by prepaid lease payment and building held by Fujian Deban (note 30) for an amount not exceeding RMB11,000,000 (2010: nil).

(iv) At 31 December 2011, another bills payables of RMB60,000,000 (2010: nil) were pledged by prepaid lease payment and building held by Hong Ming (note 30) for an amount not exceeding RMB30,700,000 (2010: nil).

(v) At 31 December 2010, bills payables of RMB50,000,000 were guaranteed by Mr. Yu (note 30) for an amount not exceeding RMB180,000,000. Certain of the guarantee was also used to support the secured and unsecured bank loan mentioned in note 25(a) to (c) for 2010.

All of the above bills payables were pledged by certain of the Group's assets as set out in note 32.

c) All bills are aged within 180 days at the end of reporting period.

23. Accruals and Other Payables

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Staff salaries payable	**2,086**	1,848	**–**	–
Staff welfare payable	**25,690**	33,259	**–**	–
Accrued expenses	**15,432**	13,690	**1,060**	789
Other taxes payable	**5,144**	6,909	**–**	–
Financial liabilities measured at amortised cost	**48,352**	55,706	**1,060**	789

All accruals and other payable are expected to be settled within one year.

24. Amount Due to a Director

The amount is unsecured, non-interest-bearing and repayable on demand.

25. Bank Loans

At 31 December 2011, the borrowings were carried at amortised cost and repayable as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
Bank loans		
– secured (note (a))	**30,000**	30,000
– secured (note (b))	**50,000**	50,000
– unsecured (note (c))	**33,500**	40,000
– secured (note (d))	**–**	10,000
– unsecured (note (e))	**10,000**	–
– secured (note (f))	**450**	–
	123,950	130,000
Representing:		
Within 1 year	**106,450**	30,000
After 1 year but within 2 years	**17,500**	82,500
After 2 years but within 5 years	**–**	17,500
	17,500	100,000
	123,950	130,000

25. Bank Loans *(Continued)*

notes:

a) The bank loan of RMB30,000,000 (2010: RMB30,000,000) bears interest at 7.57% (2010: 5.58%) per annum and is repayable on 10 June 2012 (2010: 9 April 2011 and the loan had been fully repaid). The loan is guaranteed by Mr. Yu for an amount not exceeding RMB70,000,000 (2010: RMB30,000,000), guaranteed by a related party, Fujian Dongya (note 30) for an amount not exceeding RMB70,000,000 (2010: RMB70,000,000) and further secured by asset held by a related party, Fujian Deban (note 30) for an amount not exceeding RMB70,000,000 (2010: RMB30,000,000).

b) The bank loans of RMB50,000,000 (2010: RMB50,000,000) bear interest at 6.44% (2010: 5.94%) per annum and is repayable on 10 August 2012. These loans are guaranteed by Mr. Yu (note 30) for an amount not exceeding RMB80,000,000 as mentioned in note 22(b)(ii) (2010: RMB 80,000,000) and secured by the Group's assets as set out in note 32.

c) The bank loan of RMB33,500,000 (2010: RMB40,000,000) bears interest at 6.14% (2010: 5.67%) per annum and is repayable in installments beginning from the end of 2011. This loan is guaranteed by Mr. Yu (note 30) for an amount not exceeding RMB70,000,000 (2010: RMB70,000,000) and guaranteed by a related party, Fujian Dongya (note 30) for amount not exceeding RMB70,000,000 (2010: RMB70,000,000). These two guarantees were the same as the guarantees mentioned in (note 25(a)).

d) The bank loan of RMB10,000,000 bears interest at 7.67% and is repayable on 13 January 2013. This loan is secured by the Group's assets as set out in note 32. The loan had been fully repaid.

e) The bank loan of RMB10,000,000 bears interest at 9.96% and is repayable on 13 January 2013. This loan is guaranteed by an independent third party company for an amount not exceeding RMB10,000,000.

f) The bank loan of RMB450,000 (2010: nil) bears interest at 6.56% per annum and is repayable on 29 November 2012. This loan is secured by the Group's asset as set out in note 32.

26. Income Tax in the Statement of Financial Position

a) Current taxation in the statement of financial position represents:

	The Group	
	2011	2010
	RMB'000	RMB'000
At 1 January	**19,093**	13,727
PRC enterprise income tax for the year	**85,807**	62,433
PRC enterprise income tax paid	**(77,815)**	(57,067)
At 31 December	**27,085**	19,093

b) Deferred tax assets not recognised

As at 31 December 2011, the Group has unused tax losses of approximately RMB3,000,000 (2010: approximately RMB4,000,000) of which RMB219,000 (2010: RMB75,000) will expire within 5 years under the current tax legislation. The remaining tax losses can be carried forward indefinitely. No deferred tax was recognised in the consolidated statement of financial position during the year (2010: nil) since it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity.

26. Income Tax in the Statement of Financial Position *(Continued)*

c) Deferred tax liabilities not recognised

At 31 December 2011, deferred tax liabilities relating to the undistributed profits of subsidiaries amounted to RMB982,077,000 (2010: RMB663,429,000). Deferred tax liabilities of RMB33,171,000 (2010: RMB49,104,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

27. Bonds Payable/Convertible Bonds

Pursuant to a bond subscription agreement dated 6 November 2007 (the “Agreement”), the Company issued convertible bonds (the “Bonds”) to independent investors on 8 November 2007 for an aggregate principal amount of RMB330,000,000, to be settled in US dollars in Hong Kong. The bondholders have the right to convert them into ordinary shares of the Company at any time on or after 41 days from 8 November 2007 until 7 days prior to 8 November 2012. On 27 April 2009, the conversion price was adjusted from HK$2.08 to HK$1.67 per ordinary share.

The Bonds bear interest calculated at 1% per annum, payable by the Company semi-annually in arrears and are unsecured and will mature on 8 November 2012. On the maturity date, the outstanding convertible bonds will be redeemed by the Company at 128.66% of the outstanding principal amount. Early redemption is permitted under specified circumstances.

Interest expense on the Bonds is calculated using the effective interest method by applying the effective interest rate of 6.00% per annum to the liability component in prior years.

On 8 April 2010, the Company received early redemption notices from the Trustee of the bondholders to redeem all outstanding bonds on 8 May 2010. Pursuant to the agreement, the Company shall upon the expiry of such notice, redeem the Bonds at the US dollar equivalent of its RMB principal amount multiplied by 113.27%. The Company was required to repay to the bondholders the principal sum of RMB373,791,000 and the related interests amounting to RMB1,650,000, totalling RMB375,441,000 (the “Redemption Amount”) on the due date. The Company planned to satisfy the payment of the Redemption Amount, which shall be settled in US dollars, by the Group’s internal resources. As required under the relevant PRC laws and regulations, on 8 April 2010, the Company filed to the PRC State Administration of Foreign Exchange (“SAFE”) foreign exchange remittance applications for the payment of the Redemption Amount. The Company was unable to remit to Hong Kong the money required for the payment on 8 May 2010 because the remittance applications with the SAFE were still not yet approved which constituted an event of default as stated in the Agreement. The Company is subject to default interest on overdue sum at the rate of 5% per annum. The redemption gave rise to a debt extinguishment loss of approximately RMB3,286,000 (see note 5(a)).

27. Bonds Payable/Convertible Bonds *(Continued)*

During the year ended 31 December 2010, the Company has made payments for the total amount of RMB228,793,000 representing the principal amount of RMB217,684,000, interest of RMB1,650,000 and default interest of RMB9,459,000. Since bondholders served redemption notices and right to convert into shares lapsed, convertible bonds were then classified as bonds payable. As at 31 December 2010, redemption amount payable remaining outstanding amounted to RMB156,107,000.

During the year ended 31 December 2011, the Company has made payments of RMB109,975,000 for the repurchase of the bonds at discount which resulted in a gain on repurchase of bonds payable of approximately RMB405,000. The Company also paid default interest of RMB5,203,000 during the year ended 31 December 2011. As at 31 December 2011, redemption amount payable remaining outstanding amounted to RMB45,727,000.

Subsequent to year ended 31 December 2011, the Company has made payments of RMB45,727,000 for the repurchase of the outstanding bonds and the outstanding bonds have been cancelled. No outstanding principal or interest payable on the bonds follows the cancellation of the bonds.

a) Convertible bonds

The movement of the liability component of the convertible bonds for the year is set out below:

	The Group and the Company	
	2011	2010
	RMB'000	RMB'000
Liability component at 1 January	**–**	358,966
Interest charged	**–**	11,988
Interest paid	**–**	(1,650)
Early redemption of bonds classified as payable during the year (note (c))	**–**	(369,304)
Liability component at 31 December	**–**	–

27. Bonds Payable/Convertible Bonds *(Continued)*

b) Bonds payable

At 31 December 2011, all outstanding bonds repayable to the bondholders are classified as current liabilities.

	The Group and the Company	
	2011	2010
	RMB'000	RMB'000
Balance at 1 January	**156,107**	–
Gain on repurchase of convertible bonds	**(405)**	–
Early redemption of bonds classified as payable during the year (note (c))	**–**	373,791
Repayment	**(109,975)**	(217,684)
Balance at 31 December	**45,727**	156,107

c) Redemption and classified as bonds payable

During the year ended 31 December 2010, upon redemption of the convertible bonds, the redemption consideration of RMB373,791,000 was allocated to the liability component and equity component using the same allocation basis when the convertible bonds were originally issued. Differences of RMB3,286,000 between the fair value of RMB372,590,000 and the carrying amount of the liability component of RMB369,304,000 was recognised in profit or loss. The difference of RMB1,201,000 between the redemption consideration and the fair value of the liability component was included in convertible bonds equity reserve. Remaining balance amounting to RMB553,000 was released from convertible bonds equity reserve to retained profits.

28. Capital and Reserves

a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual component of equity between the beginning and the end of the year are set out below:

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Total RMB'000
At 1 January 2010	107,900	215,491	(107,774)	249,912	9,330	648	(174,607)	193,000	300,900
Loss for the year	–	–	–	–	–	–	(31,132)	(31,132)	(31,132)
Exchange differences on translation of financial statements of operation outside Mainland China	–	–	(19,143)	–	–	–	–	(19,143)	(19,143)
Total comprehensive loss	–	–	(19,143)	–	–	–	(31,132)	(50,275)	(50,275)
Redemption of convertible bonds	–	–	–	–	–	(1,201)	–	(1,201)	(1,201)
Transfer to retained profits upon early redemption of convertible bonds	–	–	–	–	–	553	(553)	–	–
Cancellation of share options	–	–	–	–	(172)	–	172	–	–
Lapse of share options	–	–	–	–	(1,226)	–	1,226	–	–
Recognition of equity – settled share-based payment	–	–	–	–	929	–	–	929	929
At 31 December 2010 and 1 January 2011	107,900	215,491	(126,917)	249,912	8,861	–	(204,894)	142,453	250,353
Loss for the year	–	–	–	–	–	–	(12,219)	(12,219)	(12,219)
Exchange differences on translation of financial statements of operations outside Mainland China	–	–	(15,684)	–	–	–	–	(15,684)	(15,684)
Total comprehensive loss	–	–	(15,684)	–	–	–	(12,219)	(27,903)	(27,903)
Exercise of share options	298	4,678	–	–	(1,220)	–	–	3,458	3,756
Lapse of share options	–	–	–	–	(1,274)	–	1,274	–	–
Recognition of equity – settled share-based payment	–	–	–	–	3,585	–	–	3,585	3,585
Dividends approved in respect of previous year	–	–	–	–	–	–	(17,596)	(17,596)	(17,596)
At 31 December 2011	108,198	220,169	(142,601)	249,912	9,952	–	(233,435)	103,997	212,195

28. Capital and Reserves *(Continued)*

b) Share capital

Authorised and issued share capital

	Number of shares		Amount	
	2011	2010	**2011**	2010
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At 31 December	**4,000,000**	4,000,000	**400,000**	400,000
Issued and fully paid:				
At 1 January	**1,037,500**	1,037,500	**103,750**	103,750
Shares issued under share option scheme	**3,400**	–	**340**	–
At 31 December	**1,040,900**	1,037,500	**104,090**	103,750
			RMB'000	RMB'000
Equivalent to			**108,198**	107,900

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

i) Shares issued under share option scheme

During the year ended 31 December 2011, options were exercised to subscribe for 3,400,000 ordinary shares (2010: nil) in the Company at a consideration of RMB3,756,000 (2010: nil) of which RMB298,000 (2010: nil) was credited to share capital and the balance of RMB4,678,000 (2010: nil) was credited to the share premium account. RMB1,220,000 (2010: nil) has been transferred from the share option reserve to the share premium account in accordance with policy set out in note 2(r).

ii) Each option offer entitles the holder to subscribe for ordinary shares in the Company. Terms of the unexpired and unexercised share options at the end of the reporting period and further details of these options are set out in note 29 to the financial statements.

28. Capital and Reserves *(Continued)*

c) Nature and purpose of reserves

i) *Share premium*

Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

ii) *Merger reserve*

Merger reserve represents the excess of the purchase consideration paid in respect of the acquisition of Fujian Create State Industry Co., Ltd. over the amount of the paid-up capital of Fujian Create State Industry Co., Ltd. acquired.

iii) *General reserve*

General reserve comprises statutory surplus fund and enterprise expansion fund which are non-distributable. Appropriations to such reserves are made out of net profit after taxation of the statutory financial statements of the PRC subsidiaries while the amount and allocation basis are to be decided by their boards of directors annually. The statutory surplus reserve fund can be used to make up prior year losses of the PRC subsidiaries, if any, and can be applied in conversion into capital by means of capitalization issues. The enterprise expansion fund is used for expanding the capital base of the subsidiaries in Mainland China by means of capitalisation issue.

iv) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Mainland China. The reserve is dealt with in accordance with the accounting policies set out in note 2(u).

v) *Contributed surplus*

The contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the group reorganisation prior to the listing of the Company's share on 11 May 2006.

vi) *Special reserve*

The special reserve represents the differences between the nominal value and premium of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for their acquisition at the time of group reorganisation.

28. Capital and Reserves *(Continued)*

c) Nature and purpose of reserves *(Continued)*

vii) Share option reserve

The share option reserve comprises the portion of the fair value of unexercised share options granted that has been recognized in accordance with the accounting policy adopted for share-based payments in note 2(r).

viii) Convertible bonds equity reserve

The convertible bonds equity reserve represents the value of the unexercised equity component of convertible bonds issued by the Company. The reserve is dealt with in accordance with accounting policies set out in note 2(k).

d) Distributable reserves of the Company

Under the Companies Law (Revised) of the Cayman Islands, share premium and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium and contributed surplus if (i) it is, or would after the payment be unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its share capital account.

As at 31 December 2011, the Company's reserves available for distribution to shareholders amounted to approximately RMB236,646,000 (2010: RMB260,509,000), computed in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's articles of association. This includes the Company's share premium of RMB220,169,000 (2010: RMB215,491,000), and contributed surplus of RMB249,912,000 (2010: RMB249,912,000), less accumulated losses of RMB233,435,000 (2010: RMB204,894,000).

e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and to generate sufficient profit to maintain growth and provide a satisfactory return to its shareholders.

The management actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic condition. In view of this, the Group will balance its overall capital structure through the payment of divided or the issue of new debt. No changes were made in the objectives or policies during the year.

28. Capital and Reserves *(Continued)*

e) Capital management *(Continued)*

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain a gearing ratio within 20% to 50%. Capital comprises all components of equity. The Group's gearing ratio, being the Group's total liabilities excluding tax payables over its total equity, as at 31 December 2011 was 39% (2010: 28%).

During 2011, the Group's gearing ratio increased as a result of increase in bills payable.

The gearing ratio at 31 December 2011 and 2010 are as follows:

	The Group		**The Company**	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current liabilities:				
Trade and bills payables	**490,644**	57,637	**–**	–
Accruals and other payables	**48,352**	55,706	**1,060**	789
Amount due to a director	**–**	84	**–**	84
Amounts due to subsidiaries	**–**	–	**80,865**	1,323
Bank loans	**106,450**	30,000	**–**	–
Bonds payable	**45,727**	156,107	**45,727**	156,107
	691,173	299,534	**127,652**	158,303
Non-current liabilities				
Bank loans	**17,500**	100,000	**–**	–
Total debt	**708,673**	399,534	**127,652**	158,303
Total equity	**1,815,421**	1,443,827	**212,195**	250,353
Gearing ratio	**39%**	28%	**60%**	63%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29. Equity-settled Share-based Transactions

The Company has a share option scheme which was adopted on 14 April 2006 whereby the directors of the Company were authorised, at their discretion, to invite the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultants, advisers, managers or officers of the Group, and the Company's shareholders, to take up option offers at HK$1.00 consideration per offer to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under the share option scheme shall not in aggregate exceed 10% of the total number of shares in issue.

Total share option expense in relation to the options granted by the Company recognized during the year amounted to RMB3,585,000 (2010: RMB929,000).

The shareholders of the Company approved that the extension of each of the exercise periods of the outstanding 11,132,000 shares options, the outstanding 2,994,000 share options and the outstanding 580,000 share options granted on 14 November 2006, 3 September 2007 and 2 October 2007 respectively to 31 December 2015 at the annual general meeting held on 29 April 2011. These share options had a current exercise price of HK$1.26, HK$1.65 and HK$1.65 respectively and was HK$0.1 each per ordinary share in the share capital of the Company. As the modification occurred after the vesting period, the incremental fair value of the options determined on the date of modification using Binomial model of RMB3,461,000 (included above) was recognized immediately in profit or loss.

Shares are issued and allotted upon the exercise of options. The Group has no legal or constructive obligations to repurchase or settle the options in cash.

29. Equity-settled Share-based Transactions *(Continued)*

a) The terms and conditions of the grants that existed at the year ended are as follows. All options are settled by physical delivery of shares. The terms and conditions of the grants that existed during the years are as follows:

	Exercise Price (RMB)	Number of shares issuable under option	Vesting period	Exercisable period
Options granted to directors:				
– On 14 November 2006	1.26	2,092,000	14 November 2006 to 30 June 2009	1 July 2009 to 31 December 2011 and extended to 31 December 2015
– On 3 September 2007	1.65	2,664,000	3 September 2007 to 31 December 2008	1 January 2009 to 31 December 2011 and extended to 31 December 2015
– On 3 September 2007	1.65	2,668,000	3 September 2007 to 31 December 2009	1 January 2010 to 31 December 2012
– On 3 September 2007	1.65	2,668,000	3 September 2007 to 31 December 2010	1 January 2011 to 31 December 2013
– On 18 January 2010	1.26	1,280,000	18 January 2010 to 30 June 2010	1 July 2010 to 31 December 2013
– On 6 September 2010	1.26	1,460,000	6 September 2010 to 31 March 2011	1 April 2011 to 31 December 2014
		12,832,000		
Options granted to employees:				
– On 14 November 2006	1.26	2,520,000	14 November 2006 to 30 June 2009	1 July 2009 to 31 December 2011 and extended to 31 December 2015
– On 3 September 2007	1.65	330,000	3 September 2007 to 31 December 2008	1 January 2009 to 31 December 2011 and extended to 31 December 2015
– On 3 September 2007	1.65	330,000	3 September 2007 to 31 December 2009	1 January 2010 to 31 December 2012
– On 3 September 2007	1.65	340,000	3 September 2007 to 31 December 2010	1 January 2011 to 31 December 2013
– On 2 October 2007	1.65	580,000	2 October 2007 to 31 December 2008	1 January 2009 to 31 December 2011 and extended to 31 December 2015
– On 2 October 2007	1.65	580,000	2 October 2007 to 31 December 2009	1 January 2010 to 31 December 2012
– On 2 October 2007	1.65	640,000	2 October 2007 to 31 December 2010	1 January 2011 to 31 December 2013
– On 18 January 2010	1.26	200,000	18 January 2010 to 30 June 2010	1 July 2010 to 31 December 2013
		5,520,000		
Options granted to suppliers:				
– On 14 November 2006	1.26	3,120,000	14 November 2006 to 30 June 2009	1 July 2009 to 31 December 2011 and extended to 31 December 2015
		3,120,000		
		21,472,000		

29. Equity-settled Share-based Transactions *(Continued)*

b) The number of share issuable under options and weighted average exercise prices of the share options are as follows:

	2011 Weighted average exercise price	**2011** Number of shares issuable under options '000	2010 Weighted average exercise price	2010 Number of shares issuable under options '000
Outstanding at the beginning of the year	**HK$1.38**	**34,644**	HK$1.36	44,100
Lapsed during the year	**HK$1.26**	**(9,772)**	HK$1.26	(11,136)
Exercised during the year	**HK$1.26**	**(3,400)**	–	–
Cancelled during the year	**–**	**–**	HK$1.26	(1,260)
Granted during the year	**–**	**–**	HK$1.26	2,940
Outstanding at the end of the year	**HK$1.46**	**21,472**	HK$1.38	34,644
Exercisable at the end of the year	**HK$1.46**	**21,472**	HK$1.35	29,536

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.66 (2010: nil).

c) Share options outstanding as at 31 December had the following remaining contractual lives and exercise prices:

	2011 Remaining contractual life	**2011** No. of shares issuable under options granted '000	2010 Remaining contractual life	2010 No. of shares issuable under options granted '000
Exercise price				
HK$1.26	**0 year**	**–**	0 year	9,772
HK$1.26	**0 year**	**–**	1 year	11,132
HK$1.65	**0 year**	**–**	1 year	3,574
HK$1.65	**1 year**	**3,578**	2 years	3,578
HK$1.26	**2 years**	**1,480**	3 years	1,480
HK$1.65	**2 years**	**3,648**	3 years	3,648
HK$1.26	**3 years**	**1,460**	4 years	1,460
HK$1.26	**4 years**	**7,732**	–	–
HK$1.65	**4 years**	**3,574**	–	–
		21,472		34,644

The options outstanding at 31 December 2011 had a weighted average remaining contractual life of 2.95 years (2010: 1.24 years).

29. Equity-settled Share-based Transactions *(Continued)*

d) Fair value of share options and assumptions:

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. Share options issued to suppliers and consultant in exchange for services are measured at the fair value of the services received. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

	2011			2010	
Option granted date	**14 November 2006**	**3 September 2007**	**2 October 2007**	**18 January 2010**	**6 September 2010**
Exercisable period	**From 1 July 2009 to 31 December 2011 and extended to 31 December 2015**	**From 1 January 2009 to 31 December 2011 and extended to 31 December 2015**	**From 1 January 2009 to 31 December 2011 and extended to 31 December 2015**	**From 1 July 2010 to 31 December 2013**	**From 1 April 2011 to 31 December 2014**
Fair value at measurement date	HK$0.71	HK$0.58	HK$0.58	HK$0.23	HK$0.24
Share price	HK$1.71	HK$1.71	HK$1.71	HK$1.02	HK$1.04
Exercise price	HK$1.26	HK$1.65	HK$1.65	HK$1.26	HK$1.26
Expected volatility (expressed as weighted average volatility used in the modeling under binomial lattice model)	51.23%	51.23%	51.23%	57.40%	57.95%
Option life (expressed as weighted average live used in the modeling under binomial lattice model)	4.67 years	4.67 years	4.67 years	3.95 years	4.32 years
Expected dividends	1.18%	1.18%	1.18%	8.08%	8.08%
Risk-free interest rate (based on Exchange Fund Notes/ 4-year Hong Kong Sovereign)	1.63%	1.63%	1.63%	1.49%	0.86%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

30. Material Related Party Transaction

a) During the years ended 31 December 2011 and 2010, the directors consider that the following are related parties of the Group:

Name of party	Relationship with the Group
Mr. Yu Longrui ("Mr. Yu")	Director of the Company
Fujian Deban Group Co., Ltd. (福建締邦集團有限公司) ("Fujian Deban")	Mr. Yu Longrui is a director of Fujian Deban
Deban International (Hong Kong) Limited (締邦國際(香港)有限公司) ("Deban International")	Mr. Yu Longrui is a director of Deban International
Fujian Dongya New Material Technology Co., Ltd. # (福建東亞新材料科技有限公司) ("Fujian Dongya")	A subsidiary of Deban International (Hong Kong) Limited (締邦國際(香港)有限公司)
Fujian Hong Ming Plastic Co., Limited # (福建省宏明塑膠股份有限公司) ("Hong Ming")	A director of the Company's subsidiary who is also a director of Hong Ming.
Dufule Industry (Fujian) Co., Limited # (杜甫樂實業(福州)有限公司) ("Dufule")	Mr. Yu Longrui has controlling interest.

# denotes English translation of the name of a Chinese company and is provided for identification purposes only.

The details of guarantees and pledge assets provided by the above related parties are set out in note 22(b) and note 25 respectively.

b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 11 is as follows:

	2011 RMB'000	2010 RMB'000
Equity-settled share based payment	**1,426**	781
Short-term employee benefits	**3,674**	3,777
Post-employment benefits	**62**	65
	5,162	4,623

30. Related Party Transaction *(Continued)*

c) Balance with a director

	2011	2010
	RMB'000	RMB'000
Amount due to a director	**–**	84

Note:

(i) The amount is unsecured, non-interest-bearing and repayable on demand.

(ii) During the year ended 31 December 2011, the Group repaid RMB84,000 to the director, therefore, the amount due to a director decreased from RMB84,000 to nil.

Details of the advance during the year are also disclosed in the consolidated statement of cash flows.

31. Commitments

a) Capital commitments

Capital commitments outstanding at 31 December 2011 and 2010 not provided for in the financial statements were as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
Contracted for		
– acquisition of property, plant and equipment	**–**	12,715

31. Commitments *(Continued)*

b) Lease commitments

The Group as lessee

As at 31 December 2011 and 2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
Within one year	**1,964**	1,506
After one year but within five years	**702**	370
	2,666	1,876

Significant leasing arrangements in respect of land held under operating leases are described in note 14.

The leases typically run for an initial period of one to three years. The leases did not include extension options. None of the leases includes contingent rentals.

32. Pledge of Assets

The following assets were pledged to banks as securities to obtain certain banking facilities including bills payables and bank loans at the end of the reporting period:

	The Group	
	2011	2010
	RMB'000	RMB'000
Bank deposit	**210,600**	20,000
Construction in progress – building	**–**	119,138
Prepaid lease payments	**9,455**	9,683
Buildings	**129,853**	6,502
	349,908	155,323

33. Financial Risk Management and Fair Values

The Group's major financial instruments include cash and bank deposits, bonds payable and convertible bonds, trade and other receivables, bank loans, trade and bills payables, other payables and balances with related parties. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, interest rate risk, liquidity risk and currency risk. The policies on how to mitigate these risks are set at below. The management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Fair values

The Group and the Company

All financial instruments are carried at amounts not materially different from their fair values at 31 December 2011 and 2010.

b) Credit risk

The Group

(i) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collaterals, where appropriate, as a means of mitigating the risk of financial loss from defaults.

(ii) In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 0 to 180 days from the date of billing.

33. Financial Risk Management and Fair Values *(Continued)*

b) Credit risk *(Continued)*

The Group (Continued)

(iii) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk. The Group's customers in the PRC are established telecommunication services providers for which the Group is satisfied with their reliable credit standing. At the end of the reporting period, the Group has a certain concentration of credit risk as 8.0% (2010: 8.2%) and 20.2% (2010: 28.1%) of the trade receivables was due from the Group's largest customer and the five largest customers respectively. Taking into account the creditworthiness of the Group's customers, the credit risk measures and the historical levels of bad debts, the directors consider that such concentration of credit risk would not result in significant credit default exposure to the Group.

(iv) In respect of deposits to suppliers, the amounts are generally utilised by subsequent purchase orders placed by the Group within one year from the date of deposits. The Group establishes adequate credit control for determination of limits, approvals and other monitoring procedures to ensure that follow-up actions are taken to recover unutilised advances. In addition, the Group reviews the recoverable amount of the deposits paid to suppliers at the end of each reporting period.

(v) In respect of liquid funds, the credit risk is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company

The directors consider that there is no significant credit risk on receivables from subsidiaries given their strong financial background and good credibility. The Company has concentration of credit risk as 100% (2010: 71%) on the amounts due from subsidiaries is due from one subsidiary.

The credit risk for bank deposits and bank balances exposure is considered minimal as such amounts are placed in banks in Hong Kong with good reputation.

c) Interest rate risk

The Group

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 25 for details of these borrowings) and fair value interest rate risk in relation to bonds payable. The Group currently does not have a policy on hedging of interest rate risks. However, the directors monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

33. Financial Risk Management and Fair Values *(Continued)*

c) Interest rate risk *(Continued)*

i) *Interest rate profile*

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of the reporting period:

	The Group			
	2011		2010	
	Effective interest rates %	**RMB'000**	Effective interest rates %	RMB'000
Fixed rate borrowings:				
Bonds payable	**5.00**	**45,727**	5.00	156,107
Variable rate Borrowings:				
Bank loans	**6.14-9.96**	**123,950**	5.58-7.67	130,000
Total borrowings		**169,677**		286,107
Fixed rate borrowings as a percentage of total borrowings	**26.9**		54.5	

	The Company			
	2011		2010	
	Effective interest rates %	**RMB'000**	Effective interest rates %	RMB'000
Fixed rate borrowings:				
Bonds payable	**5.00**	**45,727**	5.00	156,107

33. Financial Risk Management and Fair Values *(Continued)*

c) Interest rate risk *(Continued)*

ii) Sensitivity analysis

At 31 December 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately RMB930,000 (2010: RMB975,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2010.

The Company

The Company is exposed to cash flow interest rate risk in relation to bank balances and exposed to fair value interest rate risk in relation to the bank deposits. The directors consider that the interest rate risk is insignificant for the Company.

d) Liquidity risk

The Group and the Company

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's and the Company's policies are to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from financial instruction to meet its liquidity requirements in the short and longer term. There are no unutilised banking and credit facilities as at 31 December 2011 and 31 December 2010.

33. Financial Risk Management and Fair Values *(Continued)*

d) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using variable rates) and the earliest date the Group and the Company can be required to pay.

	2011					2010				
	Carrying amount RMB'000	**Total contractual undiscounted cash flow RMB'000**	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
The Group										
Bonds payable/convertible bonds	**45,727**	**45,727**	**45,727**	**-**	**-**	156,107	156,107	156,107	–	–
Trade and bills payables (note (i))	**490,644**	**490,644**	**490,644**	**-**	**-**	57,637	57,637	57,637	–	–
Accruals and other payable	**48,352**	**48,352**	**48,352**	**-**	**-**	55,706	55,706	55,706	–	–
Amount due to a director	**-**	**-**	**-**	**-**	**-**	84	84	84	–	–
Bank loans (note (i))	**123,950**	**129,375**	**111,726**	**17,649**	**-**	130,000	140,513	42,919	79,961	17,633
	708,673	**714,098**	**696,449**	**17,649**	**-**	399,534	410,047	312,453	79,961	17,633
The Company										
Bonds payable/convertible bonds	**45,727**	**45,727**	**45,727**	**-**	**-**	156,107	156,107	156,107	–	–
Accruals and other payable	**1,060**	**1,060**	**1,060**	**-**	**-**	789	789	789	–	–
Amount due to a direct	**-**	**-**	**-**	**-**	**-**	84	84	84	–	–
Amount due to subsidiaries	**80,865**	**80,865**	**80,865**	**-**	**-**	1,323	1,323	1,323	–	–
	127,652	**127,652**	**127,652**	**-**	**-**	158,303	158,303	158,303	–	–

Note:

(i) The pledged bank deposits are used to pledge the bank loans and bills payable as set out in note 22 and 25. The pledged bank deposits will be released upon the settlement of relevant bank borrowings and bills payable.

33. Financial Risk Management and Fair Values *(Continued)*

d) Liquidity risk *(Continued)*

The directors consider that the Group's cash and cash equivalents amounting to approximately RMB599,160,000 stated in the statement of financial position as at 31 December 2011 (2010: RMB495,773,000) are adequate to meet the above liquidity demands.

e) Currency risk

The Group and the Company

The Group and the Company currently do not have a foreign currency hedging policy. However, the directors monitor its foreign exchange exposures and will consider hedging significant foreign currency exposures should the need arises. As substantially all the transactions of the entities in the Group are in their functional currencies, the Group and the Company do not expect any significant currency risk which might materially affect the Group's and the Company's result of operations.

34. ULTIMATE HOLDING COMPANY

At 31 December 2011, the directors consider the ultimate parent company to be Daba International Investments Limited, which is incorporated in BVI. There was no financial statement available for public use.

35. Accounting Estimates and Judgements

In the process of applying the Group's accounting policies which are described in note 2, the directors have made certain key assumptions. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Key sources of estimation uncertainty

i) Useful lives of property, plant and equipment (Carrying amount: RMB554,226,000 (2010: RMB530,491,000))

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

35. Accounting Estimates and Judgements *(Continued)*

Key sources of estimation uncertainty *(Continued)*

ii) Impairment of property, plant and equipment (Carrying amount: RMB554,226,000 (2010: RMB530,491,000))

At the end of reporting period, the directors review the carrying amount of property, plant, and equipment to determine whether there is any indication that those have suffered an impairment loss. If any such indication exists, the directors carried out impairment reviews of property, plant and equipment. In making its judgement, management considered the future cash flows expected to arise from the cash generating unit and suitable discount rates in order to calculate the present value.

iii) Estimated allowance for impairment of trade receivables (Carrying amount: RMB567,311,000 (2010: RMB352,081,000))

The Group makes allowance for impairment loss based on an assessment of the recoverability of trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the customers and the current market conditions. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

iv) Estimated net realisable value of inventories (Carrying amount: RMB451,224,000 (2010: RMB314,942,000)) and deposits to suppliers (Carrying amount: RMB360,320,000 (2010: RMB96,514,000))

The Group writes down slow-moving or obsolete inventories and deposits to suppliers based on an assessment of the net realisable value of the inventories and deposits to suppliers. Writing down to the inventories where there are changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and deposits to suppliers and written down of inventory and deposits to suppliers expense in the period in which such estimate has been changed.

v) Income tax (Carrying amount: RMB27,085,000 (2010: RMB19,093,000))

Determining income tax provisions involve judgements on the tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Management's assessment is constantly reviewed.

36. Non-adjusting Events After the Reporting Period

a) Subsequent to year ended 31 December 2011, the Company has repurchased all of the outstanding bonds payable and the bonds are cancelled. The details of the bonds are set out in note 27.

b) After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 7.

37. Possible Impact of Amendments, New Standards and Interpretations Issued but Not Yet Effective for the Year ended 31 December 2011

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.