GWT

ANNUAL REPORT 2011 年報

GWT

長城科技股份有限公司

Great Wall Technology Company Limited

Stock Code 股份代號：0074

Contents

Corporate Information

Company Name in Chinese	:	長城科技股份有限公司
Company Name in English	:	Great Wall Technology Company Limited
Place of Registration	:	No. 2 Keyuan Road, Technology & Industry Park, Nanshan District, Shenzhen, China
Tel	:	86-755-2672 8686
Fax	:	86-755-2650 4493
Postal Code	:	518057
Executive Directors	:	Liu Liehong (Chairman) Lu Ming Tam Man Chi Yang Jun Su Duan Du Heping
Independent Non-executive Directors	:	Yao Xiaocong James Kong Tin Wong Zeng Zhijie
Supervisors	:	Lang Jia Kong Xueping Song Jianhua
Company Legal Representative	:	Liu Liehong
Company Secretary	:	Siu Yuchun
Authorized Representatives	:	Lu Ming Siu Yuchun
International Auditors	:	SHINEWING (HK) CPA Limited Certified Public Accountants Hong Kong
Domestic Auditors	:	Shinewing CPA
Legal Advisor (as to Hong Kong law)	:	Jones Day
Place of Listing H Shares	:	The Stock Exchange of Hong Kong Limited
Stock Short Name	:	Great Wall Tech
Stock Code	:	00074
H Shares Registrar and Transfer Office	:	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

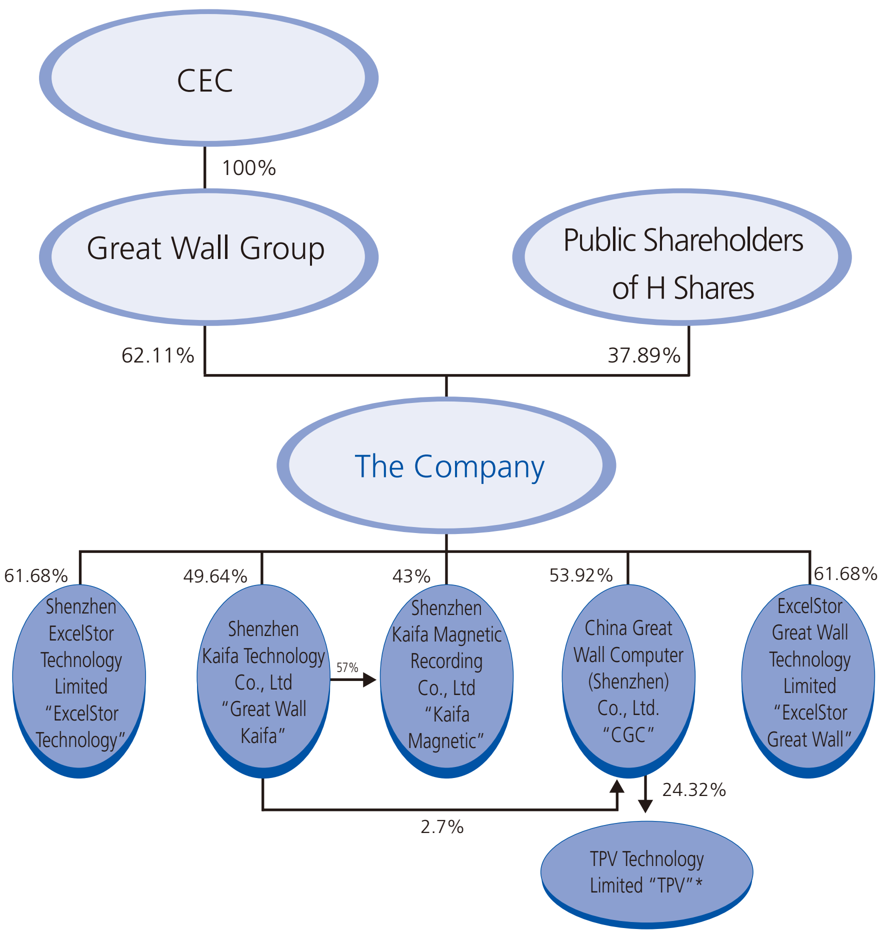
Group Structure

China Great Wall Computer Group Company ("Great Wall Group") was the sole promoter of Great Wall Technology Company Limited (the "Company"). The Company was formally established in Shenzhen, China on 20 March 1998 with a registered capital of RMB743,870,000 and was listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 5 August 1999. Currently, the registered capital of the Company is RMB1,197,742,000. The Company was classified as "Information Technology Stock" in May 2000 by the Hong Kong Hang Seng Index Services Limited.

On 2 August 2005, the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") has announced the Notifications on the Restructuring of 6 Enterprises including China Electronics Corporation (《關於中國電子信息產業集團公司等6戶企業重組的通報》), pursuant to which Great Wall Group would be consolidated into China Electronics Corporation ("CEC") for restructuring (the "Restructuring"). The Company was notified by Great Wall Group on 15 September 2006 that the Restructuring has been approved by the State Administration For Industry and Commerce ("SAIC") on 18 August 2006. As a result of the Restructuring, Great Wall Group has become a wholly-owned subsidiary of CEC. CEC has become the ultimate controlling shareholder of the Company through its control of 62.11% of the Great Wall Group. CEC is an enterprise directly administered by SASAC. It is principally engaged in the design and manufacturing of integrated circuits, software and integrated system services and research, development and manufacturing of other communication products.

The business of the Company and its subsidiaries (hereinafter collective referred to as the "Group") covers development, manufacture, sale and research and development of personal computer ("PC") and information terminal products, storage products, power supply products, monitoring terminal, LCD TV products and EMS business.

GROUP STRUCTURE



* TPV is a subsidiary of the Company.

Chairman's Statement

Dear Shareholders,

OPERATION REVIEW

In 2011, the Group achieved an operating revenue of RMB95 billion and a gross profit of RMB997 million, both lower than those for the previous year. However, excluding the changes in foreign exchange rates and the non-recurring gains and losses arising from the disposal of long-term equity investment for the previous year, the Group's fundamentals remained sound, with stable and increased shipments and market share. In particular, after the high-end guidelines proposed by the board of directors of the Company, i.e. transforming from "manufactural Great Wall" to "scientific Great Wall", were consistently implemented, the development ideas and industry chains have become clearer and the industry structure increasingly tends to be rational. In 2011, focusing on establishing "scientific Great Wall", the Group promoted the transformation and upgrade of the industry, deployed emerging industries and endeavored to expand market, and in these respects, it achieved anticipated results. The market shares and sales volumes were greatly improved in respect of our core products and business such as monitors, LCD TVs, magnetic heads, memory chips, power supplies and PCBAs, and the Group remained leading position in the industry, which has established solid foundations for the healthy development of the Group's business.

OUTLOOK

In 2012, the Group, with becoming stronger and outstanding and creating core competitiveness as its basic objective, will shift the focus of production and operation to promoting the integration of business and resources and industries within the companies of the Group, to implementing industry basis and strengthening science and technology innovation and to nurturing and introducing talents in order to enhance core competitiveness. While maintaining stable development, the Group will make efforts to enhance the quality of development, and strive to build "scientific Great Wall", in order to lay a solid foundation for the long-term and sustainable development of the companies of the Group.

On behalf of the board of Directors of the Company (the "Board"), I would like to take this opportunity to thank all the management members and staff of the Group for their hard work during the past year. Finally, I would also like to extend my sincere gratitude to the shareholders, securities agencies, business partners and clients for their support and help to the Group during the past year.

By order of the Board
Liu Liehong
Chairman

Shenzhen, China
29 March 2012

Summary of Financial Information

A summary of the published results and the assets and liabilities of the Group is as follows:

Results

	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TURNOVER	**95,024,261**	104,931,670	37,085,314	22,528,185	23,682,455
Cost of sales	**(89,824,902)**	(99,764,943)	(35,151,169)	(21,482,358)	(22,357,157)
Gross profit	**5,199,359**	5,166,727	1,934,145	1,045,827	1,325,298
Other income and gains	**462,005**	600,365	402,259	390,004	297,107
Net realised and unrealised gain on foreign exchange forward contracts	**205,937**	243,426	106,853	–	–
Gain on deemed partial disposal and partial disposal of interests in an associate	**–**	304,174	–	–	–
Net gain on disposal of an associate and the loan to an associate	**–**	236,904	–	–	–
Gain on disposal of prepaid land lease payments	**494,675**	–	–	–	–
Compensation for termination of contracts	**–**	–	114,084	104,471	–
Termination fee income	**–**	–	–	52,235	–
Discount on acquisition of a subsidiary	**–**	–	357,330	4,609	–
Gain on disposal of available-for-sale investments	**–**	–	–	–	572,806
Selling and distribution costs	**(2,223,578)**	(2,109,650)	(732,094)	(265,092)	(290,243)
Administrative expenses	**(2,118,876)**	(1,490,687)	(726,264)	(518,501)	(776,893)
Research and development expenses	**(878,059)**	(801,078)	(276,524)	(40,582)	–
Finance costs	**(155,175)**	(172,648)	(64,968)	(74,864)	(54,451)
Share of results of jointly controlled entities	**(5,866)**	(10,925)	–	–	–
Share of results of associates	**16,361**	126,224	42,154	(66,712)	(11,584)
PROFIT BEFORE TAX	**996,783**	2,092,832	1,156,975	631,395	1,062,040
Income tax expense	**(248,903)**	(353,107)	(150,093)	(7,579)	(221,437)
PROFIT FOR THE YEAR	**747,880**	1,739,725	1,006,882	623,816	840,603
Attributable to:					
Owners of the Company	**156,698**	648,989	397,605	359,984	308,768
Non-controlling interests	**591,182**	1,090,736	609,277	263,832	531,835
	747,880	1,739,725	1,006,882	623,816	840,603
DIVIDENDS					
Proposed final	**35,932**	179,661	143,729	65,876	–
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE OWNER					
Basic					
– Profit for the year	**13.08 cents**	54.18 cents	33.20 cents	30.06 cents	25.78 cents

Assets, Liabilities and Non-controlling Interests

	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	**45,410,805**	42,278,292	36,415,499	10,335,759	11,806,882
Total Liabilities	**29,989,541**	26,401,667	22,625,336	3,885,412	5,011,439
Non-controlling Interests	**10,850,036**	11,164,962	9,348,292	2,614,910	3,088,630

Management Discussion and Analysis

OPERATION REVIEW IN 2011 AND OUTLOOK FOR 2012

OPERATION REVIEW

In 2011, under the conditions of such adverse factors as the European debt crisis, RMB appreciation, decreased export growth, higher costs and frequent natural disasters including the Japanese earthquake and Thailand flood, the Group achieved an operating revenue of RMB95 billion and Profit before tax of RMB997 million, both lower than those for the previous year. However, excluding the changes in foreign exchange rates and the non-recurring gains and losses arising from the disposal of long-term equity investment for the previous year, the Group's fundamentals remained sound, with stable and increased shipments and market share. In particular, after the high-end guidelines proposed by the Board, i.e. transforming from "manufactural Great Wall" to "scientific Great Wall", are consistently implemented, the development ideas and industry chains have become clearer and the industry structure increasingly tends to be rational. In 2011, focusing on establishing "scientific Great Wall", the Group promoted the transformation and upgrade of the industry, deployed emerging industries and endeavored to expand market, and in these respects, it achieved anticipated results. The market shares and sales volumes were greatly improved in respect of our core products and business such as monitors, LCD TVs, magnetic heads, memory chips, power supplies and PCBAs, and the Group remained leading position in the industry, which has established solid foundations for the healthy development of the Group's business.

1. Endeavor to put more efforts on market expansion and seek to improve production operation while remaining stable.

In 2011, under the tough circumstances of slowing growth pace and lower profit across the industry, all the members of the Group endeavored to put more efforts on both domestic and international markets expansion.

Firstly, to put more efforts on overseas market expansion. TPV, a member of the Group, continued to achieve excellent results of ranking the first in terms of monitors and the third in terms of LCD TVs globally, despite the pressures arising from the weak global economy, significantly lower demand, exchange rate fluctuations and cost increase. Great Wall Kaifa had been endeavoring to continuously improve the platform for the core capability of IEMS focusing on enhancing its total value chain service. With excellent manufacturing capacity and service proficiency, it has become an outstanding partner of a number of well-known international companies. In the second half of 2011, the Thailand flood seriously hit the global hard disk industry, resulting in a slower growth of magnetic head segment of Great Wall Kaifa. However, as compared with the previous year, the sales of this segment for the whole year were increased by 54.5%. In addition, Great Wall Kaifa captured the opportunities arising from the shortage of production capacity of foreign manufacturers, to seek orders in the PRC in an active manner, as a result of which, it recorded an increase in terms of orders of approximately RMB1.5 billion. The sales revenue of its internal memories manufacturing was sharply decreased due to lower prices globally, however, there were little changes in respect of the size of this segment and the market share remained unchanged. In 2011, while PC power supply of CGC remained the first in the PRC, the high-end power supply for servers also achieved outstanding results in respect of core technology research and development ("R&D") and overseas market expansion. At present, CGC has 4 types of power supply which have obtained the authentification of "80PLUS Platinum", the maximum energy efficiency standard in the United States ("USA"). Since the high-end power supplies of CGC have been supplied in bulk to a number of domestic well-known manufactures, the sales volume of power supplies for servers in 2011 was up 42% as compared with the previous year. As to solar inverter business, CGC recorded a comparative increase of 60% with sustainable development.

Secondly, to put more efforts on domestic market expansion. The electric meter segment of Great Wall Kaifa has been focusing in overseas markets for many years. In 2011, with an objective of improving the market competitiveness of system resolutions, Great Wall Kaifa endeavored to enhance R&D of core products technology to continuously enlarge and extend the industry chains for intelligent measurement system products, in particular, from utilization of electricity to transformation and distribution sectors and the area of new energy access, and from electricity measurement to water and gas measurement. In addition, by putting more efforts on domestic market expansion, it achieved remarkable results. In 2011, Great Wall Kaifa recorded an increase of 160% or above as compared with the previous year in respect of the sales revenue of electric meters under its self-independent brand in the domestic market and a significant increase in respect of payment terminals.

2. Endeavor to promote capital operation and accelerate enhancement of competitiveness of industry chain

In 2011, the Group firmly focused on the enhancement of the competitiveness of its industry chain, made good use of its financing platform in its capacity as a listed company, and actively promoted re-financing by the listed company through additional issuance to enhance the quality of assets and market competitiveness.

Firstly, to undergo non-public issue of A Shares of CGC. On 12 May 2011, CGC passed a board resolution to approve the non-public shares issue, the proceeds from which were intended to be used for the acquisition of the TPV shares held by CEIEC (H.K.) Limited, LED power supply business, power supply for servers business, flat computer business, R&D of a highly secured cloud computing box system of Great Wall, and as liquidity funding. This proposal has been approved at the extraordinary general meetings CGC and the Company and subject to the approval of China Securities Regulatory Commission. The reused proposal is subject to the approval of the shareholders of CGC and the Company as well as the relevant government authorities.

Secondly, to complete the acquisition of PI International Holdings Ltd. ("PI International") by CGC. On 31 March 2011, China Great Wall Computer (H.K.) Holdings Limited ("Great Wall Hong Kong") was transferred 51% equity interest of PI International. After the completion of this acquisition, CGC and PI International have taken active measures to facilitate culture and resources integration to develop a synergy effect in the domains of procurement, R&D, sales, and manufacturing based on the advantageous foundation in the existing power supply business of both parties. The competitive products of PI International have been introduced to the domestic market by utilizing the advantages of CGC in the domestic market while the advantages of PI International in overseas businesses have helped to explore overseas customers for the power supply products of CGC. In addition, they have worked together to conduct R&D in high-end power supply and progressed well.

Thirdly, to complete the acquisition of equity interest in Great Wall ExcelStor Information Product (Shenzhen) Limited ("Great Wall ExcelStor") by CGC. In order to further accelerate the development of solar energy business, CGC acquired 100% equity interest in Great Wall ExcelStor at the consideration of US$24 million. The acquisition was completed in June 2011, which has established a sound foundation for the rapid enhancement in the new energy equipment and system industry.

Management Discussion and Analysis

Fourthly, to actively facilitate the acquisition of TV business of Koninklijke Philips Electronics N.V. ("Philips") by TPV. TPV will, by way of establishment of a joint venture company with Philips, acquire and take over Philips' branded TV business worldwide (excluding the PRC, India, North America and certain countries in Mexico and South America). The joint venture company will be granted the exclusive rights and licenses for Philips' trademarks with consideration to the extent of relevant business. By the acquisition and leveraging on the resources advantages of industry chain of CEC, it is beneficial to further improve the market share of the Group's TV business in the world.

3. Take active measures in the deployment of emerging industries and accelerate industry transformation and upgrade.

In 2011, as the government has changed the way in which the economy develops and aggressively developed strategic emerging industries, the Group has taken the significant opportunity to accelerate the deployment of strategic emerging industries and to facilitate company transformation and upgrade on an open and cooperative basis. It progressed well in this regard.

For the energy saving business sector, in June 2011, KFES Lighting Company Limited (開發晶照明（廈門）有限公司) ("KFES"), which was jointly established by, among others, Great Wall Kaifa, a major entity under the Group, and Taiwan Epistar Corporation Limited, a world well-known professional R&D manufacturer of LED extension chips and chips, laid a foundation in Xiamen. Phase I of KFES will be completed and put into production in 2012. KFES will be principally engaged in the R&D, production and sales of LED extension chips and chips, and gradually extend to back-light module, light source, light appliances and etc., which represents a firm step by the Group to create LED industry chain.

For new-energy equipment and system business sector, the grid-connected PV power generation system, developed by Great Wall ExcelStor using the high-efficiency amorphous silicon solar cells and grid-connected inverter produced by the Company, was approved as one of the first batch Demonstration Projects of 2011 Golden Sun, which has laid a good foundation to further expand the international and domestic market for our new-energy equipment and systems business. In addition, Great Wall ExcelStor achieved the desired results in respect of the assembly process and equipment technology and testing process and equipment technology for large power inverters of 30-1000KW, which presented 1GW production capacity. As for self-developed small power inverters of 5KW, CGC has also completed sample design and production.

For cloud computing sector, CGC, a member of the Group, and International Business Machines Corporation ("IBM") reached a cooperation agreement in April 2011, and pursuant to which they have planned to commence collaboration in cloud computing business. Currently, with the preliminary capability of Great Wall cloud computing system integration and provision of solutions, the company has successfully developed the Great Wall integrated cloud computing solution - CloudSmartFoundations (雲智方), which has been officially introduced. The key technology and application research including Great Wall desktop cloud, car networking and campus network has progressed as expected. "Great Wall" servers have been adopted as the critical equipment of the cloud platform in the demonstration system in Beijing, namely "Chang Yun Project", and have been used in a full range in the large cloud service systems like Great Wall Broadband, Chongqing Mobile and etc.. In December 2011, CGC, Fortis and USA EMC ("EMC"), which is one of the core providers in the world of cloud computing technology and leading suppliers of information infrastructure technology and solutions worldwide, signed an agreement, pursuant to which, they intend to integrate their respective advantages and resources to vie for the cloud computing market jointly. The joint venture company will combine EMC's memory technology and cloud computing solutions, Fortis' distribution networks and Great Wall's technology and manufacturing capabilities of servers, to provide information infrastructure solutions and services for future cloud data center in mainland China, in particular, the potential markets of "government affairs cloud", "private enterprises cloud" and "public cloud".

4. Accelerate the construction of key projects to ensure the sustainable development of the industry.

According to the development plan of the Group, in the coming years, the Group will get a foothold with the comprehensive strength of the Yue-Gang-Ao Economic Circle and capitalize the resources, technologies, talents and ancillaries within the industry of the Pearl River Delta Economic Circle, the Yangtze River Delta Economic Circle, the Bohai Rim Economic Circle, the Beibu Wan Economic Zone and the West-Strait Experimental Zone, which were considered as the global and regional manufacturing centers. The Group will rationalize the deployment of regional industry and establish a deployment system for the industry base with optimized resources to ensure the sustainable development of the industry. In 2011, the Group has endeavored to accelerate the construction of key projects and accomplished proactive and fruitful tasks concerning the deployment plan of the industry base.

Firstly, to promote the construction of the industry base of TPV in Beihai. On 9 April 2011, Beihai Municipal People's Government and Top Victory Investments Limited signed a cooperation agreement in Beihai, upon which, TPV formally stationed at Beihai. It marked a new phase for the construction of China Electronics Corporation Beihai Industry Park. In December 2011, the plant of TPV in Beihai accomplished the mass production as required by the standards.

Secondly, to promote the construction of the R&D office complex of Great Wall and the industry bases in Dongguan and Huizhou. The proposal on construction land for the construction project of the R&D office complex of Great Wall has been submitted to the relevant authorities of the Shenzhen Municipal Government for approval.

In 2011, according to the overall strategic plan and upon the approval by its board of directors, Great Wall Kaifa selected Dongguan and Huizhou as its new industry bases. In the first half year, Great Wall Kaifa Dongguan branch was incorporated and in July, Huizhou branch was incorporated. In October, the industry base in Huizhou obtained the State-owned Land Use Permits. The industry bases in both Dongguan and Huizhou are under construction steadily.

Thirdly, to promote the construction of the industry base of Xiamen KFES. On 3 June 2011, KFES laid a foundation in the Xiamen Torch High-tech Zone. In order to speed up the commencement of the production of LEDs, Great Wall Kaifa has accelerated the construction of the production base taking full use of various advantageous resources. By putting many efforts, the civil works of KFES plants are being constructed in all respects according to the planning and design and the fundamental pile caps of production facility and the infrastructure of certain office buildings have been completed. The capping of plants and ancillary buildings is scheduled to be completed in the first quarter of 2012.

5. Endeavor to control operational risk and ensure a stable yet rapid development of production operation

In 2011, the rapid increase in raw material price resulted in a significant increase in the operating cost of the Group and increased the operational risks of the Group; the advantages of our human resources cost were weakened, which imposed more pressure on the cost to the Group. The continuous appreciation in Renminbi directly affected the profit level of products. Confronted with operational risks resulting from the abovementioned factors, the Group adopted the following active countermeasures:

Firstly, to actively address the risk on credit tightening. The Group strengthened its capital management and sped up the recovery of trade receivables; made its utmost efforts to reduce loan amount in order to save financial costs; and took advantage of the sound creditworthiness of companies under the name "Great Wall" to secure concentrated credit facilities from banks, so as to resolve difficulty of capital flows encountered by the needy enterprises.

Secondly, to actively address the exchange rate risk. The Group imported more raw materials and endeavored to increase domestic sales; optimized the structure of exported commodities to increase the added value of products; changed products pricing strategy and improved the percentage of products settled in RMB; sped up the recovery of trade receivables and foreign currency settlement and; averted exchange rate risks through options as stated in contract terms.

Thirdly, to perfect the financial alert system. The Group strengthened its financial analysis, oversaw the flow of capital and asset and the execution of budgets to avert risks. For the external investment projects, the Group underwent feasibility analysis in a prudent manner in order to minimize the investment risks; established financial alert system, which focuses on typical indicators including profitability, solvency, economic efficiency, development potential; and monitored operational risks by using overall budget management.

Fourthly, to enhance refining management level. The Group used informatization approaches to strength its supply chain management. The CGC procurement center (長城電腦採購中心) established "Price Change Dynamic Tracking Model" (價格變化動態跟蹤模型) by informatization management approaches, and adjusted market purchase prices in a timely manner in accordance with prices of key raw materials. Great Wall Kaifa optimized informatization management system in a full range, improving significantly the efficiency of monthly settlement for production operation data and reducing the number of days required for monthly settlement. The refining management of the Group has been improved significantly.

OUTLOOK

In 2012, confronted with an economic situation that allows no optimism, the Group, with becoming stronger and outstanding and creating targeted competitiveness as its basic objective, will shift the focus of production and operation to promoting the integration of business and resources and industries within the companies of the Group to implementing industry basis and strengthening science and technology innovation and to nurturing and introducing talents in order to enhance core competitiveness. While maintaining stable development, the Group will make efforts to enhance the quality of development, and strive to build "scientific Great Wall", in order to lay a solid foundation for the long-term and sustainable development of companies of the Group.

For display technology sector, the Group will take advantage of the resource advantages of its electronic display industry chain in China and endeavor to enhance in-depth integration with the upstream and downstream entities within the Group of the industry chain, to capitalize fully the synergy effects and reduce transaction costs. In addition, the Group will speed up a breakthrough in next-generation display technology, and also make good efforts to enhance the synergies of display and television brands business to strengthen the integrated operation of products under the brands of AOC, PHILIPS and the Great Wall, thus improving its international leading position in the R&D and manufacture of display end products.

For information security business sector, the Group aims at achieving technology breakthrough and industrialization of autonomous controllable computers and key ancillary parts based on the domestic software and hardware, to accelerate breakthrough of autonomous controllable and reliable security technology. It will gear to the needs of the industry application market of the sector and persist in cooperation and innovation to further consolidate its technological strength in the domains of information security and autonomous controllable computers, accelerate achieving breakthroughs in the domains of information security and autonomous controllable computing technology and to build a platform for autonomous controllable hardware and information security system hardware. For cloud computing sector, the Group will enhance R&D of the technology and application for cloud computing, cloud storage and cloud security and endeavor to improve the market competitiveness of system solutions. The Group will also strengthen the in-depth collaboration with leading international companies and forge a complete industry chain of cloud computing at a high threshold to develop cloud solutions with independent intellectual property. In addition, it will continue to develop products relating to e-commerce and cloud services such as mobile payments and financial POS terminals in order to develop those products into a renowned supplier of cloud computing system equipment and solutions nationwide.

Management Discussion and Analysis

For new energy sector, the Group will firmly capture the new economy growth points and the new development opportunities derived from rapid growth of the strategic emerging industries to further accelerate the development of solar inverter technology, LED lighting technology, intelligent measurement technology and related industries and bring out new growth points, thus generating new impetus to striding development of the Group. For the new-energy equipment and system business sector, the Group will intensify the industrialization of large power inverters and strive to achieve breakthroughs in the technology of small power inverters in 2012. It will also further expand the system integration business for photovoltaic power plants, energy management contracting business, and the maintenance service business of photovoltaic power plants and the like. For intelligent measurement business sector, the Group will further strengthen the key technology breakthroughs and continue to put more efforts on the European market expansion for the intelligent meters under its own brands. It will also further expand domestic market to turn the Group into a major supplier of electronic meters in the PRC.

For EMS business sector, the Group will further strengthen "refining management" to increase income, cut costs and improve efficiency. It will further enhance the organization and management of operation, make efforts to expand profit margins and intensify cost control as well as refine control measures, so as to achieve the targets of production security and energy-saving and emission reduction. It will also further accelerate the breakthrough of advanced manufacturing technology and promote the ability to refined manufacturing and full value chain services. In addition, the Group will continue to conduct research regarding the reliability of electronic components and process, ultra-high static sensitivity of components, and the optical, thermal and mechanical simulation technology application for electronic products, focusing on the industrial robot application technology, remote equipment control technology, remote data collection and processing technology and etc..

FINANCIAL REVIEW

During the year ended 31 December 2011, the Group realized a turnover of RMB95,024,261,000 representing an decrease of 9.44% as compared to the corresponding period of last year. Profit after tax attributable to the equity holders of the Company amounted to RMB156,698,000 representing a decrease of 75.86% as compared to the corresponding period of last year. Such substantial drop was mainly because the non-operating income, being gains from disposal by the Group of its interest in Great Wall Broadband Network Service Co., Ltd. and O-Net Communications (Group) Ltd., recorded in the accounts of the Group for the year ended 31 December 2010.

Liquidity and Financial Resources

The Group was financed by a combination of its equity capital base, cash flow generated from operation and bank borrowings. As usual, bank and other liabilities were being met upon their maturities in the normal course of business.

As at 31 December 2011, the Group's total cash and bank balances were RMB7,537,459,000 and the Group's total borrowings were RMB8,394,530,000. The structure of such borrowings was as follows:

(1) 33.91% and 64.59% and 1.5% were denominated in Renminbi, US dollar and Polish zloty respectively;

(2) 28.2% was made on fixed interest rates.

Segment Information

Detailed segment information in respect of the Group's turnover and contribution to profit from operations for the year ended 31 December 2011 as well as other information by business segment and geographical segment is shown in note 10 to the consolidated financial statements.

Gearing Ratio

As at 31 December 2011, the Group's total borrowings and shareholder's equity were RMB8,394,530,000 and RMB4,571,228,000 respectively, as compared to RMB4,267,261,000 and RMB4,711,663,000 respectively as at 31 December 2010.

As at 31 December 2011, the gearing ratio was 183.64%, and the gearing ratio as at 31 December 2010 was 90.57%. The gearing ratio was defined as the ratio between total borrowings and shareholder's equity. The growth in gearing ratio was mainly attributable to the growth in TPV's gearing ratio.

Current Ratio and Working Capital

As at 31 December 2011, the Group's current assets and current liabilities amounted to RMB35,085,030,000 (31 December 2010: RMB33,597,824,000) and RMB28,742,885,000 (31 December 2010: RMB25,778,112,000) respectively, and the Group's working capital was RMB6,342,145,000 (31 December 2010: RMB7,819,712,000) while the current ratio was 1.22. (31 December 2010: 1.30).

Charges on Group Assets

As at 31 December 2011, certain of the Group's term deposit with a carrying value of approximately RMB2,270,968,000 (31 December 2010: RMB390,978,000) were pledged to banks to secure general banking facilities and performance bond for the Group.

BUSINESS RISKS AND RISK MANAGEMENT POLICIES

Foreign Exchange Rate Risk

It is expected that Renminbi will continue its appreciation for some time from now on and the fluctuation in the exchange rate of RMB has a larger effect on exports, which account for a major proportion of the Group business and thus impose enormous pressure on the Group in terms of appreciation of RMB.

The Group maintains a sound and healthy financial condition by adopting forward currency settlement measures to reduce exchange loss and by negotiating with customers to determine selling prices in RMB. The Group will also retain certain foreign currency position and settle balances with suppliers in US dollars.

Guarantee for independent third party

As at 31 December 2011, the Group provided guarantees of approximately RMB57,456,000 (2010: RMB54,051,000) to third parties in respect of bank facilities granted to third parties.

As at 31 December 2011, certain of the Groups leasehold land and buildings with a carrying value of approximately RMB124,593,000 were pledged to secure bank loans from a fellow subsidiary of the Company.

Loans to associated companies

As at 31 December 2011, loans to associated companies of approximately RMB76,326,000 (2010: RMB76,326,000) are unsecured, non-interest bearing and is repayable after twelve months from the balance sheet date.

ACQUISITIONS/DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Acquisitions

(1) Acquisition of equity interests in PI International by Great Wall Hong Kong

In order to promote the development of power supply sector and improve the technology strength of CGC, as considered and approved by CGC's board of directors on 29 March 2011, Great Wall Hong Kong, a subsidiary of CGC, acquired 51% equity interest in PI International from its shareholders at the price of HK$95 million. Upon completion of the acquisition on 1 April 2011, Great Wall Hong Kong holds 2,952,900 shares in PI International, representing 51% of the equity interest of PI International, and has therefore become the controlling shareholder of PI International.

(2) Investments of TPV

(i) On 15 June 2010, Top Victory Investments Limited, a wholly-owned subsidiary of TPV, entered into a joint venture agreement with Everlight (BVI) Co., Ltd. and Epistar JV Holding (BVI) Co., Ltd., proposing to form a joint venture company in Fujian Province, China, named Evertop (Fujian) Optoelectronics Co., Ltd. ("Evertop"), with a registered capital of US$25 million. Top Victory Investments Limited will contribute US$6.25 million, representing 25% of the total equity of Evertop. During the reporting period, the abovementioned capital contribution has been completed.

(ii) On 1 January 2011, AOC Holding Limited, a subsidiary of TPV, acquired 100% equity interest in Ebony Hong Kong Holding Limited held by Philips and its wholly-owned subsidiary PTC Consumer Electronics Company Limited (晉聲(上海)貿易有限公司) at the price of approximately RMB10.68 million.

(iii) On 1 November 2011, Coöperatie MMD Meridian U.A. ("MMD"), a wholly-owned subsidiary of TPV, Philips, TPV and T. P. Vision Holding B. V. ("JVCo") entered into a sale and purchase agreement, pursuant to which, among other things, MMD has conditionally agreed to acquire 70% of the issued shares in the JVCo from Philips at an amount equal to 70% of JVCo and its subsidiaries' average audited consolidated EBIT in each financial year commencing from (and including) the year ending 31 December 2012 to (and including) the later of (a) 2014 and (b) the last complete financial year prior to the date on which Philips gives notice in writing to MMD for its election to receive the consideration, multiplied by four, provided that, if the above calculation results in a negative number, then the price is deemed to be zero, pursuant to the terms and conditions of the agreement. The sale and purchase agreement and the series of transactions contemplated thereunder were approved at the extraordinary general meeting of the Company held on 21 February 2012.

Management Discussion and Analysis

Disposal

Disposal of equity interests in Shenzhen Hai Liang Storage Products Co., Ltd. ("Hai Liang Storage")

During the reporting period, due to the change of strategy by the substantial shareholders of Hai Liang Storage, there will be a change in its future business model and uncertainties for its income on investments. The disposal of 10% equity interest in Hai Liang Storage each held by CGC and Great Wall Kaifa by way of public listing based on an audit was approved at the meetings of the board of directors of CGC and Great Wall Kaifa held on 8 December 2010 and 28 April 2011, respectively. During the listing, the emerged prospective transferee was Hitachi Global Storage Technologies Netherlands BV ("Hitachi Global") with the delisting price of RMB60 million (or its equivalent in US dollars). The transaction has been approved by CEC, the representative holder of the state-owned assets. On 8 August 2011, the parties signed an Equity Transaction Contract and the change of business registration was subsequently completed on 19 December 2011. CGC and Great Wall Kaifa no longer hold any shares in Hai Liang Storage after completion of the transaction.

ACKNOWLEDGMENT:

Finally, we would like to extend our sincere gratitude to the shareholders, securities agencies, business partners and clients of the Group for their support and help to the Group during the past year.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the development, manufacture, sale and research and development of personal computers ("PCs") and information terminal products, storage products, power supply products, monitoring terminal, LCD TV products and EMS business.

RESULTS AND APPROPRIATIONS

The results and appropriations of the Group and the Company for the year ended 31 December 2011 are set out in the consolidated income statement on page 59 of this annual report.

DIVIDEND

The Board recommends the payment of a final dividend of RMB3 cents per share for the year ended 31 December 2011 (2010: RMB15 cents per share). The proposed final dividend is subject to approval of the shareholders at the forthcoming Annual General Meeting and if approved, is payable to shareholders whose names appear on the register of members of the Company at the close of business on 3 July 2012.

SHARE OPTION

None of the Company nor any of its subsidiaries has offered any share option except TPV.

TPV has adopted a new share option scheme ("New Scheme") on 15 May 2003. The principal terms of the New Scheme are summarized below:

(1) Participants of the New Scheme

Any employee or director including executive and non-executive directors of TPV, any of its holding companies and any of their respective subsidiaries and any entity in which TPV or any of its subsidiaries holds any equity interest.

(2) Maximum number of shares

The remaining number of shares available for issue under the New Scheme is 189,583,613, representing 8.08 percent of the issued share capital of TPV as at the date of this report.

SHARE OPTION (Continued)

(3) Maximum entitlement of each participant

The board of TPV shall not grant any option (the "Relevant Option") to any participant, which, if exercised, would enable such participant to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including those options exercised, cancelled or outstanding) in the 12-month period up to and including the offer date of the Relevant Options, exceed 1 percent of the shares in issue of TPV on such date.

The board of TPV may grant options to any participant in excess of the individual limit of 1 percent in any 12-month period with the approval of the shareholders of TPV in general meeting (with such participant and his associates abstaining from voting). In such situation, TPV will send a circular to its shareholders and the circular must disclose the identity of the participant, the number and terms of the options to be granted (and previously granted to such participant).

(4) Payment on acceptance of options

A participant shall pay TPV HK$1.00 for the grant of an option on acceptance of an option within 28 days after the offer date.

(5) Time of exercise of options

Subject to the provisions of the New Scheme, an option may be exercised at any time during such period notified by the board of TPV as not exceeding 10 years from the offer date. The exercise of options may also be subject to any conditions imposed by the board of TPV at the time of offer.

(6) Basis of determining the subscription price

The subscription price will be determined by the board of TPV and it shall not be less than the highest of, (i) the closing price of the shares of TPV as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the date of offer of the options; and (ii) the average closing price of the shares of TPV as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer; and (iii) the nominal value of a share of TPV.

(7) Remaining life of the New Scheme

The New Scheme is valid until 14 May 2013.

During the year ended 31 December 2011, 45,000,000 share options were granted and 1,450,000 share options were lapsed.

SHARE OPTION (Continued)

Particulars of outstanding options under the New Scheme at the beginning and at the end of the year ended 31 December 2011 and options exercised and lapsed during the year were as follows:

	Date of grant	Exercise Price HK$	Exercisable Period	Number of options: As at 01/01/2011	Granted	Exercised	Lapsed	As at 31/12/2011
Directors of TPV								
Dr Hsuan, Jason	18/01/2011	5.008 *(Note 2)*	18/01/2012–17/01/2021	0	150,000	0	0	150,000
			18/01/2013–17/01/2021	0	150,000	0	0	150,000
			18/01/2014–17/01/2021	0	150,000	0	0	150,000
			18/01/2015–17/01/2021	0	150,000	0	0	150,000
Mr Chan Boon Teong	12/12/2007	5.75 *(Note 1)*	12/12/2008–11/12/2012	80,000	0	0	0	80,000
			12/12/2009–11/12/2012	120,000	0	0	0	120,000
			12/12/2010–11/12/2012	200,000	0	0	0	200,000
Dr Ku Chia-Tai	12/12/2007	5.75 *(Note 1)*	12/12/2008–11/12/2012	60,000	0	0	0	60,000
			12/12/2009–11/12/2012	90,000	0	0	0	90,000
			12/12/2010–11/12/2012	150,000	0	0	0	150,000
Mr Wong Chi Keung	12/12/2007	5.75 *(Note 1)*	12/12/2008–11/12/2012	60,000	0	0	0	60,000
			12/12/2009–11/12/2012	90,000	0	0	0	90,000
			12/12/2010–11/12/2012	150,000	0	0	0	150,000
Employees of TPV	12/12/2007	5.75 *(Note 1)*	12/12/2008–11/12/2012	3,933,605	0	0	(106,000)	3,827,605
			12/12/2009–11/12/2012	5,900,408	0	0	(159,000)	5,741,408
			12/12/2010–11/12/2012	9,834,013	0	0	(265,000)	9,569,013
	18/01/2011	5.008 *(Note 2)*	18/01/2012–17/01/2021	0	11,100,000	0	(230,000)	10,870,000
			18/01/2013–17/01/2021	0	11,100,000	0	(230,000)	10,870,000
			18/01/2014–17/01/2021	0	11,100,000	0	(230,000)	10,870,000
			18/01/2015–17/01/2021	0	11,100,000	0	(230,000)	10,870,000
				20,668,026	45,000,000	0	(1,450,000)	64,218,026

Note:

1. These options are exercisable at HK$5.75 (US$0.73) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 12th December 2008 to 11th December 2012, from 12th December 2009 to 11th December 2012 and from 12th December 2010 to 11th December 2012 are 20 percent, 50 percent and 100 percent respectively.

2. These options are exercisable at HK$5.008 (US$0.64) per share in four tranches: the maximum percentage of share options exercisable within the periods commencing from 18th January 2012 to 17th January 2021, from 18th January 2013 to 17th January 2021, from 18th January 2014 to 17th January 2021 and 18th January 2015 to 17th January 2021 are 25 percent, 50 percent 75 percent and 100 percent respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2011, in accordance with the PRC Company Law, an amount of approximately RMB997 million standing to the credit of the Company's Share premium account, were available for distribution by way of future capitalization issue. In addition, the lesser amount of the retained profits of the Company as determined in accordance with the PRC GAAP and Hong Kong Financial Reporting Standards is available for distribution as dividend.

RESERVES

Details of the movements during the year ended 31 December 2011 in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 63 and 178 of this annual report, respectively.

FINANCIAL SUMMARY FOR THE PAST FIVE YEARS

A summary of the results of the Group for the past five years and the summary of the assets and liabilities for the past five years are set out on page 5 of this annual report.

FIXED ASSETS

Details of the movements during the year ended 31 December 2011 in the fixed assets of the Group and the Company are set out in note 18 to the financial statements.

SHARE CAPITAL STRUCTURE

As at 31 December 2011, the total share capital of the Company amounted to RMB1,197,742,000, divided into 1,197,742,000 shares of RMB1.00 each. The share capital of the Company as at 31 December 2011 was as follows:

	As at 31 December 2011 (audited) Number of shares	As at 31 December 2010 (audited) Number of shares
State-owned legal person shares	743,870,000	743,870,000
Oversea listed foreign shares (H Shares)	453,872,000	453,872,000
Total	1,197,742,000	1,197,742,000

Note: There was no change in the share capital structure of the Company during the year and during the period from 31 December 2011 up to the date of this annual report.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below and so far as the Directors, supervisors and chief executives of the Company are aware, as at 31 December 2011, no persons (other than the Directors, supervisors and chief executives of the Company disclosed below) had an interest or short position in the Company's shares or underlying shares, as case may be, which are required to be disclosed to the Company and Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"), or which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or were the substantial shareholders of the Company as such term is defined by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

Name of shareholder	Class of shares	Number of the Company's shares held	Shareholding percentage of issued state-owned legal person shares	Shareholding percentage of total issued shares
Great Wall Group	State-owned legal person shares	743,870,000	100%	62.11%

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2011, the Group had no designated deposits nor had any overdue and unrecoverable time deposits with any financial institutions.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the Company's subsidiaries and associated companies as at 31 December 2011 are set out in notes 50 and 22 to the financial statements respectively.

EMPLOYEES

As at 31 December 2011, the number of employees of the Group was approximately 59,000. The remuneration of the employees were determined according to the industry practices, rank in and contribution to the respective company of any individual employee with reference to the remuneration and incentive system of the respective company.

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

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

SUPERVISORS AND THE SUPERVISORY COMMITTEE

According to laws, regulations and Articles of Association of the Company with an attitude responsible to the shareholders as a whole, the Supervisory Committee of the Company had been able to perform conscientiously their obligations, accomplish standardized operation and supervise the Company's financial status and compliance with laws and regulations in the performance of duties by the Directors, general managers and other senior management, and had been able to safeguard the legal interests of the Company and the shareholders as a whole.

SHAREHOLDERS AND GENERAL MEETINGS

The Company had abided by relevant requirements to convene general meetings to ensure that the shareholders may exercise their voting rights according to law. During the reporting period, the Company convened an annual general meeting on 16 June 2011 and extraordinary general meetings as and when required. All procedures of the general meetings had been consistent with the requirements of the Company Law of the PRC and the Articles of Association of the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors or supervisors has a service contract in force with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into, or existed of any time, during the year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has obtained written confirmations from all independent non-executive Directors concerning their independence in accordance with Rule 3.13 of the Listing Rules. The Directors are of the opinion that the existing independent non-executive Directors are independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

Other than service contracts, no contract of significance in relation to the Group's business was entered into between the Company's Directors or supervisors and the Company or any of its subsidiaries or holding companies in which any of the Company's Directors or supervisors had a material interest, whether directly or indirectly, during the year ended 31 December 2011.

CONTROLLING SHAREHOLDERS' INTERESTS IN MATERIAL CONTRACTS

No contract of significance for the provisions of services or otherwise in relation to the Group's business was entered into between the Company's controlling shareholder or any of its subsidiaries and the Company or any of its subsidiaries in which such controlling shareholder had a material interest, whether directly or indirectly, during the year.

THE PURCHASE AND SALE OF SHARES BY THE DIRECTORS AND SUPERVISORS

During the year ended 31 December 2011, the Company had not granted any right to any Directors or supervisors and their spouses or children less than 18 years of age to subscribe for shares in the Company. The interests of the Directors and supervisors of the Company in the shares of the Company, its subsidiaries or its associated corporation are set out in the section headed "Directors', Supervisors' and the Company's Chief Executives' Interests in the Share Capital of the Company and its Associated Corporations" below.

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

As at 31 December 2011, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined under Part XV of the SFO) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, supervisors and chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company were as follows:

1. Personal Interests

Name of Director/ Chief Executive	Number of Shares held	Approximate percentage of issued share capital of the company
Mr. Tam Man Chi	1,670,817 shares of Great Wall Kaifa	0.13%
Mr. Du Heping	60,000 shares of CGC	0.0045%
	6,270 shares of Great Wall Kaifa	0.0005%

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

2. Corporate Interests

Name of Director	Number of Shares held	Approximate percentage of issued share capital of the company
Mr. Tam Man Chi	106,649,381 shares of Great Wall Kaifa *(Note)*	8.1%

Note:

Broadata (H.K.) Limited (abbreviated as "Broadata") held 8.1% of the overseas legal person shares in Great Wall Kaifa. Flash Bright International Limited held 69.08% shares in Broadata. Mr. Tam and his spouse held 100% equity shares in Flash Bright International Limited.

Save as disclosed above and so far as the Directors, supervisors and chief executives of the Company are aware, as at 31 December 2011, no other Directors, chief executives or supervisors of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which any such Director, chief executive or supervisor is taken or deemed to have under such provisions of the SFO) of which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and supervisors' remuneration and the five highest paid individuals of the Company during the year 2011 are set out in notes 14 and 15, respectively to the financial statements.

A. CONNECTED TRANSACTIONS

During the year 2011, the following connected transactions were carried out by the Group.

(1) On 11 May 2011, CGC and CEC entered into a subscription agreement ("CEC Subscription Agreement") pursuant to which CEC has conditionally agreed to subscribe and CGC has conditionally agreed to issue to CEC the new shares of CGC to be issued by CGC in its proposed non-public share issue for a subscription amount of not more than RMB100 million. CEC is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company. The subscription contemplated under the CEC Subscription Agreement constituted a connected transaction of the Company. As the applicable percentage ratios calculated in accordance with Chapter 14A of the Listing Rules for the subscription were less than 5%, the subscription was only subject to the reporting and announcement and was exempt from independent shareholders' approval requirement under the Listing Rules.

(2) On 1 August 2011, the Company entered into a subscription agreement ("Subscription Agreement") with China Electronics Finance Co., Ltd. ("CEC Finance") pursuant to which the Company agreed to subscribe for 100 million of the additional registered capital in CEC Finance for a subscription amount of RMB133.12 million. CEC Finance is owned as to 50.93% by CEC, the ultimate controlling shareholder of the Company, CEC Finance is therefore a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under the Subscription Agreement constituted a connected transaction of the Company under the Listing Rules. As all the relevant percentage ratios calculated in accordance with Chapter 14 of the Listing Rules for the transactions under the Subscription Agreement were less than 5%, the Subscription Agreement and the transactions contemplated thereunder was only subject to the reporting and announcement requirements and was exempted from independent shareholders' approval requirements under the Listing Rules.

B. CONTINUING CONNECTED TRANSACTIONS

During the year 2011, the following continuing connected transactions were carried out by the Group.

(1) Cooperation Agreement

On 6 July 2009, CGC, a subsidiary of the Company, entered into a cooperation agreement ("Cooperation Agreement") with Great Wall Information Industry Co., Ltd. ("Great Wall Information") whereby CGC has agreed to grant to Great Wall Information an exclusive right to manufacture and sell computer products comprising desktop computers, laptop computers and servers in Hunan Province. The Cooperation Agreement is for a period of three years ending 31 December 2011.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(1) Cooperation Agreement (Continued)

Great Wall Information is a company controlled by CEC, the ultimate controlling shareholder of the Company, is therefore a connected person of the Company within the meaning of the Listing Rules. The transaction amount under the Cooperation Agreement is subject to an annual cap of RMB35,100,000, RMB93,100,000 and RMB126,350,000 for years ended 31 December 2009 and 2010 and year 31 December 2011 respectively and the transactions contemplated under the Cooperation Agreement are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the Cooperation Agreement and the transactions contemplated thereunder was obtained at the extraordinary general meeting of the Company held on 10 November 2009.

For the year ended 31 December 2011, no transactions were made under the Cooperation Agreement.

(2) Purchase Agreements

(a) On 21 June 2010, TPV and CGC entered into a purchase agreement ("TPV Agreement") whereby TPV agreed to procure the TPV Group, comprising TPV and its subsidiaries, to supply and CGCSZ has agreed to procure the CGC Group, comprising CGC and its subsidiaries (excluding the TPV Group) to purchase LCD monitors and other products as may be agreed. The TPV Agreement became effective from the date of execution until 31 December 2012.

Both TPV and CGC are non-wholly owned subsidiaries of the Company. CEIEC HK being a substantial shareholder of TPV, is a company controlled by CEC, the ultimate controlling shareholder of the Company. TPV is therefore a connected person of the Company within the meaning of the Listing Rules. The aggregate annual caps for purchases under the TPV Agreement are US$56,000,000, US$170,000,000, and US$247,000,000 for the years ended 31 December 2010 and 31 December 2011 and year ending 31 December 2012 respectively.

For the year ended 31 December 2011, no transactions were made under the TPV Agreement.

(b) On 14 June 2011, eleven purchase agreements, collectively called the Purchase Agreements, were entered into as follows:

(i) Between Guilin Changhai Technology Co., Ltd. ("Changhai Technology") and CGC ("Changhai Technology (CGC) Agreement"), whereby CGC shall purchase wire and power supply products etc. from Changhai Technolog. The term of the Changhai Technology (CGC) Agreement commenced from 1 January 2011 and expired on 31 December 2011.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(2) Purchase Agreements (Continued)

Changhai Technology is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2011 is RMB125,000,000.

For the year ended 31 December 2011, the transactions made under the Chainghai Technology (CGC) Agreement amounted to approximately RMB57,234,000.

(ii) Between Changhai Technology and Beihai Great Wall Energy Technology Co., Ltd. ("Beihai Energy") ("Changhai Technology (Beihai Energy) Agreement"), whereby Beihai Energy shall purchase computer spare parts from Changhai Technology. The term of the Changhai Technology (Beihai Energy) Agreement commenced from 1 January 2011 and expired on 31 December 2011.

The annual cap for purchases for the year ended 31 December 2011 is RMB15,000,000.

For the year ended 31 December 2011, no transactions were made under the Changhai Technology (Beihai Energy) Agreement.

(iii) Between Shenzhen SED Baili Electric Appliance Co., Ltd. ("Shenzhen SED Baili") and CGC whereby CGC shall purchase plastic cases etc. from Shenzhen SED Baili ("Shenzhen SED Baili (CGC) Agreement"). The term of the Shenzhen SED Baili (CGC) Agreement commenced from 1 January 2011 and expired on 31 December 2011.

Shenzhen SED Baili is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2011 is RMB500,000.

For the year ended 31 December 2011, no transactions were made under the Shenzhen SED Baili (CGC) Agreement.

(iv) Between Shenzhen SED Baili and Beihai Energy whereby Beihai Energy shall purchase plastic cases from Shenzhen SED Baili ("Shenzhen SED Baili (Beihai Energy) Agreement"). The term of the Shenzhen SED Baili (Beihai Energy) Agreement commenced from 1 January 2011 and expired on 31 December 2011.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(2) Purchase Agreements (Continued)

The annual cap for purchases for the year ended 31 December 2011 is RMB5,000,000.

For the year ended 31 December 2011, the transactions made under the Shenzhen SED Baili (Beihai Energy) Agreement amounted to approximately RMB364,000.

(v) Between Shenzhen Huaming Computer Co., Ltd. ("Shenzhen Huaming") and CGC whereby CGC shall purchase computer parts (dioides/transistors) from Shenzhen Huaming ("Shenzhen Huaming Agreement"). The term of the Shenzhen Huaming Agreement commenced from 1 January 2011 and expired on 31 December 2011.

Shenzhen Huaming is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2011 is RMB1,000,000.

For the year ended 31 December 2011, the transactions made under the Shenzhen Huaming Agreement amounted to approximately RMB23,000.

(vi) Between Nanjing Huadong Electronic Communications Technology Co., Ltd ("Huadong Technology") and CGC whereby CGC shall purchase capacitive touch screens from Huadodng Technology ("Huadong Technology Agreement"). The term of the Huadong Technology Agreement commenced from 1 January 2011 and expired on 31 December 2011.

Huadong Technology is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2011 is RMB45,000,000.

For the year ended 31 December 2011, no transactions were made under the Huadong Technology Agreement.

(vii) Between Nanjing Jingyu Electronics Co., Ltd ("Jingyu Electronics") and CGC whereby CGC shall purchase computer power supply spare parts from Jingyu Electronics ("Jingyu Electronics Agreement"). The term of the Jingyu Electronics Agreement commenced from 1 January 2011 and expired on 31 December 2011.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(2) Purchase Agreements (Continued)

Jingyu Electronics is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2011 is RMB3,000,000.

For the year ended 31 December 2011, the transactions made under the Jingyu Electronics Agreement amounted to approximately RMB2,069,000.

(viii) Between Nanjing Weimeng Electronics Co., Ltd ("Weimeng Electronics") and CGC whereby CGC shall purchase power supply management IC and MOS from Weimeng Electronics ("Weimeng Electronics Agreement"). The term of the Weimeng Electronics Agreement commenced from 1 January 2011 and expired on 31 December 2011.

Weimeng Electronics is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2011 is RMB1,250,000.

For the year ended 31 December 2011, no transactions were made under the Weimeng Electronics Agreement.

(ix) Between Nanjing Panda Electronics Panda Crystal Technology Corporation ("Panda Crystal") and CGC whereby CGC shall purchase crystal resonators and crystal oscillators from Panda Crystal ("Panda Crystal (CGC) Agreement"). The term of the Panda Crystal (CGC) Agreement commenced from 1 January 2011 and expired on 31 December 2011.

Panda Crystal is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2011 is RMB1,060,000.

For the year ended 31 December 2011, the transactions made under the Panda Crystal (CGC) Agreement amounted to approximately RMB280,000.

(x) Between Shanghai Lingxinwei Electronics Co., Ltd ("Lingxinwei Electronics") and CGC whereby CGC shall purchase power supply management IC and MOS from Lingxinwei Electronics ("Lingxinwei Electronics Agreement"). The term of the Lingxinwei Electronics Agreement commenced from 1 January 2011 and expired on 31 December 2011.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(2) Purchase Agreements (Continued)

Lingxinwei Electronics is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2011 is RMB1,500,000.

For the year ended 31 December 2011, no transactions were made under the Lingxinwei Electronics Agreement.

(xi) Between Zhonglian Electronics Shenzhen Co., Ltd ("Zhonglian Electronics") and CGC whereby CGC shall purchase power supply products from Zhonglian Electronics ("Zhonglian Electronics Agreement"). The term of the Zhonglian Electronics Agreement commenced from 1 January 2011 and expired on 31 December 2011.

Zhonglian Electronics is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2011 is RMB314,970,000.

For the year ended 31 December 2011, no transactions were made under the Zhonglian Electronics Agreement.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(3) Sale Agreements

On 14 June 2011, thirteen sale agreements, collectively called the Sale Agreements, were entered into as follows:

(i) Between Hunan Greatwall Information Financial Instrument Co., Ltd. ("Hunan Communications") and CGC whereby CGC shall sell mother boards and panels to Hunan Communications ("Hunan Communications (CGC) Agreement"). The Hunan Communications (CGC) Agreement commenced on 1 January 2011 and expired on 31 December 2011.

Hunan Communications is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2011 is RMB10,000,000.

For the year ended 31 December 2011, the transactions made under the Hunan Communications (CGC) Agreement amounted to approximately RMB8,535,000.

(ii) Between Hunan Communications and Great Wall Computer (Guangxi) Co., Ltd. ("Guangxi CGC") whereby Guangxi CGC shall sell monitors to Hunan Communications ("Hunan Communications (Guangxi CGC) Agreement"). The Hunan Communications Agreement commenced on 1 January 2011 and expired on 31 December 2011. The annual cap for sales for the year ended 31 December 2011 is RMB10,000,000.

For the year ended 31 December 2011, the transactions made under the Hunan Communications (Guangxi CGC) Agreement amounted to approximately RMB6,081,000.

(iii) Between GreatWall Information Industry Co., Ltd. ("GreatWall Information") and CGC whereby CGC shall sell computers to GreatWall Information ("GreatWall Information Agreement"). The GreatWall Information Agreement commenced on 1 January 2011 and expired on 31 December 2011. The annual cap for sales for the year ended 31 December 2011 is RMB100,000,000.

For the year ended 31 December 2011, the transactions made under the GreatWall Information Agreement amounted to approximately RMB1,199,000.

(iv) Between Changhai Technology and CGC under the Changhai Technology (CGC) Agreement whereby CGC shall sell computers, peripherals, accessories and power supply parts etc. to Changhai Technology. The term of the Changhai Technology (CGC) Agreement commenced from 1 January 2011 and expired on 31 December 2011. The annual cap for sales for the year ended 31 December 2011 is RMB100,000,000.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(3) Sale Agreements (Continued)

For the year ended 31 December 2011, the transactions made under the Changhai Technology (CGC) Agreement amounted to approximately RMB54,582,000.

(v) Between Changhai Technology and Guangxi CGC whereby Guangxi CGC shall sell. monitors to Changhai Technology ("Changhai Technology (Guangxi CGC) Agreement"). The term of the Changhai Technology (Guangxi CGC) Agreement commenced from 1 January 2011 and expired on 31 December 2011. The annual cap for sales for the year ended 31 December 2011 is RMB500,000.

For the year ended 31 December 2011, no transactions were made under the Changhai Technology (Guangxi CGC) Agreement.

(vi) Between CEC and CGC whereby CGC shall sell computers (desktop computers and notebook computers) and digital products to CEC and its group companies ("CEC Agreement"). The CEC Agreement commenced on 1 January 2011 and expired on 31 December 2011.

CEC is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2011 is RMB20,000,000.

For the year ended 31 December 2011, the transactions made under the CEC Agreement amounted to approximately RMB5,777,000.

(vii) Between Panda Crystal and Guangxi CGC whereby Guangxi CGC shall sell monitors to Panda Crystal ("Panda Crystal (Guangxi CGC) Agreement"). The term of the Panda Crystal (Guangxi CGC) Agreement commenced from 1 January 2011 and expired on 31 December 2011. The annual cap for sales for the year ended 31 December 2011 is RMB12,000,000.

For the year ended 31 December 2011, the transactions made under the Panda Crystal (Guangxi CGC) Agreement amounted to approximately RMB5,546,000.

(viii) Between Changsha Xiangjihuaxiang Computer Co., Ltd. ("Xiangjihuaxiang") and CGC whereby CGC shall sell computers to Xiangjihuaxiang ("Xiangjihuaxiang (CGC) Agreement"). The Xiangjihuaxiang (CGC) Agreement commenced on 1 January 2011 and expired on 31 December 2011.

Xiangjihuaxiang is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2011 is RMB80,000,000.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(3) Sale Agreements (Continued)

For the year ended 31 December 2011, the transactions made under the Xiangjihuaxiang (CGC) Agreement amounted to approximately RMB24,292,000.

(ix) Between Xiangjihuaxiang and Guangxi CGC whereby Guangxi CGC shall sell monitors to Xiangjihuaxiang ("Xiangjihuaxiang (Guangxi GCGC) Agreement"). The Xiangjihuaxiang (Guangxi CGC) Agreement commenced on 1 January 2011 and expired on 31 December 2011. The annual cap for sales for the year ended 31 December 2011 is RMB3,000,000.

For the year ended 31 December 2011, no transactions were made under the Xiangjihuaxiang (Guangxi CGC) Agreement.

(x) Between Great Wall Computer Software and Systems Incorporation Limited ("GWCSS) and Guangxi CGC whereby Guangxi CGC shall sell monitors to GWCSS ("GWCSS Agreement"). The GWCSS Agreement commenced on 1 January 2011 and expired on 31 December 2011.

GWCSS is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2011 is RMB500,000.

For the year ended 31 December 2011, no transactions were made under the GWCSS Agreement.

(xi) Between China Electronics Beihai Industry Park Development Co., Ltd. ("Beihai Industry") and Guangxi CGC whereby Guangxi CGC shall sell computers and digital products to Beihai Industry ("Beihai Industry Agreement"). The Beihai Industry Agreement commenced on 1 January 2011 and expired on 31 December 2011.

Beihai Industry is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2011 is RMB300,000.

For the year ended 31 December 2011, no transactions were made under the Beihai Industry Agreement.

(xii) Between SED Huitong Electronics Co., Ltd. ("SED Huitong"), CGC and Shenzhen DSO Micro Electronics Co., Ltd. ("DSO") whereby CGC shall appoint DSO to design, develop and supply raw materials for some designated products ("SED Huitong Agreement"). The term of the SED Huitong Agreement is from 1 April 2011 to 31 December 2013.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(3) Sale Agreements (Continued)

SED Huitong is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for the sales for the year ended 31 December 2011 is RMB35,000,000.

For the year ended 31 December 2011, no transactions were made under the SED Huitong Agreement.

(xiii) Between SED Electronics Sales Co., Ltd. ("SED Sales"), CGC and DSO whereby CGC and SED Sales shall appoint DSO to design, develop and supply raw materials for some designated products ("SED Sales Agreement"). The SED Sales Agreement is from 1 June 2011 to 31 December 2013.

SED Sales is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for the sales for the year ended 31 December 2011 is RMB20,000,000.

For the year ended 31 December 2011, no transactions were made under the SED Sales Agreement.

The Sale Agreements are subject to an annual cap of RMB391,300,000 for the year ended 31 December 2011. The Sale Agreements are subject to reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the Sale Agreements and the transactions contemplated thereunder was obtained at the extraordinary general meeting of the Company held on 1 September 2011.

For the year ended 31 December 2011, no transactions were made under the Sales Agreements.

(4) Financial Services Agreement

On 17 September 2010, Great Wall Kaifa entered into a financial services agreement ("Financial Services Agreement") with CEC Finance Co., Ltd. ("CEC Finance"), whereby CEC Finance has agreed to provide to Great Wall Kaifa the deposit services, loan services, settlement services, general strategic advisory services and other financial services subject to the terms and conditions provided therein.

CEC Finance is a subsidiary of CEC, the ultimate controlling shareholder of the Company, is therefore a connected person of the Company within the meaning of the Listing Rules. Great Wall Kaifa is a subsidiary of the Company and is a connected person of the Company within the meaning of the Listing Rules.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(4) Financial Services Agreement (Continued)

The proposed deposit to be placed with CEC Finance under the Financial Services Agreement is to be RMB600,000,000 and is subject to reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. The proposed loan and loan guarantee services, settlement services and general strategic advisory services under the Financial Services Agreement are exempted from the reporting, annual, announcement and independent shareholders' approval requirement under the Listing Rules. The Financial Services Agreement is for a period of three years commencing after (i) the date approval of the shareholders of Great Wall Kaifa is obtained; (ii) approval of the independent shareholders of the Company is obtained at the extraordinary general meeting of the Company; and (iii) Great Wall Kaifa has filed the approval of the shareholders with the Shenzhen Stock Exchange. The approval of the shareholders of Great Wall Kaifa to the Financial Services Agreement and the transactions contemplated thereunder was obtained on 7 December 2010; the approval of the independent shareholders of the Company to the same was obtained at the extraordinary general meeting of the Company at 15 November 2010; and approval of the shareholders to the same was filed with the Shenzhen Stock Exchange on 7 December 2010. Accordingly, the term of the Financial Services Agreement is for a period of three years commencing on 7 December 2010 and ending on 6 December 2013.

For the year ended 31 December 2011, no transactions were made under the Financial Services Agreement.

Confirmation of Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing them (if applicable) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS (Continued)

Confirmation From Auditors Of The Company

The Board of Directors has received an unqualified letter issued by the auditors of the Company in accordance with Hong Kong Standard on Assurance Engagement 3000 and Practise Note 740 issued by the Hong Kong Institute of Certified Public Accountants with respect to the above continuing connected transactions and the letter stated that for the year 2011, the above continuing connected transactions:

(i) have been approved by the Board of Directors;

(ii) have been entered into in accordance with the terms of the agreement governing the transactions; and

(iii) have not exceeded the cap amount announced by the Company.

In respect of the continuing connected transactions, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

PRE-EMPTIVE RIGHTS

According to the Articles of Association of the Company and the laws of the PRC, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

BORROWINGS AND INTEREST CAPITALISED

Details of bank borrowings of the Group and the Company are set out in note 31 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentages of sales for the year attributable to the Group's major customers are as follows:

Sales

– the largest customer 12%
– five largest customers combined 37.47%

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

Purchases

– the largest supplier 7.4%
– five largest suppliers combined 29.6%

As far as the Directors are aware, none of the Directors or any of their associates (within the meaning of the Listing Rules), or those shareholders which own more than 5% of the share capital of the Company have an interest in any of the above customers and suppliers of the Group during the year.

SUFFICIENCY OF PUBLIC FLOAT

According to the public information that is available to the Directors, the Company has maintained the prescribed public float under the Listing Rules throughout the year 2011 and up to the date of this annual report.

CORPORATE GOVERNANCE

Major corporate governance practices adopted by the Company are set out in Corporate Governance Report on pages 43 to 55.

AUDIT COMMITTEE

The Company has set up an audit committee, comprising three independent non-executive Directors currently namely Mr. Yao Xiaocong (Chairman), Mr. James Kong Tin Wong and Mr. Zeng Zhijie. The principal duties of the audit committee include the review of the Group's financial reporting system and internal control procedures, review of the Group's financial information and the relationship with the external auditor of the Company. The consolidated financial statements for the year ended 31 December 2011 have been reviewed by the audit committee.

AUDITORS

The consolidated financial statements for the year ended 31 December 2011 have been audited by SHINEWING (HK) CPA Limited who retire and being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting.

By Order of the Board
Liu Liehong
Chairman

Shenzhen, China
29 March 2012

Directors, Supervisors and Senior Management

DIRECTORS

As at the date of this annual report, the members of the Board of Directors of the Company and their biographical details are as follows:

Executive Directors

Mr. Liu Liehong, aged 43. Mr. Liu is the chairman of the Board of Directors of the Company. Mr. Liu graduated with a master's degree in business administration from Xi'an Transport University, and received titles of post-graduate grade senior engineer. Currently, he is the general manager and a director of CEC. He is the president of China Electronics Industry Corporation and CEC Corecast Company Limited, and a non-executive director of TPV. He was the president of China Center for information Industry Development, deputy general manager of China Electronics Technology Corporation and head of No.2 Research Institute, Ministry of Industry and Information Technology. He has received a series of awards, including "Outstanding Young Scientist of Shanxi Province", "Outstanding Young Entrepreneurs of Shanxi Province" and "Outstanding Personal Award of Shanxi Province". He is very experienced in managing large enterprises. Mr. Liu was appointed an executive director of the Company in June 2010.

Mr. Lu Ming, aged 62. Mr. Lu is a director of Great Wall Kaifa and a non-executive director of TPV. He was the deputy general manager of CEC and the vice chairman of CGC. Mr. Lu graduated from the Chinese Academy of Sciences with a master's degree in computer science and completed postgraduate studies at the High Energy Physics Research Institute in Hamburg, Germany and learned from Professor Samuel C.C. Ting. Mr. Lu is one of the founders of Great Wall Group and has over 30 years of experience in the information technology industry. Mr. Lu was previously the vice president of the Company from 1998 to 2005. He was the president of the Company from October 2005 to January 2009, and the chairman of the Company from January 2008 to June 2010. Mr. Lu has been an executive Director of the Company since 1998.

Mr. Tam Man Chi, aged 64. Mr. Tam is a director of CGC, the chairman of Great Wall Kaifa, a director and president of Kaifa Technology (H.K.) Limited and Shenzhen Kaifa Magnetic Recording Company Limited, the co-chairman of the board of O-Net Communications (Group) Limited, a non-executive director and the chairman of the remuneration committee, a director of O-Net Communications Limited, a company listed on the Stock Exchange of Hong Kong Limited, the president of O-Net Communications (Shenzhen) Company Limited, a director of ExcelStor Group Limited, ExcelStor Technology (Shenzhen) Limited and Shenzhen Hai Liang Storage Products Co., Ltd. and the vice chairman of Shenzhen KTM Glass Substrate Co., Ltd. Mr. Tam has been awarded "Shenzhen Honor Citizen" in 1994, "National Friendship Award" in 2005 and "Excellent Worker title of Guangdong Province" in 2006. Mr. Tam has over 40 years of management experience in the international electronic industry. Mr. Tam was previously the vice president of the Company, but he resigned from that position with effect from 23 April 2003. Mr Tam has been an executive director of the Company since 1998.

DIRECTORS (Continued)

Executive Directors

Mr. Yang Jun, aged 48, is a senior engineer. Mr. Yang graduated from Northwest Telecommunication Engineering College with a master's degree. Mr. Yang currently holds the positions of deputy general manager of CEC and director of the Great Wall Group. He previously held the positions of general manager of China TravelSky Information Centre, chairman of China TravelSky Technology Limited deputy general manager of China TravelSky Holding Company, chairman of Shenzhen Sed Industry Company Limited and chairman of China National Software & Service Co., Ltd.. Mr. Yang has been an executive director of the Company since June 2005.

Mr. Su Duan, aged 59, is a senior engineer and a college graduate. Mr. Su graduated with an economics and management degree from the Correspondence Institute of the Party School of the Central Committee of the Communist Party of China. Mr. Su is currently a director of China Electronics Corporation, the president of China Electronic Technology Development Co., Ltd. and a temporary party secretary. He has worked in various positions in China Electronics Corporation, including deputy general manager and the director of the presidential office of the management department, director of party-masses and discipline, director of the party-masses work department, deputy secretary of the party committee directly under central control and secretary of the discipline inspection committee and the general manager of the human resources department. Mr. Su has been an executive Director of the Company since November 2006.

Mr. Du Heping, aged 57. Mr. Du is the chief executive officer of the Company. Mr. Du is an in-service postgraduate from the economics management specialty of Central Party School, and is also a senior business operator (高級經營師). He is currently a director and the president of the Company and is also the chairman and secretary of the Communist Party of CGC. He is also a director of Great Wall Kaifa and a non-executive director of TPV and the president of China Great Wall Computer (H.K.) Holdings Limited. He is the chairman of Shenzhen Computer Industry Association (深圳市計算機行業協會), vice chairman of Shenzhen Municipal Science and Technology Association (深圳市科學技術協會), vice chairman of Shenzhen Computer Society (深圳市電腦學會), and chairman of the Association of Volunteers for Science Popularization in Shenzhen (深圳市科普志願者協會). He has been the vice president and the secretary to the board of directors and deputy general manager of CGC, and organizing officer in charge and factory manager of Great Wall Power Supplies Factory (長城電源廠). He has abundant experiences in science and technology development, production management and quality management. He has been awarded the title of "2010 Top 10 Outstanding Entrepreneur in Listed Companies in Guangdong" in December 2010. Mr. Du was elected a representative of People's Congress of Nanshan District in December 2011. Mr. Du was appointed an executive director of the Company in June 2010.

Directors, Supervisors and Senior Management

DIRECTORS (Continued)

Independent Non-executive Directors

Mr. Yao Xiaocong, aged 59, Mr. Yao graduated from the Party School of the CPC (中央黨校), majoring in economics and management and has been accredited to be an accountant. He is currently an investigator of Guangshen Railway Company Limited (a company listed in New York, Hong Kong and Shanghai), and was previously an executive director, chief accountant and secretary of the board of directors in Guangshen Railway Company Limited and the director of the accounting department of the Guangzhou Railway (Group) Company during the period from June 1997 to December 2008, He was also an independent director of Great Wall Kaifa during the period from April 2002 to April 2008. He has abundant working experiences in financial accounting management and operational management in listed companies in New York, Hong Kong and Shanghai. Mr. Yao was appointed an independent non-executive director of the Company in June 2010.

Dr. James Kong Tin Wong, aged 45, is a lawyer, arbitrator and commercial mediator. He is the person-in-charge of the China Practice Department of Philip K H Wong, Kennedy Y H Wong & Co, Solicitors & Notaries. He has over 20 years of experience in PRC-related practice such as cross-border foreign direct investments, joint venture, banking, finance and loan transactions, corporate mergers and acquisitions, real estate development projects and corporate listing. Dr. Wong holds LLB, LLM and LLD degrees, and is also a registered financial planner in Hong Kong, a fellow of the Hong Kong Institute of Directors, associate of Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators. Dr. Wong is a committee member of the 10th and 11th Shanghai Committee of Chinese People's Political Consultative Conference, deputy chairman of Mainland Legal Affairs Committee of the Law Society of Hong Kong, panel member of the Solicitors Disciplinary Tribunal, member of Obscene and Indecent Articles Panel of Adjudicators, member of Hong Kong Liquor Licensing Board, an observer of Independent Police Complaints Council, member of the Community Relations Committee of the Law Society of Hong Kong, Deputy Chairman of Association of Hong Kong Professionals, Chief Executive of of Hong Kong Young Legal Professionals Association and an executive director of the Basic Law Institute and a director of the China Juvenile Delinquency Research Society. Dr. Wong was appointed an independent non-executive director of the Company in June 2010.

Mr. Zeng Zhijie, aged 43, is the Senior Managing Director of CITIC Capital Holdings Limited and the General Manager and Managing Partner of Kaixin Investment, a joint venture VC fund founded by China Development Bank and CITIC Capital focusing on high growth small and medium companies. Mr. Zeng has been active in the venture capital industry for more than fifteen years. Prior to joining Kaixin Investment, he was a managing director of Walden International since 2001, an established global venture capital firm, for which he was mainly responsible for venture investments in China, and had worked for CITIC Pacific Ltd in Hong Kong and Mitsubishi Corporation in Tokyo, Japan. Mr. Zeng is the chairman of China Special Article Logistics Company and is a director of Hunan Talkweb Information System Ltd (a company listed on the Shenzhen Stock Exchange) since April 2004. Mr. Zeng is also an independent director of the following listed companies, namely Chinasoft International Ltd (a company listed on The Stock Exchange of Hong Kong Limited) since June 2003, Shanghai AJ Corporation (a company listed on Shanghai Stock Exchange) since June 2006, E-House (China) Holdings Limited (a company listed on the New York Stock Exchange) since August 2008, Vimicro International Corporation (a company listed on Nasdaq) since July 2009 and AutoNavi Holdings Limited (a company listed on Nasdaq) since October 2006. Mr. Zeng also serves as a director of State Micro Technology Corporation since February 2008 and an independent director of United Overseas Bank since November 2010. Besides, Mr. Zeng was an independent director of China Great Wall Computer (Shenzhen) Co., Ltd., a subsidiary of the Company, during the period from June 2004 to August 2010 and a director of China Linong International Limited during the period from March 2008 to January 2011. Mr. Zeng is also the Co-chairman of the Venture Capital Association of Investment Association of China, the executive director of Asia America MultiTechnology Association China branch and board member of China Western Returned Scholars Association, Chamber of Commerce (WRSACC) 2005 Committee. Mr. Zeng holds a Bachelor of Science degree in Economics from the University of Nagasaki, Japan, and a Master of Science Management degree from Stanford University. Mr. Zeng was appointed an independent non-executive director of the Company in June 2011.

DIRECTORS (Continued)

Supervisors

Mr. Lang Jia, aged 58, was appointed a supervisor and the chairman of the Company's supervisory committee in November 2006. At the election in June 2010, he was elected again as supervisor of the Company. Mr. Lang graduated with a bachelor's degree in Chinese from Liaoning Normal University. Mr. Lang completed a course in world economic research graduate class in Liaoning University. Mr. Lang is currently a director of CEC, a member of the party group, and a director of the discipline inspection group under the party group in CEC and chief legal advisor of the Group companies. Mr. Lang previously served as procurator of Supreme People's Procuratorate of the People's Republic of China, and director of the discipline inspection office and deputy secretary of party committee in the China National School of Administration.

Ms. Kong Xueping, aged 43, was appointed supervisor of the Company in June 2007. At the election in June 2010, she was elected again as supervisor of the Company. Ms. Kong graduated from Beijing University and holds a master's degree in law. She is a qualified PRC lawyer and a qualified corporate law advisor. She is currently the head of the legal department of CEC. She had previously worked at the editorial department of the sports academy of Shanxi Normal University.

Mr. Song Jianhua, aged 56, was appointed supervisor of the Company in June 2007. At the election in June 2010, he was elected again as supervisor of the Company. Mr. Song graduated from Xuanhua Artillery Command Academy and completed advanced studies in 2006 SASAC affiliated batch of Central Party School. He had previously served as the camp commander of 35304 company and as deputy manager of the labour department office of Kunming City. Mr. Song joined Great Wall Kaifa in 1990 and has since served as office manager, chief executive, vice chairman of labour union of Great Wall Kaifa. He is currently vice party chairman, secretary of the discipline committee and the chairman of labour union of Great Wall Kaifa, and a supervisor of Suzhou Kaifa Technology Co. Ltd.. He primarily served as supervisor of the 1st supervisory committee of Great Wall Kaifa in December 1993, and thereafter served as supervisor and chairman of the 4th and 5th supervisory committee. At the election in May 2009, he was elected again as supervisor and chairman of the 6th supervisory committee of Great Wall Kaifa.

Directors, Supervisors and Senior Management

DIRECTORS (Continued)

Other Senior Management

Mr. Zhong Jimin, aged 57, was appointed vice chairman of Great Wall Kaifa, vice president of the Company in February 2008. He has been the vice chairman of CGC since 2010. He graduated from Huazhong Institute of Technology, with a bachelor's degree in radio engineering. He holds the title of chief editor. He was a director of the Office of CEC. He was the person-in-charge of the International Cooperation Department of CEC, executive director of CEC International Holdings Limited, chairman and general manager of 3Sun Company Limited (三訊電子公司) in Hong Kong, deputy general manager of CTGC, the deputy director of the managerial department of CEC, the (commissioner-level) officer at the General Division of the General Office of the Electromechanical Department, director of the Editorial Department of the China Electronic Press (中國電子報社), and also assistant engineer of the Design Institute of the State-owned Factory no. 798.

Mr. Siu Yuchun, aged 53, is a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Association of Chartered Certified Accountants (ACCA). He also holds a bachelor's degree of Economics from Acadia University of Canada and a master's degree of business administration from Dalhousie University of Canada. He was appointed the company secretary of the Company in July 2007, and the qualified accountant of the Company on 17 January 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company attaches great importance to the excellence, soundness and reasonableness of its corporate governance structure. The Company has adopted and applied the principles of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company has complied with all the code provisions in the CG Code throughout the year ended 31 December 2011.

The Board and management of the Company make every effort to comply with the CG Code in order to protect and enhance the benefits of shareholders. Following sustained development and growth of the Company, we will continue to monitor and revise the Company's governance policies in order to ensure that such policies meet the general rules and standards required by the shareholders and under the Listing Rules.

In accordance with relevant laws and regulations, the Company had established inter-restricting management systems comprising general meeting, Board, Board committees, supervisory committee and management, which were characterized by clear division of work and responsibility. In practical operation, the Company had been perfecting its corporate governance structure, regulating itself and strengthening information disclosure.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as a code of conduct to regulate securities transactions of the Directors and supervisors of the Company.

All Directors and supervisors of the Company have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2011.

BOARD

(a) Board composition

The Board of the Company comprises nine Directors, one of whom is the chairman of the Board, six being executive Directors and three being independent non-executive Directors. The details are as follow:

Executive Directors:

Liu Liehong *(Chairman)*
Lu Ming
Tam Man Chi
Yang Jun
Su Duan
Du Heping

Independent non-executive Directors:

Yao Xiaocong
James Kong Tin Wong
Zeng Zhijie

Pursuant to the Articles of Association of the Company, all Directors are subject to retirement every three years and their re-election is subject to a vote of the shareholders at the general meeting. The last retirement and re-election took place at the annual general meeting of the Company held on 18 June 2010, accordingly, no Directors will retire at the forthcoming annual general meeting.

Directors of the Company had observed strictly their commitments made public and performed their obligations with faithfulness, integrity and diligence. The composition of the Board of the Company was accordant with relevant laws and regulations. The Board of the Company had held itself responsible to shareholders for the leading and steering of the Company. The Board convened regular meetings and extraordinary meetings according to legal procedures and exercised its powers of office according to laws, regulations and Articles of Association and has taken good care of the interests of the Company and shareholders as a whole.

(b) Independent non-executive Directors

The Company has complied with the provisions of Rules 3.10 (1) and 3.10 (2) of the Listing Rule that at least three independent non-executive Directors be appointed by listed issuers and that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors are financially independent from the Company and any of its subsidiaries.

All independent non-executive Directors have entered into service contracts with the Company. None of the independent non-executive Directors has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation other than under statutory compensation.

The Board of the Company had received an annual confirmation of independence from each of the independent non-executive Director pursuant to Rule 3.13 of the Listing Rules. The Board of the Company is of the view that all the independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

(c) Attendance record at board meetings

A total of four Board meetings were held during the year ended 31 December 2011.

Attendance rates of individual Board members during the year are as follows:

Name of Board members		**Attendance rates for the year ended 31 December 2011**
Executive Directors		
Mr. Liu Liehong *(Chairman)*		4/4
Mr. Lu Ming		4/4
Mr. Tam Man Chi		4/4
Mr. Yang Jun		4/4
Mr. Su Duan		4/4
Mr. Du Heping		4/4
Independent non-executive Directors		
Mr. Yao Xiaocong		4/4
Mr. James Kong Tin Wong		4/4
Mr. Zeng Zhijie	*(appointed to the Board on 16 June 2011)*	2/4
Mr. Chen Zhiya	*(resigned on 16 June 2011)*	2/4

CG Code A.1.1 provides that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. In addition, CG Code A.1.3 provides that notice of at least 14 days should be given of a regular Board meeting. The Company has amended the Articles of Association at the annual general meeting held on 29 June 2007 so that Article 102 is amended as the Board of directors shall meet at regular intervals and no less than four times a year at approximately quarterly intervals, such meetings to be convened by the chairman of the Board. Notice of regular Board meetings shall be notified to all directors 14 days prior to the proposed meeting. In case of urgent matters, board meetings may be convened by one third or more of directors or the chief executive or vice chief executive. Regular Board meetings shall not include written resolutions passed by directors. Thus, the Company has complied with the requirements under CG Code .

(d) Role and function

Major functions of the Board under the leadership of the Chairman are as follows:

1. to formulate business development strategies;
2. to review and monitor the Group's financial performance;
3. to prepare and approve the Group's financial performance and financial statements;
4. to approve the Group's annual budget, material funding proposals, investment and divestment proposals and operation plans;
5. to monitor and evaluate the Group's internal control, risk management, financial reporting and compliance;
6. to formulate the profit distribution plan and loss recovery plan of the Company;
7. to decide on proposals such as merger, division and dissolution of the Company;
8. to formulate the basic management system of the Company;
9. to formulate proposals concerning amendments to the Company's Articles of Association; and
10. to exercise the Company's powers of raising funds and borrowing money, deciding on the charge, lease, subcontract or transfer of the Company's major assets and to authorize the president or vice presidents to exercise these powers mentioned herein within a certain scope, provided that the relevant laws, statutes, the Company's Articles of Association and relevant regulations are complied with.

The Directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as and when necessary, Directors will consent to the seeking of independent professional advice at the Group's expense, ensuring that board procedures, and all applicable rules and regulations, are followed.

Senior management is responsible for the daily operations of the Group. The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

For the year ended 31 December 2011, the Board:

1. reviewed and monitored the performance of the Group;
2. reviewed and approved the annual results of the Group for the year ended 31 December 2010 and the interim results of the Group for the period ended 30 June 2011;
3. reviewed and approved the transactions constituted notifiable/connected transactions under Chapter 14/14A of the Listing Rules.

To the best knowledge of the Company, there is no financial, business and family relationship among our Directors and between the Chairman and the Chief Executive Officer. All of them are free to exercise their independent judgment.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

It has been the practice of the Company that the positions of Chairman of the Board and Chief Executive Officer of the Company are assumed by different individuals to achieve effective delineation of the operation of the Board and the management of the Group's daily operations. During the year ended 31 December 2011 and up to the date of this report, Mr. Liu Liehong is the Chairman of the Board and Mr. Du Heping is the Chief Executive Officer of the Company.

The Chairman of the Board shall ensure the efficient operation and satisfactory performance of its obligations by the Board, which mainly include:

1. to preside over general meetings and to convene and preside over the Board meetings;
2. to check on the implementation of resolutions of the Board meetings;
3. to sign securities certificates issued by the Company;
4. to ensure all key and appropriate issues are properly briefed and discussed by the Board in a timely manner; and
5. to perform such other duties authorized by the Board.

Chief Executive Officer heads the management and is responsible for daily operation of the Group. He is responsible for the implementation of policies adopted by the Board and reporting to the Board in respect of the overall operation of the Company.

BOARD COMMITTEES

The Board has also established the following Board committees:

- Audit Committee
- Nomination and Remuneration Committee
- Strategic Development and Risk Management Committee

Each Board committee makes decisions on matters within its term of reference and applicable limits of authority to monitor the Company's business in particular aspects and assist Directors' performance of their duties. The terms of reference as well as the structure and membership of each committee will be reviewed by the Company from time to time.

(a) Audit Committee

The Audit Committee was established in December 1999. It currently consists of three independent non-executive Directors.

Composition of Audit Committee:
Mr. Yao Xiaocong *(Chairman)*
Mr. James Kong Tin Wong
Mr. Zeng Zhijie

ROLE AND FUNCTION

The Audit Committee is mainly responsible for, inter alia:

1. to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
2. to discuss with the external auditors before the audit commences, the nature and scope of audit and ensure co-ordination where more than one audit firm is involved;
3. to develop and implement policy on engagement of an external auditor to supply non-audit services;
4. to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half year report and to review significant financial reporting contained in them;
5. to discuss problems and reservations arising from the interim and annual audits and matters that the external auditors may wish to discuss (in the absence of the management, where necessary);
6. to review the Group's financial and accounting policies and practices;
7. to review the Company's financial control, internal control and risk management systems;
8. to discuss the Company's internal control system with the management to ensure that the management has discharged its duty to have an effective internal control system.

The following is the attendance record of the Audit Committee meetings for the year ended 31 December 2011:

Committee member		**Attendance record for the year ended 31 December 2011**
Mr. Yao Xiaocong *(Chairman)*		2/2
Mr. James Kong Tin Wong		2/2
Mr. Zeng Zhijie	*(appointed to the Board on 16 June 2011)*	1/2
Mr. Chen Zhiya	*(resigned on 16 June 2011)*	1/2

During the meetings, the Audit Committee discussed the following matters:

1. Financial Reporting

The Audit Committee reviewed and discussed with the management and external auditors the interim and annual financial statements and system of internal control of the Group. The auditors, the chief executive officer, the company secretary and the financial manager of the Company have also answered questions on the financial results. The management of the Company provided breakdown, analysis and supporting documents to the Audit Committee members in order to ensure that the Audit Committee members were fully satisfied and make proper recommendations to the board.

2. External Auditors

The Audit Committee reviewed the independence and remuneration of the external auditors.

(b) Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established on 8 April 2005. It currently consists of two independent non-executive Directors and one executive Director.

Composition of Nomination and Remuneration Committee:
Mr. James Kong Tin Wong *(Chairman)*
Mr. Lu Ming
Mr. Yao Xiaocong

ROLE AND FUNCTION

The Nomination and Remuneration Committee is mainly responsible for, inter alia, the following directors' nomination and appointment issues:

1. to identify and nominate qualified individuals with reference to educational qualifications, industry background and experiences in the relevant field, subject to the approval of the Board, to be additional directors or to fill vacancy in the Board as and when they arise;
2. to review on an annual basis the Board structure, size and composition and the independence of the Board;
3. to develop the criteria for selection of directors;
4. to assess the independence of independent non-executive directors;
5. to make recommendations to the Board on all new appointments or re-appointments of directors, the establishment of a succession plan for directors, in particular the chairman and chief executive officer.

The Nomination and Remuneration Committee is mainly responsible for, inter alia, the following directors' remuneration issues:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
2. to assess the performance of the executive directors and approve the terms of their service contracts, determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors;
3. to consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;
4. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time;
5. to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
6. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
7. to ensure that no director or any of his associates is involved in deciding his own remuneration; and
8. to advise the shareholders on how to vote in respect of any service contract of director which shall be subject to the approval of shareholders (in accordance with the provisions of Rule 13.68 of the Listing Rules).

The following is the attendance record of the Nomination and Remuneration Committee meetings for the year ended 31 December 2011:

Committee member	**Attendance record for the year ended 31 December 2011**
Mr. James Kong Tin Wong *(Chairman)*	2/2
Mr. Lu Ming	2/2
Mr. Yao Xiaocong	2/2

During the meeting, the Nomination and Remuneration Committee considered the remuneration policy of executive Directors, assess their performance and discuss and determine the bonus payments to all senior management.

The remuneration of the Directors, supervisors and senior management of the Company is determined with reference to state policies, the Company's profits realized in the corresponding period and individual achievement.

(c) Strategic Development and Risk Control Committee

The Strategic Development and Risk Control Committee was established on 8 April 2005. It currently consists of six executive Directors and three independent non-executive Directors.

The Strategic Development and Risk Control Committee met once during the year ended 31 December 2011.

Composition of Strategic Development and Risk Control Committee:
Mr. Liu Liehong *(Chairman)*
Mr. Lu Ming
Mr. Tam Man Chi
Mr. Yang Jun
Mr. Su Duan
Mr. Du Heping
Mr. Yao Xiaocong
Mr. James Kong Tin Wong
Mr. Zeng Zhijie

ROLE AND FUNCTION

The Strategic Development and Risk Control Committee is mainly responsible for, inter alia, the following:

1. to study and make recommendations on the Company's long term development strategies;
2. to study and make recommendations on material investments and financing proposals which are subject to the Board's approval as required under the Articles of Associations;
3. to study and make recommendations on material capital operations, asset operation projects which are subject to the Board's approval as required under the Articles of Associations;
4. to study and make recommendations on any other material issues concerning the Company's development;
5. to examine the implementation of the above issues;
6. to perform such other duties authorized by the Board.

The following is the attendance record of the Strategic Development and Risk Control Committee meeting for the year ended 31 December 2011:

Committee member		**Attendance record for the year ended 31 December 2011**
Mr. Liu Liehong *(Chairman)*		1/1
Mr. Lu Ming		1/1
Mr. Tam Man Chi		1/1
Mr. Yang Jun		1/1
Mr. Su Duan		1/1
Mr. Du Heping		1/1
Mr. Yao Xiaocong		1/1
Mr. James Kong Tin Wong		1/1
Mr. Zeng Zhijie	*(appointed to the Board on 16 June 2011)*	N/A
Mr. Chen Zhiya	*(resigned on 16 June 2011)*	1/1

During the meeting, the Strategic Development and Risk Control Committee mainly discussed how to enhance internal control so as to contain and minimize the Group's risks.

AUDITORS' REMUNERATION

It is the auditor's responsibility to form an independent opinion, based on their audit, on financial statements. Apart from the provision of audit services, the Company's external auditors also carried out review of the Company's interim results.

For the year ended 31 December 2011, Messrs. SHINEWING (HK) CPA Limited the external international auditors, and Messrs. Shinewing Certified Public Accountants, the external domestic auditors, provided 2010 annual accounting statements audit services and 2011 interim results review services to the Company. Remuneration for the above services is as follows:

	Remuneration
	RMB'000
2010 annual accounting statements audit services in accordance with the accounting principles generally accepted in Hong Kong and the PRC GAAP respectively	3,500
2011 interim results review services	600
Non-audit services	nil

The Audit Committee recommended to the Board (which endorsed the view) that, subject to shareholders' approval at the forthcoming annual general meeting, SHINEWING (HK) CPA Limited and Shinewing Certified Public Accountants, be re-appointed as the external international auditors and external domestic auditors of the Company respectively for 2012.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system, which is aimed at providing reasonable assurance for the effectiveness and efficiency of the operations, reliability of financial reports and compliance with applicable laws and regulations, so as to protect shareholders' investment and the Group's assets. The key procedures that the Group has established to provide effective internal controls and checks and balances include the following:

1. to enhance its risk awareness through education and training;
2. to establish a risk control team to enhance the guidance and leadership on risk control; to carry out checks on points of risk seriously; to further standardize the operation of the enterprise; to plug loopholes in the process of operation and management; and to establish, on a gradual basis, a mechanism to control operation risks with long-term effect;
3. to introduce advanced international management system; and to strengthen the process of supervision and control, for instance, the introduction and implementation of the 6 SIGMA Management Method by Great Wall Kaifa, Kaifa Magnetic and Excelstor Technology, which has effected a substantial savings of costs and an effective supervision and control of the operation process;
4. to strengthen the management of financial funds; to enhance risk resistance and forewarning capability; to procure continuing improvement of financial information quality by subsidiaries; to make serious analysis of the enterprise's risk exposure, so as to bring the forewarning role of financial analysis into full play;
5. to establish an internal audit department to perform independent risk reviews and internal control;
6. to issue self-assessment questionnaires to subsidiaries as a base for assessing internal control environment and risks;
7. to formulate corresponding policies and procedures to safeguard corporate assets, to keep proper accounting records; and to ensure that transactions are conducted within the scope of authority granted by the management;
8. to put in place arrangements for the internal audit department and external auditors, to conduct internal control tests based on results of risk assessment, and to report the test results to the Board, so as to ensure that the internal control measures function as effectively as planned, and to rectify, as necessary, any weakness in internal control which are identified.

Major functions of the Group's internal audit work include:

1. to review the Group's important controls on its business in financial, operational and compliance aspects;
2. to conduct special reviews on and investigations into areas of concern identified by the Group's senior management;
3. to monitor progress of corrective actions recommended by external auditors in their internal control reports.

The Board is responsible for overseeing the Company's internal control system and reviewing its effectiveness, while the Group's internal audit department and management are responsible for reviewing the effectiveness of the internal control systems of the Company and its subsidiaries. To consider the results of investigations done by, and the opinion of, the Group's internal audit department and management regarding the effectiveness of the Company's internal control system, and to report the review results to the Board on an annual basis.

For the year ended 31 December 2011, the Board considers the Group's internal control system reasonable, effective and adequate. The scope of review covers all material aspects of internal control, including finance, operation and compliance control and risk management function.

Price-sensitive information

The procedures and internal control measures of the Company for handling and releasing price sensitive information are as follow:

1. to understand the obligations to be performed by us under the Listing Rules and to publish any price sensitive information immediately after a decision is made;
2. to strictly comply with the Guide on Disclosure of Price-Sensitive Information issued by Hong Kong Stock Exchange in 2002 in handling related matters;
3. to put in place express and specific rules of the Company to prohibit any unauthorised use of confidential or insider information; and
4. to formulate and implement a set of procedures for responding to external enquiries on the Group's affairs, and to authorize the spokesman of the board of directors to respond to enquiries falling within a designated scope.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board, supported by the finance department of the Company, is responsible for the preparation of the financial statements of the Group. The Board acknowledges their responsibilities for the preparation of the financial statements of the Group.

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Group has announced its annual and interim results in a timely manner within the time limits laid down in the Listing Rules.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on pages 57 to 58.

INVESTOR RELATIONS

The Group is committed to fostering long-term, smooth and positive relationships with shareholders and investors through open and prompt communication. The Group adopts a policy of disclosing relevant information to shareholders in a timely manner. The Group's annual general meeting allows the Directors to meet and communicate with shareholders, and the Company also attends various investment reporting meetings to increase the opportunities for enhancing communication and understanding between the Company and the investors. Our corporate website contains corporate information, interim and annual reports issued by the Group as well as recent developments of the Group which enable shareholders and investors to have timely and updated information of the Group.

Supervisory Committee's Report

To all shareholders:

In 2011, pursuant to the Company Law of the PRC and the articles of association of the Company (the "Articles"), in accordance with the principles of honesty and loyalty, all members of the supervisory committee of the Company (the "Committee") faithfully discharged their duties diligently and loyal to their responsibility in safeguarding the integrity of the Company and to optimize the shareholders' interest.

1. The Committee members attended Board meetings in order to exercise effective supervision over whether the management decisions and development plans of the Board of the Company were in full compliance with the relevant laws and regulations and the Articles, as well as being in the interests of its shareholders. During the reporting period, no action breaching state laws or regulations or harming the interests of the Company and its shareholders was found.

2. The Committee exercised supervision over the directors, the president and the senior management of the Company in carrying out their duties. In the opinion of the Committee, the directors, the president and the senior management of the Company have fulfilled their responsibilities to faithfully protect the interests of the Company and its shareholders. No violation of laws, regulation or the Articles by the directors, the president or the senior management of the Company was found.

3. The Committee supervised and inspected the financial operations of the Company. Having reviewed the financial report and the financial statements for the year 2011, the Committee was of the opinion that the Company complied with integrated financial management rules and kept clear accounts. Further, the Company's accounting and financial management was in compliance with relevant regulations. No detrimental transactions, situations harming the interests of the shareholders or cases of asset loss of the Company were found.

4. In 2011, the Committee expects the Company to seize the opportunity for better development trend, to accelerate its internal resource integration, improve organizational structure, enhance management standards, strengthen risk management and internal control, emphasize the safety of capital operation, set up a platform to control information management in order for the Company to realize breakthroughs in terms of capital development, business expansion and technology upgrade, which further brings about a second leap of the Company's business development.

The Committee is confident about the Company's prospects.

The Supervisory Committee
Shenzhen, PRC

29 March 2012

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF GREAT WALL TECHNOLOGY COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Great Wall Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 187, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 and to report our opinion 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.

Independent Auditor's Report

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 judgment, 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 the 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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs 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.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong
29 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Turnover	7	**95,024,261**	104,931,670
Cost of sales		**(89,824,902)**	(99,764,943)
Gross profit		**5,199,359**	5,166,727
Other income and gains	7	**462,005**	600,365
Net realised and unrealised gain on foreign exchange forward contracts		**205,937**	243,426
Gain on deemed partial disposal and partial disposal of interests in an associate	8	**–**	304,174
Net gain on disposal of an associate and the loan to an associate	9	**–**	236,904
Gain on disposal of prepaid land lease payments	19	**494,675**	–
Selling and distribution costs		**(2,223,578)**	(2,109,650)
Administrative expenses		**(2,118,876)**	(1,490,687)
Research and development expenses		**(878,059)**	(801,078)
Finance costs	11	**(155,175)**	(172,648)
Share of results of jointly controlled entities		**(5,866)**	(10,925)
Share of results of associates		**16,361**	126,224
Profit before tax	12	**996,783**	2,092,832
Income tax expense	15	**(248,903)**	(353,107)
Profit for the year		**747,880**	1,739,725
Profit for the year attributable to:			
Owners of the Company		**156,698**	648,989
Non-controlling interests		**591,182**	1,090,736
		747,880	1,739,725
Earnings per share			
– Basic and diluted (RMB per share)	17	**13.08 cents**	54.18 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Profit for the year	**747,880**	1,739,725
Other comprehensive (expenses) income for the year		
Available-for-sale investments:		
– (Loss) gain arising during the year	**(30,509)**	19,360
– Reclassification adjustment upon impairment	**3,353**	5,989
Change in fair value of transfer of owner-occupied properties to investment properties at transfer date	**36,655**	51,707
Deferred tax on change in fair value of available-for-sale investments	**3,988**	(6,352)
Deferred tax on change in fair value of transferred owner-occupied properties at transfer date	**(5,123)**	(11,059)
Share of other comprehensive expenses of associates	**(13,077)**	(4,661)
Release of translation reserve upon disposal of associates	**–**	2,430
Share of other comprehensive expenses of jointly controlled entities	**(5,594)**	–
Exchange differences arising on translation	**(677,122)**	(290,375)
Other comprehensive expenses for the year	**(687,429)**	(232,961)
Total comprehensive income for the year	**60,451**	1,506,764
Total comprehensive income attributable to:		
Owners of the Company	**39,226**	588,194
Non-controlling interests	**21,225**	918,570
	60,451	1,506,764

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	18	**5,912,955**	5,858,945
Prepaid land lease payments	19	**357,339**	346,045
Investment properties	20	**1,477,954**	1,295,585
Intangible assets	21	**349,889**	121,654
Interests in associates	22	**653,161**	550,644
Interests in jointly controlled entities	23	**61,522**	72,982
Available-for-sale investments	24	**263,318**	197,592
Prepayment, deposits and other receivables	27	**133,128**	–
Term deposits	29	**113,025**	14,000
Pledged deposits	29	**746,750**	–
Deferred tax assets	37	**256,734**	223,021
		10,325,775	8,680,468
Current assets			
Inventories	25	**7,687,545**	9,777,435
Trade and bills receivables	26	**17,484,408**	16,777,368
Prepaid land lease payments	19	**10,548**	8,992
Prepayments, deposits and other receivables	27	**2,897,849**	2,799,011
Financial assets at fair value through profit or loss	28	**36,892**	16,967
Tax recoverable		**30,401**	38,027
Derivative financial instruments	33	**233,206**	431,158
Amounts due from fellow subsidiaries	46	**20,797**	11,051
Amounts due from associates	46	**5,700**	42,704
Term deposits	29	**1,695,579**	546,328
Pledged deposits	29	**1,524,218**	390,978
Bank balances and cash	29	**3,457,887**	2,757,805
		35,085,030	33,597,824
Current liabilities			
Trade and bills payables	30	**14,475,148**	16,984,780
Other payables and accruals		**5,550,030**	3,355,712
Bank and other loans	31	**7,902,033**	4,267,261
Derivative financial instruments	33	**168,103**	422,773
Tax payable		**153,308**	130,439
Provisions for products warranties	34	**480,691**	498,000
Amount due to immediate holding company	46	**–**	5,454
Amounts due to fellow subsidiaries	46	**12,778**	73,466
Amounts due to associates	46	**794**	40,227
		28,742,885	25,778,112
Net current assets		**6,342,145**	7,819,712
Total assets less current liabilities		**16,667,920**	16,500,180

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Capital and reserves			
Share capital	39	**1,197,742**	1,197,742
Reserves		**3,373,486**	3,513,921
Equity attributable to owners of the Company		**4,571,228**	4,711,663
Non-controlling interests		**10,850,036**	11,164,962
Total equity		**15,421,264**	15,876,625
Non-current liabilities			
Bank and other loans	31	**492,497**	–
Other payables		**288,134**	148,746
Pension obligations	35	**37,913**	38,650
Deferred tax liabilities	37	**390,646**	402,032
Government grants	38	**37,466**	34,127
		1,246,656	623,555
		16,667,920	16,500,180

The consolidated financial statements on pages 59 to 187 were approved and authorised for issue by the board of directors on 29 March 2012 and are signed on its behalf by:

Director

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Goodwill reserve RMB'000	Asset revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve RMB'000 (note a)	Translation reserve RMB'000	Other reserve RMB'000 (note b)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	1,197,742	997,498	272	(28,155)	127,678	12,757	1,019,655	(149,934)	(181,020)	1,715,170	4,711,663	11,164,962	15,876,625
Profit for the year	–	–	–	–	–	–	–	–	–	156,698	156,698	591,182	747,880
Other comprehensive income (expense) for the year													
Available -for-sale investments:													
– loss arising during the year	–	–	–	–	–	(10,038)	–	–	–	–	(10,038)	(20,471)	(30,509)
– Reclassification adjustment upon impairment	–	–	–	–	–	451	–	–	–	–	451	2,902	3,353
Change in fair value of transfer of owner-occupied properties to investment properties at transfer date	–	–	–	–	12,155	–	–	–	–	–	12,155	24,500	36,655
Deferred tax on change in fair value of available-for-sale investments	–	–	–	–	–	2,020	–	–	–	–	2,020	1,968	3,988
Deferred tax on change in fair value of owner-occupied properties at transfer date	–	–	–	–	(2,874)	–	–	–	–	–	(2,874)	(2,249)	(5,123)
Share of other comprehensive expenses of associates	–	–	–	–	–	–	–	(6,116)	–	–	(6,116)	(6,961)	(13,077)
Share of other comprehensive expenses of jointly controlled entities	–	–	–	–	–	–	–	(752)	–	–	(752)	(4,842)	(5,594)
Exchange differences arising on translation	–	–	–	–	–	–	–	(112,318)	–	–	(112,318)	(564,804)	(677,122)
	–	–	–	–	9,281	(7,567)	–	(119,186)	–	–	(117,472)	(569,957)	(687,429)
Total comprehensive income (expense) for the year	–	–	–	–	9,281	(7,567)	–	(119,186)	–	156,698	39,226	21,225	60,451
Dividends paid	–	–	–	–	–	–	–	–	–	(179,661)	(179,661)	–	(179,661)
Dividend attributable to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(444,831)	(444,831)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	58,597	58,597
Recognition of equity-setted share-based payment of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	31,303	31,303
Repurchase of shares of a non-wholly owned subsidiary from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(601)	(601)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	19,381	19,381
Transfer	–	–	–	–	–	–	12,484	–	–	(12,484)	–	–	–
At 31 December 2011	1,197,742	997,498	272	(28,155)	136,959	5,190	1,032,139	(269,120)	(181,020)	1,679,723	4,571,228	10,850,036	15,421,264

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Goodwill reserve RMB'000	Asset revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve RMB'000 (note a)	Translation reserve RMB'000	Other reserve RMB'000 (note b)	Retained profits RMB'000	Sub-total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	1,197,742	997,498	272	(28,155)	99,412	2,922	948,959	(51,038)	(6,347)	1,280,606	4,441,871	9,348,292	13,790,163
Profit for the year	–	–	–	–	–	–	–	–	–	648,989	648,989	1,090,736	1,739,725
Other comprehensive income (expenses) for the year													
Available-for-sale investments:													
– Gain arising during the year	–	–	–	–	–	12,183	–	–	–	–	12,183	7,177	19,360
– Reclassification adjustment upon impairment	–	–	–	–	–	805	–	–	–	–	805	5,184	5,989
Change in fair value of transfer of owner-occupied properties to investment properties at transfer date	–	–	–	–	36,954	–	–	–	–	–	36,954	14,753	51,707
Deferred tax on change in fair value of available-for-sale investments	–	–	–	–	–	(3,153)	–	–	–	–	(3,153)	(3,199)	(6,352)
Deferred tax on change in fair value of transferred owner-occupied properties at transfer date	–	–	–	–	(8,688)	–	–	–	–	–	(8,688)	(2,371)	(11,059)
Share of other comprehensive expenses of associates	–	–	–	–	–	–	–	(2,332)	–	–	(2,332)	(2,329)	(4,661)
Release of translation reserve upon disposal of associates	–	–	–	–	–	–	–	2,430	–	–	2,430	–	2,430
Exchange differences arising on translation	–	–	–	–	–	–	–	(98,994)	–	–	(98,994)	(191,381)	(290,375)
	–	–	–	–	28,266	9,835	–	(98,896)	–	–	(60,795)	(172,166)	(232,961)
Total comprehensive income (expense) for the year	–	–	–	–	28,266	9,835	–	(98,896)	–	648,989	588,194	918,570	1,506,764
Dividends paid	–	–	–	–	–	–	–	–	–	(143,729)	(143,729)	–	(143,729)
Dividend attributable to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(390,314)	(390,314)
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	(189,667)	–	(189,667)	189,667	–
Recognition of equity settled share based payments of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	5,442	5,442
Deemed partial disposal of a subsidiary	–	–	–	–	–	–	–	–	14,994	–	14,994	(14,994)	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1,144,858	1,144,858
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(36,559)	(36,559)
Transfer	–	–	–	–	–	–	70,696	–	–	(70,696)	–	–	–
At 31 December 2010	1,197,742	997,498	272	(28,155)	127,678	12,757	1,019,655	(149,934)	(181,020)	1,715,170	4,711,663	11,164,962	15,876,625

Notes:

(a) In accordance with the relevant People's Republic of China (the "PRC") rules and regulations, subsidiaries established in the PRC are required to set aside 10% of their profit after income tax as recorded in the PRC statutory financial statements as statutory reserves, except where the reserve fund balance has reached 50% of the subsidiaries' registered capital. The reserve fund can only be used to make good the subsidiaries' previous years' losses, to expand the subsidiaries' production operations or to increase the capital of the subsidiaries.

(b) Other reserve represents reserve from transactions with non-controlling shareholders.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**996,783**	2,092,832
Adjustments for:		
Finance costs	**155,175**	172,648
Interest income	**(102,461)**	(72,729)
Share of results of associates	**(16,361)**	(126,224)
Share of results of jointly controlled entities	**5,866**	10,925
Gain on deemed partial disposal and partial disposal of interests in an associate	**–**	(304,174)
Gain on disposal of associates	**(900)**	–
Net gain on disposal of an associate and the loan to an associate	**–**	(236,904)
Gain on bargain purchase of subsidiaries	**(3,993)**	(9,375)
Gain on disposal of subsidiaries	**–**	(1,394)
Fair value gain on investment properties	**(54,692)**	(53,328)
Gain on disposal of available-for-sale investments	**–**	(18,027)
Gain on disposal of prepaid land lease payments	**(494,675)**	–
Government grants income	**(103,756)**	(158,526)
Reversal of impairment of trade receivables	**(10,121)**	(7,062)
Reversal of impairment of other receivables	**(89)**	(6,909)
Recovery of bad debts	**(27,426)**	–
Reversal of allowance for inventories	**(147,324)**	(5,735)
Gain on derecognition of financial guarantees contracts	**–**	(3,637)
Loss (gain) on disposal of equity investments at fair value through profit or loss ("FVTPL")	**168**	(268)
Dividend income from unlisted available-for-sale investments	**(2,555)**	(2,494)
Loss (gain) on disposal of property, plant and equipment	**40,094**	(1,971)
Change in fair value of financial assets at FVTPL	**8,502**	2,522
Depreciation of property, plant and equipment	**1,467,265**	1,221,488
Amortisation of prepaid land lease payments	**10,158**	7,093
Amortisation of intangible assets	**92,625**	20,796
Allowance for inventories	**32,568**	159,973
Impairment of loans to associates	**–**	34,318
Impairment of trade receivables	**139,340**	32,834
Impairment of other receivables	**541**	–
Impairment of property, plant and equipment	**2,341**	12,198
Impairment of available-for-sale investments	**3,353**	5,989
Loss on disposal of subsidiaries	**–**	1,719
Unrealised (gain) loss on derivative financial instruments	**(43,797)**	13,743
Share options granted to directors and employees of a subsidiary	**31,303**	5,442
Operating cash flows before movements in working capital	**1,977,932**	2,785,763
Decrease (increase) in inventories	**2,339,043**	(3,409,492)
Increase in trade and bills receivables	**(510,217)**	(2,340,704)
Decrease (increase) in prepayments, deposits and other receivables	**210,259**	(622,492)
(Decrease) increase in trade and bills payables	**(2,779,566)**	2,204,401
(Decrease) increase in other payables and accruals	**(57,023)**	330,129
(Increase) decrease in amounts due from associates	**(12,433)**	19,834
Increase in provisions for products warranties	**5,955**	10,640
(Decrease) increase in pension	**(737)**	4,092
Cash generated from (used in) operations	**1,173,213**	(1,017,829)
PRC Enterprise Income Tax ("PRC EIT") and overseas income tax paid	**(248,033)**	(333,349)
Hong Kong Profits Tax paid	**(21,165)**	(7,940)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**904,015**	(1,359,118)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
INVESTING ACTIVITIES			
Net cash flow from the acquisition of subsidiaries	40	**(83,380)**	(5,042)
Net cash flow from disposal of subsidiaries	41	**–**	21,315
Purchase of property, plant and equipment		**(1,850,055)**	(2,106,333)
Purchases of available-for-sale investments		**(67,383)**	(30,804)
Increase in pledged deposits		**(1,879,990)**	(51,078)
Capital injection to associates		**(271,738)**	(98,558)
Capital injection to jointly controlled entities		**–**	(51,429)
Additions to prepaid land lease payments		**(41,655)**	(48,525)
Additions to intangible assets		**(41,004)**	(12,410)
Proceeds from disposal of associates		**155,000**	478,026
Proceeds from disposal of property, plant and equipment		**110,506**	264,163
Interest received		**80,224**	72,729
Dividends received from associates		**18,405**	64,272
Proceeds from disposal of available-for-sale investments		**–**	45,270
Proceeds from disposal of prepaid land lease payments		**108,941**	–
Purchase of financial assets at FVTPL		**(29,807)**	–
(Increase) decrease in term deposits with terms over three months		**(1,248,276)**	20,680
Repayment of loans to associates		**–**	20,588
Proceeds from sales of financial assets at FVTPL		**388**	11,025
Dividends received from unlisted available-for-sale investments		**2,555**	2,494
Repayment from fellow subsidiaries		**132**	2,074
NET CASH USED IN INVESTING ACTIVITIES		**(5,037,137)**	(1,401,543)
FINANCING ACTIVITIES			
Repayment of bank and other loans		**(2,597,287)**	(3,586,166)
Redemption of convertible bond of a subsidiary		**–**	(1,437,355)
Dividends paid to non-controlling interests		**(444,831)**	(390,314)
Dividends paid as distribution		**(179,661)**	(143,729)
Interest paid		**(155,175)**	(164,069)
Settlement for derivatives financial instruments		**(12,921)**	(13,538)
Repurchase of shares of a non-wholly owned subsidiary		**(601)**	–
Repayment to fellow subsidiaries		**(18,036)**	(8,050)
New bank and other loans raised		**6,618,112**	6,060,447
Proceeds from factoring of receivables		**2,016,244**	–
(Repayment to) advance from immediate holding company		**(910)**	2,849
Contribution from non-controlling shareholders		**19,381**	1,144,858
Repayment to associates		**(558)**	3,754
Government grants received		**107,095**	170,278
NET CASH FROM FINANCING ACTIVITIES		**5,350,852**	1,638,965
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,217,730**	(1,121,696)
CASH AND CASH EQUIVALENTS AT 1 JANUARY, represented by bank balances and cash		**2,757,805**	4,130,437
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(517,648)**	(250,936)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**3,457,887**	2,757,805

1. GENERAL

Great Wall Technology Company Limited (the "Company") is a limited liability company incorporated in the PRC and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company is located at No.2 Keyuan Road, Technology and Industrial Park, Nanshan District, Shenzhen, the PRC.

The Company and its subsidiaries (collectively referred to as the "Group") were principally involved in the development, manufacture and sale of TVs and computer and related products including hardware and software products.

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

These consolidated financial statements are presented in Renminbi ("RMB") which is the same as the functional currency of the Company while the functional currency of a major subsidiary, TPV Technology Limited ("TPV"), is US dollars ("US$").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKFRS 1	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters
Hong Kong Accounting Standard ("HKAS") 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Right Issues
Amendments to HK (International Financial Reporting Interpretation Committee) ("HK (IFRIC)") – Interpretation ("Int") 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Except as explained below, the adoption of these new and revised standards has had no material impact on the Group's performance and positions for the current year and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has changed the definition of a related party. In addition, HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government-related entities. The Company and its subsidiaries are government-related entities as defined in HKAS 24 (as revised in 2009). Under HKAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (as revised in 2009) in relation to related party transactions and outstanding balances (including commitments) with (a) the PRC government that ultimately has control over the Group and (b) other entities that are controlled, jointly controlled, or significantly influenced by the PRC government. Rather, in respect of these transactions and balances, HKAS 24 (as revised in 2009) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS24 (as revised in 2009) has had no impact on the Group's financial performance and positions for the current and prior years and the disclosure of related parties as set out in Note 46.

Amendments to HKFRS 3 Business Combination (as part of improvements of HKFRSs issued in 2010)

As part of Improvements to HKFRSs issued in 2010, HKFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other standards.

Such amendments to HKFRS 3 have been applied in the current year and have affected the accounting for the acquisition of subsidiaries in the current year. The non-controlling interests were measured at their acquisition-date fair value at the date of acquisition of those subsidiaries.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective

The Group has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

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

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

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendment to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. Key requirements of HKFRS 9 are described as follows:

– HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments (Continued)

– The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company are in the process of making an assessment of the potential impact of HKFRS 9 and the directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (Revised) and HKAS 28 (Revised). Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (Standing Interpretations Committee) ("SIC") – Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors of the Company have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope. HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. It is not expected to have a significant effect on the financial statements with adoption of this amendment.

The directors of the Company anticipated that the application of other new and revised standards, amendments or interpretation would have no material impact on the results and the financial positions of the Group and of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss on the statement of financial position of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to non-controlling interest even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based payment at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented as intangible asset.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognised the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Where a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly controlled entities (Continued)

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land classified as finance leases held for use in the production or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold land is stated at cost less any recognised impairment loss, and is not amortised.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. 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 assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference at that date between the carrying amount and the fair value of the property is accounted for in assets revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated income statement. Any subsequent revaluation surplus is credited to the consolidated income statement to the extent of the deficit previously charged. On subsequent disposal of the investment property, the assets revaluation reserve included in equity may be transferred to retained profits. The transfer from assets revaluation reserve to retained profits is not made through profit or loss. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the consolidated income statement.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

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. Specifically, the minimum lease payments, including any lump-sum upfront payments, are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the 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 land lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value mode. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in RMB, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity under the heading of translation reserve.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over a 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. reductions in the Group's ownership interest in 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses with which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets at the end of the previous reporting period are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company has no share option scheme but the subsidiary of the Company has issued equity-settled share-based payments to certain employees.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expenses on a straight-line basis over the vesting period, with a corresponding increase in share option reserve of the subsidiary.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to share options reserve of the subsidiary.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve of the subsidiary will be transferred to retained profits.

The share option reserve of the subsidiary of the Company includes as part of non-controlling interest in the consolidated statement of financial position and consolidated statement of changes in equity.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint venture except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and the deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Alternatively, intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired separately (Continued)

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research and development costs

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposit as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial asset held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- on initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in administrative expenses in the consolidated income statement. Fair value is determined in the manner described in note 24.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, term deposits, other receivables, amounts due from fellow subsidiaries and associates, pledged deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in available-for-sale investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the available-for-sale investment revaluation reserve is reclassified to profit and loss (see accounting policy on impairment of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For certain categories of financial asset, such as trade and bills receivables and amount due from fellow subsidiaries and associates, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impaired loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets' the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables, amount due from fellow subsidiaries and associates, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables, amount due from fellow subsidiaries and associates are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Where an available-in-sales financial asset is considered to be impaired, cumulative gain or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the available-for-sales investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and payments or receipts that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the next carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL when the financial liabilities are either held for trading or it is those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition, it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial asset or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, amounts due to immediate holding company, fellow subsidiaries and associates and bank and other loans are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Critical judgements in applying the entity's accounting policies

The followings are the critical judgements, apart from those involving estimations that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying the entity's accounting policies (Continued)

Deferred tax

Deferred tax assets are recognised for certain deductible temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of which are disclosed in note 37.

De facto control over subsidiaries

The Group's management exercises its critical judgment when determining whether the Group has de facto control over an entity by evaluating, among other things: (i) the ability to demonstrate effective control during the shareholders' meetings and board meetings; (ii) the extent of reliance of the subsidiary on the financial and operational support from the Group; and (iii) the extent of involvement of directors of the subsidiary nominated by the Group in its operational and financial policy setting and decision making.

Key sources of estimation uncertainty

The followings 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.

Estimated impairment of property, plant and equipment

During the year, impairment loss on property, plant and equipment was recognised in the consolidated income statement amounting to approximately RMB2,341,000 (2010: RMB12,198,000) and the carrying amount of property, plant and equipment is approximately RMB5,912,955,000 (2010: RMB5,858,945,000). Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

Estimated impairment loss of trade and other receivables

The policy for making impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. During the year, impairment loss on trade receivables and other receivables was recognised in the consolidated income statement amounting to approximately RMB139,340,000 and RMB541,000 respectively (2010: impairment loss on trade receivables of RMB32,834,000 and other receivables of nil)) and the carrying amounts of trade receivable and other receivables are approximately RMB17,484,408,000 (net of impairment of RMB187,655,000) and RMB2,879,306,000 (net of impairment of RMB15,498,000) respectively (2010: trade receivables of RMB16,777,368,000 (net of impairment of RMB206,236,000) and other receivables of RMB2,589,631,000 (net of impairment of RMB15,046,000)).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of interests in associates and loans to associates

The Group regularly reviews investments in associates for impairment based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, the financial health, cash flow projections and future prospects of the companies. No impairment loss was recognised for both years and the carrying amount of interests in associates as at 31 December 2011 is RMB653,161,000 (2010: RMB550,644,000).

Determining whether the loans to associates are impaired requires an estimation of the recoverable amount of the respective loans. Such estimation was based on certain assumptions, which might materially differ from the actual results. During the year, no impairment loss on loans to associates was recognised in the consolidated income statement (2010: RMB34,318,000) and the carrying amount of the loans to associates is nil as at 31 December 2011 (2010: nil).

Estimated allowance for inventories

The management of the Group reviews the inventories listing on a product-by-product basis at the end of the reporting period and makes allowance for slow moving inventory items amounting to approximately RMB32,568,000 (2010: RMB159,973,000) and the carrying amount of inventories is approximately RMB7,687,545,000 (2010: RMB9,777,435,000). The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions and the historical experience of manufacturing and selling products of similar nature.

Income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Provisions for products warranties

As explained in note 34, the Group makes provisions under the warranties it gives on sale of its products taking into account the Group's past experience of the level of repairs and returns. As the Group are continually upgrading its product designs and launching new models it is possible that the past experience of the level of repairs and returns is not indicative of future claims that the Group will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Pending litigations

The Group had certain pending litigations as at the end of the reporting period. Significant judgment is required in determining whether it is more likely than not that an outflow of resources will be required to settle the pending litigations in which case a provision for the potential litigation expenses is recognised.

Fair value of derivatives and other financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period.

Employee benefits – share-based payments

The valuation of the fair value of the share options granted requires judgement in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the options and the number of share options that are expected to vest. Where the outcome of the number of options that are vested is different, such difference will impact the consolidated income statement in the subsequent remaining vesting period of the relevant share options.

Estimated impairment of available-for-sales investments

The Group assesses at the end of each reporting period whether there is objective evidence that an available-for-sale investments is impaired. In the case of equity and debt securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the consolidated income statement. During the year, impairment loss on available-for-sale investments was recognsied in the consolidated income statement amounting to approximately RMB3,353,000 (2010: RMB5,989,000).

5. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2011 RMB'000	2010 RMB'000
Loans and receivables (including cash and cash equivalents)	**28,079,341**	23,339,245
Available-for-sale investments	**263,318**	197,592
Financial assets at FVTPL	**36,892**	16,967
Derivative financial instruments	**233,206**	431,158
	28,612,757	23,984,962

Financial liabilities

	2011 RMB'000	2010 RMB'000
At amortised cost	**28,721,414**	24,875,646
Derivative financial instruments	**168,103**	422,773
	28,889,517	25,298,419

b. Financial risk management objectives and policies

The Group's principal financial instruments comprise available-for-sale investments, financial assets at FVTPL, derivative financial instruments, bank and other loans, term deposits, pledged deposits, bank balances and cash and balances with immediate holding company, fellow subsidiaries and associates. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, deposits and other receivables and trade and bills payables, other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The policies on how to mitigate these risks are set out below. The Group's overall risk management programme focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties and there is no requirement for collateral. The credit risk of the Group's other financial assets, which comprise term and pledged deposits and bank balances and cash, amounts due from fellow subsidiaries and associates, trade and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

At the end of the reporting period, the Group had certain concentrations of credit risk as 11% (2010: 10%) and 39% (2010: 39%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and the contingent liabilities arising from the financial guarantees provided. In addition, the Group reviews the recoverable amount of each individual trade debt and the financial guarantee provided at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances, bank and other loans and interest rate swaps. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank and other loans and interest rate swaps.

Bank and other loans, interest rate swaps and financial guarantee contracts involving fixed rates expose the Group to fair value interest rate risk. Details of the Group's bank and other loans and interest rate swaps are disclosed in notes 31 and 33 respectively.

As at 31 December 2011, if interest rates on variable-rate bank and other loans had been 10 basis points higher/lower with all other variables held constant, the Group's profit after tax for the year would have been approximately RMB1,952,000 (2010: RMB306,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by the Group's subsidiaries in currencies other than their respective functional currency, primarily with respect to Brazilian Real ("BRL") and US$. The Group's exposure to currency risk is attributable to the trade receivables and trade payables, other receivables and payables and bank balances and cash, which are denominated in BRL and US$. The functional currencies of the relevant group entities are RMB and US$. The Group has mitigated the currency exposure against the foreign currencies by using foreign exchange forward contract. Moreover, the directors continuously monitor the related foreign currency exposure and will hedge significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the currencies exchange rates, with all other variables held constant, of the Group's profit after tax due to changes in the fair value of monetary assets and liabilities and the Group's equity.

	Increase (decrease) in US$/BRL	**Increase (decrease) in profit after tax and equity**
	%	RMB'000
2011		
If RMB weakens against USD	5	**(67,187)**
If RMB strengthens against USD	–5	**67,187**
If RMB weakens against BRL	5	**53,110**
If RMB strengthens against BRL	–5	**(53,110)**
If RMB weakens against other currencies	5	**32,717**
If RMB strengthens against other currencies	–5	**(32,717)**
2010		
If RMB weakens against USD	5	(17,367)
If RMB strengthens against USD	–5	17,367
If RMB weakens against BRL	5	53,788
If RMB strengthens against BRL	–5	(53,788)
If RMB weakens against other currencies	5	50,501
If RMB strengthens against other currencies	–5	(50,501)

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Foreign currency risk (Continued)

Monetary assets and liabilities in the consolidated statement of financial position contain mainly the following amounts denominated in currencies other than the functional currency of the group entity to which they relate:

	2011	2010
	RMB'000	RMB'000
Monetary assets		
Trade and bills receivables and other receivables		
– In USD	**1,170,407**	1,069,488
– In BRL	**1,340,315**	1,321,109
– Others	**1,763,222**	2,507,724
	4,273,944	4,898,321
Term deposits, pledged deposits and bank balances and cash		
– In USD	**1,228,645**	177,238
– In BRL	**57,307**	58,074
– Others	**294,301**	308,960
	1,580,253	544,272
Total	**5,854,197**	5,442,593
Monetary liabilities		
Trade and bills payables and other payables		
– In USD	**895,320**	904,206
– Others	**1,066,975**	1,521,793
	1,962,295	2,425,999
Bank and other loans		
– In USD	**3,271,821**	787,817
– Others	**129,584**	–
	3,401,405	787,817
Total	**5,363,700**	3,213,816

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

Moreover, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflow on those derivatives that require gross settlement. When amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of these derivatives.

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December RMB'000
At 31 December 2011				
Non-derivative financial liabilities				
Bank and other loans	**8,226,016**	**512,689**	**8,738,705**	**8,394,530**
Trade and bills payables	**14,475,148**	**–**	**14,475,148**	**14,475,148**
Other payables and accruals	**5,550,030**	**288,134**	**5,838,164**	**5,838,164**
Amounts due to fellow subsidiaries	**12,778**	**–**	**12,778**	**12,778**
Amounts due to associates	**794**	**–**	**794**	**794**
Financial guarantee contracts	**161,862**	**–**	**161,862**	**–**
	28,426,628	**800,823**	**29,227,451**	**28,721,414**
Derivative – net settlement				
Derivative – financial instruments	**168,103**	**–**	**168,103**	**168,103**
Derivative – gross settlement				
Foreign exchange forward contracts				
– inflow	**23,325,299**	**–**	**23,325,299**	**23,325,299**
– outflow	**19,156,088**	**–**	**19,156,088**	**19,156,088**

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December RMB'000
At 31 December 2010				
Non-derivative financial liabilities				
Bank and other loans	4,390,371	–	4,390,371	4,267,261
Trade and bills payables	16,984,780	–	16,984,780	16,984,780
Other payables and accruals	3,355,712	148,746	3,504,458	3,504,458
Amount due to immediate holding company	5,454	–	5,454	5,454
Amounts due to fellow subsidiaries	73,466	–	73,466	73,466
Amounts due to associates	40,227	–	40,227	40,227
Financial guarantee contracts	73,919	–	73,919	–
	24,923,929	148,746	25,072,675	24,875,646
Derivative – net settlement				
Derivative – financial instruments	422,773	–	422,773	422,773
Derivative – gross settlement				
Foreign exchange forward contracts				
– inflow	26,568,101	–	26,568,101	26,568,101
– outflow	21,747,390	–	21,747,390	21,747,390

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments and financial assets at FVTPL at the end of the reporting period. The Group's listed investments are valued at quoted market prices at the end of the reporting period.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. For the purpose of analysing the equity price risk, the management used the sensitivity rate of 10% (2010: 10%) as a result of the less volatile financial market.

If the prices of the respective equity instruments had been 10% (2010: 10%) higher/lower, with all other variables held constant and based on their carrying amounts at the end of the reporting period, the equity and profit after tax as at 31 December 2011 increase/decrease by approximately RMB2,793,000 (2010: RMB4,851,000) and RMB2,804,000 (2010: RMB1,324,000), respectively as a result of the changes in fair value of available-for-sale investments and financial assets at FVTPL.

c. Fair value estimation

The directors of the Company consider the fair values of trade and bills receivables; deposits and other receivables; amounts due from (to) immediate holding company, fellow subsidiaries and associates; term and pledged deposits; bank balances and cash; trade and bills payables; other payables and accruals reported in the consolidated statement of financial position approximate their carrying amounts due to their immediate or short-term maturities.

The carrying amount of non-current prepayment and other receivables, and other payables recorded at amortised cost in the consolidated financial statements approximate their fair value as the impact of discounting is not significant.

The carrying amounts of current bank and other loans recorded at amortised cost in the consolidated financial statements approximate their fair values because of the loan rate currently available for loans with similar terms and maturities.

The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss given the default.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

5. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of foreign exchange forward contracts is determined using quoted forward exchange market rates at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		2011		
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Assets				
Available-for-sale investments				
– Listed equity securities	**36,745**	–	–	**36,745**
– Unlisted equity securities	–	–	**2,728**	**2,728**
– Listed debt securities	**25,298**	–	–	**25,298**
Financial assets at FVTPL	**36,892**	–	–	**36,892**
Derivative financial instruments	–	**233,206**	–	**233,206**
	98,935	**233,206**	**2,728**	**334,869**
Liabilities				
Derivative financial instruments	–	**168,103**	–	**168,103**

5. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

	2010			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Available-for-sale investments				
– Listed equity securities	56,113	–	–	56,113
– Unlisted equity securities	–	–	6,073	6,073
Financial assets at FVTPL	16,967	–	–	16,967
Derivative financial instruments	–	431,158	–	431,158
	73,080	431,158	6,073	510,311
Liabilities				
Derivative financial instruments	–	422,773	–	422,773

There were no transfers between Level 1 and 2 in current year.

The reconciliation of level 3 fair value measurements of financial assets is as follows:

Unlisted equity securities	**2011**	2010
	RMB'000	RMB'000
At 1 January	**6,073**	6,261
Addition	**26**	–
Total gains or losses:		
– in profit and loss	**(3,353)**	–
Exchange realignment	**(18)**	(188)
At 31 December	**2,728**	6,073

For the year ended 31 December 2011, included in profit or loss is an impairment loss of RMB3,353,000 (2010: nil) related to equity securities measured at level 3 held at the end of the reporting period.

6. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the two years ended 31 December 2011 and 2010.

7. TURNOVER, OTHER INCOME AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the values of services rendered; and gross rental income received from investment properties during the year.

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

	2011	2010
	RMB'000	RMB'000
Turnover		
Sale of goods	**94,814,287**	104,793,958
Rendering of services	**88,736**	18,842
Gross rental income (note a)	**121,238**	118,870
	95,024,261	104,931,670
Other income		
Bank interest income	**102,461**	72,729
Dividend income from unlisted available-for-sale investments	**2,555**	2,494
Government grants (note b)	**103,756**	158,526
Sale of scrap materials	**46,850**	45,604
Reversal of impairment of trade receivables	**10,121**	7,062
Reversal of impairment of other receivables	**89**	6,909
Reversal of provisions for products warranties	**2,004**	13,602
Recovery of bad debts	**27,426**	–
Others	**31,580**	51,583
	326,842	358,509

7. TURNOVER, OTHER INCOME AND GAINS (Continued)

	2011 RMB'000	2010 RMB'000
Gains		
Foreign exchange differences, net	**67,682**	151,216
Fair value gain on investment properties	**54,692**	53,328
Gain on disposal of available-for-sale investments	**–**	18,027
Gain from bargain purchase of subsidiaries	**3,993**	9,375
Gain on derecognition of financial guarantee contracts	**–**	3,637
Gain on disposal of associates	**900**	–
Net realised and unrealised gain on cross currency swaps	**6,137**	–
Net realised and unrealised gain on interest rate swaps	**1,759**	2,640
Gain on disposal of subsidiaries	**–**	1,394
Gain on disposal of property, plant and equipment	**–**	1,971
Gain on disposal of financial assets at FVTPL	**–**	268
	135,163	241,856
	462,005	600,365

Notes:

a.

	2011 RMB'000	2010 RMB'000
Gross rental income	**121,238**	118,870
Less: direct expenses (included in cost of sales)	**(71,264)**	(55,450)
Net rental income	**49,974**	63,420

b.

Included in the amount of government grants recognised during the year ended 31 December 2011 of approximately RMB78,831,000 (2010: RMB147,308,000) were received in respect of certain research projects of the Group and fulfilled the relevant granting criteria which immediately recognised as other income for the year and approximately RMB24,925,000 (2010: RMB11,218,000) were government grants utilised during the year (note 38).

8. GAIN ON DEEMED PARTIAL DISPOSAL AND PARTIAL DISPOSAL OF INTERESTS IN AN ASSOCIATE

On 29 April 2010, one of the associates of the Group, O-Net Communications (Group) Limited ("O-Net"), was listed on the Stock Exchange and new shares were issued upon the listing of the shares of O-Net ("Share Listing"). Upon the Share Listing, the Group's shareholding in O-Net was diluted from 46% to approximately 34.5%.

On 6 May 2010, the over-allotment option as referred to in the prospectus of the Share Listing was fully exercised and the Group was requested to dispose of its 13,759,183 shares of O-Net. On 4 November 2010, the Group further disposed of 25,293,000 shares of O-Net and 60,000,000 new shares of O-Net were issued to one of its existing shareholder, other than the Group, on 15 November 2010.

Upon the completion of the above transactions, the interest in O-Net was further decreased from approximately 34.5% to 27.32% and net proceeds of approximately RMB154,228,000 were received for the disposal of 39,052,183 shares of O-Net. The above transactions have resulted in the recognition of an amount of RMB304,174,000 of gain on deemed partial disposal and partial disposal of interests of an associate during the year ended 31 December 2010.

The Group maintains its significant influence on O-Net and the investment in O-Net is still accounted for as the interests in associates upon the completion of the above transactions.

9. NET GAIN ON DISPOSAL OF AN ASSOCIATE AND THE LOAN TO AN ASSOCIATE

	2011 **RMB'000**	2010 RMB'000
Loss on disposal of an associate	–	(40,833)
Reversal of impairment of loan to an associate	–	277,737
Net gain on disposal of an associate and the loan to an associate	–	236,904

On 11 August 2010, the Group entered into an equity transfer agreement with CITIC Networks Co., Ltd. to dispose of the 50% equity interest held by the Group in Great Wall Broadband Network Service Co., Ltd. ("GWBNS"), an associate company of the Group, together with the loan to GWBNS at a total consideration of approximately RMB323,798,000. A net gain on disposal of approximately RMB236,904,000 was resulted for the year ended 31 December 2010 upon the completion of the transfer of the equity interest of GWBNS on 23 August 2010. Details of the transfer was set out in the announcement of the Company dated 11 August 2010.

10. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker, being the executive directors of the Company, for making strategic decisions and assessing the performance of each business segment. The segments are managed separately as each business segment offers products and services which vary in terms of materials used, design and technology and services which require different production/service information to formulate different strategies. The Group is organised in the following basis:

(a) the TV segment produces televisions;

(b) the monitor segment produces monitors;

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

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

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

(f) the "others" segment comprises, principally, the sales of chassis, spare parts, complete knock down/semi knock down products, the software and system integration and other related businesses.

The accounting policies of the reporting segment are identical to the Group's accounting policies as described in note 3. Segment results represent the profit (loss) attributable to each segment without allocation of central administration costs, director's emoluments, bank interest income, finance costs, share of results of associates and jointly controlled entities, gain (loss) on disposal of financial assets at FVTPL/available-for-sale investments, change in fair value of financial assets at FVTPL, net realised and unrealised gain on foreign exchange forward contracts, cross currency swaps and interest rate swaps, gain on deemed partial disposal and partial disposal/disposal of interests in associates, gain on derecognition of financial guarantee contracts, impairment of available-for-sale investments, gain on disposal of prepaid land lease payment, dividend income, government grants received and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

For the purposes of monitoring segment performances and allocating resources between segments:

(a) all assets are allocated to reportable segments other than interests in associates and jointly controlled entities, available-for-sale investments, term deposits, pledged deposit, financial assets at FVTPL, derivative financial instruments, amount due from associates and fellow subsidiaries, bank balances and cash, tax recoverable, deferred tax assets and certain other receivables which were managed in a centralised manner.

(b) all liabilities are allocated to reportable segments other than bank and other loans, derivative financial instruments, amount due to associates and fellow subsidiaries, financial guarantee contract, deferred tax liabilities, tax payable, government grants and certain other payables which were managed in a centralised manner.

10. SEGMENT INFORMATION (Continued)

Inter-segment sales are charged at prevailing market rates.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the two years ended 31 December 2011 and 2010.

	TV RMB'000	Monitor RMB'000	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Year ended 31 December 2011								
Segment revenue								
Sales to external customers	24,059,085	40,511,153	19,293,055	3,037,247	121,238	8,002,483	–	95,024,261
Other income and gains	37,637	54,960	75,131	10,824	–	11,193	–	189,745
Intersegment sales	–	–	–	–	29,720	–	(29,720)	–
	24,096,722	40,566,113	19,368,186	3,048,071	150,958	8,013,676	(29,720)	95,214,006
Segment results before increase in fair value of investment properties	(456,483)	724,613	148,571	(27,797)	49,974	(12,521)	–	426,357
Increase in fair value of investment properties	–	–	–	–	54,692	–	–	54,692
Segment results after increase in fair value of investment properties	(456,483)	724,613	148,571	(27,797)	104,666	(12,521)	–	481,049
Unallocated gains								217,568
Net realised and unrealised gain on foreign exchange forward contracts								205,937
Gain on disposal of prepaid land lease payments								494,675
Corporate and other unallocated expenses								(257,766)
Finance costs								(155,175)
Share of results of associates and jointly controlled entities								10,495
Profit before tax								996,783
At 31 December 2011								
Assets and liabilities								
Segment assets	11,468,930	15,998,104	3,186,129	1,670,407	1,477,954	1,975,433	–	35,776,957
Corporate and other unallocated assets								9,633,848
Total assets								45,410,805
Segment liabilities	6,298,953	10,477,507	996,366	1,282,144	–	1,770,484	–	20,825,454
Corporate and other unallocated liabilities								9,164,087
Total liabilities								29,989,541

10. SEGMENT INFORMATION (Continued)

	TV RMB'000	Monitor RMB'000	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Year ended 31 December 2010								
Segment revenue								
Sales to external customers	27,365,142	44,567,155	21,542,090	2,615,441	118,870	8,722,972	–	104,931,670
Other income and gains	26,488	32,281	172,412	38,325	–	8,441	–	277,947
Intersegment sales	–	–	–	29,758	4,725	–	(34,483)	–
	27,391,630	44,599,436	21,714,502	2,683,524	123,595	8,731,413	(34,483)	105,209,617
Segment results before increase in fair value of investment properties	53,710	405,491	514,280	221,457	63,420	31,996	–	1,290,354
Increase in fair value of investment properties	–	–	–	–	53,328	–	–	53,328
Segment results after increase in fair value of investment properties	53,710	405,491	514,280	221,457	116,748	31,996	–	1,343,682
Unallocated gains								269,090
Net realised and unrealised gain on foreign exchange forward contracts								243,426
Gain on deemed partial disposal and partial disposal of interests in an associate								304,174
Net gain on disposal of an associate and the loan to an associate								236,904
Corporate and other unallocated expenses								(247,095)
Finance costs								(172,648)
Share of results of associates and jointly controlled entities								115,299
Profit before tax								2,092,832
At 31 December 2010								
Assets and liabilities								
Segment assets	13,276,083	16,395,718	3,020,581	649,473	1,295,585	2,347,595	–	36,985,035
Corporate and other unallocated assets								5,293,257
Total assets								42,278,292
Segment liabilities	6,715,696	11,385,874	1,661,110	704,723	–	563,938	–	21,031,341
Corporate and other unallocated liabilities								5,370,326
Total liabilities								26,401,667

10. SEGMENT INFORMATION (Continued)

Other segment information

Year ended 31 December 2011	TV RMB'000	Monitor RMB'000	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	408,969	258,489	642,993	126,547	–	133,050	–	1,570,048
Additions to non-current assets (note)	803,957	344,443	499,528	241,735	–	43,051	–	1,932,714
Impairment losses and allowance recognised	43,807	72,534	43,314	8	–	15,127	–	174,790
Impairment losses and allowance reversed	(49,327)	(80,571)	(8,539)	(2,680)	–	(16,417)	–	(157,534)
Recovery of bad debts	–	–	(27,426)	–	–	–	–	(27,426)
Provision for product warranties	201,311	328,827	4,974	6,232	–	67,000	–	608,344
Reversal of provision for product warranties	–	–	(2,004)	–	–	–	–	(2,004)
(Gain) loss on disposal of property, plant and equipment	22,274	36,383	(28,452)	2,476	–	7,413	–	40,094
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:								
Bank interest income	(15,089)	(11,054)	(70,502)	(4,335)	–	(1,481)	–	(102,461)
Gain on disposal of associates	–	–	(900)	–	–	–	–	(900)
Finance cost	42,832	31,379	50,307	26,453	–	4,204	–	155,175
Income tax expense	62,680	102,382	51,969	11,011	–	20,861	–	248,903
Impairment of available-for-sale investments	1,645	1,708	–	–	–	–	–	3,353
Share of results of jointly controlled entities and associates	–	–	–	–	–	–	(10,495)	(10,495)

Note: Non-current assets excluded financial instruments, interests in associates, interests in jointly controlled entities, term deposits, pledged deposits and deferred tax assets.

10. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Year ended 31 December 2010	TV RMB'000	Monitor RMB'000	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	361,148	264,579	342,457	217,055	–	64,138	–	1,249,377
Additions to non-current assets (note)	876,484	907,243	187,488	102,603	–	93,685	–	2,167,503
Impairment losses and allowance recognised	57,976	91,298	52,678	8,052	–	8,482	20,837	239,323
Impairment losses and allowance reversed	–	–	(10,869)	(3,445)	–	–	(5,392)	(19,706)
Provision for product warranties	161,384	251,492	6,525	6,862	–	51,446	–	477,709
Reversal of provision for product warranties	–	–	(13,602)	–	–	–	–	(13,602)
(Gain) loss on disposal of property, plant and equipment	(1,901)	(3,690)	3,620	–	–	–	–	(1,971)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:								
Bank interest income	(6,192)	(10,354)	(50,606)	(3,603)	–	(1,974)	–	(72,729)
Finance cost	33,193	52,333	14,141	62,398	–	10,583	–	172,648
Income tax expense	99,256	154,675	53,212	7,549	6,775	31,640	–	353,107
Gain on derecognised of financial guarantee contract	–	–	(3,637)	–	–	–	–	(3,637)
Gain on deemed partial disposal and partial disposal of interest in an associate	–	–	(304,174)	–	–	–	–	(304,174)
Net gain on disposal of an associate and the loan to an associate	–	–	–	–	–	–	(236,904)	(236,904)
Impairment of available-for-sale investments	–	–	5,989	–	–	–	–	5,989
Share of results of jointly controlled entities and associates	–	–	–	–	–	–	(115,299)	(115,299)
Gain of disposal of available-for-sale investments	–	–	–	(18,027)	–	–	–	(18,027)

Note: Non-current assets excluded financial instruments, interests in associates, interests in jointly controlled entities, term deposit, pledged deposits and deferred tax assets.

10. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Geographical information

The Group's manufacturing and sales operations and property investments are mainly located in the PRC, Europe, Asia Pacific and America.

The following table provides an analysis of the Group's revenue from external customers presented based on the location of operations, irrespective of the origin of the goods or services:

	Turnover by geographical market	
	2011	2010
	RMB'000	RMB'000
The PRC (including Hong Kong)	**26,424,768**	29,151,081
Europe	**18,845,953**	24,779,552
Asia Pacific (excluding the PRC)	**13,354,086**	10,145,290
North America	**16,341,765**	25,569,430
Others	**20,057,689**	15,286,317
	95,024,261	104,931,670

Information about the Group's non-current assets is presented based on the geographical location of the assets. At the end of the reporting period, the total amount of approximately RMB4,898,556,000 (2010: RMB4,534,216,000) of non-current assets other than financial instruments, term deposits, pledged deposits and deferred income tax assets were located in the PRC, and the total amount of approximately RMB3,914,264,000 (2010: RMB3,711,639,000) of these non-current assets were located in other countries.

Information about major customers

The Group has not identified any customer (2010: one) which individually represented over 10% of the Group's total external sales. The revenue of approximately RMB12,395,921,000 for the year ended 31 December 2010 was primarily attributable to the electronic parts and components segment.

10. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Information about major customers (Continued)

The sales to the major customers during the year ended 31 December 2010 are as follows:

	2011 **RMB'000**	2010 RMB'000
Customer A	**N/A**[1]	12,395,921

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group during the year ended 31 December 2011.

11. FINANCE COSTS

	2011 **RMB'000**	2010 RMB'000
Interest on bank and other loans, wholly repayable within five years	**155,175**	115,670
Interest on convertible bonds of a subsidiary (note 32)	**–**	57,213
Total borrowing costs	**155,175**	172,883
Less: amounts capitalised	**–**	(235)
	155,175	172,648

No borrowing costs were capitalised for the year ended 31 December 2011. Borrowing costs capitalised at a rate of 4.8% for the year ended 31 December 2010 arose on bank and other loans to finance expenditure on qualifying assets.

12. PROFIT BEFORE TAX

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

	2011 **RMB'000**	2010 RMB'000
Staff costs, including directors' emoluments (note 13):		
Wages and salaries	**3,005,636**	2,589,475
Share option granted to directors and employees of a subsidiary	**31,303**	5,442
Contributions to defined benefit plan	**4,083**	2,890
Contributions to retirement benefits schemes	**318,513**	240,036
	3,359,535	2,837,843
Cost of inventories sold	**89,641,870**	99,614,692
Cost of services provided	**111,768**	94,801
Depreciation of property, plant and equipment	**1,467,265**	1,221,488
Amortisation of prepaid land lease payments (included in administrative expenses)	**10,158**	7,093
Amortisation of other intangible assets (note 21(ii))	**92,625**	20,796
Auditors' remuneration	**26,040**	15,046
Minimum lease payment under operating leases of land and buildings	**150,804**	130,933
Impairment of items of property, plant and equipment (included in administrative expenses)	**2,341**	12,198
Impairment of trade and bills receivables (included in administrative expenses)	**139,340**	32,834
Impairment of other receivables (included in administrative expenses)	**541**	–
Impairment of available-for-sale investments	**3,353**	5,989
Allowance for inventories (included in cost of sales)	**32,568**	159,973
Additional provision for product warranties	**608,344**	477,709
Loss on disposal of property, plant and equipment	**40,094**	–
Loss on disposal of equity investments at FVTPL	**168**	–
Loss on disposal of subsidiaries	**–**	1,719
Impairment of loans to associates	**–**	34,318
Change in fair value of financial asets at FVTPL	**8,502**	2,522
Reversal of allowance for inventories (included in cost of sales)	**(147,324)**	(5,735)

13. EMOLUMENTS OF DIRECTORS AND SUPERVISORS

Details of emoluments of directors and supervisors for the year are analysed as follows:

For the year ended 31 December 2011	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Liu Liehong (Note)	–	–	–	–	–
Mr. Lu Ming (Note)	**100**	**–**	**–**	**–**	**100**
Mr. Tam Man Chi	**100**	**5,111**	**2,899**	**289**	**8,399**
Mr. Yang Jun (Note)	**–**	**–**	**–**	**–**	**–**
Mr. Su Duan (Note)	**–**	**–**	**–**	**–**	**–**
Mr. Du Heping (Note)	**–**	**300**	**644**	**57**	**1,001**
	200	**5,411**	**3,543**	**346**	**9,500**
Independent non-executive directors					
Mr. Chen Zhiya (resigned on 16 June 2011)	**–**	**–**	**–**	**–**	**–**
Mr. Yao Xiaocong	**100**	**–**	**–**	**–**	**100**
Mr. James Kong Tin Wong	**100**	**–**	**–**	**–**	**100**
Mr. Zeng Zhijie (appointed on 16 June 2011)	**58**	**–**	**–**	**–**	**58**
	258	**–**	**–**	**–**	**258**
Supervisors					
Ms. Kong Xueping	**–**	**–**	**–**	**–**	**–**
Ms. Song Jianhua	**–**	**–**	**–**	**–**	**–**
Ms. Lang Jia	**–**	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**–**
Total	**458**	**5,411**	**3,543**	**346**	**9,758**

Note: The directors' emoluments were borne by CEC, the ultimate holding company of the Company, for the year ended 31 December 2011. No apportionment had been made as it was impracticable to apportion this amount between their services to the Group and their services to CEC.

13. EMOLUMENTS OF DIRECTORS AND SUPERVISORS (Continued)

Details of emoluments of directors and supervisors for the year are analysed as follows (continued):

For the year ended 31 December 2010	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Liu Liehong (appointed on 18 June 2010) (Note)	–	–	–	–	–
Mr. Lu Ming	100	–	–	–	100
Mr. Tam Man Chi	100	3,127	3,083	213	6,523
Mr. Yang Jun (Note)	–	–	–	–	–
Mr. Su Duan	100	–	–	–	100
Mr. Du Heping (appointed on 18 June 2010)	58	50	–	–	108
Mr. Wang Jincheng (resigned on 18 June 2010) (Note)	–	–	–	–	–
Mr. Fu Qiang (resigned on 18 June 2010)	42	–	–	–	42
	400	3,177	3,083	213	6,873
Independent non-executive directors					
Mr. Chen Zhiya (appointed on 18 June 2010)	–	–	–	–	–
Mr. Yao Xiaocong (appointed on 18 June 2010)	58	–	–	–	58
Mr. James Kong Tin Wong (appointed on 18 June 2010)	58	–	–	–	58
Mr. Li Sanli (resigned on 18 June 2010)	–	–	–	–	–
Ms. Wang Qinfang (resigned on 18 June 2010)	–	–	–	–	–
Mr. Kennedy Ying Ho Wong (resigned on 18 June 2010)	–	–	–	–	–
	116	–	–	–	116
Supervisors					
Ms. Kong Xueping	50	–	–	–	50
Ms. Song Jianhua	50	–	–	–	50
Ms. Lang Jia	–	–	–	–	–
	100	–	–	–	100
Total	616	3,177	3,083	213	7,089

Note: The directors' emoluments were borne by CEC, the ultimate holding company of the Company, for the year ended 31 December 2011. No apportionment had been made as it was impracticable to apportion this amount between their services to the Group and their services to CEC.

13. EMOLUMENTS OF DIRECTORS AND SUPERVISORS (Continued)

One executive director of the Company is entitled to bonus payments which are determined as percentage of the profit after tax of subsidiaries of the Group.

There was no arrangement under which a director or supervisor waived or agreed to waive any emoluments during the two years ended 31 December 2011 and 2010.

During the two years ended 31 December 2011 and 2010, no emoluments were paid by the Group to the directors and supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. The remuneration of directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2011 included one (2010: one) director details of whose emoluments are set out in note 13 above. Details of the remuneration of the remaining four (2010: four) non-directors, highest paid employees for the year are as follows:

	2011	2010
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**23,963**	15,053

14. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

	Number of employees	
	2011	2010
HK$3,500,001 to HK$4,000,000 (2011: equivalent to RMB2,901,396 to RMB3,315,880; 2010: equivalent to RMB3,029,951 to RMB3,462,800)	**–**	2
HK$4,500,001 to HK$5,000,000 (2011: equivalent to RMB3,730,366 to RMB4,144,850; 2010: equivalent to RMB3,895,651 to RMB4,328,500)	**–**	1
HK$5,000,001 to HK$5,500,000 (2011: equivalent to RMB4,144,851 to RMB4,559,335; 2010: equivalent to RMB4,328,501 to RMB4,761,350)	**–**	1
HK$5,500,001 to HK$6,000,000 (2011: equivalent to RMB4,559,336 to RMB4,973,820; 2010: equivalent to RMB4,761,350 to RMB5,194,200)	**2**	–
HK$8,000,001 to HK$8,500,000 (2011: equivalent to RMB6,631,761 to RMB7,046,245; 2010: equivalent to RMB6,925,521 to RMB7,358,365)	**1**	–
HK$9,000,001 to HK$9,500,000 (2011: equivalent to RMB7,460,731 to RMB7,875,215; 2010: equivalent to RMB4,328,501 to RMB4,761,350)	**1**	–
	4	4

15. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
Current tax		
Hong Kong	**11,480**	14,748
PRC EIT and overseas income tax		
– Current year	**287,443**	255,548
– Under provision in prior years	**408**	501
	287,851	256,049
Deferred tax		
– Current year (note 37)	**(58,347)**	81,449
– Attributable to a change in tax rate (note 37)	**7,919**	861
	(50,428)	82,310
Total tax charge for the year	**248,903**	353,107

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the year.

(b) PRC EIT

The subsidiaries established in the PRC are subject to the PRC EIT at rate of 25%. Certain of the subsidiaries of the Group are approved to be high technology enterprises and income tax is calculated at a rate of 22% of the estimated assessable profit for the year. In accordance with the relevant income tax regulations of the PRC, certain subsidiaries are entitled to exemptions from income tax for the two years commencing from their first profit-making year of operation after offsetting prior year tax losses, followed by a 50% reduction in the PRC EIT for the next three years.

On 16 March 2007, the PRC Government promulgated the Law of the PRC on PRC EIT (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the PRC EIT rate of the Group's subsidiaries in the PRC, except for those subsidiaries approved to be high technology enterprise, was increased from 15% to 25% progressively from 1 January 2008 onwards (2008:18%, 2009:20%, 2010:22%, 2011:24%, 2012:25%). The relevant tax rates for the Group's subsidiaries in the PRC ranged from 22% to 25% for the two years ended 31 December 2011 and 2010.

15. INCOME TAX EXPENSE (Continued)

(c) Overseas income tax

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The charge for the year can be reconciled to the profit before tax per the consolidated income statement, based on the income tax rate of most of the Group's profit under assessments as follows:

	2011	2010
	RMB'000	RMB'000
Profit before tax	**996,783**	2,092,832
Tax at the applicable tax rate at 24% (2010: 22%)	**239,228**	460,423
Under provision in prior years	**408**	501
Effect of different tax rate of subsidiaries' operations in other jurisdictions and tax on concessionary rate	**(84,524)**	(93,731)
Effect on opening deferred tax of increase in tax rates	**(7,919)**	(861)
Tax effect of share of results of associates and jointly controlled entities	**(2,519)**	(25,366)
Tax effect of income not taxable for tax purpose	**(178,247)**	(126,008)
Tax effect of expenses not deductible for tax purpose	**153,057**	79,509
Withholding tax on unremitted earnings	**13,924**	41,908
Utilisation of tax losses previously not recognised	**(12,572)**	(17,593)
Tax effect of tax losses and deductible temporary differences not recognised	**128,067**	34,325
Tax charge for the year	**248,903**	353,107

Details of deferred tax are set out in note 37.

16. DIVIDENDS

	2011	2010
	RMB'000	RMB'000
Proposed final dividend of RMB3 cents (2010: RMB15 cents) per ordinary share	**35,932**	179,661

The proposed final dividend for the year ended 31 December 2011 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The final dividend for the year ended 31 December 2010 was approved and paid in 2011.

17. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB156,698,000 (2010: RMB648,989,000) and on the weighted average number of approximately 1,197,742,000 (2010: 1,197,742,000) ordinary shares in issue during the year.

Diluted earnings per shares was the same as the basic earnings per share because there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2011 and 2010.

18. PROPERTY, PLANT AND EQUIPMENT

	Freehold land outside Hong Kong	Leasehold land and buildings	Plant, machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2010	91,511	2,880,264	3,952,156	49,577	89,416	7,062,924
Additions	–	115,214	1,335,988	12,186	643,180	2,106,568
Acquisition of subsidiaries	–	20,551	9,691	–	100	30,342
Disposals of a subsidiary	–	(13,550)	(23,896)	–	(12,513)	(49,959)
Disposals	–	(90,747)	(339,724)	(3,042)	–	(433,513)
Transfer	26,880	68,867	81,758	–	(177,505)	–
Transfer to investment properties (note 20)	–	(103,462)	–	–	–	(103,462)
Transfer from investment properties (note 20)	–	222,610	–	–	–	222,610
Exchange realignment	2,758	(50,361)	(70,147)	(970)	(20,111)	(138,831)
At 31 December 2010 and 1 January 2011	121,149	3,049,386	4,945,826	57,751	522,567	8,696,679
Additions	659	17,425	1,161,536	10,426	660,009	1,850,055
Acquisition of subsidiaries	–	10,147	21,506	531	2,017	34,201
Disposals	–	(43,125)	(958,996)	(8,270)	(2,048)	(1,012,439)
Transfer	–	461,557	189,665	–	(651,222)	–
Transfer to investment properties (note 20)	(2,978)	(71,060)	–	–	–	(74,038)
Transfer from investment properties (note 20)	–	7,900	–	–	–	7,900
Exchange realignment	(9,068)	(92,483)	(168,915)	(1,555)	(23,304)	(295,325)
At 31 December 2011	**109,762**	**3,339,747**	**5,190,622**	**58,883**	**508,019**	**9,207,033**

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land outside Hong Kong	Leasehold land and buildings	Plant, machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
DEPRECIATION AND IMPAIRMENT						
At 1 January 2010	–	292,794	1,545,959	22,004	–	1,860,757
Impairment	–	3,506	8,692	–	–	12,198
Disposal of a subsidiary	–	(346)	(359)	–	–	(705)
Depreciation provided during the year	–	181,951	1,028,988	10,549	–	1,221,488
Transfer to investment properties (note 20)	–	(7,136)	–	–	–	(7,136)
Eliminated on disposals	–	(5,478)	(163,173)	(2,670)	–	(171,321)
Exchange realignment	–	(8,783)	(68,296)	(468)	–	(77,547)
At 31 December 2010 and 1 January 2011	–	456,508	2,351,811	29,415	–	2,837,734
Impairment	–	–	2,341	–	–	2,341
Depreciation provided during the year	–	192,111	1,263,027	12,127	–	1,467,265
Transfer to investment properties (note 20)	–	(14,393)	–	–	–	(14,393)
Eliminated on disposals	–	(30,327)	(824,453)	(7,059)	–	(861,839)
Exchange realignment	–	(17,942)	(117,956)	(1,132)	–	(137,030)
At 31 December 2011	**–**	**585,957**	**2,674,770**	**33,351**	**–**	**3,294,078**
NET BOOK VALUE						
At 31 December 2011	**109,762**	**2,753,790**	**2,515,852**	**25,532**	**508,019**	**5,912,955**
At 31 December 2010	121,149	2,592,878	2,594,015	28,336	522,567	5,858,945

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated at the following rates per annum on a straight-line basis:

Freehold land	Nil
Leasehold land and buildings	Over the terms of the respective leases
Plant, machinery and equipment	9% -50%
Motor vehicles	12.86% – 33.33%

All leasehold land and buildings are under medium-term and long-term lease.

The Group carried out a review on the recoverable amount of certain production facilities during the year ended 31 December 2011 and 2010. The Group recognised an impairment loss of approximately RMB2,341,000 and RMB12,198,000 in profit or loss for the two years ended 31 December 2011 and 2010 respectively as the relevant assets were left vacant.

At the end of the reporting period, certain of the Group's leasehold land and buildings were pledged to obtain bank and other loans granted to the Group, details of which are set out in note 31.

19. PREPAID LAND LEASE PAYMENTS

Analysed for reporting purposes as:

	2011 **RMB'000**	2010 RMB'000
Current asset	**10,548**	8,992
Non-current asset	**357,339**	346,045
	367,887	355,037

19. PREPAID LAND LEASE PAYMENTS (Continued)

The Group's prepaid land lease payments comprise:

	2011	2010
	RMB'000	RMB'000
Outside Hong Kong:		
Long lease	**13,975**	23,086
Medium-term lease	**353,912**	331,951
	367,887	355,037

During the year ended 31 December 2010, land of approximately RMB22,305,000 was transferred to investment properties. There was no such transfer in the year ended 31 December 2011. During the year ended 31 December 2011, a piece of land of approximately RMB$41,655,000 (2010: RMB48,525,000) was acquired.

During the year ended 31 December 2011, a piece of land with carrying value of approximately RMB22,325,000 was disposed of to 蘇州市土地儲備中心 ("Suzhou Land Reserve Centre") at a consideration of approximately RMB517,000,000 and resulted a gain on disposal of approximately RMB494,675,000 being recognised in profit or loss. Consideration of RMB108,941,000 was received during the year and the remaining consideration receivable of approximately RMB408,059,000 was included in other receivables under current assets.

20. INVESTMENT PROPERTIES

	2011	2010
	RMB'000	RMB'000
At fair value		
Balance at beginning of year	**1,295,585**	1,294,529
Acquisition of subsidiaries (note 40(c))	**49,877**	–
Transfer from property, plant and equipment and prepaid land lease payment (note 18 and 19)	**59,645**	118,631
Transfer to property, plant and equipment (note 18)	**(7,900)**	(222,610)
Revaluation surplus at transfer date from transferred owner-occupied properties	**36,655**	51,707
Fair value gains recognised in the consolidated income statement	**54,692**	53,328
Exchange realignment	**(10,600)**	–
Balance at the end of the year	**1,477,954**	1,295,585

20. INVESTMENT PROPERTIES (Continued)

The Group's investment properties are situated in the PRC and Poland and comprise:

	2011	2010
	RMB'000	RMB'000
Freehold land	**63,891**	20,259
Medium-term lease	**1,194,563**	1,047,026
Long lease	**219,500**	228,300
	1,477,954	1,295,585

The Group's investment properties were revalued on 31 December 2011 by Dudley Surveyors Limited and Jones Lang Lasalle Sallmanns Limited, independent professionally qualified valuers, at approximately RMB1,477,954,000 (2010: RMB1,295,585,000) on an open market basis, which has taken into account the comparable market transactions and the net income derived from existing tenancies with due allowance for reversionary income potential. The investment properties are leased to third parties under operating leases, further details of which are included in note 42.

At the end of the reporting period, certain of the Group's investment properties were pledged to secure banking facilities granted to the Group, details of which are set out in note 31.

As at 31 December 2010, certain Group's investment properties with an amount of approximately RMB73,120,000 are in the process of getting land use right and building owner certificates were obtained during the year ended 31 December 2011.

The Group leases out some of the buildings and prepaid land leases under operating leases. Certain investment properties had been taken up by the Group as its own premises and transferred to property, plant and equipment. The transfer amounts were based on the valuation performed by the independent professionally qualified valuers on an open market basis.

All of the Group's properties interests held under operating leases to earn rentals for capital appreciation purposes and measured using the fair value model and are classified and accounted for as investment properties. Gross rental income generated for the investment properties during the year amounted to approximately RMB121,238,000 (2010: RMB118,870,000).

21. INTANGIBLE ASSETS

	Goodwill	Patents and licences	Technology acquired	Software	Trademark	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2010	–	47,383	88,787	2,036	134,929	273,135
Additions	–	567	–	1,745	10,098	12,410
Exchange realignment	–	–	(15)	(81)	(4,215)	(4,311)
At 31 December 2010 and 1 January 2011	–	47,950	88,772	3,700	140,812	281,234
Acquired through acquisition of subsidiaries (note 40)	30,644	333	–	–	253,239	284,216
Additions	–	290	–	3,689	37,025	41,004
Exchange realignment	(575)	–	(24)	(126)	(4,524)	(5,249)
At 31 December 2011	30,069	48,573	88,748	7,263	426,552	601,205
Amortisation						
At 1 January 2010	–	47,383	85,415	924	5,557	139,279
Amortisation provided during the year	–	37	675	1,605	18,479	20,796
Exchange realignment	–	–	35	(79)	(451)	(495)
At 31 December 2010 and 1 January 2011	–	47,420	86,125	2,450	23,585	159,580
Amortisation provided during the year	–	203	807	1,274	90,341	92,625
Exchange realignment	–	–	(19)	(118)	(752)	(889)
At 31 December 2011	–	47,623	86,913	3,606	113,174	251,316
Carrying values						
At 31 December 2011	30,069	950	1,835	3,657	313,378	349,889
At 31 December 2010	–	530	2,647	1,250	117,227	121,654

Notes:

(i) Except for goodwill, the above intangible assets have definite useful lives and are amortised on a straight-line basis over 5 to 15 years.

(ii) Amortisation charge for the Group is included in "cost of sales" and "administrative expenses" amounted to RMB89,999,000 (2010: RMB18,137,000) and RMB2,626,000 (2010: RMB2,659,000) respectively in the consolidated income statement.

21. INTANGIBLE ASSETS (Continued)

Impairment test on goodwill

For the purpose of impairment testing, goodwill have been allocated to two individual cash generating units (CGUs), being PI International Holding Limited ("PI International Holdings") and Suzhou Jinguan Technology Company Limited ("Suzhou Jinquan").

The Group conducted impairment review on goodwill attributable to each of the respective CGUs concerned as at 31 December 2011 by reference to the estimated recoverable amount. The recoverable amounts of relevant CGUs have been determined by reference to value in use calculations. The calculation used cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of approximately 9%. The cash flows beyond the five-year period are extrapolated using 5% average growth rate for PI International Holdings and 2% average growth rate for Suzhou Jinquan. These average growth rates are based on the relevant industry growth rates for casts and do not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of each inflows/outflows including budgeted sales and gross margin, such estimation is based on the past experience and management's expectations for the market development and the directors considered appropriate.

According to the result of such review, management of the Group determines that there is no impairment on respective CGUs containing goodwill during the year ended 31 December 2011.

22. INTERESTS IN ASSOCIATES

	2011	2010
	RMB'000	RMB'000
Cost of investment in associates, unlisted (note a)	**738,910**	601,173
Share of post-acquisition losses and other comprehensive income, net of dividends received	**(85,749)**	(50,529)
Share of net assets (note a)	**653,161**	550,644
Loans to associates (note b)	**76,326**	76,326
Less: impairment	**(76,326)**	(76,326)
	653,161	550,644

Notes:

(a) Movements in the Group's share of net assets of associates during the year are summarised below:

(i) During the year ended 31 December 2011, Evertop (Fujian) Optoelectronics Co. Ltd. ("Evertop") and Country Lighting (BVI) Co. Ltd. ("Country Lighting") were established and it was held by the Group as 25% and 55.3%. Amount of approximately RMB40,377,000 and RMB6,629,000 were injected respectively during the year ended 31 December 2011.

(ii) In March 2011, the Group entered into an agreement with an independent third party and certain associates of the Group to set up 開發晶照明(廈門)有限公司 (KAISTAR Lighting Co., Ltd.) ("Kaistar"), a company incorporated in the PRC with limited liability and engaged in sale and manufacturing of LED products. In the current year, the Group injected an initial capital of approximately RMB224,732,000 into the associate.

(iii) In October 2011, 35% interests in Shenzhen City Kemei Technology Company Limited ("Shenzhen Kemei") with a carrying amount of approximately RMB34,960,000 was disposed of to an independent third party at a consideration of RMB35,000,000, which approximated to the carrying amount of Shenzhen Kemei and resulted gain on disposal of approximately RMB40,000.

(iv) In December 2011, 20% interests in Shenzhen Hai Liang Storage Product Co. Ltd. ("Shenzhen Hai Liang") with a carrying amount of approximately RMB119,140,000 was disposed of to an independent third party at a consideration of approximately RMB120,000,000 and resulted gain on disposal of approximately RMB860,000.

(b) Loans to associates are unsecured, non-interest-bearing and is repayable after twelve months from the end of the reporting period.

22. INTERESTS IN ASSOCIATES (Continued)

The directors of the Company reviewed certain associates' operations and financial positions as at the end of the reporting period and considered that the recoverability of the loans to an associate is uncertain. Accordingly, an impairment of approximately RMB34,318,000 has been recognised as at 31 December 2010. No impairment was provided for the year ended 31 December 2011.

During the year ended 31 December 2010, upon the disposal of an associate, the reversal of impairment of loan of approximately RMB277,737,000 has been recognised. Details are set out in note 9.

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

	2011	2010
	RMB'000	RMB'000
Total assets	**5,513,739**	6,663,302
Total liabilities	**(2,980,357)**	(4,163,541)
Net assets	**2,533,382**	2,499,761
Group's share of net assets of associates	**653,161**	550,644
Revenue	**7,920,161**	6,894,022
Profit for the year	**195,645**	240,957
Other comprehensive income	**(33,351)**	(9,911)
Group's share of results of associates for the year	**16,361**	126,224
Group's share of other comprehensive expense of associates for the year	**(13,077)**	(4,661)
Group's share of profits and other comprehensive income of associates for the year	**3,284**	121,563

22. INTERESTS IN ASSOCIATES (Continued)

Particulars of the principal associates are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Group 2011	Percentage of equity attributable to the Group 2010	Principal activities
ExcelStor Group Limited	Cayman Islands	US$15,000,000	**33.33%**	33.33%	Trading of hard disk drives ("HDD")
G&W Technologies, Co., Ltd.	Republic of Korea	US$2,577,320	**27.82%**	27.82%	Manufacture of HDD spindle motors
O-Net	Cayman Islands	HK$22,224,299	**27.32%**	27.32%	Trading of fiber optic components and manufacture of fiber optic parts for optical communications networks. Integrated parts for optical communications networks and crystal parts for optical communications networks
Shenzhen Hai Liang	The PRC	RMB494,742,208	**–**	20%	Manufacture and sales of magnetic head products
Shenzhen KTM Glass Substrate Co., Ltd.	The PRC	RMB122,108,400	**49%**	49%	Manufacture and sales of glass substrates
Shenzhen Great Wall Kemei Technology Co., Ltd.	The PRC	RMB10,000,000	**35%**	35%	Trading of network ammeters
Guilin Changhai Technology Co., Ltd.*	The PRC	RMB40,000,000	**39%**	39%	Research and development of safe computers and special computers

22. INTERESTS IN ASSOCIATES (Continued)

Particulars of the principal associates are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Group 2011	2010	Principal activities
Shenzhen Kemei	The PRC	RMB100,000,000	**–**	35%	Research and development of ammeters
Envision Peripherals, Inc.	United States of America	3,520,700 ordinary shares with no par value	**24%**	24%	Manufacture and sales of computer monitors
CPT TPV Optical (Fujian) Co., Ltd *	The PRC	US$22,500,000	**20%**	20%	Manufacture and sales of computer monitors
L&T Display Technology (Fujian) Limited	The PRC	US$17,000,000	**49%**	49%	Trading of LCD monitors/TVs
L&T Display Technology (Xiamen) Limited	The PRC	US$15,000,000	**49%**	49%	Trading of LCD monitors/TVs
Evertop	The PRC	US$25,000,000	**25%**	–	Trading of LCD monitors/TVs
Country Lighting (Note)	The British Virgin Islands (the "BVI")	RMB8,400,000	**55.3%**	–	Investment holdings
Kaistar	The PRC	US$80,000,000	**44%**	–	Sale and manufacturing of LED products

* English translation is for identification purpose

Note: The Group only exercise significant influence over Country Lighting as the Group has the power to appoint one out of four directors of Country Lighting under the provision stated in the Articles of Association of Country Lighting.

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

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2011 RMB'000	2010 RMB'000
Cost of unlisted investments in jointly controlled entities	**83,907**	83,907
Share of post-acquisition losses and other comprehensive income	**(22,385)**	(10,925)
	61,522	72,982

During the year ended 31 December 2010, a subsidiary of TPV offered its shares for subscription by third parties, which resulted in dilution of the interest in the subsidiary of TPV from 85% to 50%. The subsidiary has been deconsolidated and accounted for as a jointly controlled entity. Details are set out in note 41.

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

The Group's share of:	2011 RMB'000	2010 RMB'000
Total assets	**164,567**	189,283
Total liabilities	**(103,045)**	(116,301)
The Group's share of net assets of the jointly controlled entities	**61,522**	72,982
Revenue	**293,061**	114,480
Loss for the year	**(5,866)**	(10,925)
Other comprehensive expense	**(5,594)**	–

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Particulars of the jointly controlled entities are as follows:

Name of entity	Country of incorporations and principal place of operation	Class of shares held	Percentage of equity held 2011	2010	Principal activity
Three Titans Technology (Xiamen) Co., Ltd.*	The PRC	Ordinary shares	**45%** (Note)	50%	Trading of LCD monitor/TV
BriVictory Display Technology (Labuan) Corp. and its wholly- owned subsidiary, BriVictory Display Technology (Poland) Sp z o.o	Malaysia and Poland	Ordinary shares	**49%**	49%	Trading of LCD monitor/TV

* English translation is for identification purpose

Note: The equity interest held by the Group was diluted during the year and it is accounted for interest in jointly controlled entities as there is a contractual agreement that required unanimous consent for all key decisions.

24. AVAILABLE-FOR-SALE INVESTMENTS

	2011 RMB'000	2010 RMB'000
Listed investments:		
– Equity securities listed in the PRC, at fair value	**34,848**	47,916
– Equity securities listed in Taiwan, at fair value	**1,897**	8,197
– Debenture listed in Europe with fixed interest ranging from 4.625% to 6% and maturity from 2013 to 2019	**25,298**	–
	62,043	56,113
Unlisted investments:		
– Equity investments, at cost	**198,547**	135,406
– Equity investments, at fair value	**2,728**	6,073
	201,275	141,479
Total	**263,318**	197,592

24. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

During the year ended 31 December 2011, a decrease in fair value of the Group's available-for-sale investments recognised directly in the consolidated statement of other comprehensive income was approximately RMB27,156,000 (2010: an increase in fair value of approximately RMB25,349,000) and impairment loss of approximately RMB3,353,000 (2010: RMB5,989,000) was recognised in consolidated income statement.

For the year ended 31 December 2010, an unlisted equity investment, stated at cost of approximately RMB27,243,000 was disposed and a gain on disposal of approximately RMB18,027,000 was recognised in the consolidated income statement.

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

The fair values of unlisted equity investments are based on discounted cash flows. Other than those measured at fair value, the unlisted equity investments are stated at cost less any impairment losses because the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

At 31 December 2011, debenture investment held by the Group with carrying amount of RMB25,298,000 (2010: nil) were pledged to the banks for the bank loans advanced to the Group.

25. INVENTORIES

	2011 **RMB'000**	2010 RMB'000
Raw materials	**3,231,478**	4,777,696
Work in progress	**274,675**	27,877
Finished goods	**4,171,988**	4,942,688
Consumables	**9,404**	29,174
	7,687,545	9,777,435

During the year ended 31 December 2011, there was an increase in the net realisable values of inventories due to change in the market situation. As a result, a reversal of allowances for inventories of approximately RMB147,324,000 (2010: RMB5,735,000) has been recognised and included in cost of sales.

26. TRADE AND BILLS RECEIVABLES

	2011	2010
	RMB'000	RMB'000
Trade and bills receivables	**17,672,063**	16,983,604
Less: Impairment	**(187,655)**	(206,236)
	17,484,408	16,777,368

The Group's sales are on credit terms from 30 to 120 days and certain of its export sales are on letters of credit or documents against payment. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade and bills receivables, net of impairment presented based on the invoice date at the end of the reporting period.

	2011	2010
	RMB'000	RMB'000
0 to 90 days	**17,058,077**	15,504,925
91 to 180 days	**225,514**	1,194,852
181 to 365 days	**183,909**	65,278
Over 365 days	**16,908**	12,313
	17,484,408	16,777,368

The movements in provision for impairment of trade receivables are as follows:

	2011	2010
	RMB'000	RMB'000
Balance at beginning of the year	**206,236**	201,842
Impairment losses recognised on receivables	**139,340**	32,834
Amounts written off during the year as uncollectible	**(146,822)**	(20,932)
Impairment losses reversed	**(10,121)**	(7,062)
Exchange realignment	**(978)**	(446)
Balance at end of the year	**187,655**	206,236

26. TRADE AND BILLS RECEIVABLES (Continued)

The Group has individually assessed all receivables and provided in full for all receivables that are considered not recoverable. Impairment loss of approximately RMB139,340,000 (2010: RMB32,834,000) has been made during the year ended 31 December 2011 accordingly. The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	2011 **RMB'000**	2010 RMB'000
Neither past due nor impaired	**15,968,935**	15,188,916
Less than one month past due	**1,188,951**	1,343,151
One to three months past due	**134,250**	99,744
Over three months past due	**192,272**	145,557
	17,484,408	16,777,368

Receivables that were neither past due nor impaired relate to independent customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as the debtors are leading electronics producers in the world, which have sound repayment history with no records of delays of payment, the balances are still considered fully recoverable.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2011 **RMB'000**	2010 RMB'000
Other receivables	**2,894,804**	2,604,677
Less: impairment	**(15,498)**	(15,046)
	2,879,306	2,589,631
Prepayments and deposits	**151,671**	209,380
	3,030,977	2,799,011
Presented under		
– non-current assets	**133,128**	–
– current assets	**2,897,849**	2,799,011
	3,030,977	2,799,011

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

As at 31 December 2011, included in other receivables, under non-current assets is an advance of approximately RMB46,670,000 to an independent third party, which is interest-free and repayable in December 2013. Approximately RMB20,000,000 was received subsequently to the end of the reporting period.

The movements in provision for impairment of other receivables are as follows:

	2011	2010
	RMB'000	RMB'000
Balance at beginning of the year	**15,046**	37,814
Impairment losses reversed	**(89)**	(6,909)
Impairment losses recognised	**541**	–
Amounts written off during the year as uncollectible	**–**	(15,859)
Balance at end of the year	**15,498**	15,046

The Group has individually assessed all other receivables and provided in full for those receivables that are considered not recoverable. The Group does not hold any collateral over these balances.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
	RMB'000	RMB'000
Listed securities, at fair value:		
– Equity securities – Singapore	**1,065**	3,391
– Equity securities – Taiwan (note)	**35,827**	13,576
	36,892	16,967

Note: It represents listed options of an underlying security listing in Taiwan with quoted prices in active markets.

29. TERM DEPOSITS, PLEDGED DEPOSITS AND BANK BALANCES AND CASH

	2011	2010
	RMB'000	RMB'000
Cash and bank deposits, other than term deposits and pledged deposits	**3,457,887**	2,436,072
Term deposits and pledged deposits	**4,079,572**	1,273,039
	7,537,459	3,709,111
Less: Current deposits		
Pledged for bank facilities	**1,489,859**	357,414
Pledged for performance bonds	**34,359**	33,564
	1,524,218	390,978
Term deposits with terms over three months	**1,695,579**	546,328
	3,219,797	937,306
Less: Non-current deposits		
Pledged for bank facilities	**746,750**	–
Term deposits with terms over one year	**113,025**	14,000
	859,775	14,000
Bank balances and cash	**3,457,887**	2,757,805

As at 31 December 2011, term deposits, pledged deposits, bank balances and cash of approximately RMB5,344,782,000 (2010: RMB2,342,501,000) were denominated in RMB, which is not freely convertible currency in the international market and its exchange rate is determined by the government of the PRC. The pledged deposits and bank balances carry interest at 0.5% (2010: 0.36%) per annum.

As at 31 December 2011, the effective interest rates on term deposits with terms over three months ranged from 2.28% to 5.25% (2010: 2.25% to 5.85%) per annum; and these deposits have an average maturity of 242 days (2010: 261 days).

As at 31 December 2011, term deposits of approximately RMB34,359,000 (2010: RMB33,564,000) were pledged in respect of performance bonds in favour of the customers.

30. TRADE AND BILLS PAYABLES

The Group has financial risk management policies in place to ensure all payables are paid within the credit timeframe. The average credit period on purchase is 30 to 90 days. An aged analysis of the trade and bills payables presented based on the invoice date as at the end of the reporting period.

	2011 **RMB'000**	2010 RMB'000
Within 90 days	**14,296,243**	15,180,057
91 to 180 days	**158,230**	1,727,209
181 to 365 days	**3,855**	38,606
Over 365 days	**16,820**	38,908
	14,475,148	16,984,780

31. BANK AND OTHER LOANS

	2011 **RMB'000**	2010 RMB'000
Non-current		
Note payable	**492,497**	–
Current		
Bank and other loans	**7,902,033**	4,267,261
	8,394,530	4,267,261
Bank and other loans repayable within one year:		
Unsecured	**6,266,470**	3,870,787
Secured	**1,635,563**	396,474
	7,902,033	4,267,261

The note payable with principal amount of RMB500,000,000 was carried fixed interest of 4.25% per annum and due in March 2014.

31. BANK AND OTHER LOANS (Continued)

Bank and other loans of approximately RMB2,368,653,000 (2010: RMB3,875,571,000) are at fixed interest rates during the year. The bank and other loans expose the Group to fair value interest rate risk. The effective interest rates at the end of the reporting period as follows:

	2011	2010
Bank and other loans	**1.68% – 7.22%**	0.99% – 4.78%

As at 31 December 2011, bank and other loans of approximately RMB5,421,859,000 (2010: RMB3,917,261,000) are denominated in US$ and approximately RMB125,936,000 (2010: nil) are denominated in Polish zloty.

Certain of the Group's term deposits with a carrying value of approximately RMB2,270,968,000 (2010: RMB390,978,000) were pledged to the banks to secure the bank facilities and performance bonds.

Certain of the Group's avilable-for-sale investments, investment properties, leasehold land and buildings with a carrying value of approximately RMB25,298,000 (2010: nil), RMB137,600,000 (2010: RMB114,500,000) and RMB124,593,000 (2010: RMB158,945,000) respectively were pledged to secure the bank loans of approximately RMB96,360,000 (2010: RMB50,000,000) as at 31 December 2011.

32. CONVERTIBLE BONDS OF A SUBSIDIARY

The Group's subsidiary, TPV, issued 3.35% convertible bonds in the principal amount of US$211 million to Koninklijke Philips Electronics N.V. ("Philips") on 5 September 2005 as part of the purchase consideration for a business combination.

The bonds mature five years from the issue date at their principal amount of US$210,514,000 and can be converted into TPV's ordinary shares at the holder's option at a conversion price HK$5.241 (US$0.67) per share. On 7 September 2010, upon the maturity date, TPV redeemed an aggregate principal amount of US$210,514,000 (approximately RMB1,437,355,000), being all outstanding principal amount of the convertible bonds. As the holders of the convertible bonds did not opt to exercise the right of conversion, no additional shares were issued by TPV and all principal and interests thereon accrued were repaid with cash.

The fair values of the liability component and the equity conversion component were determined at the time of the issuance of the bonds.

At the time of issuance, the fair value of the liability component, included in borrowings was calculated using a market interest rate for an equivalent non-convertible bond.

32. CONVERTIBLE BONDS OF A SUBSIDIARY (Continued)

The convertible bonds recognised in the consolidated statement of financial position are calculated as follows:

	2010 RMB'000
Liability component	
Balance at 1 January	1,428,541
Interest expense (note 11)	57,213
Interest paid	(48,399)
Repayment upon maturity	(1,437,355)
Balance at 31 December	–

The equity component of the convertible bonds of a subsidiary was not recognised in the consolidated statement of financial position as it was regarded as pre-acquisition release upon the acquisition of TPV as at 13 October 2009.

33. DERIVATIVES FINANCIAL INSTRUMENTS

	2011		2010	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
Derivatives not under hedge accounting				
Foreign exchange forward contracts (note a)	**211,269**	**(132,906)**	423,630	(22,158)
Interest rate swaps (note b)	**11,333**	**(33,181)**	7,528	(400,615)
Cross currency swaps (note c)	**10,604**	**(2,016)**	–	–
	233,206	**(168,103)**	431,158	(422,773)

33. DERIVATIVES FINANCIAL INSTRUMENTS (Continued)

(a) Foreign exchange forward contracts

The total notional principal amount of the outstanding foreign exchange forward contracts as at the end of the reporting period are as follows:

	2011	2010
	RMB'000	RMB'000
Sell RMB for US$	**21,547,154**	24,362,536
Sell US$ for RMB	**18,954,459**	21,629,738
Sell Japanese Yen for US$	**22,935**	376,832
Sell Euros for US$	**1,125,750**	1,379,204
Sell Brazilian Real for US$	**490,840**	329,810
Sell Indian Rupee for US$	**138,620**	72,850
Sell British pounds for US$	**–**	46,869
Sell US$ for Russian Ruble	**94,514**	5,066
Sell US$ for New Taiwan dollars	**107,115**	112,586

As at 31 December 2011 and 2010, all of the above foreign exchange forward contracts are with maturity dates within 12 months from the end of the reporting period.

(b) Interest rate swaps

The total notional principal amount of the outstanding interest rate swaps as at 31 December 2011 was approximately RMB1,852,326,000 (2010: RMB2,587,726,000).

(c) Cross currency swaps

The total notional principal amount of the outstanding cross currency swaps as at 31 December 2011 was approximately RMB436,507,000 (2010: nil).

34. PROVISIONS FOR PRODUCTS WARRANTIES

	2011 RMB'000	2010 RMB'000
At 1 January	**498,000**	501,855
Additional provision recognised	**608,344**	477,709
Amounts utilised during the year	**(600,385)**	(453,467)
Amounts reversed during the year	**(2,004)**	(13,602)
Exchange realignment	**(23,264)**	(14,495)
At 31 December	**480,691**	498,000

The Group provides warranties to its customers on certain products, under which faulty products are repaired or replaced. The amount of the provision for the warranty is estimated based on sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. It is expected that the provision will be utilised within 12 months after the end of the reporting period.

35. PENSION OBLIGATIONS

The balance represented the Group's obligations in a defined benefit plan for its employees in Taiwan in accordance with the relevant local regulations.

The obligations are calculated using the projected unit credit method, discounted to its present value. Such pension obligations as at 31 December 2011 were valued by Actuarial Consulting Co., Ltd, an independent actuary.

The amount recognised in the consolidated statement of financial position is determined as follows:

	2011 RMB'000	2010 RMB'000
Present value of funded obligations	**50,710**	64,532
Fair value of plan assets	**(4,209)**	(7,100)
	46,501	57,432
Unrecognised actuarial losses	**(8,588)**	(18,782)
Liability in the consolidated statement of financial position	**37,913**	38,650

35. PENSION OBLIGATIONS (Continued)

The amounts recognised in the consolidated income statement are as follows:

	2011 RMB'000	2010 RMB'000
Current service cost	**2,029**	1,766
Interest cost	**1,092**	1,076
Expected return on plan assets	**(123)**	(142)
Net actuarial losses recognised during the year	**1,085**	190
Total expense, within employee benefit expense	**4,083**	2,890

The actual loss on plan assets was approximately RMB50,000 (2010: RMB34,000).

Movements in the pension obligations are as follows:

	2011 RMB'000	2010 RMB'000
At 1 January	**64,532**	47,548
Current service cost	**2,029**	1,766
Interest cost	**1,092**	1,076
Benefit paid	**(3,779)**	(995)
Actuarial (gain) losses	**(8,030)**	10,953
Exchange realignment	**(5,134)**	4,184
At 31 December	**50,710**	64,532

35. PENSION OBLIGATIONS (Continued)

Movements in the fair value of plan assets are as follows:

	2011	2010
	RMB'000	RMB'000
At 1 January	**7,100**	6,179
Expected return on plan assets	**123**	142
Contributions	**1,305**	1,808
Benefit paid	**(3,779)**	(995)
Actuarial losses	**(540)**	(34)
At 31 December	**4,209**	7,100

The principal actuarial assumptions used are as follows:

	2011	2010
Discount rate	**1.75%**	1.75%
Expected rate of return on plan assets	**1.75%**	1.75%
Expected rate of future salary increment	**3.5%**	3.5%

36. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2011 and 2010, the Group provided financial guarantees to banks in respect of banking facilities granted to associates and certain customers. The financial guarantees provided and the movements of fair value are analysed as follows:

	2011	2010
	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to:		
associate	**104,406**	19,868
third parties	**57,456**	54,051
	161,862	73,919

	2011	2010
	RMB'000	RMB'000
At 1 January	**–**	3,637
Fair value change during the year	**–**	–
Gain on derecognition	**–**	(3,637)
At 31 December	**–**	–

As at 31 December 2010, the bank loans of associate was fully settled and a gain on derecognition of financial guarantee contracts of approximately RMB3,637,000 was recognised. The directors of the Company reviewed the financial position of the guarantees and considered that payment for the settling the financial guarantee is remote. No liabilities were recognised for the above guarantees as at 31 December 2010 and 2011.

37. DEFERRED TAX

The movements in deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Depreciation allowance in excess of related depreciation and amortisation	Pension obligation	Impairment and provisions	Revaluation of properties	Revaluation of available-for-sale investments	Capitalisation of interest	Equity of associates	Unrealised profit on derivatives financial instruments	Unrealised profit on inventories	Withholding tax on distributable profit	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	41,205	(8,638)	(179,110)	213,747	–	9,387	1,846	4,431	(3,578)	–	–	79,290
Deferred tax debited to equity during the year	–	–	–	11,059	6,352	–	–	–	–	–	–	17,411
Deferred tax charged (credited) to the consolidated income statement (note 15)	10,050	(117)	(12,640)	7,403	–	(905)	–	43,517	5,624	41,908	(13,391)	81,449
Effect of change in tax rate (note 15)	3,746	–	(9,125)	5,219	–	853	168	–	–	–	–	861
At 31 December 2010 and at 1 January 2011	55,001	(8,755)	(200,875)	237,428	6,352	9,335	2,014	47,948	2,046	41,908	(13,391)	179,011
Acquisition of subsidiaries (note 40)	–	–	(1,013)	5,207	–	–	–	–	–	–	–	4,194
Deferred tax debited (credited) to equity during the year	–	–	–	5,123	(3,988)	–	–	–	–	–	–	1,135
Deferred tax charged (credited) to the consolidated income statement (note 15)	(9,735)	(460)	34,397	7,793	–	(905)	–	(40,173)	(1,290)	13,924	(61,898)	(58,347)
Effect of change in tax rate (note 15)	2,292	–	(4,739)	9,893	–	389	84	–	–	–	–	7,919
At 31 December 2011	47,558	(9,215)	(172,230)	265,444	2,364	8,819	2,098	7,775	756	55,832	(75,289)	133,912

37. DEFERRED TAX (Continued)

For the purposes presentation of consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2011	2010
	RMB'000	RMB'000
Deferred tax liabilities	**390,646**	402,032
Deferred tax assets	**(256,734)**	(223,021)
	133,912	179,011

At the end of the reporting period, the Group did not recognise in respect of tax losses of approximately RMB781,766,000 (2010: RMB248,432,000) due to the unpredictability of future profit streams. Tax losses amounting to RMB589,964,000 will expire in 2012 to 2021.

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB185,070,000 (2010: RMB237,175,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

38. GOVERNMENT GRANTS

	2011	2010
	RMB'000	RMB'000
At 1 January	**34,127**	22,375
Government grants raised during the year	**28,264**	22,970
Government grants utilised during the year	**(24,925)**	(11,218)
At 31 December	**37,466**	34,127

As at 31 December 2011, government grants of approximately RMB37,466,000 (2010: RMB34,127,000) which were designated for certain research projects, export incentives and fiscal refund granted by the PRC municipal government. The amount is stated as non-current liabilities in the consolidated statement of financial position as the directors of the Company are of the opinion that certain conditions in respect of these grants will not be fulfilled within the next twelve months from 31 December 2011.

39. SHARE CAPITAL

	2011	2010
	RMB'000	RMB'000
Authorised, issued and fully paid:		
743,870,000 state-owned legal person shares of RMB1.00 each	**743,870**	743,870
453,872,000 overseas listed foreign invested shares of RMB1.00 each	**453,872**	453,872
	1,197,742	1,197,742

There was no change in the authorised and issued capital of the Company for the two years ended 31 December 2011 and 2010.

40. BUSINESS COMBINATIONS

Business combinations for the year ended 2011

a. Acquisition of PI International Holdings and its subsidiaries

On 31 March 2011, the Group acquired 51% equity interests in PI International Holdings, from an independent third party, for cash consideration of HK$94,619,000 (equivalent to approximately RMB79,573,000). PI International Holdings is mainly engaged in the development, manufacturing and sale of power supplies for electronic products.

Consideration transferred:

	RMB'000
Cash	79,573

Acquisition-related costs amounting to approximately RMB2,518,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the administrative expenses in the consolidated income statement.

40. BUSINESS COMBINATIONS (Continued)

a. Acquisition of PI International Holdings and its subsidiaries (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	34,201
Prepaid land lease payments	3,753
Intangible assets	333
Available-for-sale investments	29,922
Deferred tax assets	1,013
Inventories	119,727
Trade and bills receivables	266,719
Prepayments, deposits and other receivables	4,941
Bank balances and cash	42,119
Trade and bills payables	(175,126)
Other payables and accruals	(104,617)
Tax payable	(362)
Bank loan	(106,444)
Deferred tax liabilities	(925)
	115,254

The receivables acquired (which principally comprised trade receivables) with a fair value of approximately RMB266,719,000 had gross contractual amounts of approximately RMB270,583,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately RMB3,864,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	79,573
Plus: non-controlling interests of PI International Holding's subsidiaries	2,123
non-controlling interests of PI International Holdings	56,474
Less: net assets acquired (100%)	(115,254)
Goodwill arising on acquisition	22,916

40. BUSINESS COMBINATIONS (Continued)

a. Acquisition of PI International Holdings and its subsidiaries (Continued)

The non-controlling interest (49%) in PI International Holdings recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of PI International Holdings and amounted to approximately RMB56,474,000.

Goodwill arose on the acquisition of PI International Holdings because the acquisition included the sales network of PI International Holdings in the overseas markets, especially in the South East Asia region. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	79,573
Less: bank balances and cash acquired	(42,119)
	37,454

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately RMB32,757,000 attributable to PI International Holdings. Revenue for the year includes approximately RMB718,326,000 is attributable to PI International Holdings.

Had the acquisition of PI International Holdings been effected on 1 January 2011, the revenue of the Group for the year ended 31 December 2011 would have been approximately RMB95,300,522,000 and the profit for the year would have been approximately RMB767,989,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had PI International Holdings been acquired on 1 January 2011, the directors of the Company calculated depreciation and amortisation of property, plant and equipment and prepaid land leases on the recognised amounts of property, plant and equipment and prepaid land leases at the date of acquisition.

40. BUSINESS COMBINATIONS (Continued)

b. Acquisition of Ebony Hong Kong Limited and PTC Consumer Electronic Co., Limited

On 29 September 2010, AOC Holdings Limited ("AOC"), a subsidiary of the Company, entered into a five-year trademark license agreement with Koninklijke Philips Electronics N.V. ("Philips"), under which trademarks for the sales and distribution of colour TVs in the PRC was granted to AOC and its affiliates in which AOC is required to pay royalty on an annual basis, which is based on higher of percentage of the turnover and a minimum royalty of EUR6,800,000 (equivalent to approximately RMB58,548,000) a year of the aforesaid TVs as specified in the agreement. The trademark license agreement has been effective since 1 January 2011.

In addition, a share purchase agreement was signed pursuant to which AOC agreed to purchase two wholly-owned subsidiaries of Philips, Ebony Hong Kong Holding Limited and PTC Consumer Electronic Co., Limited, with a cash consideration of EUR1,240,000 (equivalent to approximately RMB10,677,000). The two companies were holding the necessary spare parts, in-store samples, equipment, employees and contracts for the operations of the Philips contributed business. The Philips contributed business represents the entire business of the product management, operation, marketing, sale and distribution of the aforesaid TVs manufactured under the brand name "Philips" or any other brand name or trademark of the Philips Group as carried on by the Philips Group in the PRC prior to completion of the share purchase agreement.

The share purchase agreement was completed on 1 January 2011 and AOC acquired 100% of the share capital of Ebony Hong Kong Holding Limited and PTC Consumer Electronic Co., Limited, for a cash consideration of EUR1,240,000 (equivalent to approximately RMB10,677,000) on 1 January 2011.

Consideration transferred:

	RMB'000
Cash	10,677

Acquisition-related costs amounting to approximately RMB759,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the administrative expenses in the consolidated income statement.

40. BUSINESS COMBINATIONS (Continued)

b. Acquisition of Ebony Hong Kong Limited and PTC Consumer Electronic Co., Limited (Continued)

Assets acquired and liabilities recognsied at the date of acquisition are as follows:

	RMB'000
Trademark	253,239
Inventories and spare parts	14,670
Other payables	(253,239)
	14,670

Bargain purchase arising on acquisition

	RMB'000
Consideration transferred	10,677
Less: net assets acquired	(14,670)
Gain from a bargain purchase of subsidiaries	(3,993)

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	10,677

Impact of acquisition on the results of the Group

The acquired business contributed revenue of RMB1,369,149,000 and net loss of RMB66,218,000 to the Group for the year ended 31 December 2011.

c. Acquisition of Suzhou Jinguan

On 1 July 2011, the Group acquired 100% equity interests in Suzhou Jinguan, from an independent third party, for consideration of RMB37,340,000. Suzhou Jinguan is mainly engaged in the property investment in Suzhou, the PRC.

Consideration transferred:

	RMB'000
Cash	37,340

40. BUSINESS COMBINATIONS (Continued)

c. Acquisition of Suzhou Jinguan (Continued)

Acquisition-related costs amounting to approximately RMB80,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the administrative expenses in the condensed consolidated income statement.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Investment properties	49,877
Prepaid land lease payments	6,536
Prepayments, deposits and other receivables	756
Bank balances and cash	2,091
Trade and bills payables	(266)
Other payables and accruals	(25,100)
Deferred tax liability	(4,282)
	29,612

Goodwill arising on acquisition

	RMB'000
Consideration transferred	37,340
Less: net assets acquired (100%)	(29,612)
Goodwill arising on acquisition	7,728

Goodwill arose on the Suzhou Jinguan because the acquisition included the property management team. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	37,340
Less: Bank balances and cash acquired	(2,091)
	35,249

40. BUSINESS COMBINATIONS (Continued)

c. Acquisition of Suzhou Jinguan (Continued)

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately RMB3,407,000 attributable to Suzhou Jinguan. Revenue for the year includes approximately RMB1,188,000 is attributable to PI International Holdings.

Had the acquisition of Suzhou Jinguan been effected on 1 January 2011, the revenue of the Group for the year ended 31 December 2011 would have been approximately RMB95,026,716,000 and the profit for the period would have been approximately RMB750,608,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Suzhou Jinguan been acquired on 1 January 2011, the directors of the Company calculated amortisation of prepaid land leases on the recognised amounts of prepaid land leases at the date of acquisition.

Business combinations for the year ended 2010

On 23 December 2010, the Group acquired a further 80% equity interests in HannStar Display (Wuhan) Corp. ("Hannstar-TPV") for a purchase consideration of US$3,400,000 (equivalent to approximately RMB22,282,000), in addition to 20% of the original equity interests in this associate, and obtained the control of Hannstar-TPV.

Consideration transferred

	RMB'000
Cash paid	7,947
Cash payable	14,335
Fair value of equity interest in Hannstar-TPV held before the business combination	8,096
	30,378

40. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2010 (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	30,342
Inventories	2,732
Trade and other receivables	20,131
Cash and cash equivalents	2,905
Trade and other payables	(16,357)
	39,753

Bargain purchase arising on acquisition

	RMB'000
Consideration transferred	30,378
Less: net assets acquired	(39,753)
Gain from a bargain purchase	(9,375)

Net cash outflow arising on acquisition

	RMB'000
Cash consideration paid	7,947
Less: bank balances and cash acquired	(2,905)
	5,042

The revenue and profit included in the consolidated income statement since 23 December 2010 contributed by Hannstar-TPV was insignificant.

Had Hannstar-TPV been consolidated from 1 January 2010, revenue will increase by approximately RMB50,215,000 and profit will decrease by approximately RMB24,147,000 in the consolidated income statement.

In determining the "pro-forma" revenue and profit of the Group had Hannstar-TPV been acquired on 1 January 2010, the directors of the Company calculated depreciation of property, plant and equipment on the recognised amount of property, plant and equipment at the date of acquisition.

41. DISPOSAL OF SUBSIDIARIES

a) A subsidiary of TPV offered its shares for subscription by third parties in July 2010, which resulted in dilution of the TPV's interests in the subsidiary from 85% to 50%. Consequently, the subsidiary has been deconsolidated and accounted for as a jointly controlled entity. The following table summarises the amounts of the assets and liabilities deconsolidated at the transaction date.

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	49,254
Inventories	20,596
Bank balances and cash	14,153
Trade and other receivables	14,471
Trade payables and other payables	(67,390)
Net assets disposed of	31,084
Gain on disposal:	
Investments retained subsequent to disposal as at fair value	32,478
Net assets disposed of	(31,084)
Gain on disposal	1,394
Net cash outflow arising on disposal:	
Cash consideration	–
Less: Cash and cash equivalents disposed of	(14,153)
	(14,153)

There is no significant impact on the total turnover and profit of the Group as the revenue and results of the disposed subsidiary is not significant for the year ended 31 December 2010. The subsidiary disposed of had no significant effect on the cashflow of the Group for the year ended 31 December 2010.

b) On 28 December 2009, the Group entered into the share transfer agreement with China Software, a fellow subsidiary of the Company, pursuant to which the Group conditionally agreed to transfer its 69.41% equity interest in Great Wall Software Group for a consideration of approximately RMB92,472,000. The disposal of the 69.41% of Great Wall Software Group was completed on 21 April 2010 and details of the completion of the disposal are set out in the announcement of the Company dated 21 April 2010.

41. DISPOSAL OF SUBSIDIARIES

Consideration transferred

	RMB'000
Cash received	92,472

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	42,800
Intangible assets	225
Available-for-sale investments	3,195
Inventories	64,776
Trade and bills receivables	94,810
Prepayments, deposits and other receivables	21,056
Bank balances and cash	57,004
Trade and bills payables	(132,669)
Other payables and accruals	(20,447)
Non-controlling interests	(36,559)
	94,191

Loss on disposal:

Consideration recevied	92,472
Net assets disposed of	(94,191)
Loss on disposal	(1,719)

Net cash inflow arising on disposal:

	RMB'000
Cash consideration	92,472
Less: bank balances and cash disposed of	(57,004)
	35,468

There is no significant impact on the total turnover and profit of the Group as the revenue and results of the disposed subsidiaries are not significant for the year ended 31 December 2010. The subsidiaries disposed of had no significant effect on the cashflow of the Group for the year ended 31 December 2010.

42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases their investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to nine years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. The remaining properties are expected to generate rental yields of 10% (2010: 9%) on an ongoing basis. At the end of reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2011	2010
	RMB'000	RMB'000
Within one year	**76,217**	85,415
In the second to fifth years, inclusive	**70,821**	127,617
After five years	**2,247**	12,662
	149,285	225,694

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years. At the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011	2010
	RMB'000	RMB'000
Within one year	**131,770**	74,816
In the second to fifth years, inclusive	**88,257**	110,739
After five years	**53,085**	51,604
	273,112	237,159

43. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2011	2010
	RMB'000	RMB'000
Contracted, but not provided for:		
Plant, machinery and equipment	**510,319**	417,693

As at 31 December 2011, the Group had commitments for investments in associates amounting to approximately RMB162,964,000 (2010: RMB401,939,000).

44. RETIREMENT BENEFITS SCHEMES

Apart from the defined benefit plan stated in note 35, the employees in the Group, which operates in the PRC are required to participate in a central pension scheme (the "CP Scheme") operated by the local municipal government. The Group are required to contribute 5% to 13% of their payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

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

At 31 December 2011, the Group had no amount capitalised and forfeited contributions available to reduce its contributions to the CP Scheme and MPF Scheme in future years (2010: nil).

45. SHARE OPTION SCHEME OF A SUBSIDIARY

The Company has no share option scheme but the Company's subsidiary, TPV, has issued equity settled share-based payments to certain employees of TPV.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

			Number of share options				
Date of grant	**Exercise price**	**Note**	**At 1 January 2011**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**At 31 December 2011**
12 December 2007	HK$5.750	(i)	20,668,026	–	–	(530,000)	20,138,026
18 January 2011	HK$5.008	(ii)	–	45,000,000	–	(920,000)	44,080,000
			20,668,026	45,000,000	–	(1,450,000)	64,218,026
Weighted average exercise price			HK$5.75	HK$5.008	–	HK$5.279	HK$5.241
Exercisable at the end of the year							20,138,026

Note:

(i) These options are exercisable at HK$5.750 (approximately RMB5.07) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 12 December 2008 to 11 December 2012, from 12 December 2010 to 11 December 2012 and from 12 December 2010 to 11 December 2012 are 20%, 50% and 100% respectively.

(ii) These options are exercisable at HK$5.008 (approximately RMB4.152) per share in four trenches: the maximum percentage of share options exercisable within the periods commencing from 18 January 2012 to 17 January 2021, from 18 January 2013 to 17 January 2021, from 18 January 2014 to 17 January 2021 and from 18 January 2015 to 17 January 2021 are 25%, 50%, 75% and 100% respectively.

45. SHARE OPTION SCHEME OF A SUBSIDIARY (Continued)

Note: (Continued)

The fair value of share options granted was calculated using Binominal Option Pricing Model. The inputs into the model were as follows:

	12 December 2007	**18 January 2011**
Share price on the date of grant	HK$5.75	HK$4.96
Exercise price	HK$5.75	HK$5.008
Expected volatility	44.954%	53.96%
Risk-free interest rate	3.64%	2.73%
Expected dividend yield	0%	3.11%

The volatility measured at the grant date is referenced to the historical volatility of TPV. The Group recognised the total expenses of approximately RMB31,303,000 for the year ended 31 December 2011 (2010: RMB5,442,000) in relation to share options granted by TPV.

46. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2011 RMB'000	2010 RMB'000
Ultimate holding company:			
Sales of products	(i)	**509**	4,665
Immediate holding company:			
License fees	(ii)	**2,213**	3,193
Associates:			
Sales of products	(i)	**2,127,471**	3,619,644
Rental income	(iii)	**31,905**	50,623
Processing fee income	(v)	**–**	2,646
Purchases of components and parts	(vi)	**382,680**	21,849
Commission fees	(viii)	**–**	2,880
Jointly controlled entities:			
Sales of finished goods	(i)	**342**	127,302
Purchases of raw materials	(vi)	**470,640**	15,768
Rental income	(iii)	**6,499**	2,349
Fellow subsidiaries:			
Sales of products	(i)	**2,735**	54,134
Rental income	(iii)	**12,940**	18,653
Purchases of components and parts	(vi)	**51,321**	35,617
Interest income	(iv)	**–**	55
Subsidiaries' substantial shareholders and their subsidiaries:			
Sales of finished goods	(vii)	**125,374**	3,181,471
Purchases of raw materials	(vii)	**4,642,790**	8,180,489

46. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(i) The sales to the ultimate holding company, associates, jointly controlled entities and the fellow subsidiaries were made according to the published prices and conditions offered to major customers of the Group.

(ii) The license fees paid to the immediate holding company was based on a rate of 0.39% (2010: 0.39%) of the revenue from the products under the "Great Wall" brand.

(iii) The rental income from the property leased to associates, jointly controlled entities and fellow subsidiaries was made according to the market rate offered to third parties.

(iv) The interest income from fellow subsidiary for the year ended 31 December 2010 was based on the benchmark deposit interest rate for financial institution announced by the People's Bank of China.

(v) Processing fee from associates was made on terms mutually agreed between both parties.

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

(vii) The transactions were conducted in the normal course of business at prices and terms as agreed between the transacting parties.

(b) Outstanding balances with related parties:

(i) The balances with immediate holding company, fellow subsidiaries and associates are unsecured, interest free and repayable on demand.

(ii) The Group had outstanding receivable from TPV's associates and jointly controlled entities of approximately RMB659,269,000 (2010: RMB927,721,000) and RMB1,947,000 (2010: RMB42,855,000) respectively, which were presented in the consolidated statement of financial position within trade receivables.

The Group had outstanding payables to TPV's associates and jointly controlled entities of approximately RMB166,293,000 (2010: 9,516,000) and RMB34,157,000 (2010: RMB14,179,000) respectively, which were presented in the consolidated statement of financial position within trade payables.

Receivables from TPV's substantial shareholders and their subsidiaries of approximately RMB88,000 (2010: RMB2,887,000) were presented in the consolidated statement of financial position within trade receivables and nil balance (2010: RMB6,954,000) was presented within prepayments, deposits and other receivables.

Payables to TPV's subsidiaries' substantial shareholders and their subsidiaries of approximately RMB516,655,000 (2010:RMB497,570,000) were presented in the consolidated statement of financial position within trade payables and other payables and accruals respectively.

46. RELATED PARTY TRANSACTIONS (Continued)

(b) (Continued)

(iii) The Group had a bank deposit of approximately RMB163,189,000 (2010: RMB190,013,000) in a fellow subsidiary, which was an authorised non-bank financial institution set up in the PRC. The deposit was presented in the consolidated statement of financial position within bank balances and cash.

(c) Key management compensation

The remunerations of directors (executive and non-executive) and other members of key management during the year were as follows:

	2011	2010
	RMB'000	RMB'000
Short-term benefits	**32,936**	21,929
Retirement benefits scheme contributions	**346**	213
Share-based payments	**439**	–
	33,721	22,142

(d) CEC, the ultimate holding company of the Company, is owned and controlled by SASAC and are the state-owned enterprises. In accordance with HKAS 24 (Revised), the Group is exempted from disclosures of transactions with other state enterprises and their subsidiaries directly or indirectly controlled by the PRC government.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group had transactions with state-owned enterprises including, but not limited to, sales and purchase of computers, electronic parts and computer-related products. The directors of the Company consider that transactions with other state-owned enterprises are activities in the ordinary course of business, and that dealings of the Group have not been significantly controlled or owned by the PRC government. The Group has also established pricing policies for products and such pricing policies do not depend on whether or not the customers are state-owned enterprises. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions is a material related party transaction that requires separate disclosure.

47. CONTINGENT LIABILITIES

The Group had certain outstanding litigations as recorded by TPV, the details of which are set out as follow:

(a) In December 2008, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitors ("Patent I").

The directors are of the opinion that while the proceedings are still pending, it is not probable to assess the outcome of the case for the time being.

(b) In January 2009, a third party company filed a complaint in Germany against the Group, one of its associated companies and other third party companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitor ("Patent II").

As far as the Group and its associated company are is concerned, it is alleged among other matters that:

(i) they had infringed, actively induced, contributed to the infringement of Patent II by making, using, causing to be used, offering to sell, selling, causing to be sold, importing and/or causing to be imported monitors in Germany; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court grants an award of damages to it covering reasonably attorneys fees, costs and expenses that incurred by it for pursuing this action.

The directors are of the opinion that while the appellate proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

(c) In July 2010, a third party company filed a complaint in the United States of America against the Group. The complaint concerns claims of compensation related to indemnity obligations as provided in an agreement between the parties.

The directors are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

47. CONTINGENT LIABILITIES (Continued)

(d) In July 2010, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and another third party company. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain televisions ("Patent III").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) they have been infringing and continue to infringe the Patent III, and contributing to and actively inducing the infringement of Patent III by others in the United States of America.

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent III.

The directors are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

(e) In November 2010, a third party individual filed a complaint in the United States of America against the Group. The Complaint concerns alleged claims of personal injury caused by products that contain asbestos.

The directors are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

(f) In August 2011, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies.

The complaint concerns alleged infringement of a United States patent in respect of technology of the manufacture of certain televisions ("Patent IV").

The directors are of the opinion that while the proceedings are stayed automatically pending the investigation instituted by the United States International Trade Commission on the same subject-matter, it is not probable to assess the outcome of the case for the time being.

47. CONTINGENT LIABILITIES (Continued)

(g) In January 2012, the U.S. International Trade Commission instituted an investigation based on a complaint filed by a third party company against the Group, one of its associated companies and other third party companies. The investigation concerns alleged infringement of Patent IV in respect of technology of the manufacture of certain televisions.

As far as the Group and its associated company are concerned, it is claimed among other matters that:

(i) they have sold for importation, imported, and/or sold within the United States after importation certain televisions that directly infringe Patent IV; and

(ii) the complainant seeks as relief a permanent exclusion order barring from entry into the United States the accused televisions. Complainant seeks as further relief permanent cease and desist orders preventing them from all commercial activities concerning infringing imported goods.

The directors are of the opinion that while the investigation is just beginning, it is not probable to assess the outcome of the case for the time being.

48. EVENTS AFTER THE REPORTING PERIOD

(a) Non-public offering of 中國長城計算機深圳股份有限公司 (China Great Wall Computer (Shenzhen) Co., Ltd.) ("CGCSZ")

On 16 March 2012, the board of CGCSZ, a joint stock limited company incorporated in the PRC with limited liability, whose A shares are listed on the Shenzhen Stock Exchange in the PRC, and a subsidiary of the Company, approved to adjust the issue price of the new shares to be issued by CGCSZ in its non-public offering from not less than RMB8.14 per new share to not less than RMB4.94 per new share and increase the maximum number of new shares to be issued thereunder from 250,000,000 to 380,000,000, with the net proceeds from the proposed non-public offering of not more than RMB1,818,370,000 remain unchanged. Upon the completion of the above non-public offer, the Group's interests in CGCSZ will be diluted from approximately 56.65% to 43.98% and in the opinion of directors, the Company will continue to be the single largest shareholder of CGCSZ and control the majority of the CGCSZ board, CGCSZ will continue to be a subsidiary of the Group. Details are set out, inter alia, in the announcement of the Company dated 11 May 2011 and 20 March 2012, and circular dated 26 May 2011.

48. EVENTS AFTER THE REPORTING PERIOD (Continued)

(b) Acquisition of 70% equity interest in TP Vision Holding B.V. ("JVCo") from Philips

According to the Share Purchase Agreement ("SPA") dated 1 November 2011 among TPV, Philips, Cooperatie MMD Meridian U.A. ("MMD"), and JVCo, TPV, through its wholly-owned subsidiary, MMD, acquired a 70% equity interest in JVCo from Philips (the "Transaction"). Philips will retain the remaining 30% equity interest in JVCo, which can be sold by Philips to MMD under any of the Philips Put Options pursuant to the Shareholders' Agreement to be entered into at Completion. JVCo will own and control the Philips contributed Business comprising, amongst other things, innovation and development sites, manufacturing sites, sales organisations in various countries, the assumed employees, and certain patents and contracts relating to the designs, manufacturing, distribution, marketing and sale of Philips branded TVs worldwide except for the Mainland China, India, the United States, Canada, Mexico and certain countries in South America.

On 1 November 2011, MMD conditionally agreed to acquire the JVCo Sale Shares and TPV has agreed to guarantee the obligations of MMD under the SPA on and subject to the terms and conditions of the SPA.

Other than the consideration to be paid (i.e. EUR 1 and contingent considerations that will be based on JVCo' s average audited consolidated earnings before interest and tax), pursuant to the SPA, Philips and MMD agreed to financially support the JVCo by providing (1) shareholder loans from MMD and Philips; (2) equity contributions from MMD and Philips; and (3) brand promotion subsidy and marketing support from Philips; and (4) certain bridge loan facility from Philips. The Transaction is expected to be completed in the second quarter of 2012.

(c) Acquisition of the land use right

In March 2012, a subsidiary of the Group acquired the land use right in Shanghai, the PRC, from the government agency at a consideration of RMB282,850,000. The directors expect the transaction to be completed by the end of 31 December 2012.

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2011	2010
	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	**53,685**	53,025
Investment properties	**404,100**	402,100
Prepaid land lease payments	**3,275**	3,635
Investment in subsidiaries	**2,231,717**	2,231,717
Available-for-sale investments	**2,500**	2,500
	2,695,277	2,692,977
Current assets		
Prepayments, deposits and other receivables	**50,673**	11,793
Bank balances and cash	**19,210**	107,591
	69,883	119,384
Current liabilities		
Trade and bills payables	**538**	541
Other payables and accruals	**14,043**	13,290
	14,581	13,831
Net current assets	**55,302**	105,553
Total assets less current liabilities	**2,750,579**	2,798,530
Capital and Reserves		
Share capital	**1,197,742**	1,197,742
Reserves (note)	**1,496,491**	1,544,942
Total equity	**2,694,233**	2,742,684
Non-current liabilities		
Deferred tax liabilities	**56,346**	55,846
	2,750,579	2,798,530

Note: Reserves of the Company

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	Share premium RMB'000	Asset revaluation reserve RMB'000	Retained profits RMB'000	Statutory reserve RMB'000	Total RMB'000
At 1 January 2010	996,660	–	320,046	41,141	1,357,847
Profit for the year	–	–	310,715	–	310,715
Other comprehensive income					
– Change in fair value of transferred owner-occupied properties at transfer date	–	20,109	–	–	20,109
Transfer	–	–	(59,949)	59,949	–
Dividend paid	–	–	(143,729)	–	(143,729)
At 31 December 2010 and 1 January 2011	996,660	20,109	427,083	101,090	1,544,942
Profit for the year	–	–	131,210	–	131,210
Transfer	–	–	(12,484)	12,484	–
Dividend paid	–	–	(179,661)	–	(179,661)
At 31 December 2011	996,660	20,109	366,148	113,574	1,496,491

50. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Principal activities
			2011		2010		
			Direct	**Indirect**	Direct	Indirect	
CGCSZ (note 1, 2, 6)	The PRC	RMB1,323,593,886	**55.26%**	**–**	55.26%	–	Manufacture and trading of personal computer ("PC") and PC peripheral products
ExcelStor Great Wall Technology Limited	Cayman Islands	US$25,000,000	**61.68%**	**–**	61.68%	–	Trading HDD
ExcelStor Technology (Shenzhen) Limited (note 2)	The PRC	US$26,600,000	**61.68%**	**–**	61.68%	–	Manufacture of HDD
Kaifa Technology (H.K.) Limited	Hong Kong	US$500,000	**–**	**49.64%**	–	49.64%	Trading of HDD and HDD substrates
Shenzhen Kaifa Magnetic Recording Joint-stock Co., Ltd. (note 2)	The PRC	RMB251,363,000	**–**	**49.64%**	–	49.64%	Production and development of HDD substrates
Shenzhen Kaifa Technology Co., Ltd ("S. Kaifa") (note 1, 5)	The PRC	RMB1,317,894,655	**49.64%**	**–**	49.64%	–	Production of HDD heads and related electronic products
PI International Holdings	The BVI	US$579,000	**–**	**27.5%**	–	–	Production and sales of electronic parts
TPV (note 3, 4, 7)	Bermuda	US$21,112,525	**–**	**13.44%**	–	13.44%	Designs, manufacture and selling computer monitors and flat TV products
Top Victory International Limited (note 3)	The BVI	US$1,000	**–**	**13.44%**	–	13.44%	Investment holding

50. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	**Place of incorporation/ registration and operations**	**Nominal value of issued ordinary/ registered share capital**	**Percentage of effective equity interests attributable to the Company**				**Principal activities**
			2011		2010		
			Direct	**Indirect**	Direct	Indirect	
Top Victory Investments Limited (note 3)	Hong Kong	HK$11,000 divided into 1,000 voting class "A" ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each	**–**	**13.44%**	–	13.44%	Trading of computer monitors and flat TVs and sourcing of materials
Top Victory Electronics (Fujian) Company Limited (note 2, 3)	The PRC	US$40,000,000	**–**	**13.44%**	–	13.44%	Production and sales of computer monitors
AOC International (Europe) GmbH (note 3)	Germany	Euro230,081	**–**	**13.44%**	–	13.44%	Sales and distribution of computer monitors and flat TVs
Top Victory Electronics (Taiwan) Company Limited (note 3)	Taiwan	NT $ 920,000,000	**–**	**13.44%**	–	13.44%	Research and development of computer monitors and flat TVs and sourcing of certain components

50. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Principal activities
			2011		2010		
			Direct	**Indirect**	Direct	Indirect	
TPV Electronics (Fujian) Company Limited (note 2, 3)	The PRC	US$45,000,000	**–**	**13.44%**	–	13.44%	Production and sales of computer monitors and flat TVs
TPV Electronics (Fuzhou Bonded Zone) Trading Company Limited (note 2, 3)	The PRC	US$3,000,000	**–**	**13.44%**	–	13.44%	Trading computer monitors and flat TVs
TPV Technology (Wuhan) Company Limited (note 2, 3)	The PRC	US$16,880,000	**–**	**13.44%**	–	13.44%	Production and sales of computer monitors
TPV Display Technology (Wuhan) Company Limited (note 2, 3)	The PRC	US$12,000,000	**–**	**13.44%**	–	13.44%	Production and sales computer monitors
Wuhan Admiral Technology Limited (note 2, 3)	The PRC	RMB80,000,000	**–**	**13.44%**	–	13.44%	Trading of computer monitors and flat TVs

50. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Principal activities
			2011		2010		
			Direct	**Indirect**	Direct	Indirect	
TPV International (USA), Inc. (note 3)	United States of America	US$1,000,000	**–**	**13.44%**	–	13.44%	Sales and distribution of computer monitors and flat TVs
TPV International (Netherlands) B.V. (note 3)	The Netherlands	Euro500,000	**–**	**13.44%**	–	13.44%	Provision of after-sales services
Envision Industira de Productos Electronicos Ltda (note 3)	Brazil	Brazilian real $50,000,000	**–**	**13.41%**	–	13.41%	Production and sales of computer monitors and flat TVs
TPV Technology (Beijing) Company Limited (note 2, 3)	The PRC	RMB320,000,000	**–**	**13.44%**	–	13.44%	Production and sales of computer monitors and flat TVs
TPV Technology (Suzhou) Company Limited (note 2, 3)	The PRC	US$48,000,000	**–**	**13.44%**	–	13.44%	Production and sales of computer monitors and flat TVs
TPV Technology Polska Sp.z o.o. (note 3)	Poland	PLN1,500,000	**–**	**13.44%**	–	13.44%	Production and sales of computer monitors and flat TVs

50. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Principal activities
			2011		2010		
			Direct	**Indirect**	Direct	Indirect	
TPV Display Polska Sp.z o.o. (note 3)	Poland	PLN126,800,000	**–**	**13.44%**	–	13.44%	Production and sales of computer monitors and flat TVs
P-Harmony Monitors (Taiwan) Limited (note 3)	Taiwan	NT$1,000,000	**–**	**13.44%**	–	13.44%	Trading of computer monitors
P-Harmony Monitors Netherlands B.V. (note 3)	The Netherlands	Euro30,000	**–**	**13.44%**	–	13.44%	Trading of computer monitors
MMD-Monitors & Displays Nederland B.V. (note 3)	The Netherlands	Euro18,000	**–**	**13.44%**	–	13.44%	Sales and distribution of computer monitors and flat TVs
MMD (Shanghai) Electronics Trading Co., Ltd (note 2, 3)	The PRC	RMB6,150,060	**–**	**13.44%**	–	13.44%	Sales and distribution of computer monitors and flat TVs
MMD (Shanghai) Electronics Technology Co. Ltd. (note 2, 3)	The PRC	RMB3,413,500	–	**13.44%**	–	13.44%	Sales and distribution of computer monitors and flat TVs
TPV-INVENTA Holding Ltd. (note 2, 3)	Hong Kong	US$20,000,000	–	**6.9%**	–	6.9%	Sales and distribution of all-in-one PC products

50. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Principal activities
			2011		2010		
			Direct	**Indirect**	Direct	Indirect	
TPV-INVENTA (Fujian) Electronics Technology Co. Ltd.(note 2, 3)	The PRC	US$15,000,000	**–**	**6.9%**	–	6.9%	Production and sales of all-in-one PC products
TPV-INVENTA Technology Co. Ltd. (note 3)	Taiwan	NTD152,500,000	**–**	**6.9%**	–	–	Reserch and development and after-sale services
TPV Technology (Qingdao) Co. Ltd. (note 2, 3)	The PRC	US$15,000,000	**–**	**10.8%**	–	10.8%	Production and slaes of computer monitors, flat TVs and LCM modules
TPV Display Technology (Xiamen) Co., Ltd. (note 2, 3)	The PRC	US$25,000,000	**–**	**13.44%**	–	13.44%	Production and sales of flat TVs and LCM modules
TPV Display Technology (China) Co. Ltd. (note 2, 3)	The PRC	US$6,000,000	**–**	**13.44%**	–	13.44%	Production and sales of computer monitors, flat TVs
Top Victory Electronics de Mexico, S.A. de C.V. (note 3)	Mexico	US$150,055	**–**	**13.44%**	–	13.44%	Trading of computer monitors and flat TVs
Top Victory Australia Pty Ltd. (note 3)	Australia	AUD100	**–**	**13.44%**	–	13.44%	Trading of computer monitors and flat TVs
Trend Smart CE Mexico, S. de R.L. de C.V (note 3)	Mexico	US$11,766,078	**–**	**13.44%**	–	13.44%	Provision of consultancy and intermediary services
Trend Smart America Ltd. (note 3)	USA	US$200,000	**–**	**13.44%**	–	13.44%	Trading of flat TVs

50. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Principal activities
			2011		2010		
			Direct	**Indirect**	Direct	Indirect	
TPV CIS Ltd. (note 3)	Russia	US$4,229,857	**–**	**13.44%**	–	13.44%	Production and sales of flat TVs
TPV do Brazil Industria de Componentes Electronicos Ltda. (note 3)	Brazil	Brazilian Real $6,650,000	**–**	**13.41%**	–	13.41%	Production and sales of computer monitors, flat TVs
Brivictory Brasil Industria de Electronicos Ltda. (note 3)	Brazil	Brazilian Real $11,185,483	**–**	**10.8%**	–	10.8%	Production and sales of LCM modules
TPV Optronics Technology (Wuhan) Co., Ltd. (formerly known as HannStar-TPV Display (Wuhan) Corp) (note 2, 3)	The PRC	US$15,000,000	**–**	**13.44%**	–	13.44%	Production and sales of LCM modules
MEXHK Services S.A. de C.V. (note 3)	Mexico	MXN$50,000	**–**	**13.44%**	–	13.44%	Provision of consultancy and intermediary services
MMD-Monitors & Displays Taiwan Ltd. (note 3)	Taiwan	NTD500,000	**–**	**13.44%**	–	13.44%	Sales and distribution of computer monitors and flat TVs
MMD-Monitors & Displays Czech Republic s.r.o (note 3)	Czech Republic	CZK11,701,000	**–**	**13.44%**	–	13.44%	Sales and distribution of computer monitors and flat TVs
MMD Singapore Pte. Ltd. (note 3)	Singapore	US$20,000	**–**	**13.44%**	–	13.44%	Sales and distribution of computer monitors and flat TVs

50. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Principal activities
			2011		2010		
			Direct	**Indirect**	Direct	Indirect	
MMD Hong Kong Holding Ltd. (note 3)	Hong Kong	1 Ordinary share of HK$1 each	**–**	**13.44%**	–	13.44%	Investment holdings
Xiamen Admiral Electronics Technology Co. Ltd. (note 2, 3)	The PRC	RMB3,000,000	**–**	**13.44%**	–	–	Trading of computer monitors and flat TVs
PTC Technology Company Limited* (note 2)	The PRC	RMB19,740,030	**–**	**13.44%**	–	13.44%	Research and development and after-sale services
PTC Consumer Electronics Company Limited* (note 2)	The PRC	EUR1,240,000	**–**	**13.44%**	–	–	Sales and distribution of flat TVs
Ebony Hong Kong Holding Limited	Hong Kong	1 ordinary share of HK$1 each	**–**	**13.44%**	–	–	Investment holding

* English translation is for identification purpose

Notes:

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

2. Companies incorporated as private limited companies in the PRC.

3. On 13 October 2009, the Group has the effective control over the majority of the board of directors of the subsidiaries.

4. Subsidiaries with shares listed on the Hong Kong Stock Exchange.

5. The Group held 49.64% (2010: 49.64%) equity interests in S. Kaifa, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in S. Kaifa represents 654,839,851 A shares which have been tradable in the stock market. The market price of S. Kaifa and market value of these tradable shares as at 31 December 2011 are RMB5.13 per share and approximately RMB3,359,328,000 respectively.

50. PRINCIPAL SUBSIDIARIES (Continued)

Notes: (Continued)

6. The Group held 56.62% (2010: 56.62%) equity interests in CGC, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in CGC represents 749,362,206 A shares which have been tradable in the stock market. The market price of CGC and market value of these tradable shares as at 31 December 2011 are RMB4.97 per share and approximately RMB3,724,330,000 respectively.

7. The Group held 24.32% (2010: 24.32%) equity interests in TPV, a company listed on the Stock Exchange of Hong Kong. The Company's equity interests in TPV represents 570,450,000 shares which have been tradable in the stock market. The market price of TPV and market value of these tradable shares as at 31 December 2011 are HK$1.42 per share and approximately HK$810,051,000 respectively.

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

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the both years, except for the 4.25 percent RMB500,000,000 note issued by TPV on 21 March 2011.

Particulars of major investment properties at 31 December 2011

Investment properties held for investment	Address	Existing use	Hold term
No.1 building of the Company	NO.2&3 Keyuan Road, Technology & industry park, Nanshan District, Shenzhen, China	Factory	Medium term lease
No.2 building of the Company	NO.2&3 Keyuan Road, Technology & industry park, Nanshan District, Shenzhen, China	Office	Medium term lease
No.3 building of the Company	NO.2&3 Keyuan Road, Technology & industry park, Nanshan District, Shenzhen, China	Office	Medium term lease
1-7,9-11,16,26-29 Floors of Great Wall Building	NO.66 East Zhongguancun Road, Haidian District, Beijing, China	Office	Medium term lease

GWT

長城科技股份有限公司

Great Wall Technology Company Limited