

Nanjing Putian Telecommunications Co., Ltd.

2010 Annual Report

March 2011

Nanjing Putian Telecommunications Co., Ltd.

2010 Annual Report

Important Notice

The Board of Directors, the Supervisory Committee, the directors, supervisors and senior management of the Company hereby confirm that there are no factitious record, misleading statements or material omissions in this report, and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the whole contents.

Other directors attended the board meeting on auditing the report except for the following directors:

Name of absent director	Position of absent director	Reason for absence	Entrusted
Huang Haodong	Director	Due to official business	Sun Liang
Han Shu	Director	Due to official business	Sun Liang

Daxin Certified Public Accountants has audited the Annual Financial Report and issued standard unqualified Auditors' Report for the Company.

The Company's Legal Representative Mr. Zhao Xinping, General Manager Mr. Sun Liang, and Chief Accountant Mr. Shi Lian hereby confirm that the financial report in this report is truthful and complete.

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I. Company Profile

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| 1. Legal Chinese Name of the Company: | 南京普天通信股份有限公司 |
| Legal English Name of the Company: | Nanjing Putian Telecommunications Co., Ltd. |
| 2. Legal Representative: | Mr. Zhao Xinping |
| 3. Secretary of the Board of Directors: | Mr. Zhang Shenwei |
| Mailing Address: | No. 1 Putian Road, Qinhuai District Nanjing |
| Telephone: | 86-25-58962289 |
| Fax: | 86-25-52409954 |
| Email Address: | zsw@postel.com.cn |
| Securities Representative: | Ms. Xiao Hong |
| Mailing Address: | No. 1 Putian Road, Qinhuai District Nanjing |
| Telephone: | 86-25-58962072 |
| Facsimile: | 86-25-52409954 |
| Email Address: | xiaohong@postel.com.cn |
| 4. Registered Address: | No. 58 Qinhuai Road, Jiangning Economics and Technology Development Zone, Nanjing, Jiangsu Province PRC |
| Postal Code: | 211100 |
| Business Address: | No. 1 Putian Road, Qinhuai District Nanjing |
| Postal Code: | 210012 |
| Web Site: | www.postel.com.cn |
| E m a i l A d d r e s s : | securities@postel.com.cn |
| 5. Appointed Newspaper for Company Information Disclosure: | Securities Times & Hong Kong Commercial Daily |
| Appointed Web Site for Annual Report Publication: | www.cninfo.com.cn |
| Annual Report Prepared At: | Financial & Securities Department |
| 6. Listing and Trading Place of Company stock: | Shenzhen Stock Exchange |
| Stock Abbreviation: | NJ TEL |
| Stock Code: | 200468 |
| 7. Latest Registration Date: | 16 December, 2009 |
| R e g i s t e r e d A t : | Jiangsu Administration for Industry and Commerce |
| Legal Person Operating License Registration Code: | 320000400000500 |
| Taxation Registration Code: | 320121134878054 |
| Organization Code: | 13487805-4 |
| Appointed CPA : | Daxin Certified Public Accountants |
| Business Address: | 15/F, College of Beijing Nation Mansion, No.1 Zhichun Road, Haidian District, Beijing |

II. Financial & Operating Highlights

(I) Financial data for 2010 (Unit: RMB)

Operating profit	49,303,835.60
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Total profit	51,878,321.79
Net profit attributable to the shareholders of the listed company	23,712,016.12
Net profit attributable to the shareholders of the listed company after deducting non-recurrent profits/losses	21,943,014.30
Net cash generated from operating activities	-163,387,608.64

Note: Details of the deducted non-recurrent profits/losses:

Item	Amount
Gains and losses from the disposal of non-current assets	-7,579.63
Governmental subsidy reckoned into current gains and losses, but closely relevant to the Company's business except for the governmental subsidy enjoyed in quota or ration according to the national general standards	2,417,342.98
Profit and loss of debt restructure	
Net amount of other non-operating profit and expenses excluding items above	164,722.84
Influenced amount of minority interest	-355,396.50
Influenced amount of income tax	-450,087.87
Total	1,769,001.82

(II) Main accounting data and financial indexes for and the recent 3 years (Unit: RMB)

1. Main accounting data

	2010	2009	Increase/decrease in this year compared with that in last year (%)	2008
Operating income	1,981,482,650.37	1,469,753,704.15	34.82%	1,174,912,697.30
Total profit	51,878,321.79	32,430,032.76	59.97%	22,151,820.51
Net profit attributable to the shareholders of the listed company	23,712,016.12	10,667,442.33	122.28%	6,447,713.08
Net profit attributable to the shareholders of the listed company after deducting non-recurrent profits/losses	21,943,014.30	7,277,240.97	201.53%	-3,492,821.18
Net cash generated from operating activities	-163,387,608.64	116,214,824.24	-240.59%	52,264,490.16
	At the end of 2010	At the end of 2009	Increase/decrease at the end of this year compared with that at the end of last year (%)	At the end of 2008
Total assets	1,582,643,987.41	1,466,288,245.48	7.94%	1,229,410,783.11
Owner's equity attributable to	360,616,964.74	333,659,473.27	8.08%	325,891,395.72

shareholder of listed company				
Share capital	215,000,000.00	215,000,000.00	0.00%	215,000,000.00

2. Major financial indexes:

	2010	2009	Increase/decrease in this year compared with that in last year (%)	2008
Basic earnings per share(RMB/Share)	0.11	0.05	120.00%	0.03
Diluted earnings per share(RMB/Share)	0.11	0.05	120.00%	0.03
Basic earnings per share after deducting non-recurring gains and losses(RMB/Share)	0.10	0.03	233.33%	-0.02
Weighted average return on equity (%)	6.80%	3.22%	3.58%	1.99%
Weighted average return on equity after deducting non-recurring gains and losses (%)	6.31%	2.20%	4.11%	-1.08%
Net cash flow arising from operating activities per share(RMB/Share)	-0.76	0.54	-240.74%	0.24
	At the end of 2010	At the end of 2009	Increase/decrease at the end of this year compared with that at the end of last year (%)	At the end of 2008
Net asset per share attributable to shareholders of listed company(RMB/Share)	1.68	1.55	8.39%	1.52

III. Changes in Share Capital & Shareholders Introduction

(I) Changes in Share Capital

1. Change of the Company's shares

(Unit: Share)

	Before the change		Increase/ Decrease as of the period (+, -)					After the change	
	Amount	Proportion (%)	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion (%)
I. Non-tradable shares	115,000,000	53.49%						115,000,000	53.49%
1. Promoter shares	115,000,000	53.49%						115,000,000	53.49%
Including: State-owned shares	115,000,000	53.49%						115,000,000	53.49%

Domestic legal person shares									
Foreign legal person shares									
Other									
2. Placement legal person shares									
3. Employee's shares									
4. Preference shares and other									
II. Listed shares	100,000,000	46.51%						100,000,000	46.51%
1. RMB ordinary shares									
2. Domestically-listed shares in foreign currency	100,000,000	46.51%						100,000,000	46.51%
3. Overseas listed foreign shares									
4. Other									
III. Total number of shares	215,000,000	100.00%						215,000,000	100.00%

2. Share issuing and listing in the last three years

The Company did not issue shares in the last three years ended by 2010.

(II) Shareholders introduction

Total number of shareholders	14,648				
Top ten shareholders					
Shareholder's name	Type of shareholder	Proportion in share capital	Shareholding	Non-tradable shares held by the shareholder	Number of mortgaged or frozen shares
China Potevio Company Limited	State-owned legal person	53.49%	115,000,000	115,000,000	0
CHAN KEUNG	Foreign natural person	0.60%	1,289,600	0	Unknown
Gu Feng	Domestic natural person	0.37%	802,000	0	Unknown
Wang Feifei	Domestic natural person	0.27%	588,008	0	Unknown
Chen Chaofan	Domestic natural person	0.19%	416,979	0	Unknown
Shu Jianping	Domestic natural person	0.19%	413,000	0	Unknown
Long Jianqiu	Domestic natural person	0.16%	340,000	0	Unknown
Zhao Guanghui	Domestic natural person	0.15%	331,650	0	Unknown
Liu Xiaoqi	Domestic natural person	0.15%	318,261	0	Unknown
Chen Ren	Domestic	0.14%	310,000	0	Unknown

	natural person			
Top ten shareholders of tradable shares				
Shareholder's name		Number of tradable shares		Share type
CHAN KEUNG		1,289,600		Domestically listed foreign share
Gu Feng		802,000		Domestically listed foreign share
Wang Feifei		588,008		Domestically listed foreign share
Chen Chaofan		416,979		Domestically listed foreign share
Shu Jianping		413,000		Domestically listed foreign share
Long Jianqiu		340,000		Domestically listed foreign share
Zhao Guanghui		331,650		Domestically listed foreign share
Liu Xiaoqi		318,261		Domestically listed foreign share
Chen Ren		310,000		Domestically listed foreign share
HE ANE		264,104		Domestically listed foreign share
Specification of related parties or persons acting in concert among the above-mentioned shareholders	Among the top ten shareholders, China Potevio Company Limited is neither a related party nor a person acting in concert with the others. It's unknown by the Company whether there are related parties or persons acting in concert among the other shareholders. The Company does not know whether there are related parties or persons acting in concert among the top ten holders of tradable shares.			

(III) Controlling shareholder of the Company

Name of the controlling shareholder: China Potevio Company Limited

Company type: a company limited by shares

Legal representative: Xing Wei

Date of corporation: July 23, 2003

Registered capital: RMB 1.9 billion

Principal business: to develop, manufacture, sell and provide services for mobile telecommunications system and terminals, Internet communication equipment and terminals, radio and TV equipment and terminals, computers, software, system integration, optical cable, postal equipment and related spare and parts; to contract domestic and overseas projects, to undertake project planning, designing and inspection; to produce, sell and maintain mechanical and electrical products, mechanical devices, instruments, meters and related spare and parts; to engage in industry investment; to provide technology transfer, consultancy and services; import and export.

(IV) Actual Controller of the Company

Name of the Company's effective controller: China Putian Corporation

Company type: state-owned sole enterprise

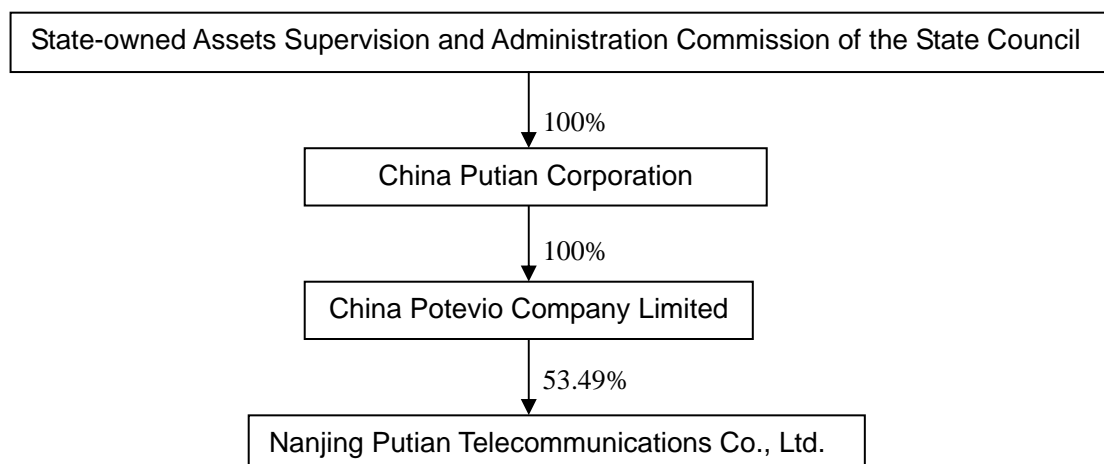
Legal representative: Xing Wei

Registered capital: RMB 3,086.94 million

Date of corporation: 1980

Main business: To organize its subsidiaries to manufacture various products. Research, development, wholesale, retail, commission purchasing, commission sales, sales exhibition of telecommunication equipment, postal specialized equipment, communication wires and spare parts, telecommunication specialized electric appliances, postal specialized motor cycles and spare parts. Export of self-manufactured mechanical and electrical products and those sets of products. Import technology and products needed by the enterprise such as raw materials, machinery, instruments, meters and spare parts. Conduct joint investments and production with foreign enterprises. Conduct processing and compensation trades (processing with materials or given samples, assembling supplied components). Conduct processing with imported materials. Conduct counter trade and transit trade.

The diagram that illustrates the ownership and controlling relationship between the Company and its effective controller is as follows:



IV. Directors, Supervisors, Senior Management & Employees

(I) Directors, supervisors and senior management

1. Changes of shareholding by the directors, supervisors and senior management and the remuneration of the directors, supervisors and senior management

Name	Position	Sex	Age	Beginning date of office term	Expiration date of office term	Shareholding at year-beginning	Shareholding at year-end	Reason of the change	Remuneration received from the Company (before tax, in RMB0'000)	Whether Receive Remuneration from a shareholder or other related-parties
Zhao Xinping	Chairman of the BOD	Male	44	May 2009	May 2012	0	0		0.00	Yes
Sun Liang	Vice chairman \ General Manager	Male	46	May 2009	May 2012	0	0		32.14	No
Huang Haodong	Director	Male	37	May 2009	May 2012	0	0		0.00	Yes
Li Tong	Director	Male	40	May 2009	May 2012	0	0		0.00	Yes
Zhu Hongc	Director	Male	48	May 2009	May 2012	0	0		0.00	Yes

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Han Shu	Director	Male	47	May 2009	May 2012	0	0	0.00	Yes	
Zhang Shunyi	Independent Director	Male	66	May 2009	May 2012	0	0	5.00	No	
Zheng Aimei	Independent Director	Female	63	May 2009	May 2012	0	0	5.00	No	
Ding Haiyan	Independent Director	Male	54	August 2009	May 2012	0	0	5.00	No	
Liu Shuping	Chairman of the Supervisory Committee	Female	61	May 2009	May 2012	0	0	0.00	Yes	
Xiong Weihua	Supervisor	Male	48	May 2009	May 2012	0	0	0.00	Yes	
Liu Xiaodong	Supervisor	Female	39	May 2009	May 2012	0	0	9.66	No	
Zou Dezhong	Deputy General Manager	Male	50	May 2009	Jan. 2011	0	0	31.83	No	
Jiang Hanbin	Deputy General Manager	Male	48	May 2009	May 2012	0	0	25.36	No	
Sun Qiang	Deputy General Manager	Male	53	May 2009	May 2012	0	0	25.36	No	
Shi Lian	Chief Accountant	Male	38	May 2009	May 2012	0	0	24.84	No	
Zhang Shenwei	Secretary of the BOD	Male	35	May 2009	May 2012	0	0	18.00	No	
Total	-	-	-	-	-	0	0	182.19	-	

Note: On January 19, 2011, Mr. Zhou Dezhong was appointed as Administrative Deputy GM of the Company by 11th Meeting of 5th Session of the Board.

By the end of 2010, the Company has not carried out stock incentive plans to directors, supervisors or senior management.

2. Procedure of decision-making on the annual remuneration of the directors, supervisors and senior executives, and the basis on which such decisions are made

The Company does not pay remunerations to the directors and supervisors. The directors and supervisors who concurrently take administrative posts in the Company receive salary according to their administrative posts. The independent directors receive allowances from the Company according to the decision of shareholders general meeting. The remuneration standard and assessment measures for the senior management are decided by the board of directors.

3. Presences at the meetings of the Board by the directors

Meetings of the Board held in the year (times)	4
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Including: on-site meetings held (times)	2
Communication meetings held (times)	1
Meetings combine on-site with communications (times)	1

Attendance by Directors:

Name of the directors	Positions	Due Presence (times)	Presence in person (times)	Attending the meeting in way of communication (times)	Entrusted presence	Absence (times)	Whether attending the meeting in person in successive two times or not
Zhao Xiping	Chairman of the BOD	4	3	1	0	0	No
Sun Liang	Vice chairman of the BOD	4	3	1	0	0	No
Huang Haodong	Director	4	3	1	0	0	No
Li Tong	Director	4	1	1	2	0	No
Zhu Hongchen	Director	4	1	2	1	0	No
Han Shu	Director	4	1	2	1	0	No
Zhang Shunyi	Independent Director	4	3	1	0	0	No
Zheng Aimei	Independent Director	4	3	1	0	0	No
Ding Haiyan	Independent Director	4	3	1	0	0	No

4. Major work experience of the directors, supervisors and senior management in the last five years

Directors:

Mr. Zhao Xiping, aged 44, a doctor and postgraduate. He served successively as manager of Investment Management Department, manager of Operation and Finance Department, assistant to general manager, associate chief accountant (concurrently) and chief accountant of China Putian Corporation from Sep. 1999 to Dec. 2006; has been serving as financial supervisor, secretary of the BOD and manager of Purchase Center of China Potevio Company Limited since July 2003. Since March 2006, he has been serving as director of the Company (since May 2006, he has been serving as chairman of the Company).

Mr. Sun Liang, aged 46, a university graduate. He has been serving as general manager of the Company since January 2005. Since May 2006, he has been serving as director of the Company (since May 2006, he has been serving as vice chairman of the Company).

Mr. Huang Haodong, aged 37, a doctor and postgraduate. He served successively as managers of Exchange and Access Products Department and Soft-exchange Specialization Department of System and Business Division, and deputy general manager of Broadband Network Products Department of China Potevio Company Limited from May 2005 to Dec. 2008. He has been serving as the deputy general manager of Radio and TV Industry Business Division of China Potevio Company Limited since Dec. 2008, and director of the Company since May 2009.

Mr. Li Tong, aged 40, a university graduate. During November 2005 to November 2007, he served as vice manager of Enterprise Development Department and concurrently supervisor of No. 1 Operation Division under the department of China Potevio Company Limited. Since Dec. 2007 he has been serving as general manager of Nanjing Potevio Telecommunication Technology Industry Park Co., Ltd. Since May 2006, he has been serving as director of the Company

Mr. Zhu Hongchen, aged 48, postgraduate of the same educational level. From Sep. 2001 to June 2006, he served as financial supervisor of Beijing Capitek Co., Ltd. He has been serving as deputy general manager and financial supervisor of Puno Mobile Communications Equipment Co., Ltd. since Jan. 2006. He has been serving as deputy general manager of Financial Department of China Potevio Company Limited Since Jan. 2009. Since May 2009, he has been serving as director of the Company.

Mr. Han Shu, aged 47, a postgraduate. From Aug. 2001 to Oct. 2008, he served successively as the factor director and secretary of Party Committee of Potevio Communications Equipment Plant. He has been serving as deputy general manager of Communications Business Department and concurrently general manager of Division I of Marketing Department of China Potevio Company Limited since Jan. 2009. Since May 2009, he has been serving as director of the Company.

Independent Directors:

Mr. Zhang Shunyi, aged 66, a university graduate. From June 1996 to July 2006, he served as vice president of Nanjing University of Posts and Telecommunications. Since July 2006, he has been serving as professor and Ph.D. tutor of Nanjing University of Posts and Telecommunications. Since May 2009, he has been serving as independent director of the Company.

Ms. Zheng Aimei, aged 63, a university graduate, certified accountant and certified tax agent. From April 2000 to Sep. 2006, she served as vice chairman of Jiangsu Tianye CTA Office. Since Sep. 2006, she served as head of Nanjing Tianye CTA Office. Since May 2009, she has been serving as independent director of the Company.

Mr. Ding Haiyan, aged 54, a doctor and postgraduate. Since Sep. 2004, he has been serving as vice president and Ph.D. tutor of Communication University of China Nanjing. Since August 2009, he has been serving as independent director of the Company.

Supervisors:

Ms. Liu Shuping, aged 61, a college graduate. She has been serving as head of Discipline Inspection Group, chairman of labor union of China Potevio Company Limited since Oct. 2002 to July 2010; consultant of China Potevio Company Limited since Oct. 2010; chairman of supervisory committee of China Potevio Company Limited since June 2003. She has been serving as chairman of supervisory committee of the Company since Dec. 2007.

Mr. Xiong Weihua, aged 48, a college graduate. He served successively as a senior supervisor of Party-mass Relation Department, senior supervisor of Audit and Supervision Department and Discipline Inspection Department of China Potevio Company Limited since April 2006. He has been serving as supervisor of the Company since May 2006.

Ms. Liu Xiaodong, aged 39, a university graduate. From July 2004 to March 2008, she served successively as deputy head of Audit and Supervision Department, deputy head of Audit Department, head of Audit and Supervision Department. She has been serving as head of Audit and Law Affairs Department of the Company since March

2008, deputy secretary of Discipline Inspection Department of the Company since July 2007, and employee supervisor of the Company since May 2009.

Senior management:

Mr. Sun Liang: see Directors

Mr. Zou Dezhong, aged 50, a university graduate. He has been serving as deputy general manager of the Company since August 2002 to Jan. 2011. take the post of executive deputy GM of the Company since Jan. 2011.

Mr. Jiang Hanbin, aged 48, a university graduate. He has been serving as deputy general manager of the Company since December 1998.

Mr. Sun Qiang, aged 53, a university graduate. He has been serving as deputy general manager of the Company since May 2002.

Mr. Shi Lian, aged 38, a postgraduate. He has been serving as head of Financial Department of the Company since May 2003; take the post of Deputy General Accountant of the Company since from Dec. 2004 to Sept. 2008 and since September 2008 he has been serving as chief accountant of the Company.

Mr. Zhang Shenwei, aged 35, a university graduate. He used to serve as deputy head of Financial and securities affair representative of the Company (concurrently) and head of President Office and head of Comprehensive Management Department from July 2003 to Feb. 2008. Since Feb. 2008, he has been serving as the general manager of Layout and System Department of the Company. Since Nov. 2007, he has been serving as secretary of the board of the Company.

Among the above-mentioned people, Mr. Zhao Xinping, Mr. Huang Haodong, Mr. Zhu Hongchen, Mr. Han Shu, Ms. Liu Shuping and Mr. Xiong Weihua are working for the Company's shareholder, China Potevio Company Limited.

5. Appointment and resignation of the directors, supervisors and senior management in the reporting period

Approved by the discussion on 8th Meeting of 5th Session of the Board held on April 28, 2010, Mr. Su Liang re-appointment as the General Manager of the Company, Mr. Zhang Shenwei re-appointed as the Secretary of the Board of 5th Session of the Company; Mr. Zhou Dezhong, Mr. Jiang Hanbin and Mr. Sun Qiang were re-appointed as the Deputy GM of the Company and Mr. Shi Lian re-appointed as the General Accountant of the Company. The office term of the above position should in the expiry date of 5th Session of the Board.

(II) Employees of the Company

At the end of 2010, the Company had 1,411 employees.

A breakdown by job duties of the employees is as follows:

Professional	Number of person	Proportion (%))
R&D	294	20.84
Marketing	414	29.34
Administration	146	10.35
Production	392	27.78
Purchase, storage	69	4.89
Logistic service	96	6.80

A breakdown by educational level is as follows:

Education background	Number of person	Proportion (%))
Postgraduate(Double-bachelor degree included)	25	1.77
Undergraduate	462	32.74

College	442	31.33
Secondary/technical school; high school	330	23.39
Mid-school or below	152	10.77

The Company should bear expenses for 501 retired employees.

V. Corporate Governance Structure

(I) Company's governance

The Company constantly perfected corporate governance in accordance with laws and regulations such as the Company Law, the Securities Law and the Governance Rules of Listed Companies and relevant requirements of CSRC, and built and completed internal management and control system, continuously deepened to conduct corporate governance activities, thus improved governance level of the company. The Company formulated and perfected the Company Charter and rules of procedure of board of directors and supervisors as well as implementation rules for special committee of board of directors, formed management system with infrastructure of board of directors and supervisors as well as managers. And each performs its own functions and operates normally. In reporting period, the Company formulated internal management systems such as the Insiders Management System of Internal Information and the Accountability System for Major Error in Information Disclosure of Annual Report, further completed corporate governance.

(II) Independent directors' working performance

In accordance with the Article of Association, the Company owns three independent directors recently. The specific responsibilities of the independent directors were regulated in Article of Association, Discussion Rules for Board, Working System on Annual Report for Independent Director and Working System for Independent Director.

Independent directors' attendance at the board meetings in the reporting period:

Name	Number of board meetings	Attendance in person	Attendance by proxy	Name	Remarks
Zhang Shunyi	4	4	0	0	
Zhen Aimei	4	4	0	0	
Ding Haiyan	4	4	0	0	

In reporting period, independent directors carried out the work according to relevant rules of CSRC and Shenzhen Stock Exchange as well as independent directors system, actively attended board of directors and general meeting of shareholders, raised up independent opinion on related transaction, appointment and dismissal of external guarantee and senior management and major events, and from different angels gave counsel to operation and management of the Company, diligently and responsibly performed duty and liability, actually protected lawful interest of the Company and large and medium shareholders.

In reporting period, no independent directors argued about proposals of the board of directors.

(III) The Company's separation from the controlling shareholder in five aspects

In the report period, according to relevant laws, regulations from Company Law and

Security Laws as well as the requirement from Article of Association, the Company totally separated its business, personnel, assets, organization and financial with its controlling shareholder. The Company has its own independent and completion assets and business and has the ability for marketing and self-operation.

1. Business: The Company has the ability to operate independently and has a complete system of production, purchasing and sales. Its operations are independent on the controlling shareholder.
2. Personnel: The Company owns an independent human resources and salary management system. Members of the senior management receive remuneration from the Company.
3. Assets: The assets invested by a controlling shareholder in the company is independent, complete and with clear indication of ownership. The controlling shareholder did not interfere with the Company's management of such assets.
4. Organization: The Company has a complete and independent internal organization. All of the branches, including the Board of Directors and Supervisory Committee, can perform their duties independently.
5. Finance: The Company has an independent financial department and accounting and financial management rules. It conducts independent business accounting. The controlling shareholder did not interfere with the financial activities of the Company.

(IV) Establishment and improvement of internal control

1. Establishment and improvement of internal control system of the Company

In accordance with national laws and rules, the trade it engaged in, its own operation pattern and business characteristics, the Company has established, continually perfected a set of internal control system covering all aspects of day-to-day management to ensure that all the work have rules to follow, forming a standardized management mechanism. Concerning the corporate governance, Article of Association, Discussion Rules for Shareholders' General Meeting, Discussion Rules for Board, Discussion Rules for Supervisory Committee, Working Details of General Manager, Working System for Independent Director, Detail Implementation for Strategy Committee of the Board, Detail Implementation for Audit Committee of the Board and Detail Implementation of Remuneration and Performance Committee of the Board were prepared by the Company. Daily operation management system of the Company covered every aspects and operation steps in Financial Assets Control, management on H&R, Management on environment quality, internal auditing and supervisory with the purpose of implementation in an order.

2. Establishment and implementation on internal control system of financial report

In accordance with relevant laws and regulations of the Accounting Law and Accounting Standards for Business Enterprise, the Company established varies financial management system and internal control system by self-situation combination. The internal control system of the Company including budget management, capital management, reimbursement management, account receivable management, inventory, and management on goods dispatched assets management and accounting file management. Classified the responsibility for personnel's work in financial department and the department duties, guarantee the clearly responsibility among the positions of accounting involved the internal accounting with mutual supervision and interaction. Every branch/subsidiary of the Company are in the unify financial management and guidance by the Company. Delivered business information of financial statement to the Financial Department of the Company, unified accounting calculation and accounting system and policies. The accounting policy and

evaluation adopted by the Company were in a correction way and showed a real operation results and assets status of the Company, which established a standard and completion financial management system. The internal control of accounting management reflected complete-ness, reasonable and efficiency in significant aspects of the Company which make sure that the financial statement preparation was in a reasonable way with truth, complete-ness and fair-ness.

3. Establishment on supervisory department of internal control

The Audit regulatory division was established by the Company for internal auditing department. The audit regulatory division was responsible for the internal auditing work and law affairs management, performing internal auditing on economy activities, financial balance and economy benefits of the Company and its enterprises. Supervised the implementation of the internal control carried in every enterprises, launched management auditing with the theme of “risk, management and benefits”, provided self “immunity” for the sustainable development of the Company.

At present, there are three employees in the division with one director in charge. According to the requirement from Application Guide for Enterprise Internal Control, Basic Rules of Internal Control and Evaluation Guide for Enterprise Internal Control, the Company combined its self-situation, supervised the efficiency of the internal control of the Company. Basically, internal control of the Company meets the requirement of the company management, which make sure that every business activities performed in a health environment and implementation in an efficiency way according to relevant regulations and laws as well as internal regulations. Guarantee the implementation of internal control in an efficiency way and the financial statement preparation in a reasonable way with truth, complete-ness and fair-ness for the Company.

4. Self-evaluation on Internal Control

The Board of the Company held the view that the existing internal control system of the Company was basically sound without any severe shortcomings, and was enforced effectively in daily operation, according with internal control management requirements exerted upon listed company by correlative laws and rules and securities regulatory organs. See Self-Evaluation Report on Internal Control of 2010 published on Juchao Website at the same time for more details.

5. Arrangement for internal control by board of directors

Though present internal control is basically complete, no defects and abnormal events which took major impact on corporate governance and operation and management were found. In accordance with requirements of the Basic Rules for Corporate Internal Control and Internal Control Guidance of Listed Companies, various business of the Company is in state of rapid development. With the expansion of business, change of external environment and further management requirement, more comprehensive and scientific development and management are needed in the Company, the handling ability for sudden accidents should be improved, internal control should be revised and completed. We should further enhance construction of internal control, optimize business and management process, strengthen execution of internal control system, and ensure effective implementation of various internal controls. And we should intensify propagandism and training of internal control system; further improve awareness of lawful operation of managers and staffs. We'll boost risk appraisal of internal control, constantly conduct risk identification and analysis, comprehensively apply coping strategy, and realize effective risk control.

(V) Establishment and implementation of appraisal and incentive system for the senior management

The Company applies the performance-related annual salary system for the senior management, paying remuneration to the senior management according to the assessment on the fulfillment of operating target and fulfillment of the job respectively undertaken by members of the senior management.

(VI) Horizontal competition and related transaction problem

In reporting period there were no horizontal competitions arising from partial transformation. Details of related transaction of the Company were on part of Related Transaction of the Section IX. Significant Events. Daily related transaction were purchase and sale of products as well as house lease with related parties according to actual demands of operation and production, which didn't put harmful impact on the Company, and we performed relevant decision procedure and information disclosure. The Company will continuously comply with relevant rules of CSRC and Shenzhen Stock Exchange to operate normally, strictly perform ordered procedure when making related transaction, conform to principle of openness, fairness and just, ensure the interests of the Company and un-related shareholders.

VI. Highlights of Shareholders' General Meeting

Two shareholders' general meetings were held in the reporting period.

1. Shareholders' General Meeting 2009 of the Company

Decision by the 7th Meeting of 5th Session of the Board, Shareholders' General Meeting 2009 was held at conference room in 2/F of the Company on April 28, 2010. Meeting announcement was published at Securities Time, Hong Kong Commercial Daily and Juchao Website dated March 30, 2010. Three shareholders and proxy attended the meeting, representing 115,006,000 shares, accounting 53.4912% of total voting rights shares. The followed proposals were considered and passed:

- a. 2009 Work Report of the Board of Directors;
- b. 2009 Work Report of the Supervisory Committee;
- c. 2009 Work Report of General Manager;
- d. 2009 Report on Financial Settlement;
- e. 2009 Profit Distribution Plan;
- f. 2009 Annual Report;
- g. Proposal on Prediction of Daily Related Transaction for Year 2010;
- h. Proposal on Re-engaging CPA Firms.

The announcement concerning the resolutions of the meeting was published on Securities Times and Hong Kong Commercial Daily dated April 29, 2010.

2. First Extraordinary Shareholders' General Meeting 2010 of the Company

Decision by the 9th Meeting of 5th Session of the Board, the 1st Extraordinary Shareholders' General Meeting 2010 was on September 10, 2010. The relevant announcement and suggestive announcement were published at Securities Times, Hong Kong Commercial Daily and Juchao Website dated August 25, 2010 and September 4, 2010 respectively. Three shareholders and proxy attended the meeting, representing 115,005,000 shares, accounting 53.4907% of total voting rights shares.

The meeting approved the proposal of provided counter-guarantee to China Potevio Co., Ltd.

The announcement concerning the resolutions of the meeting was published on Securities Times and Hong Kong Commercial Daily on September 11, 2010.

VII. Report of the Board of Directors

(I) Review of operations during the reporting period

1. Discussion and analysis of the overall operating condition of the Company during the reporting period

With leadership of board of directors, the Company promoted industry upgrading by reforming and transforming innovated business and commercial model surrounding closely operation and production targets and tasks in accordance with guiding ideology of preliminary meetings, thus enhanced inner strength and realized maximum resource usage. The company promoted modern corporation management model under thought of people oriented, improved comprehensive competitiveness, deeply conducted corporate culture of the Communication, Execution and Performance, vigorously advocated logos of looking for the truth and being practical as well as common development, with all the cadres and staffs smoothly achieved budget performance assessment index of operation. The sales income and total profit realized synchronous growth, yield of net assets and velocity of assets were improved, and scale of charges of cost and inventory proportion decreased. Market competition became fiercer with construction of 3G and fixed network as well as infrastructure improvement of integration of three networks. Innovation of application became the guidance of operators, change of customers' demands and market necessarily brought transition of products and technique. The Company responded rapidly in aspects of market development and technique innovation. Various units felt demands of customers by heart, actively regulated market competition strategy, constantly did research on new technique, designed new products and explored new market, improved viability and value of the Company by technologic innovation.

In 2010, the Company made an operation income of 1.98 billion Yuan, net profit of 23.71 million Yuan, respectively 34.82% and 122.28% up compared to that of last year

	2010	2009	Increased/ decreased compared to same period of last year(RMB)	Increased/ decreased compared to same period of last year (%)
Operating income	1,981,482,650.37	1,469,753,704.15	511,728,946.22	34.82%
Operating profit	49,303,835.60	28,160,835.77	21,142,999.83	75.08%
Net profit attributable to shareholders of the listed company	23,712,016.12	10,667,442.33	13,044,573.79	122.28%

Operating profit increased 75.08% over last year, mainly benefit the strength of communication network construction by service provider; self-products dramatically soaring in sales, especially the sale increased in patch products, comprehensive lay-out system for lines and products of multiple media which higher the profit of the Company.

2. Operating condition of main business

(1) Industry and products which account for more than 10 percent of the company's main business (RMB '0000)

A breakdown of main business by industry						
A breakdown by industry or product	Revenue	Cost	Gross profit ratio (%)	Year-on-year increase/decrease of revenue (%)	Year-on-year increase/decrease of cost (%)	Year-on-year increase/decrease of gross profit ratio (%)
Telecommunications and related equipments industry	196,764.98	169,508.74	13.85%	33.54%	25.64%	-1.42%
A breakdown of main business by product						
Comprehensive access products	92,908.11	74,929.74	19.35%	40.07%	42.90%	-1.60%
Video system	42,254.64	41,149.93	2.61%	37.44%	55.46%	1.34%

(2) A breakdown of main business by region (RMB '0000)

Region	Revenue	Year-on-year increase/decrease of revenue (%)
North China	44,093.35	40.63%
East China	100,271.20	36.99%
Other regions	52,100.43	25.48%

3. Major suppliers and customers

In 2010, the Company's purchase from the top five suppliers amounted to RMB 801,486,400, accounting for about 51.70% of the total purchase amount, and sales to the top five customers amounted to RMB 603,735,700, accounting for about 30.47% of the total sales amount.

4. Composition of assets in the reporting period

	At the end of 2010		At the end of 2009		Change of the proportion(by percentage points)	Main factors that cause a material change
	Amount	Proportion in the total assets	Amount	Proportion in the total assets		
Total assets	1,582,643,987.41	100.00%	1,466,288,245.48	100.00%	0.00	
Accounts receivable	537,895,136.38	33.99%	379,210,613.99	25.86%	8.13%	Note 1
Inventories	328,533,395.99	20.76%	225,755,590.34	15.40%	5.36%	Note 2
Property investment	5,020,611.87	0.32%	5,227,043.79	0.36%	-0.04%	-
Long-term equity investment	238,518,944.71	15.07%	222,268,596.35	15.16%	-0.09%	-
Fixed assets	74,312,488.05	4.70%	73,613,884.02	5.02%	-0.32%	-
Construction in progress			5,100,000.00	0.35%	-0.35%	-
Short-term borrowings	437,000,000.00	27.61%	489,000,000.00	33.35%	-5.74%	-
Long-term borrowings	0.00	0.00	0.00	0.00%	0.00	-

Note1: the Account receivable at period-end increased over that of period-begin, mainly due to the sales sale increased RMB 510 million over that of last year, a period

of account received appeared after product sales.

Note 2: the inventory at period-end has dramatically growth than that of period-begin due to the increased sales.

Note 3: main assets of the Company all calculation based on the historical cost method.

5. Holding of financial assets and financial liabilities in foreign currency (RMB0'000)

Item	Amount at period-begin	Gains or losses from change of fair value in the reporting period	Accumulative change of fair value recorded in equity	Impairment loss provided for current period	Amount at period-end
Financial assets:					
Including: 1. The financial assets or financial liabilities that are calculated in the fair values and whose changes are accrued to current profit and loss					
Including: derivative financial instruments					
2. Loans and account receivables	951.98				794.97
3. Available-for-sale financial assets					
4. Held-to-maturity investments					
Subtotal of financial assets	951.98				794.97
Financial liabilities					

6. Changes of expenses and incomes in the reporting period

	2010	2009	Change of increase/decrease(RMB)	Change of increase/decrease (%)	Main factors that cause a material change
Sales expenses	109,907,462.08	89,357,454.30	20,550,007.78	23.00%	Note 1
Administrative expenses	96,889,056.32	79,437,696.26	17,451,360.06	21.97%	Note 2
Financial expenses	18,658,765.06	19,576,515.95	-917,750.89	-4.69%	
Income tax expenses	12,517,134.02	9,177,269.28	3,339,864.74	36.39%	Note 3

Note 1: main reasons for sale expenses increased: transportation fee soaring from the dramatically increased in sales; remuneration for sales and business traveling expenses increased from the market development.

Note 2: main reasons for administrative expenses increased: expenses on the technology development. New products' development for patch and technology transformation on original technology. Technology investment increased in the Building Company, Nanfang Company and Network Company respectively.

Note3: in the report period, profit increased over that of last year.

7. Composition of cash flows and material change

	2010	2009	Change of increase/decrease (RMB)	Change of increase/decrease (%)	Main factors that cause a material change
Net cash flows from operating activities	-163,387,608.34	116,214,824.24	-279,602,432.58	-240.59%	Note 1
Net cash flows from investment activities	-23,426,679.58	-4,863,080.35	-18,563,599.23	-381.73%	Note 2
Net cash flows from financing activities	55,573,885.58	71,420,722.45	-15,846,836.87	-22.19%	

Note 1: cash flow from operating activities this period was out-flowing, mainly due to the account paid for previous years were collected paid at year-begin; sales income growth dramatically over same period of last year, the account receivable increased correspondingly; the inventory purchased, employee cost and other expenses paid in cash were increased due to the increase of sales.

Note 2: cash flow from investment activities this period was out-flowing, mainly influenced by the establishment of Nanjing Putianzhu Electric-Light Network Co., Ltd. in report period, and the expenses for fixed assets construction as well as the investment on informationization.

8. Operating results of main subsidiaries and associated companies in report period

(1) Operating results of main subsidiaries (RMB)

Subsidiary	Equity owned by the Company	Main business	Registered capital	Total assets at year-end	Net assets at year-end	Total business income	Operating profit	Net profit/(net loss)
Nanjing Nanfang Telecommunications Company Limited	98.24%	Manufacture and sales of data communication equipment	34,205,147.83	34,205,147.83	230,659,930.79	59,570,336.62	422,546,393.54	11,052,600.12
Nanjing Putian Intelligent Building Ltd.	45.77%	Manufacture and sales of intelligent building system	12,000,000	12,000,000	171,223,112.71	71,830,875.44	224,527,801.74	21,178,260.66
Nanjing Putian Network Company Ltd.	78%	Manufacture and sales of software of telecommunications, network and electronic equipment	10,000,000	10,000,000	20,970,850.98	18,463,562.87	48,549,363.54	9,525,763.61

Nanjing Putian Changle Telecommunications Equipment Co., Ltd.	50.70 %	Out-door patch, sub-line equipment, network box(cube)of out-door and machinery office, manufacture and sales of communication electrical products	10,000,000	10,000,000	82,423,172.32	23,388,998.34	163,243,829.42	9,229,733.91
Nanjing Bada Telecommunications Equipment Co., Ltd.	60%	manufacture of card-terminal communication equipment	11,301,400	11,301,400	48,563,759.35	11,280,318.04	119,848,021.51	201,765.03
Putian Telecommunications (H.K.) Co., Ltd.	90%	Export and import of telecommunication equipment, Hi-tech R & D and transfer, technology trade	HK\$2,122,800	港币 2,122,800	3,566,891.60	-17,615,390.20	21,566,615.51	336,722.68
Nanjing Postel Wongzhi Telecommunications Co., Ltd.	99.42 %	Production, sales and processing of electrical products	90,190,000	90,190,000	23,944,390.00	37,214,905.69	20,616,404.62	59,355.04
Nanjing Putian Information Technology Company Ltd.	99.98 %	Manufacture and sales of electrical and telecommunication products	14,000,000	14,000,000	16,094,596.00	4,619,491.58	18,978,280.41	834,199.96
Nanjing Putian Telecommunication Technology Company Ltd.	70%	Electronic components assembly, electronic products, telecommunication equipment, Hi-tech R & D and sales	5,000,000	5,000,000	6,046,366.46	570,040.20	7,617,985.41	1,742,850.92

(2) Associated companies that contributed more than 10 percent of the Company's consolidated net profit (RMB)

Company	Equity owned	Main products and service	Net assets at year-end	Operating income for	Net profit for the year
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	by the Company			the year	
Nanjing Mennekes Electric Appliances Ltd.	50.00%	Plugs and receptacles for industrial use	68,173,616.77	115,705,039.21	9,225,014.12

(II) Forecast of future development

1. Operation plan in succeeding year

2011 is the beginning year of “Twelve Five-Year Plan”, also is the important year for “double-production in three years” realization. Under the guidance of “Twelve Five-Year Plan” from the Central, the country will implement activity financial policy and steady currency policy in 2011 base on the theme of scientific development and the line of economy development transformation rapidly. Intensify the target-oriented, flexibility and efficiency of macro-control, well-focus on the self-innovation for speed up the construction adjustment. Put energy-saving in priority for purpose of construction on modern industrial system. Continuously stick to the opening-up policy, perfected civil life, promote the harmoniously society and remains the rapidly economy development in a steady way. The State-owned Assets Supervision & Administration Commission of State Council listed the goal of to be the world-class enterprise with international competition by cultivation in 2011. Deeply implemented the five strategies as Upgrade transformation, scientific innovation, international management, strong the enterprise with qualified HR and harmoniously development, including the “transformation from traditional telecommunication service provide to comprehensive information service provider” and “transformation from singly-producer of electronic information industry to system integration and integrity solution plan provider”. Focus on the work on “strength and enlarge the operation to steady development, speed up the reform of corporate company system and stock company, strength the self-innovation and brand construction, promoted the lay-out of economy structures and industry upgrade” with the purpose of entire quality and development quality of Central enterprise promotion. From the view of current industry, basic net work of new-generation mobile telecommunication, next-generation internet, optical fiber broadband net, broadcast and television net up-cycle and hi-fi digital TV net will gain a further construction; the matching specific net communication of speed rail-way and city contact transportation and information system will receive a dramatically development which spare a room for every industries of the Company for development. Industry development and business result gained a better performance under the untiring effort from the every employee of the Company. Sales income and total profit realized a growth at the same time. Return on equity and assets turn-over have a higher situation, while the cost expenses and inventory low-down by comparison. But the account receivable occupied major proportion in sales income which gains our attention and we should get it perfect in coming year.

The Company will put the followed works completion in 2011:

(1) Developed the advantage industry, higher the business quality

In 2011, the Company plans to strength the industry development, advantage industry in particularly. Support the aspects of personnel, capital, technology and market, makes the scale effect appeared fully. Every business entity should strength the self-innovation; upgrade the ability of industry development. Implemented target orientation in the industries and stands in top rank within the industry.

(2) To intensify self-innovation, promoted the industry upgrade

In front of the innovation of operators, and advance technology and variation of market demand, the Company should in a new step in scales for enlarging the gap with competitors by self-innovation concentration and to create an innovation business idea as well as promote the industry upgrade. Every business entity shall classified market clients with their own characteristic. Put more attention on the standard and serials of the products, realized the products with standardized and vary serials in market. Realized the cost reduction while meet the vary demand from clients, higher the competitiveness. Step-forward the co-operation with high colleges and scientific research institution in technology. To elevate the R&D ability of the Company, realized a breakthrough in industry transformation. Put more investment in technology development, meanwhile; take the benefit from policy favor on technology innovation. Carried out the work of preferential tax deduction on R&D expenses, take good use of the tax preferential policy on enterprise and project sponsor policy on Hi-Tech. Step forward in the intellectual property protection, apply the patent especially the invention patent, guarantee the intellectual results in a efficiency protection.

(3) Make use of the resources, strength the construction of marketing system

Continuously steady the main operator market, enlarge the development and breakthrough in area market, specific net market and international market. Concentrated the co-operation of market inter-operation in Putian, use vary social resources integrate every market resources. Enlarge the market ration of the products for market occupation rate. Concerning the marketing management, to intensify the construction on marketing system and cultivation on sales team; take the research on marketing strategy into account; formulated an efficiency sales strategy. Stimulating the activity of front-line employee, strength the management on business, distributed products, logistic, engineering and account receivable. Higher the quality in service, lower the cost in sale and market risk avoidance.

(4) Strength elaborated management, low-cost strategy implementation

Plan the organization structure reasonable, implemented the flat management for organization efficiency realized. To intensify the position management, clarified responsibility with one person qualified in multi post and one post contained multi qualifications. Strength the investment in fixed assets and basic construction by industry plan and capacity requirement combination. Reasoning the feasibility of the project and higher the utilization on investment.

2. Difficulties and risks in operations

Concerning the operation development, opportunity comes with pressure and challenge. That is: the recovery of account receivable has a certain market period, the grower of the sales scale, the more capital occupation on account receivable, effected the further growth of business scale; influenced by the market reverse tender, profitability has a comparatively limited in room; with the variation of innovation implementation from operator and market demand, the development on new products of the Company should speed up correspondingly.

Solutions:

The Company intensifies capital recovery management, adjusted the performance measures, and revised the credit standard and credit policy for speed up the account recovery. Meanwhile, enlarge the loan limit; guarantee the certain cash flow meets the needs of sale scale expansion. Strength the self-innovation ability; enlarge the technology reformation and promoted the updating products.

3. Fund demand and usage plan

According to the operation plan for the Company, approximately RMB 470 million were financing from financial institutions from Bank in 2011 by prediction with steadily capital guarantee for manufacture operation.

(III) Investment in the reporting period

1. Use of proceeds from share issuing

The Company did not raise any proceeds by issuing shares in the reporting period or use proceeds raised in previous periods.

2. Significant investment using self-owned fund in the reporting period

There was no significant investment using self-owned fund in the reporting period.

In the report period, approved by 8th Meeting of 5th Session of the Board, US\$ 2 million was invested in equity for newly established the Nanjing Putianzhu Electric-Light Network Co., Ltd. The Company registers US\$ 4 million with 50% equity held by the Company while 50% held by Nippon Electric Company Limited. The joint-venture company mainly engaged in the development and manufacture of ODN products, relevant fittings of components & devices of optical communication as well as the RFTS. The Company established in July 2010, and put into production in November 2010, RMB -2.9097 million of net profit was realized in the year.

In addition, RMB 11.5876 million was invested in scattered fixed assets in the report period.

(IV) Daily work of the Board of Directors

The Board of Directors held 4 meetings in 2010.

1. The 7th Meeting of 5th Session of the Board was held on March 26, 2010 with on-site way. And considered and passed the followed proposals:

- a. 2009 Work Report of the Board of Directors;
- b. 2009 Work Report of General Manager;
- c. 2009 Financial Settlement Report and 2010 Financial Budget Report;
- d. 2009 Profit Distribution Pre-plan;
- e. 2009 Annual Report of the Company and Its Summary;
- f. Proposal on Checking and Canceling the Bad Debts of Account Receivables of 2009;
- g. Self-Evaluation Report on Internal Control of 2009;
- h. Proposal on Management System for Insider preparation;
- i. Proposal on Responsibility System on Errors for Annual Report Information Disclosure preparation;
- j. Proposal on prediction of daily related transaction 2010;
- k. Proposal on Guarantee to Subsidiary for Current Capital Loans;
- l. Proposal on Re-engaging CPA for the Company;
- m. Proposal on Member Adjustment of Remuneration and Performance Committee;
- n. Proposal on Convene the Shareholders' General Meeting 2009

The announcement concerning the resolutions of the meeting was published in the Securities Times and Hong Kong Commercial Daily on March 30, 2010.

2. The 8th Meeting of 5th Session of the Board was held on April 28, 2010 with the way of on-site and communication. And considered and passed the followed proposals:

- a. The 1st Quarterly Report of 2010;

b. Proposal on Re-engagement of GM and Secretary of the Board;
c. Proposal on Re-engagement of Deputy GM and General Accountant;
d. Proposal on Establishment of Nanjing Putianzhu Electric-Light Network Co., Ltd.
The announcement concerning the resolutions of the meeting was published in the Securities Times and Hong Kong Commercial Daily on April 30, 2010.

3. The 9th Meeting of 5th Session of the Board was held on August 20, 2010 with on-site way. And considered and passed the followed proposals:

- a. Work Report for General Manager of First-Half Year of 2010;
- b. Analyst Report on Financial for First-Half Year of 2010;
- c. Semi-Annual Report of 2010 and its Summary;
- d. Proposal on Counter-guarantee for China Potevio Company Limited;
- e. Proposal on Convene 1st Extraordinary Shareholders' General Meeting 2010

The announcement concerning the resolutions of the meeting and supplementary announcement were published in the Securities Times and Hong Kong Commercial Daily on August 24, 2010 and August 25, 2010 respectively.

4. The 10th Meeting of 5th Session of the Board was held on October 21, 2010 with communication way. And considered and passed the followed proposals:

- a. Third Quarterly Report of 2010;
- b. Proposal on Prediction of Daily Related Transaction 2010 Added

The announcement concerning the resolutions of the meeting was published in the Securities Times and Hong Kong Commercial Daily on October 23, 2010.

2. Implementation of resolutions of shareholders' general meeting by the board of directors

In 2010, the board of directors complied with rules of laws and regulations such as the Company Law and the Security Law, carried out the work surrounding annual production and operation plan as well as development strategy target. In order to ensure stable development of operation management, we did research on major decisions; carefully performed various duties bestowed by the Articles of Association, and conducted various decisions made in shareholders' meeting. All the 2010 annual proposals made by shareholders' meeting s and board of directors have been implemented.

3. Summary report of the Audit Committee on the performance of their duties

The Audit Committee conducted a series of work for the audit of 2010 annual financial report according to the requirement of CSRC and the Working Rules of the Audit Committee for Annual Report Preparation of the Company: Audit committee actively communicated with Daxin Public Certified Accountants who is in charge of audit of annual report in process of compiling and disclosing of annual report, and urged them to accomplish various tasks trusted by the Company on schedule and with quality guarantee. The specific situation is as follows:

(I) The audit committee should offer the work arrangement and schedule of auditing annual report before annual audit certified public accountant showed up, and it audited 2010 annual accounting statement compiled by financial department but not audited, formed written opinions, holding that the financial statements basically gave a true view of the financial state ended s at 31 December 2010 and of the operating result of the year then ended, agreeing to submit the report to annual audit certified account office.

(II) In the process of audit, the committee kept contact with the public accountants, submitted urging letter of audit twice to certified accountants office, learned about the audit processing and required accountants office to complete audit on schedule according to the offered one before showing up, and communicate with audit committee timely when having problems.

(III) After the accountants presented a preliminary audit opinion, members of audit committee had a interview with certified accountants office, and reviewed the financial accounting sheet of the Company again, formed written opinions, holding that the compiling rules of financial accounting statement audited by accounting office was in accordance with the requirements of rules of corporate accounting, the preparation of the financial statements was reasonable and standard, and in conformity with the Accounting Standard for Business Enterprises and the financial rules of the Company, and that it was truthful, accurate, and complete, giving a fair view of the financial status of 31 December 2010 as well as the operating result and cash flow of 2010.

(IV) After the audit was finished, the Audit Committee voted on the financial statements, agreeing to submit the statements to the board of directors to consider. At the same time, the committee submitted the audit work conclusion report of the public accounting firm.

4. Summary report of the Remuneration and Evaluation Committee subordinate to the BOD on the performance of their duties

The Remuneration and Assessment Committee examined the remunerations of the directors, supervisors and senior management disclosed by the Company and believed that the remuneration standard of the above-mentioned people was in conformity with the Company's salary management rules and the remuneration disclosed in 2010 annual report is truthful and accurate.

(V) Profit distribution preplan for 2010

1. According to Daxin Certified Public Accountants, the net profit attributable to shareholders of the parent company for 2010 is RMB23,712,016.12. Plus retained earnings of previous yeas of RMB-59,459,168.77, the retained earnings at the end of 2010 is RMB-35,747,152.65 which was required no distribution qualification. No profit distribution occurred in 2010, and no share capital converted from public reserve.

2. Cash dividend declared in the last three years

Year for bonus distribution	Amount of cash bonus (tax included)	Net profit attributable to shareholders of listed company in consolidated statement of bonus year	Ratio of net profit attributable to shareholders of listed company in consolidated statement	Distributable profit during the year
2009	0.00	10,667,442.33	0.00%	-59,459,168.77
2008	0.00	6,447,713.08	0.00%	-70,126,611.10
2007	0.00	3,936,869.94	0.00%	-77,343,697.79
The proportion of accumulative cash bonus during recent three years in latest annual average net profit (%)			0.00%	

(VI) Implementation on Management System of Insiders

According to requirement of Notice No. 2009 (34) of CSRC, the board of directors formulated the Management System on Internal Information of Insiders. In reporting period, the Company strictly conducted registration and filing of insiders of internal control as well as submission. And directors, supervisors and senior managers as well as relevant business staffs could make confidential measurement according to rules in delivery of sensitive information. In reporting period, no insiders of internal information made use of internal information for purchasing or selling stock of the Company before disclosure of sensitive information.

(VII) Responsibility Statement on Internal Control from the Board

Board of directors declared to take charge of construction, perfection and effective implementation of internal control, and it fulfilled the duty of guidance and supervision of internal control construction and implementation. The board of directors believed that, present internal control system was basically complete without major defect, and effectively conducted those in daily operation and management, conforming to relevant rules and laws as well as standardized requirements for listed companies in internal control system management by security supervise department. With expansion of business, change of external environment and further requirement for management, the Company will further boost construction of internal control, optimize business and management process, further enhance execution of internal control system, ensure effective implementation of various internal controls.

VIII. Report of Supervisory Committee

(I) Particular about the work of supervisory committee

Meetings of the Supervisory Committee	Resolutions of the meetings
The 4 th Meeting of 5 th Session of Supervisory Committee held on March 26, 2010	Considered and passed the 2009 Work Report of the Supervisory Committee, 2009 Financial Settlement Report and 2010 Financial Budget Report, Profit Distribution Pre-Plan of 2009, 2009 Annual Report and Its Summary and Proposal on Write-Off Account Receivables for 2009 and Self-Evaluation on Internal Control of 2009
The 5 th Meeting of 5 th Session of Supervisory Committee held on April 28, 2010	Considered and passed the First Quarterly Report of 2010
The 6 th Meeting of 5 th Session of Supervisory Committee held on August 20, 2010	Considered and passed the Semi- Annual Report of 2010 and its Summary
The 7 th Meeting of 5 th Session of Supervisory Committee held on October 21, 2010	Considered and passed the Third Quarterly Report of 2010

(II) Independent opinions for lawful operation of the Company from Supervisory Committee

The Supervisory Committee supervised the procedures and resolutions of shareholders' general meeting and meetings of the board of directors, the implementation of resolutions of shareholders' general meeting by the board of directors, and the actions of senior management in performing their duties, as well as

the managerial rules formulated by the Company. The Supervisory Committee believed that the Company's operations were in conformity with the PRC Company Law, Securities Law, Rules Governing Listing of Stocks on Shenzhen Stock Exchange, and the Company's Articles of Association. The Company's procedure of decision-making is in conformity with the relevant laws, and a sound internal control system has been established by the Company. No acts of the directors and senior management were observed violating the laws, regulations and the Company's Articles of the Association or contrary to the interest of the Company.

(III) The Independent Opinion of the Supervisory Committee on the Inspection of the Company's financial position:

The Supervisory Committee examined the accounting rules and financial condition of the Company. We believe that the 2010 Financial Statements give a true view of the Company's financial position and operating results, and the unqualified opinion and appraisal on relevant issues presented by Daxin Accountants Co., Ltd. is objective and fair.

(IV) Independent Opinion of the Supervisory Committee on the Company's transactions of buying and selling assets.

The Company's transactions of buying and selling assets in the reporting period were executed at fair prices. No insider deals, actions harmful to a part of shareholders' interest or causing loss of the Company's assets were found.

(V) Independent Opinion of the Supervisory Committee on the Company's related-party transactions:

The Company's related-party transactions in the reporting time due to objective reasons were executed with contracts signed under the rule of fair trade. No actions of harming the interests of the Company were observed.

(VI) Independent Opinion of the Supervisory Committee on the Company's self-appraisal on internal control system

The Company has established an internal control system that covers all aspects according to relevant regulations of CSRC and Shenzhen Stock Exchange. The internal control structure is complete. Implementation and supervision of the internal control rules is sufficient and effective. In the reporting period, we did not find any acts of the Company that violated the Guidelines of Shenzhen Stock Exchange for the Internal Control of Listed Companies. The supervisory committee believed that the self-appraisal on internal control reflects the actual situation of the Company's internal control.

IX. Significant Events

(I) Significant lawsuit or arbitration during the reporting period

The Company was not involved in any significant lawsuit or arbitration during the reporting period

(II) Issues concerning bankruptcy or reorganization

No such issues as bankruptcy or reorganization happened in the reporting period.

(III) Shareholding in other listed companies

The Company did not hold shares of other listed companies in the reporting period.

(IV) Matters related to purchasing assets, selling assets, acquisition or merging during the reporting period

No assets purchased or acquisition occurred in the report period.

(V) Implementation of stock incentive plan in the reporting period

The Company did not implement a stock incentive plan in the reporting period.

(VI) Related-party transactions and receivables and payables with the related parties

1. Related-party transactions that related to daily operations in the reporting period:

(1) Purchased and sales with related parties (RMB'0000)

Related Party	Selling products to, and providing services for the related parties		Purchasing products and receiving services from the related parties	
	Amount of the transaction	Proportion in the same type of transaction	Amount of the transaction	Proportion in the same type of transaction
China Potevio Company Limited	3,568.47	1.80%	1,320.35	0.73%
Nanjing Puzhuguang Network Co., Ltd.	0.00	0.00%	296.74	0.16%
Nanjing Putian Honguan Apparatus Co., Ltd.	0.00	0.00%	279.14	0.15%
Nanjing Putian Datang Information Electronic Co., Ltd.	11.39	0.01%	74.81	0.04%
Chengdu Putian Telecommunications Cable Co., Ltd.	5.56	0.01%	13.46	0.01%
Nanjing Putian China-Post Communications Co., Ltd.	81.61	0.04%	0.00	0.00%
Putian Information Technology Research Institution Co., Ltd.	68.88	0.03%	0.00	0.00%
Shanghai Putian Youtong Technology Co., Ltd.	28.02	0.01%	0.00	0.00%
China Potevio Group Co., Ltd.	0.31	0.00%	0.00	0.00%
Wuhan Fenghuo Putian IT Co., Ltd.	0.00	0.00%	1,013.83	0.56%
Total	3,764.24	1.90%	2,998.33	1.65%

Of which: related transaction of the Company sales products or providing service to its controlling shareholder and subsidiary amounting to RMB 36,712,300.

Explanation on the difference with temporary prediction on disclosure at year-begin	Due to change of market situation and actual demands of the Company as well as control in related transaction, total amount of actual daily related transaction decreased over the preliminarily predicted one and the increased amount of predicted in this year. Amount of related transaction with partial related parties exceeded the predicted one of year0begin, but the exceeding amount was not high, didn't reach the standard of re-appraisal and re-disclosure.
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(2) The Company leased the land and houses of Nanjing Putian Telecommunication Technology Industry Park Co., Ltd. for production and office use. This year the lease fee was RMB 9.7863 million.

The above-mentioned transactions were executed with some related parties on the basis of equality and mutual benefit to satisfy the demand of production and operation. Such transactions were executed under the principle of market price. The

independence of the Company will not be affected due to such transactions. The transactions with some of the related parties are estimated to continue in the next year.

2. Related party transactions in light of assets purchasing and selling in the reporting period

No related party transaction in light of assets purchasing or selling happened in the reporting time.

3. Related party transactions in light of joint investment

No related transaction in light of joint investment occurred in the report period.

4. Related parties contact with the Company

(1) Particular about account receivable from related parties (RMB)

Item	Name of the related parties	Amount at the year end		Amount at the year-beginning	
		Book amount	Provision	Book amount	Provision
Accounts receivable	Nanjing Putianzhongyou Telecommunication Co., LTD	1,012,072.80		1,177,238.80	
Accounts receivable	China Potevio Co., Ltd.	22,785,438.14		6,125,162.66	
Accounts receivable	Chengdu Putian Telecommunications Cable Co., Ltd.	497,295.00		432,295.00	
Accounts receivable	Shanghai Potevio Co., Ltd	13,664,248.00	1,853,185.60	13,341,700.00	259,507.80
Other receivables	Nanjing Putian Datang Information Electronic Co., Ltd	3,365.00			

(2) Particular about account payable for related parties (RMB)

Item	Name of the related parties	Amount at the year end	Amount at the year-beginning
Other payables	Nanjing Potevio Telecommunication Technology Industry Park Co., Ltd	426,045.28	20,654,301.66
Accounts payable	China Potevio Co., Ltd.	2,843,850.00	
Other payables	China Potevio Co., Ltd.	164,859.92	
Accounts payable	Nanjing Potevio Telecommunication Technology Industry Park Co., Ltd	130,508.96	115,654.40
Accounts payable	Nanjing Putian Hongyan Electric Appliance Company	243,405.99	570,139.86
Accounts payable	Wuhan is ablaze putian information technology Co., Ltd	5,093,070.15	
Accounts payable	Nanjing puzhuguang network ltd	2,793,314.20	
Advances from customers	China Putian Corporation	45,980.00	

Note: non-operating liabilities and credit rights contact (Unit: RMB'0000)

Related party	Capital provided for related parties	Capital provided for listed company from related parties
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	Occurred amount	Balance	Occurred amount	Balance
Nanjing Putian Telecommunication Technology Industry Park Co., Ltd	0.00	0.00	835.70	42.60
China Potevio Co., Ltd.	0.00	0.00	75.90	16.49
Total	0.00	0.00	911.60	59.09

Of which: capital provided to controlling shareholder and subsidiary from the listed company amounting to RMB 00.00, balance of RMB 00.00.

5. Related guarantees

In reporting period, the 9th meeting of the 5th Board of Directors and 2010 annual 1st extraordinary shareholders' general meeting reviewed and approved that, on basis of 84000000 yuan of bank loan guarantee offered by the holding shareholder China Potevio Information Industry Co., Ltd, the Company offered back bond for China Potevio Information Industry Co., Ltd taking equity held from Nanjing Potevio Telecommunication Technology Industry Park Co., Ltd as pledge. (Details can be found on the Notice of Back Bond Offered by Holding Shareholders disclosed on the Securities Times, Hong Kong Commercial Daily and Juchao Information Website on Aug. 25 of 2010)

The Company offered back bond for holding shareholder because the holding shareholder offered bank loan guarantee for the Company, which was normal economic behavior and benefiting the capital turnover, and the risk could be controlled.

(VII) Significant Contracts and its performance

1. Assets trust, contracting and lease

The Company leased the land and building of Nanjing Putian Telecommunication Technology Industry Park Co., Ltd in the reporting time. The lease fee this year was RMB 9.7863 million.

2. Guarantee Providing (Unit: RMB'0000)

Guarantee offered by the Company(excluding the guarantee offered to the subsidiaries)								
Name of the debtor	Relevant notice no. and disclosure date	Amount of guaranty	Happening Date (the date when the guaranty agreement was signed)	Actual guarantee amount	Type of guaranty	Term of guaranty	Completed or not	Guaranty whether offered to a related party or not
China Potevio Co., Ltd.	2010-8-25 (No.2010-014)	8,400.00	2010-09-19	8,400.00	Counter-guarantee	From registration date of equity pledge of the pledged industry park (2010-09) till the corresponding loan guaranteed by guarantor was paid off	No	Yes
Total amount of external guarantee limit approved during the report period(A1)		8,400.00		Total actual amount of external guarantee during the report period(A2)		8,400.00		
Total amount of external guarantee limit approved at period-end(A3)		8,400.00		Total actual amount of external guarantee at period-end(A4)		8,400.00		
Guaranty offered to the subsidiaries								

Name of the debtor	Relevant notice no. and disclosure date	Amount of guaranty	Happening Date (the date when the guaranty agreement was signed)	Actual guarantee amount	Type of guaranty	Term of guaranty	Completed or not	Guaranty whether offered to a related party or not
Nanjing Southern Telecommunication Co., Ltd.	2010-3-30(N o. 2010-006)	1,700.00	2010-05-31	1,200.00	Jointly liability	2010.5.31-2011.5.30	No	No
Nanjing Southern Telecommunication Co., Ltd.	2010-3-30(N o. 2010-006)	1,700.00	2010-08-18	500.00	Jointly liability	2010.8.18-2011.8.18	No	No
Nanjing Putian Tianji Building Intelligent Co., Ltd.	2010-3-30(N o. 2010-006)	2,300.00	2010-06-27	1,000.00	Jointly liability	2010.6.27-2010.9.27	Yes	No
Nanjing Putian Tianji Building Intelligent Co., Ltd.	2010-3-30(N o. 2010-006)	2,300.00	2010-09-16	1,000.00	Jointly liability	2010.9.16-2011.9.16	No	No
Nanjing Putian Tianji Building Intelligent Co., Ltd.	2010-3-30(N o. 2010-006)	2,300.00	2010-09-28	1,000.00	Jointly liability	2010.9.28-2011.9.28	No	No
Total amount of guarantee limit approved for subsidiaries in the report period(B1)		4,000.00		Total actual amount of guarantee limit for subsidiaries in the report period(B2)		4,700.00		
Total amount of guarantee limit approved for subsidiaries at period-end(B3)		4,000.00		Total actual amount of guarantee limit for subsidiaries at period-end(B4)		3,700.00		
Total guarantee of the Company (Including the above mentioned guarantees)								
Total amount of guarantee limit approved in the report period(A1+B1)		12,400.00		Total amount of guarantee in the report period(A2+B2)		13,100.00		
Total amount of guarantee limit approved at period-end(A3+B3)		12,400.00		Total actual amount of guarantee at period-end(A4+B4)		12,100.00		
The proportion of the total actual amount of guarantee in the net assets of the Company(A4+B4)				33.55%				
Including:								
Amount of guarantee for shareholders, actual controller and its related parties(C)				8,400.00				
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(D)				0.00				
Proportion of total amount of guarantee in net assets of the Company exceed 50%(E)				0.00				
Total amount of the aforesaid three guarantees(C+D+E)				8,400.00				
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees				-				

3. Entrustment investment:

The Company made no entrust investment during the reporting period.

(VIII) Commitment of the Company or a shareholder holding over 5 percent of the Company's share capital

Neither the Company nor a shareholder holding over 5 percent of the whole share capital made any commitment during the reporting period.

(IX) Appointment and discharging of a public accounting firm

The Company reengaged Daxin Certified Public Accountants Co., Ltd as the auditor for 2010, and the auditing cost is RMB 0.95 million. Daxin Accountants Co., Ltd has worked for the Company for three consecutive years.

(X) Punishment exerted by securities regulatory departments on the Company, the directors, supervisors, senior management and the effective controller

In the reporting period, the Company, the directors, supervisors, the senior management and effective controller were not investigated or exerted administrative punishment by CSRC or publicly condemned by Shenzhen Stock Exchange.

(XI) Reception of investigations and interviews

Time	Place	Way	Visitor	Main topics of discussion and information provided
2010-05-10	the Company	Onsite investigation	Mr. Gu Wenda from Shanghai Newland Securities Investment Consultants Co., Ltd.	Corporate business introduction; Annual report provided and enterprise promo leaflet

X. Financial Report

(I) Auditor's report

The Company's 2010 Financial Statements were audited and issued a report with standard unqualified opinion by Daxin Certified Public Accountants.

AUDITORS' REPORT

DaXin Shen Zi (2011) No. 5-0045

To The Shareholders of Nanjing Putian Telecommunications Co., Ltd.

We have audited the accompanying financial statements of Nanjing Putian Telecommunication Co., Ltd. (in the following we refer as the "Company"), which comprise the balance sheets, the comprehensive income statements, cash flow statements and statements of changes in equity for the year ended 31 December 2010, and a summary of significant changes in accounting policies and other explanatory notes in 2010.

Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Chinese Accounting Standards for Business Enterprises. This responsibility includes (1) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, due to fraud or error; (2) selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances; and (3) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In the risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the 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 financial statements of the company have been prepared and present fairly, in all material aspects, the financial position for year ended 31 December 2010, and the results of its operations and cash flows for the year ended, in accordance with Accounting Standards for Enterprises.

DaXin Certified Public Accountants Ltd.

Certified Public Accountant of China

Guo Huawen

Shu Ming

Shanghai, China

Date: March 25, 2011

(II) Financial statements (attached)

(III) Notes to the financial statements (attached)

XI. Documents for Inspection

I. Original text of accounting statements signed and sealed by legal person representative, financial controller and accountant officer.

II. Original text of Auditor's Report signed and sealed by Certified Public Accountant with the public accounting firm's seal on.

III. Original texts of all the files and announcements published on the newspapers appointed by China Securities Regulatory Commission during the reporting period.

Board of Directors
Nanjing Putian Telecommunications Co., Ltd.
25 March 2011

Balance Sheet

Prepared by: Nanjing Putian Telecommunications Co., Ltd.

31 December 2010

Unit: CNY

Item	At the end of the current period		At the beginning of the current period	
	Consolidated	Parent Company	Consolidated	Parent Company
Current asset:				
Monetary funds	293,018,925.87	186,894,431.96	482,952,642.17	408,484,047.10
Settlement provision				
Capital lent				
Tradable financial assets				
Notes receivable	8,756,893.05	2,778,605.86	2,689,865.50	
Accounts receivable	537,895,136.38	399,959,567.19	379,210,613.99	276,228,451.65
Advances to suppliers	55,963,371.47	38,600,316.28	35,576,591.92	30,583,115.40
Insurance receivable				
Reinsurance receivable				
Contract reserve of reinsurance receivable				
Interest receivable				
Dividends receivable				
Other receivables	31,336,109.33	36,567,802.25	24,727,816.32	37,147,639.59
Purchase restituted finance asset				
Inventories	328,533,395.99	192,660,176.68	225,755,590.34	82,089,247.71
Non-current asset due in year				
Other current assets				
Total current asset	1,255,503,832.09	857,460,900.22	1,150,913,120.24	834,532,501.45
Non-current assets				
Granted loans and advances				
Available-for-sale financial assets				
Held-to-maturity investments				
Long-term accounts receivable				
Long-term equity investments	238,518,944.71	346,489,259.30	222,268,596.35	330,356,356.35
Investment property	5,020,611.87		5,227,043.79	
Fixed assets	74,312,488.05	35,143,253.92	73,613,884.02	37,553,139.77
Construction in progress			5,100,000.00	
Construction materials				
Fixed assets held for disposal				
Productive biological assets				
Petrol asstest				
Intangible assets	9,288,110.69	5,656,457.31	9,165,601.08	2,813,434.53
Development costs				
Goodwill				
Long-term prepayment				
Differed income tax asset				
Other non-current assets				
Total non-current assets	327,140,155.32	387,288,970.53	315,375,125.24	370,722,930.65
Total assets	1,582,643,987.41	1,244,749,870.75	1,466,288,245.48	1,205,255,432.10

Legal person representative : Zhao Xiping

Financial controller: Sun Liang

Accountant officer: Shi Lian

Balance Sheet (continued)

Prepared by: Nanjing Putian Telecommunications Co., Ltd.

31 December 2010

Unit: CNY

Item	At the end of the current period		At the beginning of the current period	
	Consolidated	Parent Company	Consolidated	Parent Company
Current liabilities				
Short-term loans	437,000,000.00	320,000,000.00	489,000,000.00	286,000,000.00
Loan from Central Bank				
Deposit received and hold for others				
Capital borrowed				
Tradable financial liabilities				
Notes payable	370,000.00	80,370,000.00	92,746,648.00	260,746,648.00
Accounts payable	581,633,610.57	342,106,705.49	409,451,172.51	131,712,965.81
Advances from customers	82,459,973.00	36,643,103.73	23,147,428.55	5,647,562.09
Selling financial asset of repurchase				
Commission charge and commission payable				
Accrued payroll	14,668,971.89	5,181,837.54	14,229,929.03	4,388,612.57
Tax payable	9,130,272.74	11,481,928.76	-2,393,571.28	4,856,932.31
Interest payable				
Dividends payable				
Other payables	36,186,930.21	132,649,038.48	50,912,843.86	200,972,821.32
Reinsurance payables				
Insurance contract reserve				
Security trading of agency				
Security sales of agency				
Non-current liability due in year				
Other current liabilities				
Total current liabilities	1,161,449,758.41	928,432,614.00	1,077,094,450.67	894,325,542.10
Non-current liabilities				
Long-term borrowings				
Bonds payable				
Long-term payables	80,118.00	80,118.00	80,118.00	80,118.00
Special payables				
Estimated liabilities				
Differed income tax liabilities				
Other non-recurrent liabilities				
Total non-current liabilities	80,118.00	80,118.00	80,118.00	80,118.00
Total liabilities	1,161,529,876.41	928,512,732.00	1,077,174,568.67	894,405,660.10
Owners' equity (or shareholders' equity)				
Paid-in capital (or share capital)	215,000,000.00	215,000,000.00	215,000,000.00	215,000,000.00
Capital reserves	185,374,533.85	172,417,299.81	182,566,377.24	172,417,299.81
Less: Treasury stock				
Reasonable reserve				
Surplus reserve	589,559.77	589,559.76	589,559.77	589,559.76
Provision of general risk				
Undistributed profit	-35,747,152.65	-71,769,720.82	-59,459,168.77	-77,157,087.57
Balance difference of foreign currency translation	-4,599,976.23		-5,037,294.97	
Total equity attributable to owners of the parent company	360,616,964.74	316,237,138.75	333,659,473.27	310,849,772.00
Minor interests	60,497,146.26		55,454,203.54	
Total owners' equity	421,114,111.00	316,237,138.75	389,113,676.81	310,849,772.00
Total of liabilities and owners' equity	1,582,643,987.41	1,244,749,870.75	1,466,288,245.48	1,205,255,432.10

Legal person representative : Zhao Xinping

Financial controller: Sun Liang

Accountant officer: Shi Lian

Income Statement

Prepared by: Nanjing Putian Telecommunications Co., Ltd.

January to December 2010

Unit: CNY

Item	Current Period		Same Period of Last Year	
	Consolidated	Parent Company	Consolidated	Parent Company
I. Total operating income	1,981,482,650.37	1,307,687,169.42	1,469,753,704.15	1,009,868,808.56
Incl. operating income	1,981,482,650.37	1,307,687,169.42	1,469,753,704.15	1,009,868,808.56
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	1,935,122,936.55	1,313,399,971.81	1,447,015,348.93	1,018,372,137.38
Incl. operating cost	1,701,605,909.46	1,183,486,618.98	1,245,802,571.91	908,350,384.85
Interest expense				
Commission charge and commission expense				
Cash surrender value				
Net amount of expense of compensation				
Net amount of withdrawal of insurance contract reserve				
Bonus expense of guarantee slip				
Reinsurance expenses				
Operating tax and extras	7,131,162.82	1,328,474.23	5,116,466.61	651,314.85
Sales expense	109,907,462.08	66,301,553.99	89,357,454.30	53,240,869.69
Administration expense	96,889,056.32	45,845,827.04	79,437,696.26	45,787,892.25
Financial expenses	18,658,765.06	16,770,707.30	19,576,515.95	17,643,063.69
Losses of devaluation of asset	930,580.81	-333,209.73	7,724,643.90	-7,301,387.95
Plus: Gains from change of fair value ("-" for loss)				
Investment income ("-" for loss)	2,944,121.78	9,878,022.86	5,422,480.55	13,853,748.92
Incl. Investment income on affiliated Company and joint venture and joint venture	2,588,502.95	2,588,502.95	5,369,666.98	5,369,666.98
Gains from currency exchange ("-" for loss)				
III. Operational profit ("-" for loss)	49,303,835.60	4,165,220.47	28,160,835.77	5,350,420.10
Plus: Non-operating income	3,567,121.21	2,064,469.14	5,133,739.97	2,164,426.60
Less: Non-operating expenses	992,635.02	842,322.86	864,542.98	255,213.30
Incl. Loss from disposal of non-current assets	61,348.07		320,319.29	
IV. Total profit ("-" for loss)	51,878,321.79	5,387,366.75	32,430,032.76	7,259,633.40
Less: Income tax	12,517,134.02		9,177,269.28	
V. Net profit ("-" for net loss)	39,361,187.77	5,387,366.75	23,252,763.48	7,259,633.40
Net profit attributable to the owners of parent company	23,712,016.12	5,387,366.75	10,667,442.33	7,259,633.40
Minority shareholders' gains and losses	15,649,171.65		12,585,321.15	
VI. Earnings per share:				
(I) Basic earnings per share	0.11	0.03	0.05	0.03
(II) Diluted earnings per share	0.11	0.03	0.05	0.03
VII. Other comprehensive income	3,245,475.35		-1,999,787.02	
VIII. Total comprehensive income	42,606,663.12	5,387,366.75	21,252,976.46	7,259,633.40
Total comprehensive income attributable to owners of parent company	26,957,491.47	5,387,366.75	8,667,655.31	7,259,633.40
Total comprehensive income attributable to minority shareholders	15,649,171.65		12,585,321.15	

Legal person representative : Zhao Xinping

Financial controller: Sun Liang

Accountant officer: Shi Lian

Cash Flow Statement

Prepared by: Nanjing Putian Telecommunications Co., Ltd.

January to December 2010

Unit: CNY

Item	Current Period		Same Period of Last Year	
	Consolidated	Parent Company	Consolidated	Parent Company
I. Net cash flow from operating activities				
Cash received from sales of products and providing of services	2,076,429,329.83	1,387,199,752.50	1,757,260,126.48	1,152,447,120.51
Net increase of customer deposit and inter-bank deposit				
Net increase of loans from central bank				
Net increase of inter-bank loans from other financial institutions				
Cash received against original insurance contract				
Net cash received from reinsurance business				
Net increase of client deposit and investment				
Net increase of trade financial asset disposal				
Cash received as interest, processing fee and commission				
Net increase of inter-bank fund received				
Net increase of repurchasing business				
Refunds of taxes	884,518.94		782,770.82	
Other cash received from operating activities	39,014,902.02	33,959,784.42	8,326,658.74	78,732,515.23
Sub-total of cash inflow from operating activities	2,116,328,750.79	1,421,159,536.92	1,766,369,556.04	1,231,179,635.74
Cash paid for goods and services	1,946,838,248.40	1,459,243,737.19	1,387,553,866.18	1,034,391,102.80
Net increase of client trade and advance				
Net increase of savings in central bank and brother company				
Cash paid for original insurance contract compensation				
Cash paid for interest, commission charge and commission				
Cash paid for bonus of guarantee slip				
Cash paid to and on behalf of employees	110,939,922.65	60,573,984.00	96,655,461.05	52,694,268.51
Payments of all types of taxes	60,511,126.45	12,667,380.52	60,913,135.21	23,107,183.50
Other cash payments relating to operating activities	161,427,061.93	101,017,672.19	105,032,269.36	52,946,701.50
Sub-total of cash outflow from operating activities	2,279,716,359.43	1,633,502,773.90	1,650,154,731.80	1,163,139,256.31
Net Cash flow from operating activities	-163,387,608.64	-212,343,236.98	116,214,824.24	68,040,379.43
II. Cash flow from investing activities				
Cash received from recovering investment			2,027,960.00	527,960.00
Cash received from investment income	238,173.40	7,289,519.91	302,813.57	9,611,436.66
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets	1,049,955.59	1,012,749.59	246,439.39	85,515.00
Net cash received from disposal of subsidiaries or other operational units				
Other cash received concerning investing activities			7,716,233.00	7,716,233.00
Sub-total of cash inflow from investing activities	1,288,128.99	8,302,269.50	10,293,445.96	17,941,144.66
Cash paid for purchasing fixed, intangible and other long-term assets	11,170,408.57	7,663,363.79	12,906,526.31	4,400,091.04
Cash paid for investment	13,544,400.00	13,544,400.00	2,250,000.00	
Net increase of mortgaged loans				
Net cash received from subsidiaries and other operational units				
Cash paid for other investing activities				
Sub-total of cash outflow from investing activities	24,714,808.57	21,207,763.79	15,156,526.31	4,400,091.04
Net cash flow from investing activities	-23,426,679.58	-12,905,494.29	-4,863,080.35	13,541,053.62
III. Cash flow from financing activities				
Cash received from absorbing investment				
Incl. Cash received from absorbing minority shareholders' investment by subsidiaries				
Cash received from loans	447,000,000.00	390,000,000.00	615,000,000.00	570,000,000.00
Cash received from bond placing				
Other cash received concerning financing activities	50,000,000.00	50,000,000.00	20,000,000.00	20,000,000.00
Subtotal of cash inflow from financing activities	497,000,000.00	440,000,000.00	635,000,000.00	590,000,000.00
Cash paid for settling debts	411,000,000.00	356,000,000.00	530,000,000.00	480,000,000.00
Cash paid for dividend and profit distributing or interest paying	30,426,114.42	20,581,177.47	33,579,277.55	22,460,239.28
Incl. Dividend and profit of minority shareholder paid by subsidiaries	7,798,072.32		8,914,277.37	
Cash paid for other financing activities				
Subtotal of cash outflow due to financing activities	441,426,114.42	376,581,177.47	563,579,277.55	502,460,239.28
Net cash flow from financing activities	55,573,885.58	63,418,822.53	71,420,722.45	87,539,760.72
IV. Influence of exchange rate alternation on cash and cash equivalents				
Net increase of cash and cash equivalents	-131,405,990.30	-162,432,815.14	182,804,991.58	169,119,338.93
Plus: Balance of cash and cash equivalents at the beginning of term	422,853,002.17	348,384,407.10	240,048,010.59	179,265,068.17
VI. Balance of cash and cash equivalents at the end of term	291,447,011.87	185,951,591.96	422,853,002.17	348,384,407.10

Legal person representative : Zhao Xinping

Financial controller: Sun Liang

Accountant officer: Shi Lian

Statement of Changes in Owners' Equity (consolidated)

Prepared by: Nanjing Putian Telecommunications Co., Ltd.

For the year 2010

Unit: CNY

Item	Current period										Last year									
	Equity attributable to shareholders of the parent company										Equity attributable to shareholders of the parent company									
	Paid-in capital (or share capital)	Capital reserves	Less: Treasury stocks	Reasonable reserve	Surplus reserves	General risk provision	Undistributed profit	Other	Minor shareholders' equity	Total owners' equity	Paid-in capital (or share capital)	Capital reserves	Less: Treasury stocks	Reasonable reserve	Surplus reserves	General risk provision	Undistributed profit	Other	Minor shareholders' equity	Total owners' equity
I. Balance at the end of the last year	215,000,000.00	182,566,377.24			589,559.77		-59,459,168.77	-5,037,294.97	55,454,203.54	389,113,676.81	215,000,000.00	183,465,955.00			589,559.77		-70,126,611.10	-3,037,507.95	50,355,622.00	376,247,017.72
Add: Changes of accounting policy																				
Error correction of the last period																				
Others																				
II. Balance at the beginning of this year	215,000,000.00	182,566,377.24			589,559.77		-59,459,168.77	-5,037,294.97	55,454,203.54	389,113,676.81	215,000,000.00	183,465,955.00			589,559.77		-70,126,611.10	-3,037,507.95	50,355,622.00	376,247,017.72
III. Increase/ Decrease in this year (Decrease is listed with "-")		2,808,156.61					23,712,016.12	437,318.74	5,042,942.72	32,000,434.19		-899,577.76					10,667,442.33	-1,999,787.02	5,098,581.54	12,866,659.09
(I) Net profit							23,712,016.12		15,649,171.65	39,361,187.77							10,667,442.33		12,585,321.15	23,252,763.48
(II) Other comprehensive income		2,808,156.61						437,318.74		3,245,475.35								-1,999,787.02		-1,999,787.02
Subtotal of (I) and (II)		2,808,156.61					23,712,016.12	437,318.74	15,649,171.65	42,606,663.12							10,667,442.33	-1,999,787.02	12,585,321.15	21,252,976.46
(III) Owners' contributions and reduction in capital									-2,808,156.61	-2,808,156.61		-899,577.76							1,427,537.76	527,960.00
1. Capital contribution from owners I																			1,427,537.76	1,427,537.76
2. Share-based payment recognised in shareholders' equity																				
3. Others									-2,808,156.61	-2,808,156.61		-899,577.76								-899,577.76
(IV) Profit distribution									-7,798,072.32	-7,798,072.32										-8,914,277.37
1. Withdrawal of surplus reserves																				
2. Withdrawal of general risk provisions																				
3. Distribution for owners (shareholders)									-7,798,072.32	-7,798,072.32										-8,914,277.37
4. Others																				
(V) Transfer within shareholders' equity																				
1. Capital reserves converted to capital (share capital)																				
2. Surplus reserves converted to capital (share capital)																				
3. Remedying loss with surplus reserve																				
4. Others																				
(VI) Reasonable reserve																				
1. Withdrawal in the report period																				
2. Usage in the report period																				
3. Others																				
IV. Balance at the end of the report period	215,000,000.00	185,374,533.85			589,559.77		-35,747,152.65	-4,599,976.23	60,497,146.26	421,114,111.00	215,000,000.00	182,566,377.24			589,559.77		-59,459,168.77	-5,037,294.97	55,454,203.54	389,113,676.81

Legal person representative : Zhao Xinping

Financial controller: Sun Liang

Accountant officer: Shi Lian

Statement of Changes in Owners' Equity (parent company)

Prepared by: Nanjing Putian Telecommunications Co., Ltd.

For the year 2010

Unit: CNY

Items	Current period								Last year							
	Paid-in capital (or share capital)	Capital reserves	Less: Treasury stocks	Reasonable reserve	Surplus reserves	General risk provision	Undistributed profit	Total owners' equity	Paid-in capital (or share capital)	Capital reserves	Less: Treasury stocks	Reasonable reserve	Surplus reserves	General risk provision	Undistributed profit	Total owners' equity
I. Balance at the end of the last year	215,000,000.00	172,417,299.81			589,559.76		-77,157,087.57	310,849,772.00	215,000,000.00	172,417,299.81			589,559.76		-84,416,720.97	303,590,138.60
Add: Changes of accounting policy																
Error correction of the last period																
Others																
II. Balance at the beginning of this year	215,000,000.00	172,417,299.81			589,559.76		-77,157,087.57	310,849,772.00	215,000,000.00	172,417,299.81			589,559.76		-84,416,720.97	303,590,138.60
III. Increase/ Decrease in this year (Decrease is listed with "-")							5,387,366.75	5,387,366.75							7,259,633.40	7,259,633.40
(I) Net profit							5,387,366.75	5,387,366.75							7,259,633.40	7,259,633.40
(II) Other comprehensive income																
Subtotal of (I) and (II)							5,387,366.75	5,387,366.75							7,259,633.40	7,259,633.40
(III) Owners' contributions and reduction in capital																
1. Capital contribution from owners																
2. Share-based payment recognised in shareholders' equity																
3. Others																
(IV) Profit distribution																
1. Withdrawal of surplus reserves																
2. Withdrawal of general risk provisions																
3. Distribution for owners (shareholders)																
4. Others																
(V) Transfer within shareholders' equity																
1. Capital reserves converted to capital (share capital)																
2. Surplus reserves converted to capital (share capital)																
3. Remedying loss with surplus reserve																
4. Others																
(VI) Reasonable reserve																
1. Withdrawal in the report period																
2. Usage in the report period																
3. Others																
IV. Balance at the end of the report period	215,000,000.00	172,417,299.81			589,559.76		-71,769,720.82	316,237,138.75	215,000,000.00	172,417,299.81			589,559.76		-77,157,087.57	310,849,772.00

Legal person representative : Zhao Xinping

Financial controller: Sun Liang

Accountant officer: Shi Lian

NANJING PUTIAN TELECOMMUNICATIONS CO. LTD.

NOTES TO THE FINANCIAL STATEMENTS

From Jan. 1 to Dec. 31, 2010

(All amounts are stated by RMB Yuan unless otherwise stated)

I Basic information of the Company

Nanjing Putian Telecommunications Co., Ltd. (in the following we refers to as 'the company') is the original Nanjing Telecommunication Facility Factory. The company was established as joint stock limited company by raising money approved with TGS (1997) No. 28 issued by National Economic Institutional Reform Commission on March 21, 1997. The Company was listed in Shenzhen Stock Exchange on May 22, 1997. By 31 December 2009, the capital of the Company is RMB 215,000,000.00 Yuan. The company is mainly engaged in telecom equipment manufacture industry. The business scope of the Company is data telecom product, wires telecom product, wireless telecom product, distribution and allocation of layout of telecom product, research, manufacture of media computer and digital television, vehicle electronics . Research, sale of video conference system, and providing the related after-sales service ,including installation and maintenance and repairmen of equipments .Design of telecom information net project and computer information systematic project, and provision of related system combination and related consultancy service.

II Principal accounting policies and accounting estimate and correction of previous errors

1. Basis for preparation of financial statement

The financial statements of the Company are prepared on the hypothesis of going concern according to the actual occurred transactions and events, according to the "Accounting Standards for Business Enterprises - Basic Standard" (issued by the Ministry of Finance in 15 February 2006), 38 specific accounting standards, the "Note to the 'Accounting Standards for Business Enterprises - Practice Guide" , explanatory notes and other relative regulations (hereinafter collectively referred to as "Accounting Standards for Business Enterprises").and in accordance with the accounting policy and estimation stated as follows.

2. Statement on Observation of Accounting Standard for Enterprise

The financial statement prepared by the Company applies with the requirements of Accounting Standard for Enterprise, reflects the financial condition at 31 December 2010, operational achievements and cash flow of the Company in 2010 effectively and completely.

3. Accounting period

The accounting period of the Company is the calendar date from 1 January to 31 December.

4. Standard currency for accounting

The recording currency of the Company is Renminbi (thereafter refer as the "RMB").

5. Accounting treatment of Business Combination

Business combination includes combination of entities or businesses under common control and combination under different control.

(1)Combination under common control

An acquirer of a business combination recognizes the assets acquired and liabilities assumed at their acquisition-date carrying values. The excess of the carrying value of acquired net asset over the carrying value of consideration transferred (or nominal value of shares issued) is charged to capital surplus. If capital reserve's not enough, the balance is charged to retained earnings. Transaction costs that are directly attributable to the acquisition are recorded as profit or loss in the current period.

(2)Combination under different control

The consideration transferred in a business combination are measured at fair value, which shall be calculated as the sum of the acquisition-date fair value of the assets transferred by the acquirer, the liabilities incurred and the equity interests issued by the acquirer. For business combination achieved in stages, combination costs are the sum of each transaction cost. Combination under different control, the acquirer occur audit, legal service, evaluation consultation etc intermediary fee and other related administrative expenses for business combination, shall be recorded into the profits and losses; the consideration of the equity securities issued or debt securities transaction costs, shall be included in the equity securities or debt amount of initial recognition of securities. Combination cost includes consideration transferred and transaction costs that are directly attributable to the acquisition. The acquirer shall recognize the fair value of contingent consideration at acquisition date as part of the consideration transferred in exchange for the acquiree.

An acquirer of a business combination recognizes the identifiable assets acquired and liabilities and contingent liabilities assumed at their acquisition-date fair value. The excess of combination cost over the fair value of the net

identifiable assets acquired is measured as goodwill. When the fair value of the net identifiable assets acquired exceeds combination cost, before recognizing a gain on a bargain purchase, the company will reassess whether it has correctly measured all of the identifiable assets acquired, all of the liabilities and contingent liabilities assumed and combination cost. The difference is recorded to profit or loss in the current period if the fair value of the net identifiable assets acquired exceeds combination cost after the review.

6. Basis of Preparation of Consolidated Financial Statements

The Company shall put subsidiaries which it controlling totally, main body with special purpose into consolidated financial statements.

Consolidated financial statements have been prepared in accordance with the ASBEs No. 33 - Consolidated Financial Statements and relevant supplementary regulations. All significant transactions and balances between the Company and its subsidiaries are eliminated for the purpose of consolidation. The equity of subsidiaries not held by the parent company shall be presented separately as minority shareholders' equity in consolidated shareholders' equity.

Any difference arising from the inconformity of accounting year or accounting policies between the subsidiaries and the Company shall be adjusted in the consolidated financial statements.

When preparing the consolidated financial statements, if the Company acquired the subsidiary through business combination not involving under common control, the separate financial statements shall be adjusted based on the fair value of identifiable net assets at the acquisition date. If the subsidiary is acquired through business combination involving common control, the consolidated financial statements shall include the carrying amount of assets, liabilities, operating result and cash flow of the subsidiary at the beginning of the current period, as if business combination also had occurred the beginning of the current period.

7. Cash and cash equivalent

The cash reflected in the cash flow statement of the Company represents the inventory cash and the deposit available for payment at any time.

The cash equivalent in the cash flow statement refers to the kind of investment with short holding term and strong flow ability. At the same time, the cash equivalent is easy to convert into cash with already-known amount and risk of value change is very small.

8. Foreign currency business and foreign currency financial statement conversion

(1) Foreign currency business

As for the foreign currency business, the Company converts the foreign currency amount into RMB amount pursuant to the spot exchange rate as of the business day. As at the balance sheet date, monetary items expressed by foreign currency are converted into RMB pursuant to the spot exchange rate, for prompt exchange rate on the spot rate and the time of initial recognition or before the date of the balance sheet at the spot exchange rate and produce different exchange balance, except a qualified foreign currency exchange balance specifically borrowed in the capitalization period shall be included in the relevant asset costs of capitalization of the, all included in the current profits and losses.

As for the foreign currency non-monetary items measured by historical cost, conversion is made with the spot exchange rate as of the business day, with no change in RMB amount. With the fair value measurement of foreign currency non-monetary items at the fair value determined day at the spot exchange rate, convert the amount of functional currency with the original amount of functional currency of the variance, as the changes in the fair value (including exchange rate fluctuation) processing, included in the current profits and losses or confirmed for other comprehensive income and included in the capital reserve.

(2) Conversion of foreign currency financial statement

As for the subsidiaries and joint ventures with different standard currency for accounting from the company, the Company account for transaction and prepare consolidated financial statements after conversion of related foreign currency financial statements.

Spot exchange rate as of the balance sheet date is adopted for conversion of assets and liabilities in foreign currency balance sheet; as for the items in statement of owners' equity except for "Undistributed profit", conversion is made pursuant to the spot exchange rate of business day; income and expense items in income statement then are also converted pursuant to the spot exchange rate of transaction day approximately, which is systematic and reasonable method. Difference arising from the aforementioned conversions shall be listed separately in items of owners' equity.

Spot exchange rate as of the occurrence date of cash flow approximately is adopted for conversion of foreign currency cash flow, which is systematic and reasonable method. The amount of cash affected by exchange rate movement shall be listed separately in cash flow statement.

When disposing operation abroad, related difference arising from foreign currency exchange is transferred to profit or loss in the current period, transferred proportionately when partially disposed.

9. Financial Instruments

(1) Classification, recognition and measurement of financial instruments

The Company classifies financial instruments into the following two categories, namely financial assets or financial liabilities.

The company groups the financial assets owned by it as four categories, namely financial assets measured by fair value and whose movement is recorded into prevailing gains and losses currently designated as at fair value through profit (including held for trading financial assets and financial assets designated as at fair value through profit or loss) or loss held-to-maturity investment, loans and accounts receivables, as well as financial assets available-for-sale, when they are initially recognized. It is up to management's intentions and abilities of held-for - financial assets except loans and accounts receivables.

When making the initial recognition for financial liabilities, the Company classifies the financial liabilities into ones which are measured by fair value and whose change is recorded into prevailing gains and losses, and other financial liabilities. Financial liabilities which are measured by fair value and whose change is recorded into prevailing gains and losses include tradable financial liabilities and financial liabilities which are measured by fair value and whose change is recorded into prevailing gains and losses in the current period.

When the Company becomes a party to a financial instrument contract, it recognizes a related financial asset or financial liability.

The financial assets or financial liabilities initial recognition is measured at fair value. Follow-up measurement is classification treatment: with the fair value measurement and the changes are included in the current profits and losses of the financial assets, available for sale financial assets and to the fair value measurement and the changes are included in the current profits and losses of the financial liability according to the fair value measurement; financial guarantee contract and below the market rate loans loan commitment, in the initial confirmed according to the Accounting Standards for Enterprises 13 - Contingencies determine the amount and the initial affirm amount deducted, according to the Accounting Standards for Enterprises 14-Revenue, the principles of "determine income of the cumulative amortize frontal balance after the higher among a follow-up measurement, held-to-maturity investment, loans and accounts receivable and other financial liabilities at the amortized cost measurement.

Fair value change of financial assets or financial liabilities in the follow-up measurements, except they are hedged against certain risk, should be accounted as follows: Fair value change of financial assets or financial liabilities which are measured by fair value and whose fair value change is recorded into prevailing gains and losses is recorded into gains and losses of fair value change; Interests or cash dividend acquired from holding assets are recognized as investment income; when disposing such assets, the difference between their fair value and initial accounting amount is recognized as investment gains and losses. Meanwhile, gains and losses of fair value shall be adjusted. Fair value change of financial assets available-for-sale is recorded into capital reserve; the interests calculated by effective interest rate method during the holding period are written into investment income; cash dividend obtained from investment by equity instrument available-for-sale is written into investment income at the time when the invested company declares to grant dividend; the difference between the payment received when disposal of such assets and carrying value after deducting the accumulative fair value change which is originally and directly recorded into capital reserve, is written into investment gains and losses.

(2) Recognition and measurement of transferring of financial assets

Where there is a transfer of financial assets, the Company should derecognize the entire financial asset if it has transferred nearly all of the risks and rewards related to ownership of the financial asset to the transferee; or it is out of the control of the asset, although it has not yet transferred the asset or it has not retained almost the risks and rewards relating to ownership of the financial asset.

When the transfer of financial assets qualify for de-recognition criteria, the Company should measure correspondingly, namely differences between the book value of the transferred financial assets and the sum of consideration received by the transfer, and the accumulated changes in fair value directly included in the capital reserve (when transferred financial assets involve available-for-sale financial assets) should be included in profit and loss in the current period.

If the partial transfer of financial assets qualify for de-recognition criteria, the Company should measure correspondingly, namely the overall book value of the transferred financial assets are divided according to the fair value of transferred and retained part, and the difference between the book value of the derecognized part and the sum of the consideration of the derecognized part, and the amount of the corresponding part of the accumulated changes in fair value directly included in the capital reserve (when the transfer involve available-for-sale financial assets) is recorded to profit or loss in the current period.

(3) De-recognition of financial liabilities

Recognition of certain liability should be terminated when related current obligation has already been wholly or partly discharged.

(4) Recognition of fair value of financial assets and liabilities

For those financial instruments existing in active markets, market quotation in the active market is used to confirm

their fair values. Fair value of the financial instruments which have no active market is confirmed by adoption of estimation technology.

Estimation technology includes reference to the price applied by parties which know well situation and are willing to make deals in the latest market business, reference to the current fair value of other financial assets which are the same in principle, reference to discounted cash flow method and so on. When estimation technology is adopted, Parameters of the market should be applied at the most, prior to the parameters of the Company and its subsidiaries.

(5) The impairment test and the impairment provision of the financial assets

Except for the financial assets which are measured by fair value and whose fair value change is recorded into prevailing gains and losses, the Company will make check in the carrying value of other financial assets as at the balance sheet date. The impairment provision is recognized where there is any objective evidence proving that such financial asset has been impaired.

For single amount significant financial assets impairment test separately; individual amount not significant financial assets, impairment test separately or included in the portfolio with similar credit risk characteristics of financial asset for impairment test. Separate test did not occur impairment (both single amount significant and not significant financial assets), including in the portfolio with similar credit risk characteristics of financial asset for impairment test again. Already single confirm the impairment loss of financial assets, no need to do impairment test again.

The held-to-maturity investment, loans and accounts receivable become impaired, write down their book value to expected future cash flow, write-down amount recognized as the impairment loss, included in the current profits and losses. Financial asset available for sale impaired originally recorded in the capital reserve, because of the fair value of the cumulative losses shall drop formation transferred out and included in the current profits and losses, transferred cumulative loss of the assets initial acquisition cost deducting already recovered principal and amortization amount, the current fair value and the balance of impairment loss original already included in the profit and loss.

(6) Reclassification of financial asset

Held-to-maturity investment that is not yet expired can be reclassified as available-for-sale financial assets, When it meet the following situation:

There is no financial resource to be utilized providing requisite funds continually to hold the financial assets to maturity.

There is no intention of holding the financial assets to maturity for management.

It is difficult to hold the financial assets to maturity due to the restriction of laws and regulations and other factors.

Others showing that the Company has not the ability to hold the financial assets to maturity.

Significant parts of above must be approved by the board of directors before making a decision.

10. Accounts receivable

Accounts receivable include accounts receivable and long-term accounts receivable and other account receivable. On the balance sheet day, there is any objective evidence proving that accounts receivable has been impaired, an impairment provision is made according to the difference between the carrying amount of accounts receivable and the present value of the predicted future cash flow.

(1) Single amount dramatic and individual provision for the accounts receivable:

Recognition criteria	Individual amount more than 10,000,000Yuan
Provision method	Individual identification method

(2) Classification as the combination of provision for account receivable

Group recognition criteria	Amount, risk size
Group1	Single amount major but not separate accrual provision
Group 2	Single amount not significant and portfolio risk is low
Group 3	Single amount not significant risk is high in the group
Provision method for group	
Group 1	Age analysis
Group 2	No provision
Group 3	Age analysis

Adopt age analysis provision in group as follows:

Aging	Accounts receivable provision proportion (%)	Other receivables provision proportion (%)
Within 1 year (contain 1 year)	0.00%	0.00%
1 to 2 years	0.00%	0.00%
2 to 3 years	10.00%	10.00%
3 to 4years	30.00%	30.00%
4 to 5 years	40.00%	40.00%
5 to 6 years	80.00%	80.00%
6 years or above	100.00%	100.00%

(3) Single amount not significant but single provision for accounts receivable

Single provision reason	Separately impairment test, exist objective evidence for impairment
Provision method	Individual identification method

11. Inventories**(1)Classification of inventory**

The company holds the assets for sale, which are finished goods in the ordinary course of the business, or in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services. The inventories of the Company comprises of raw materials, turn-over materials, consigned materials for processing, packing materials, low-value consumable items, work in process, self-made semi-finished product, finished goods etc.

(2)Measurement of issued inventory

The inventory is measured using weighted average method when issued.

(3)Recognition and measurement for inventory impairment provision

On balance sheet date, the inventories are measured at lower of cost and net realizable value. It is provided according to the difference between the cost of single inventory item and its net realizable value. But as for others with large quantity and low price, the reserve is provided according to categories.

The determination of net realizable value of inventories based on: net realizable value of finished products is the estimated selling price less estimated selling expenses and the relevant tax payments; as for materials hold for production, when net realizable value of finished products derived from these materials is higher than the cost of those, measured at cost; when the material prices show that the net realizable value of finished products produced by these materials is below cost, net realizable value will be the estimated sale price less estimated cost to completion, estimated selling expenses and related tax expense. as for materials held for sale, net realizable value is the market price.

(4)The stocktaking system is perpetual inventory system**(5)Amortization method for low value consumable items and packing materials**

The low value consumable items are amortized by step-amortization method and packaging materials are amortized by applying immediate write-off method when consumed.

12. Long-term equity investment**(1)Initial measurement of long-term equity investment**

The long-term equity investment acquired through combination under common control are measured at the attributable share of carrying amount of owners' equity as its initial investment cost; the investment acquired through combination under different control are initially recognized at combination cost.

The long-term equity investment is acquired through cash payment, the actual payment for the purchase shall be deemed as initial investment cost.

The long-term equity investment is acquired by issuing the equity securities, the fair values of issued equity securities will be deemed as the initial investment cost.

The long-term equity investment made by the investors, the agreed price in investment contract or agreement will be deemed as the initial investment cost.

long-term equity investment which is acquired through debt reorganization and non-monetary assets exchange, regulations of relevant accounting standards shall be referred to for confirming initial investment cost.

(2) Subsequent measurement of long-term equity investment and recognition of investment income

Cost method and equity method is adopted for long-term equity investment respectively.

The long-term investment of the company under the equity method includes long-term equity investment with joint control or significant influence over the investee. After the company acquires a long-term equity investment, the company recognizes the investment profits or losses and adjusts the book value of the long-term equity investment in accordance with its attributable share of the net profits or losses of the investee.

The long-term equity investment under cost method is initially measured at investment cost. If there are additional investments or disinvestments, the cost of the long-term equity investment is adjusted. The dividends or profits declared by the investee are recognized as the current investment income.

When the company has joint control or significant influence over the investee, adopting equity method, otherwise cost method will be applied.

(3) Recognition criteria for joint control and significant influence

The recognition criteria for joint control includes: decision relating to financial policies and operation policies of joint company needs identical agreement by all the joining parties based on agreement in the contract between all the joining parties.

The recognition criteria for significant influence includes: when the company owns above 20% (including 20%) below 50% voting shares of investee company. When the company owns below 20% (excluding 20%) voting shares of investee company, Significant influence over investee company should be recognized when it meets one of the following situations: Delegation of certain representative in the board of directors or similar situation of investee company. Participate the decision-making of investee company Delegation of certain management staff in the investee company. Reliance to technology or technological materials of investee company. others stating significant influence over investee company.

(4) Test of impairment and provision of impairment

On balance sheet date, the company carries out an inspection if there is any evidence that the long-term investment is impaired. When any evidence stating long-term investment impaired occurs. The company should estimate its recoverable amount and carry out impairment test. Impairment loss is measured at difference between carrying value and recoverable amount. The impairment loss will never be reversed in the future once it is ascertained.

Recoverable amount is the higher amount of the net fair value for sale and the present value of estimated future cash flows. The net fair value for sale is sell price agreed less related tax expenses when there is fair price for transaction or without fair price for transaction but existence of similar active market.

13. Investment property**(1) Classification and measurement**

The investment property of the company includes rented land use rights, leased houses and buildings, land use rights which are held and prepared for transfer after appreciation and rented buildings.

The company adopts the cost model to measure initially and subsequently.

(2) Accounting for cost model

The company investment property of rental building adopts fixed number of year average method depreciation, the same depreciation policies as those of the company's fixed assets are adopted.

The company investment property of land use, hold appreciation land-use right for transfer using the straight-line method amortize. For land use right for lease, the same amortization policies as those of the intangibles are adopted.

The balance sheet date, the company should review investment property whether there are impairment of signs, when there is any sign of impairment should undertake impairment test confirmed recoverable amount, which is the lower of book value and the recoverable amount, provision for impairment loss is no longer in the future accounting periods turn back.

14. Fixed assets**(1) Recognition**

Fixed assets are tangible assets that have useful life more than one year, and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes. No fixed asset may be recognized unless it meets all the following conditions:

- a. The economic benefits related with the fixed asset are probably to flow to the enterprise; and
- b. The cost of the fixed asset can be measured reliably

(2) Classification and Depreciation

The company's fixed assets are classified as buildings and structures, machinery equipment, transportation equipment and electronic and other equipment. Depreciation is provided monthly using the straight-line method. The depreciation rate is recognized in accordance with category, estimated useful life and estimated residual rate of fixed assets, based on nature and utilization of each category. The company will review the useful life, estimated residual value and deprecation method of the fixed assets at the year end, and make necessary adjustment once

difference occurs from estimated before. The company withdraws depreciation for all fixed assets except for those which have been fully depreciated while continuing to use and the land which is accounted with separate pricing. The estimated residual value rate, useful life and annual depreciation rate of each category of fixed assets are as follows:

Category of fixed assets	Useful life (year)	Residual value rate (%)	Depreciation rate (%)
Building/structure	15 - 35	3	2.77-6.47
Machinery equipment	10 - 15	3	6.47-9.70
Transportation equipment	6 - 8	3	12.13-16.17
Electronic and other equipment	4 - 11	3	2.20-24.25

(3) Impairment

On balance sheet date, the company carries out an inspection if there is any evidence that the fixed asset is impaired. If fixed asset is impaired, the company will estimate its recoverable amount and carry out impairment test, the impairment loss should be recognized in profit or loss and provision identified, based on the lower of its carrying value and recoverable amount. The impairment loss will never be reversed in the future once it is ascertained.

Recoverable amount is measured as the higher value of fixed asset's fair value less costs to sell and present value of its estimated cash flow. The net fair value for sale is sell price agreed less directly attributable costs to sell, when there is fair price for transaction according to the sales agreement can be directly allocated the price minus the disposal expenses determined the amount of assets or without fair price for transaction but existence of similar active market according to the market price minus the disposal expenses to determine the amount.

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

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are: The lease transfers ownership of the asset to the lessee by the end of the lease term; The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised; The lease term is for the major part of the economic life of the asset even if title is not transferred; At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; The leased assets are of such a specialized nature that only the lessee can use them without major modifications.

At the commencement of the lease term, lessees shall recognize finance leases as assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned, and the depreciation recognized shall be calculated in accordance with fixed assets, as well as test of impairment.

15. Construction in process

(1) Classification

The Company will classify construction in progress as self- construction and contract-out- construction.

(2) Criterion and timeless of Construction in progress being transferred to fixed assets

Construction in progress is transferred to fixed assets when the project is substantially ready for its intended use. Examples of situations that shows being ready for its intended use are listed below

Substantial construction has already finished;

Result of pilot production indicates that it can run normally;

Expenditure in the future associated with it will not happen nearly;

It is accordance with the requirement of intended design or contract, or nearly.

(3) Method of the carrying out impairment test and provision of impairment

On balance sheet date, the Company carries out an inspection if there is any evidence that the construction in progress is impaired. If construction in progress is impaired, the Company will estimate its recoverable amount and carry out impairment test, the impairment loss should be recognized in profit or loss and provision identified, based on the lower of its carrying value and recoverable amount. The impairment loss will never be reversed in the future once it is ascertained.

Recoverable amount is measured as the higher value of construction in progress's fair value less costs to sell and present value of its estimated cash flow.

16. Borrowing expense

(1) Recognition of borrowing expense capitalization

The borrowing expense which could be directly attributable to purchase or production of assets satisfying capitalization condition, starts capitalization and are recorded to the cost of related assets. Other borrowing expense is recognized as expense as soon as it happens. Assets satisfying capitalization principle generally refer to fixed assets, investment property and inventories which can only arrive at predicted available-for-use or available-for-sale state after quite a long time in purchase or production activities.

(2) Calculation of borrowing expense capitalization

The capitalization period: from borrowing cost starts capitalization to stop capitalization. The capitalization of the borrowing costs suspended during not included.

If abnormal interruption happens during purchase or production of assets satisfying capitalization principle and the interruption lasts over 3 months, the capitalization for the borrowing expense shall pause until the purchase or production restarts.

Amount of borrowing expense capitalization: Capitalization shall be exercised for interest expense actually occurred from special borrowings in current period after deduction of the interest income arising from unutilized borrowing capital which is saved in banks or deduction of investment income obtained from temporary investment;

For reorganization of capitalized amount of common borrowing, it equals to the weighted average of the assets whose accumulated expense or capital disburse is more than common borrowing times capitalization rate of occupied common borrowing. Capitalization rate is determined according to weighted average interest rate of common borrowing. amortization of discount or premium by effective interest method in each accounting period ,adjusting interest expense in the responding period , when borrowings happened originally in discount or premium.

Effective interest method determines interest expense, amortization of discount or premium in effective interest, which is IRR of carrying value of the borrowing equal to NPV of future estimated cash flows resulting from the borrowing.

17. Intangible assets

(1) Measurement of intangible assets

The intangible assets shall be initially measured at cost. For those intangible assets purchased in by the company, their effective cost consist of actual payment and relevant other expenditure; for the intangible assets input by investors, effective cost is determined according to the value agreed in investment contracts and agreements, while if the agreed value is not fair, then effective value is confirmed according to fair value. The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria to the date that expected usable condition are reached.

Subsequent measurement of intangible assets, classified as: the intangible asset with a finite useful life should be allocated on straight-line method, the amortization period and the amortization method for an intangible asset shall be reviewed at least at each financial year-end, shall be adjusted if necessary; no amortization for intangible assets with uncertain useful life, but at the end of each accounting period, re-examination on useful life of intangible assets, for any evidence proving that life of intangible assets is limited, then estimate of its useful life, according to the straight-line amortization.

(2) Estimation of useful life of intangible asset with a finite useful life

The intangible assets with limited useful life, estimating its useful life often consider the following factors: for the asset of the relevant legal provisions control period or similar restrictions, such as franchise system, the lease term, etc; using the assets in the production of products usually the life cycle, can obtain similar asset life information; the connection with other assets life.

(3) Basis of determination of indefinite use life with intangible assets

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic limit to benefits for the company. The useful life of intangible asset that are not stipulated by contract or laws is ascertained based on previous experience or experts' verification. If the period in which the asset's future economic benefits are expected to flow to the entity cannot be confirmed according to above ways, the company classified the intangible asset as intangible asset with indefinite useful life.

Criteria of indefinite use life: acquisition of an intangible asset arising from contractual or other legal rights without prescribed detailed use life; connection historical information with experts verification, the useful life of intangible asset that are not stipulated by contract or laws is ascertained yet.

On balance sheet date, the company is required to test intangible asset with an indefinite useful life for useful life at the end of each year, mainly in top-down method.

(4) Impairment

On balance sheet date, the Company carries out an inspection if there is any evidence that the intangible asset is

impaired. If intangible asset is impaired, the Company will estimate its recoverable amount and carry out impairment test, the impairment loss should be recognized in profit or loss and provision identified, based on the lower of its carrying value and recoverable amount. The impairment loss will never be reversed in the future once it is ascertained.

Recoverable amount is measured as the higher value of intangible asset's fair value less costs to sell and present value of its estimated cash flow.

(5) Research and Development Cost

Research cost is recorded to profit or loss when it is incurred. An intangible asset arising from the development phase of an internal project shall be recognized if, and only if, the Company can demonstrate all of the following:

the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete the intangible asset and use or sell it; how the intangible asset will generate probable future economic benefits, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset can be proved; the availability of adequate technical, financial resource and other resources to complete the development and the ability to use or sell the intangible asset; the expenditure attributable to the intangible asset during its development can be measured reliably; cost in development phase that does not meet above conditions is recorded to profit or loss when it is incurred.

Costs of internal projects should be distinguished into cost in research phase and cost in development phase. Research cost refers to cost arising from inventive activities aimed at obtaining new knowledge. It is typical of planning and exploratory. Development cost refers to cost arising from activities that apply result in research phase or other knowledge in a certain plan or design, to produce new or substantially improved material, equipment, and products etc. before commercial production or application. It is typical of being concise and to the point and higher possibility of success.

18. Long-term prepaid expenses

The long-term prepaid expenses of the Company are expenses for current and future periods that have been disbursed but will be amortized over one year (not include 1 year). It mainly includes parking fees, housing and decoration costs. Long-term prepayments are amortized based on the expected beneficial periods. If such long-term deferred expense could not bring benefit to following accounting periods, the unamortized value of the item shall be fully transferred to current gains and losses.

19. Provision

(1) Recognition criteria

When contingencies related obligation is present obligation of the company; probable that an outflow of economic benefits from the company will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

(2) Measurement

The estimated liabilities initially recognized should be the best estimate of the expenditure required to settle the present obligation, taken in to consideration the risk, uncertainty and time value of money etc. related to contingencies. Best estimate is discounted amount of estimated future cash flow if time value of money is significant. The company reviews the carrying amount of provision on balance sheet date. Where there is any concrete evidence that its carrying amount is not the best estimate, the carrying amount is adjusted based on the best estimate.

20. Revenues

(1) Revenue recognition for sale of goods

Revenue from the sale of goods shall be recognized when all the following conditions have been satisfied: the significant risks and rewards of ownership of the goods have been transferred to the buyer by the company; the company retains neither continuous managerial involvement to the degree usually associated with the ownership nor effective control over the sold goods; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the company; the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Where the receipt of revenue agreed in the contract is delayed beyond the normal credit conditions, which is of financing intention, the receipt of revenue shall be determined on the basis of the fair value of the contract.

(2) Revenue recognition for rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the balance sheet date. The stage of completion is based on the measurement of the work completed.

If the Company cannot reliably estimate the service performed the date of the balance sheet, the company applies the following treatment respectively: if the service expenses incurred are recoverable, the revenue from rendering of services shall be recognized to the extent of the expenses incurred and the cost of sale transferred at

the same amount; if the service expenses incurred are not recoverable, the expenses incurred shall be recognized in the profit or loss and no revenue from rendering of services shall be recognized.

(3) Revenue recognition from alienation of right to use assets

The revenues from alienation of right to use assets will be recognized when all the following conditions have been satisfied: it is probable that the economic benefits associated with the transaction will flow to the company; and the amount of revenue can be measured reliably.

21 .Government grant

(1)Types of government grant

Government grant comprise government grant related with assets and grant related with income.

(2)Accounting for government grant

Government grant related with assets shall be recognized as deferred income, which is recognized as income over the useful life of the asset. But the government grant measured at nominal amounts shall be directly included in the current profit or loss. The government related with income shall be treated respectively in accordance with the circumstances as follows: the grant used for compensating the related future expenses or losses of the company shall be recognized as deferred income and shall included in the current profit or loss during the period when the relevant expenses are recognized; or the grant used for compensating the related expenses or losses incurred to the company shall be directly included in the current profit or loss.

22. Deferred tax asset or liability

The deferred tax assets and deferred tax liabilities confirmation:

A deferred tax asset and deferred tax liability shall be recognized by a difference (temporary difference) between the carrying amount of an asset or liability and its tax base, as well between carrying amount of items which have a tax base according to tax law but not recognized as assets or liabilities and its tax base, conjunction with expected income tax rate to be applied in the period when recovery of the asset or settlement of the obligation occur.

The company shall recognize the corresponding deferred tax asset for deductible temporary differences as no higher than the taxable profits that will be available in the future, against which the temporary difference can be utilized. The company shall recognize the deferred tax asset that has not been recognized before, once there are sufficient evidences probably showing sufficient taxable profits will be available against the temporary deductible difference. The company shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profits will be available in future periods to allow the benefit of the deferred tax asset to be utilized.

The company recognizes a deferred tax liability for all temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, unless the company can control the time when temporary difference will reverse in the foreseeable future, and the temporary difference will probably not reverse in the foreseeable future simultaneously. The company recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that: the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilized.

23. Major accounting policy modification, alteration accounting estimates description

(1)The main changes in accounting policies and accounting estimates

The company report period without accounting policy change, no accounting estimates changes.

(2) Correction of previous errors and effects

The company report period no preliminary accounting error correction.

III . Taxations

Major taxes and tax rates

Type of tax	Tax base	Tax rate
VAT	Income from sales of goods and materials	17%
Business tax	Income from lease, installation ,procession, rendering of service	3%-5%
Urban maintenance and construction tax	Turnover tax	7%
Education surcharge	Turnover	3%
Local education surcharge	Turnover	1%
Corporate income tax	Taxable income	15%-25%

The income tax, tax preferential policies advancements have not changed compared to last year.

Subsidiary Nanjing Putian Telege Intelligent Building Co., LTD, and Nanjing Putian Changle Telecommunications Equipment Co., LTD is a high-tech enterprise, at a reduced rate of 15 % pay enterprise income tax.

Putian Telecommunications (Hong Kong) Co., Ltd. was established in Hong Kong on December 1, 2000, and is subject to the Enterprise Income Tax at a rate of 17.5% according to relevant rules in Hong Kong.

IV. Business combination and consolidated financial statements

The Company shall put subsidiaries which it controlling totally, main body with special purpose into consolidated financial statements.

Consolidated financial statements have been prepared in accordance with the ASBEs No. 33 - Consolidated Financial Statements and relevant supplementary regulations. All significant transactions and balances between the Company and its subsidiaries are eliminated for the purpose of consolidation. The equity of subsidiaries not held by the parent company shall be presented separately as minority shareholders' equity in consolidated shareholders' equity.

Any difference arising from the inconformity of accounting year or accounting policies between the subsidiaries and the Company shall be adjusted in the consolidated financial statements.

When preparing the consolidated financial statements, if the Company acquired the subsidiary through business combination not involving under common control, the separate financial statements shall be adjusted based on the fair value of identifiable net assets at the acquisition date. If the subsidiary is acquired through business combination involving common control, the consolidated financial statements shall include the carrying amount of assets, liabilities, operating result and cash flow of the subsidiary at the beginning of the current period, as if business combination also had occurred the beginning of the current period.

1. Subsidiary

Subsidiaries that are setup or obtained by the investment

Name	Type	Registration	Business nature	Registered capital(Unit: RMB'0000)	Business Scope	The Year End's actual amount of capital Investment	Balance of other Essentially constituting net Investment in Subsidiary	Shareholding proportion (%)	Voting Rights proportion (%)
Nanjing Nanfang Telecommunications Company Limited	Stated-controlled	Nanjing	Trading	3,420.50	telecommunications	33,175,148.00		98.24	98.24
Nanjing Bada Telecommunications Co., Ltd	Stated-controlled	Nanjing	Manufacture	1,130.14	telecommunications	5,610,000.00		60.00	60.00
Nanjing Putian Inforamtion Technology Company Ltd.	Stated-controlled	Nanjing	Trading& Manufacture	1,400.00	telecommunications	13,860,000.00		99.98	99.98
Nanjing Putian Telege Intelligent Building Ltd.	Stated-controlled	Nanjing	Trading& Manufacture	1,200.00	telecommunications	3,320,003.45		45.77	45.77
Putian Telecommunications (Hong Kong) Co., Ltd.	Stated-controlled	Hongkong	Trading	HK 200.00	telecommunications	1,910,520.00		90.00	90.00
Beijing Picom Telecommunications Equipment Ltd	Stated-controlled	Beijing	Trading	USD 50.00	telecommunications	1,854,910.00		51.00	51.00
Nanjing Postel Wongshi Telecommunications Co., Ltd.	Stated-controlled	Nanjing	Trading& Manufacture	USD 1,090.00	telecommunications	40,997,683.00		99.42	99.42
Nanjing Putian Changle Telecommunications Equipment Co., Ltd.	Stated-controlled	Nanjing	Trading& Manufacture	1,000.00	telecommunications	2,610,457.00		50.70	50.70
Nanjing Putian	Stated-controlled	Nanjing	Trading&	1,000.00	telecommunications	7,741,140.40		78.00	78.00

Network Company Ltd.			Manufacture						
Nanjing Putian Telecommunication Technology Co., Ltd	Stated-controlled	Nanjing	Trading& Manufacture	475.00	telecommunications	1,294,510.00		70.00	70.00
Total						112,374,371.85			

(Continued)

Name	statements combined or not	Minority interest	Amount in minority interest used for writing down minority gain and loss	The balance after the parent company's owner's equity writing down the excess of the current loss undertaken by minority shareholders of the subsidiary over the share enjoyed by minority shareholders in the original owner's equity of the subsidiary
Nanjing Nanfang Telecommunications Company Limited	Yes	1,048,437.92		
Nanjing Bada Telecommunications Co., Ltd	Yes	4,512,127.21		
Nanjing Putian Inforamtion Technology Company Ltd.	Yes	923.90		
Nanjing Putian Telege Intelligent Building Ltd.	Yes	38,956,038.69		
Putian Telecommunications (Hong Kong) Co., Ltd.	Yes	-		
Beijing Picom Telecommunications Equipment Ltd	No	-		
Nanjing Postel Wongshe Telecommunications Co., Ltd.	Yes	215,846.46		
Nanjing Putian Changle Telecommunications Equipment Co., Ltd.	Yes	11,530,776.18		
Nanjing Putian Network Company Ltd.	Yes	4,061,983.83		
Nanjing Putian Telecommunication Technology Co., Ltd	Yes	171,012.07		
Total		60,497,146.26		

2. Conversion of foreign currency financial statement for accounting entity operation at oversea

Items of assets and liabilities shall be converted at average exchange rate as of 31 December, 2010, announced by Foreign Exchange Bureau in China. Items of equity shall be converted at spot rate when occurring, except retained profit. Items of income statement shall be converted at average exchange rate as of 31 December, 2010 and as of 31 December, 2009, announced by Foreign Exchange Bureau in China.

V. Notes to the major items in the consolidated financial statements

With respect to the financial statements figures disclosed below, unless otherwise specified, "year-beginning" refers to Jan. 1, 2009; "year-end" refers to Dec. 31, 2009; "this year" refers to Jan. 1 to Dec. 31, 2009; "the last year" refers to Jan. 1 to Dec. 31, 2008; the currency is RMB.

1. Monetary funds

(1) Classification of Monetary funds

Item	Amount at year-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted

Item	Amount at year-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted
Cash on hand	—	—	42,806.75	—	—	106,404.38
RMB	42,806.75	1.0000	42,806.75	106,404.38	1.0000	106,404.38
Cash in bank	—	—	249,624,827.52	—	—	306,961,848.75
RMB	234,469,134.86	1.0000	234,469,134.86	292,555,491.59	1.0000	292,555,491.59
USD	1,747,541.70	6.6227	11,573,444.42	1,590,067.35	6.8282	10,857,297.88
HKD	1,056,435.32	0.8509	898,920.81	644,731.82	0.8805	567,686.37
EUR	304,456.25	8.8065	2,681,193.97	304,077.82	9.7971	2,979,080.81
GBP	208.79	10.2182	2,133.46	208.79	10.9780	2,292.10
Other monetary funds	—	—	43,351,291.60	—	—	175,884,389.04
RMB	43,263,982.75	1.0000	43,263,982.75	175,418,687.02	1.0000	175,418,687.02
USD	11,680.70	6.6227	77,357.77	66,583.12	6.8282	454,642.86
EUR	1,129.97	8.8065	9,951.08	1,128.82	9.7971	11,059.16
Total	—	—	293,018,925.87	—	—	482,952,642.17

(2) Other monetary funds

Item	Amount at year-end	Amount at year-beginning
Security deposit for bank acceptance bills	40,000,000.00	174,000,000.00
Security deposit for contract	900,000.00	99,640.00
Other security deposit	2,451,291.60	1,784,749.04
Total	43,351,291.60	175,884,389.04

2. Notes receivables**(1).Receivable by category list below**

Item	Amount at year-end	Amount at year-beginning
Commercial acceptance bill	1,765,135.86	
Bank acceptance bills	6,991,757.19	2,689,865.50
Total	8,756,893.05	2,689,865.50

(2).Endorsed but not yet expired top five largest amount receivable listed below

Remitter	Date of issue	Date of expiry	Amount	Memo
1、China united network communication Co., LTD. Tianjin branch	2010-9-15	2011-3-15	1,562,294.00	
2、Guodian crystal DE solar technology (yixing) Co., LTD	2010-7-1	2011-1-1	1,000,000.00	
3、Guodian crystal DE solar technology (yixing) Co., LTD	2010-7-1	2011-1-1	1,000,000.00	
4、Guodian crystal DE solar technology (yixing) Co., LTD	2010-7-1	2011-1-1	1,000,000.00	
5、China united network communication Co., LTD.	2010-10-15	2011-4-15	696,144.00	

Remitter	Date of issue	Date of expiry	Amount	Memo
Tianjin branch				

3. Accounts receivable

(1) Classification of accounts receivable

Classification	Closing balance			
	Book balance		Provision	
	Amount	Proportion (%)	Amount	Proportion (%)
1. Single amount dramatic and individual provision for the accounts receivable				
2. Classification as the group of provision for account receivable	545,430,787.81	98.06	7,535,651.43	1.38
Group1	134,859,797.31	24.24	1,857,733.90	1.38
Group 2	391,824,782.52	70.44		
Group 3	18,746,207.98	3.37	5,677,917.53	30.29
3. Single amount not significant but single provision for accounts receivable	10,809,194.97	1.94	10,809,194.97	100.00
Total	556,239,982.78	100.00	18,344,846.40	3.30

Classification	Opening balance			
	Book balance		Provision	
	Amount	Proportion (%)	Amount	Proportion (%)
1. Single amount dramatic and individual provision for the accounts receivable				
2. Classification as the group of provision for account receivable	386,581,043.19	98.01	7,537,109.20	1.95
Group1	75,597,266.63	19.17	259,507.80	0.34
Group 2	276,784,608.36	70.17		-
Group 3	34,199,168.20	8.67	7,277,601.40	21.28
3. Single amount not significant but single provision for accounts receivable	7,843,841.99	1.99	7,677,161.99	97.88
Total	394,424,885.18	100.00	15,214,271.19	3.86

Notes : Single amount dramatic and individual provision for accounts receivable refers to single exceed 10,000,000.00 Yuan, test no impairment, the company according to age analysis accrual impairment provision. According to the group of receivables provision for more than 2 years of age receivables, via test no impairment, according to age analysis accrual impairment provision.

Adopt age analysis provision in group as follows:

Age	Closing balance			Opening balance		
	Book balance	Proportion (%)	Provision	Book balance	Proportion (%)	Provision
Within 1 year (contain 1 year)	109,504,967.61	71.29		51,079,854.61	46.52	
1 to 2 years	28,349,440.44	18.46		37,487,983.76	34.14	

2 to 3 years	5,755,193.07	3.75	575,519.31	9,101,005.09	8.29	910,100.51
3 to 4 years	678,531.03	0.44	203,559.31	4,194,811.62	3.82	1,258,443.49
4 to 5 years	3,545,166.30	2.31	1,418,066.52	3,350,808.26	3.05	1,340,323.30
5 to 6 years	2,171,002.75	1.41	1,736,802.20	2,768,647.96	2.52	2,214,918.37
6 years or above	3,601,704.09	2.34	3,601,704.09	1,813,323.53	1.66	1,813,323.53
Total	153,606,005.29	100.00	7,535,651.43	109,796,434.83	100.00	7,537,109.20

Closing single amount not significant but single provision for accounts receivable

Receivables	Book amount	Bad debt	Proportion	Reason
M/S WHISTLER TELECOM(PVT)LTD	1,873,686.89	1,873,686.89	100.00	Aging long
PRADUFA	108,821.74	108,821.74	100.00	Aging long
China Unicom Nanjing branch	12,500.00	12,500.00	100.00	Aging long
Beijing Zhen Yuan Innovation and Technology Development Corporation	161,594.49	161,594.49	100.00	Aging long
Taiyuan high-tech industrial import and export Co.	265,618.95	265,618.95	100.00	Aging long
Jiangsu Changzhou DahuaCo.	1,448,582.12	1,448,582.12	100.00	Aging long
Hubei Police	874,140.08	874,140.08	100.00	Aging long
Zhongshan group international trade center	124,725.78	124,725.78	100.00	Aging long
NEPAL TETE	1,613,688.18	1,613,688.18	100.00	Aging long
XI'AN OVERLOAD SCIENCE	644,543.59	644,543.59	100.00	Aging long
Chongqing eagle communication technology development company limited	1,093,571.51	1,093,571.51	100.00	Lawsuit
Beijing tong city greatundertaking communication technology Co., LTD	785,065.00	785,065.00	100.00	Lawsuit
Jiangsu taihe wei nets technology Co., LTD	419,504.72	419,504.72	100.00	Lawsuit
Beijing blue scene inheritance communication technology Co., LTD, chengdu branch	484,878.00	484,878.00	100.00	Lawsuit
Shandong university of traditional Chinese medicine	340,868.40	340,868.40	100.00	Lawsuit
Heilongjiang blue ocean silver Ann technology development Co., LTD	215,111.86	215,111.86	100.00	Lawsuit
Changchun good morning network technology Co., LTD	182,970.86	182,970.86	100.00	Lawsuit
Suzhou tyrone real estate development Co.	159,322.80	159,322.80	100.00	Lawsuit
Total	10,809,194.97	10,809,194.97	—	—

(2). Current payback or return of receivables

During this year no full provision for bad prophase preparation, or larger proportion, but in this period fully recovery or payback, or recovery or payback larger proportion of account receivable.

(3).The income in the actual cancel after verification of receivables

None

(4) Accounts receivable due from shareholder who has more than 5% (including 5 %) voting shares of the Company at year-end

Amount of RMB 22,785,438.14 Yuan is due from China Potevio Company Limited, Parent company ,aging within 2year,none of reservation of provision at year-end.

Amount of RMB 6,125,162.66Yuan is due from China Potevio Company Limited, Parent company , aging within 1year,none of reservation of provision at year-beginning.

(5)Top 5 debtors of accounts receivable

Name of the debtors	Relationship with the Company	Amount	Aging	Proportion of total amount (%)
Agricultural Bank of China	non-related party	39,495,546.79	Within 1 year	7.10
China Potevio Information Industry Co., LTD	Parent company	22,785,438.14	Within 1 year	4.10
China Telecom, Jiangsu network assets Branch	non-related party	21,663,655.54	1 to 3 years	3.89
China united network communication Co., LTD. Shenyang branch	non-related party	18,534,928.44	Within 1 year	3.33
Shanghai Potevio Co., Ltd	related party	13,664,248.00	2 to 4 years	2.46
Total	—	116,143,816.91	—	20.88

(6).Accounts receivable of related parties accounts

Name of the debtors	Relationship with the Company	Amount	Proportion of total amount (%)
China Potevio Information Industry Co., Ltd	Parent company	22,785,438.14	4.10
Shanghai Putian Post and Telecommunications Technology Co., Ltd.	Under the same parent company	13,664,248.00	2.46
Nanjing Zhongyou Telecommunication Co., Ltd.	Associated enterprise	1,012,072.80	0.18
ChengDu Putian Telecommunications Cable CO., LTD	Under the same parent company	497,295.00	0.09
Total		37,959,053.94	6.83

(7).Balance of accounts receivable in foreign currencies

Foreign currency	Amount at year-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	1,126,232.65	6.6227	7,458,700.97	1,333,399.61	6.8282	9,104,719.22
Total	1,126,232.65		7,458,700.97	1,333,399.61		9,104,719.22

4. Advances to suppliers**(1)Analysis of aging**

Aging	Amount at year-end		Amount at year-beginning	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	33,006,443.10	58.98	13,645,116.99	38.35
1-2 years	1,066,313.86	1.91	18,929,224.93	53.21
2-3 years	18,888,364.51	33.75	3,000,000.00	8.43
over 3 years	3,002,250.00	5.36	2,250.00	0.01
Total	55,963,371.47	100.00	35,576,591.92	100.00

(2)Top five largest accounts paid in advance

Company	Relationship with the Company	Amount	Proportion of total amount (%)	Aging	Reasons for un-settlement
Changzhou high-tech development zone (group) corp	non-related party	1,591,780.00	2.84	Within 1 year	In credit period
Nanjing constant wisdom electric	non-related	2,200,000.00	3.93	Within	In credit

Company	Relationship with the Company	Amount	Proportion of total amount (%)	Aging	Reasons for un-settlement
appliance Co., Ltd	party			1 year	period
Jiangsu sainty international group technology development Co. Ltd	non-related party	4,023,962.27	7.19	Within 1 year	In credit period
Nanjing yuhua economy development Co., Ltd	non-related party	6,020,000.00	10.76	1 to 3 years	In credit period
Yuhuatai District People's Government of Ningxia Office	non-related party	20,000,000.00	35.74	2to 4years	In credit period
Total		33,835,742.27	60.46	——	——

(3).Prepayment of shareholder who has more than 5% (including 5 %)voting shares of the Company at year-end

There is no prepayment due from shareholder who has more than 5% (including 5 %) voting shares of the Company as of 31 December, 2010.

5. Other receivables

(1)Classification of other receivables

Classification	Closing balance			
	Book balance		Book balance	
	Amount	Proportion (%)	Amount	Proportion (%)
1. Single amount dramatic and individual provision for the accounts receivable	28,912,952.71	45.68	28,912,952.71	100.00
2. Classification as the group of provision for account receivable	34,376,511.75	54.32	3,040,402.42	8.84
Group1				
Group 2	18,839,583.18	29.77		
Group 3	15,536,928.57	24.55	3,040,402.42	19.57
3. Single amount not significant but single provision for accounts receivable				
Total	63,289,464.46	100.00	31,953,355.13	50.49

Classification	Opening balance			
	Book balance		Book balance	
	Amount	Proportion (%)	Amount	Proportion (%)
1. Single amount dramatic and individual provision for the accounts receivable	29,080,952.71	48.01	29,080,952.71	100.00
2. Classification as the group of provision for account receivable	24,449,558.38	40.37	3,049,279.13	12.47
Group1				
Group 2	8,661,527.79	14.30		
Group 3	15,788,030.59	26.07	3,049,279.13	19.31
3. Single amount not significant but single provision for accounts receivable	7,037,560.80	11.62	3,710,023.73	52.72
Total	60,568,071.89	100.00	35,840,255.57	59.17

Notes : Single amount dramatic and individual provision for other receivable refers to single exceed 10,000,000.00 Yuan, test no impairment, the company according to age analysis accrual impairment provision. According to the group of other receivables provision for more than 2 years of age receivables, via test no impairment, according to

age analysis accrual impairment provision.

Adopt age analysis provision in group as follows:

Age	Closing balance			Opening balance		
	Book balance	Proportion (%)	Provision	Book balance	Proportion (%)	Provision
Within 1 year (contain 1 year)	10,089,114.62	64.94		6,955,074.25		
1 to 2 years	484,633.98	3.12		2,685,233.73		
2 to 3 years	1,302,834.80	8.39	130,283.48	1,160,925.00	60.79	116,092.50
3 to 4 years	251,006.18	1.62	75,301.85	658,015.68	4.20	197,404.70
4 to 5 years	408,061.50	2.63	163,224.60	2,655,000.00	20.06	1,062,000.00
5 to 6 years	1,648,425.00	10.61	1,318,740.00	1,673,781.93	14.95	1,673,781.93
6 years or above	1,352,852.49	8.69	1,352,852.49			
Total	15,536,928.57	100.00	3,040,402.42	15,788,030.59	100.00	3,049,279.13

(2) Recovery or reversal of current other receivables

None of recovery or reversal of current other receivables with full provision for bad debts or a larger percentage of provision for bad debts before and recovery or reversal of them this year, as well a larger percentage of recovery or reversal this year.

(3) Written-off of other receivables in the current period

This period without verification or in the back of the other receivables oneself cancel after verification.

(4) Other accounts due from shareholder who has more than 5% (including 5%) voting shares of the Company at year-end

None

(5) Contents or types of other receivables with larger amount

Name of debtors	Amount	Type (or contents) of other receivables
Beijing Picom Telecommunications Equipment Ltd	28,912,952.71	Incomings and outgoings
Pay taxes of temporary	6,803,805.60	Tax to be offset
Total	35,716,758.31	—

(6) Top 5 debtors of other receivables

Name of debtors	Relationship with the Company	Amount	Aging	Proportion of total amount (%)
Beijing Picom Telecommunications Equipment Ltd	Subsidiary	28,912,952.71	4-5 year	45.68
Cash deposit	Non-related party	1,011,090.00	Within 1 year	1.60
China mobile communications group jiangsu Co., nanjing branch	Non-related party	980,000.00	1-5 year	1.55
China united network communication Co., LTD liaoning branch	Non-related party	630,000.00	1-2 year	1.00
Pay taxes of temporary	Non-related party	6,803,805.60	Within 1 year	10.75
Total	—	38,337,848.31	—	60.58

(7) Other receivables from related parties

Name of debtors	Relationship with the Company	Amount	Proportion of total amount (%)
Beijing Picom Telecommunications Equipment Ltd	Subsidiary	28,912,952.71	45.68

Name of debtors	Relationship with the Company	Amount	Proportion of total amount (%)
Nanjing putian datang information electronic Co., Ltd	Associated enterprise	3,365.00	0.01
Total		28,916,317.71	45.69

(8)Balance of other receivables in foreign currencies

Foreign currency	Amount at year-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted
HKD	576,996.14	0.8509	490,966.02	471,480.39	0.8805	415,138.48
Total	576,996.14		490,966.02	471,480.39		415,138.48

6. Inventories**(1)Classification of inventories**

Item	Amount at year-end			Amount at year-beginning		
	Book balance	Provision for devaluation	Book value	Book balance	Provision for devaluation	Book value
Raw materials	31,902,519.3 3	2,317,591.8 9	29,584,927.4 4	23,580,730.3 0	882,790.85	22,697,939.45
Goods-in-process	19,693,732.8 7		19,693,732.8 7	17,918,075.4 1		17,918,075.41
Finished goods	281,173,254. 34	1,918,518.6 6	279,254,735. 68	187,495,870. 34	2,356,294.86	185,139,575.4 8
Total	332,769,506. 54	4,236,110.5 5	328,533,395. 99	228,994,676. 05	3,239,085.71	225,755,590.3 4

(2) Provision for inventory devaluation

Item	Amount at year-beginning	Amount provided this year	Amount reduced this year		Amount at year-end
			Reversal	Written off	
Raw materials	882,790.85	1,434,801.04			2,317,591.89
Goods-in-process					
Finished goods	2,356,294.86	72,533.13		510,309.33	1,918,518.66
Total	3,239,085.71	1,507,334.17		510,309.33	4,236,110.55

(3)Explanation of provision for inventory devaluation

Item	Reasons for provision during the year	Reason for reversal during the year	Proportion of the reversal amount during the year the period-end balance of the inventory
Raw materials	Inventory quality condition		
Inventory	Inventory quality condition		

7. Long-term equity investments of the joint ventures and associated ventures**(1)Information of the joint ventures**

Invested units	Share holding percentage of the company (%)	Voting right proportion of the company among invested units (%)	Total assets at year-end	Total liabilities at year-end	Total net assets at year-end	Total sales of this year	Net profit of this year
Nanjing Mennekes Electric Appliances Ltd.	50.00	50.00	109,024,311.03	40,850,694.26	68,173,616.77	115,705,039.21	9,225,014.12
Nanjing prachanda live optical network Co., Ltd	50.00	50.00	28,138,633.84	3,959,578.18	24,179,055.66	3,521,054.88	2,909,744.34

(2) Information of the associated ventures

Invested units	Share holding percentage of the company (%)	Voting right proportion of the company among invested units (%)	Total assets at year-end	Total liabilities at year-end	Total net assets at year-end	Total sales of this year	Net profit of this year
Nanjing Putian Datang Information and Electric Company Ltd	40.00	40.00	13,389,282.03	7,404,697.69	5,984,584.34	9,930,108.22	128,555.38
Nanjing Zhongyou Telecommunication Co., Ltd.	30.00	30.00	1,843,363.90	633,459.82	1,209,904.08	562,788.03	47,249.37
Nanjing Potevio Telecommunication Technology Industry Park Co., Ltd.	49.64	49.64	340,976,084.89	1,192,357.28	339,783,727.61	12,551,398.54	777,246.33
Shanghai Yulong Bio-Tech Co., Ltd.	21.00	21.00	78,704,349.70	22,674,316.67	56,030,033.03	6,376,352.19	1,814,780.69
Qufu Yulong Bio-Tech Co., Ltd.	21.00	21.00	114,755,796.62	38,208,282.39	76,547,514.23	499,796.00	6,674,561.51

8. Long-term equity investments**(1) List of Information of Long-term Equity Investment**

Invested units	Accounting Method	Initial cost of investment	Book balance at beginning of the year	Movement	Book balance at end of the year	Share holding percentage of the Company among invested units (%)
Nanjing Mennekes Electric Appliances Ltd.	Equity Method	15,037,508.00	29,758,325.06	4,612,507.06	34,370,832.11	50.00
Nanjing Putian Datang Information and Electric Company Ltd	Equity Method	600,000.00	2,334,791.79	51,422.15	2,386,213.94	40.00

Nanjing Zhongyou Telecommunication Co., Ltd.	Equity Method	300,000.00	222,950.64	14,174.81	237,125.45	30.00
Nanjing Potevio Telecommunication Technology Industry Park Co., Ltd.	Equity Method	167,548,141.29	167,922,749.52	385,825.08	168,308,574.60	49.64
Shanghai Yulong Bio-tech Co., Ltd.	Equity Method	23,310,000.00	14,340,739.58	381,103.94	14,721,843.51	21.00
Qufu Yulong Bio-Tech Co., Ltd.	Equity Method	-	4,515,384.92	-1,401,657.92	3,113,727.00	21.00
Nanjing Puzhuguang network Co., Ltd	Equity Method	13,544,400.00	-	12,089,527.83	12,089,527.83	50.00
Beijing Picom Telecommunications	Cost Method	1,854,910.00	1,854,910.00		1,854,910.00	51.00
Nanjing Yuhua Galvanization Factory	Cost Method	420,915.00	420,915.00		420,915.00	10.00
Hangzhou Hongyan Electric Appliance	Cost Method	321,038.00	321,038.00		321,038.00	2.26
Nanjing Putian Industry Co.,Ltd	Cost Method	181,701.84	181,701.84		181,701.84	10.00
Nanjing Putian Telege Cable Co., Ltd.	Equity Method	2,250,000.00	2,250,000.00	117,445.43	2,367,445.43	45.00
Total			224,123,506.35	16,250,348.38	240,373,854.71	---

(Continued)

Invested units	Voting right proportion of the Company among invested units (%)	Interpretations of difference between the equity percentage and vote right percentage in the invested unit	Depreciation reserve	Depreciation reserves withdrawn during the period	Cash dividend during the period
Nanjing Mennekes Electric Appliances Ltd.	50.00				
Nanjing Putian Datang Information and Electric Company Ltd	40.00				
Nanjing Zhongyou	30.00				

Telecommunication Co., Ltd.					
Nanjing Potevio Telecommunication Technology Industry Park Co., Ltd.	49.64				
Shanghai Yulong Bio-tech Co., Ltd.	21.00				
Qufu Yulong Bio-Tech Co., Ltd.	21.00				
Nanjing Puzhuguang network Co., Ltd	50.00				
Beijing Picom Telecommunications	51.00		1,854,910.00		
Nanjing Yuhua Galvanization Factory	10.00				238,173.40
Hangzhou Hongyan Electric Appliance	2.26				
Nanjing Putian Industry Co.,Ltd	10.00				
Nanjing Putian Telege Cable Co., Ltd.	45.00				
Total	—	—	1,854,910.00	-	238,173.40

(2)Explanation of Long-term Equity Investment

There is no long-term equity investment with restriction for sale at the end of this year.

9. Investment property**Investment properties measured at costs**

Item	Amount at year-beginning	Increase during the year	Decrease during the year	Amount at year-end
Total original cost	10,032,417.29			10,032,417.29
Houses and buildings	6,390,269.42			6,390,269.42
Land use rights	3,642,147.87			3,642,147.87
Total accumulated depreciation and accumulated amortization	2,962,955.50	206,431.92		3,169,387.42
Houses and buildings	2,158,066.75	86,471.28		2,244,538.03
Land use rights	804,888.75	119,960.64		924,849.39
Total net book value	7,069,461.79	-206,431.92		6,863,029.87
Houses and buildings	4,232,202.67	-86,471.28		4,145,731.39
Land use rights	2,837,259.12	-119,960.64		2,717,298.48
Total accumulated provision for impairment	1,842,418.00			1,842,418.00
Houses and buildings	1,842,418.00			1,842,418.00
Land use rights				

Item	Amount at year-beginning	Increase during the year	Decrease during the year	Amount at year-end
Total carrying value	5,227,043.79	-206,431.92		5,020,611.87
Houses and buildings	2,389,784.67	-86,471.28		2,303,313.39
Land use rights	2,837,259.12	-119,960.64		2,717,298.48

Note: The accrual of depreciation and amortization this year is RMB 206,431.90 Yuan, provision for investment property is 0 Yuan.

10. Fixed assets

(1) Lists of fixed assets and accumulated depreciation, including movement

Item	Amount at year-beginning	Increase during the year		Decrease during the year	Amount at year-end
		Addition in the period	Depreciation in the period		
Total original cost of fixed assets	199,506,832.43	11,593,146.21		4,094,204.81	207,005,773.83
Building/structure	68,363,430.35	516,364.84		42,636.74	68,837,158.45
Machinery equipment	63,009,022.45	6,622,197.17		1,644,416.84	67,986,802.78
Transportation equipment	12,862,915.85	2,718,778.69		830,747.40	14,750,947.14
Others	55,271,463.78	1,735,805.51		1,576,403.83	55,430,865.46
Total accumulated depreciation	122,298,869.21		9,658,726.27	2,802,407.26	129,155,188.22
Building/structure	23,977,177.73		2,372,259.72	37,968.84	26,311,468.61
Machinery equipment	43,343,556.75		4,381,062.54	911,307.53	46,813,311.76
Transportation equipment	8,726,649.84		1,224,041.36	615,200.40	9,335,490.80
Others	46,251,484.89		1,681,362.65	1,237,930.49	46,694,917.05
Total net book value of fixed assets	77,207,963.22	1,934,419.94		1,291,797.55	77,850,585.61
Building/structure	44,386,252.62	-1,855,894.88		4,667.90	42,525,689.84
Machinery equipment	19,665,465.70	2,241,134.63		733,109.31	21,173,491.02
Transportation equipment	4,136,266.01	1,494,737.33		215,547.00	5,415,456.34
Others	9,019,978.89	54,442.86		338,473.34	8,735,948.41
Total impairment of fixed assets	3,594,079.20		179,571.87	235,553.51	3,538,097.56
Building/structure	539,124.00				539,124.00
Machinery equipment	809,015.29			235,553.51	573,461.78
Transportation equipment					
Others	2,245,939.91	179,571.87			2,425,511.78
Total carrying value of fixed assets	73,613,884.02	1,754,848.07		1,056,244.04	74,312,488.05
Building/structure	43,847,128.62	-1,855,894.88		4,667.90	41,986,565.84
Machinery equipment	18,856,450.41	2,241,134.63		497,555.80	20,600,029.24
Transportation equipment	4,136,266.01	1,494,737.33		215,547.00	5,415,456.34

Item	Amount at year-beginning	Increase during the year	Decrease during the year	Amount at year-end
Others	6,774,038.98	-125,129.01	338,473.34	6,310,436.63

Note: The accumulated depreciation increased of RMB 9,658,726.27 Yuan in the year was provided actually; in the fixed assets increased in the year, the amount transferred from construction in progress was RMB5,087,563.62 Yuan.

(2) Fixed assets not in use temporarily

Item	Original cost	Accumulated depreciation	Impairment of fixed assets	Carrying value of fixed assets	Note
Building/structure					
Machinery equipment	2,157,790.39	1,238,749.69	919,040.70	0.00	Plan to sell
Transportation equipment					
Land assets					
Others	6,850.00	6,011.26	838.74	0.00	Plan to sell
Total	2,164,640.39	1,244,760.95	919,879.44	0.00	

(3) Information of Fixed Assets without Certificate of Title

Item	Reasons for no Certificate of Title	Estimated Time to Complete Certificate of Title
Building/structure 12,191,531.61	No certification of land use right	Unknown
Total		

11. Construction in progress

(1) Basic information of Construction in progress

Item	Amount at year-end			Amount at year-beginning		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
SMT production line of Su Meida				5,100,000.00		5,100,000.00
Total				5,100,000.00		5,100,000.00

(2) Movement of significant Construction in progress

Item	Budget	Amount at year-beginning	Increase during the year	Transfer to fixed assets	Other decrease	Amount at year-end	Proportion of project Investment in budget (%)
SMT production line of Su Meida	6,100,000.00	5,100,000.00		5,087,563.62	12,436.38		100.00
Total	6,100,000.00	5,100,000.00		5,087,563.62	12,436.38		

(Continued)

Item	Accumulated progress	Accumulated amount of interest capitalization	Including interest capitalized amount of the year	Interest capitalization rate of the year	Capital source
SMT production line of Su Meida	100.00				Self-owned

Item	Accumulated progress	Accumulated amount of interest capitalization	Including interest capitalized amount of the year	Interest capitalization rate of the year	Capital source
Total					

12. Intangible assets

Item	Amount at year-beginning	Increase during the year	Decrease during the year	Amount at year-end
Total original cost	21,617,668.00	1,321,945.47	118,000.00	22,821,613.47
Land use right	8,250,892.87			8,250,892.87
Exclusive technology	5,775,000.00			5,775,000.00
Software	7,591,775.13	1,321,945.47	118,000.00	8,795,720.60
Total accumulated amortization	12,452,066.92	1,199,435.86	118,000.00	13,533,502.78
Land use right	1,120,959.47	165,009.72		1,285,969.19
Exclusive technology	4,585,541.58	577,500.00		5,163,041.58
Software	6,745,565.87	456,926.14	118,000.00	7,084,492.01
Total net book value	9,165,601.08	122,509.61		9,288,110.69
Land use right	7,129,933.40	-165,009.72		6,964,923.68
Exclusive technology	1,189,458.42	-577,500.00		611,958.42
Software	846,209.26	865,019.33		1,711,228.59
Total accumulated provision for impairment				
Land use right				
Exclusive technology				
Software				
Total carrying value	9,165,601.08	122,509.61		9,288,110.69
Land use right	7,129,933.40	-165,009.72		6,964,923.68
Exclusive technology	1,189,458.42	-577,500.00		611,958.42
Software	846,209.26	865,019.33		1,711,228.59

Note: The amortization amount of the intangible assets this year is RMB 1,199,435.86 Yuan.

13. Details of asset impairment

Item	Amount at year-beginning	Amount provided this year	Amount reduced this year		Amount at year-end
			Reversal	Written off	
Bad debts reserve	51,054,526.76		756,325.23		50,298,201.53
Provision for inventory devaluation	3,239,085.71	1,507,334.17		510,309.33	4,236,110.55
Provision of available-for-sale financial assets					
Provision of Held-to-maturity investments					
Provision of long-term equity investments	1,854,910.00				1,854,910.00
Provision of investment property	1,842,418.00				1,842,418.00

Item	Amount at year-beginning	Amount provided this year	Amount reduced this year		Amount at year-end
			Reversal	Written off	
Provision of fixed assets	3,594,079.20	179,571.87		235,553.51	3,538,097.56
Provision of construction materials					
Provision of construction in progress					
Provision of productive biological assets					
Including: provision of mature productive biological assets					
Provision of petrol assets					
Provision of intangible assets					
Provision of goodwill					
Provision of others					
Total	61,585,019.67	1,686,906.04	756,325.23	745,862.84	61,769,737.64

14 .Lists of all assets with restriction of certificate of title or use right

Item	Amount at year-end	Reasons for restriction of certificate of title or use right
Used to guarantee the assets		
Real estate	11,499,091.16	For loan assure
Others causes ownership restrictions assets		
Total	11,499,091.16	

15. Short-term loans

Short-term borrowings classified by listed below

Kinds of loans	Amount at year-end	Amount at year-beginning
Pledged loan	40,000,000.00	84,000,000.00
Loan in mortgage	16,000,000.00	100,000,000.00
Guaranteed loan	381,000,000.00	305,000,000.00
Loan in credit		
Total	437,000,000.00	489,000,000.00

Notes:

1. The parent company's controlling shareholder China putian information industry group company for the company opens SPDB 80,000,000.00 Yuan bank acceptance, provide 40,000,000.00 Yuan, the company provides guaranty 40,000,000.00 Yuan deposit as the pledge.

2. The company borrows short-term loan of RMB16,000,000.00 Yuan from the Shanghai Pudong Development Bank ,Nanjing Branch and the borrowing period is from 21 February 2010 to 29 January 2011. Two real estates with the fair value RMB27,482 ,000.00 Yuan and the book value of real estate RMB11,499,091.16 Yuan are mortgaged.

3. The final controller China Putian Corporation Group guaranteed the borrowing of RMB 230,000,000.00 Yuan, including RMB 180,000,000.00 Yuan from Bank of Communications Co., Ltd., Branch in Jiangsu Province and RMB50,000,000.00 Yuan from Bank of Hua Xia Co., Ltd

4. The parent company China Potevio Company Ltd. guaranteed the borrowing of 74,000,000.00 Yuan, including RMB 44,000,000.00 Shanghai Pudong Development Bank ,Nanjing Branch and RMB30,000,000.00 Yuan from Bank of Hua Xia Co., Ltd. Nanjing Branch.

5. The company guaranteed the borrowing of RMB 20,000,000.00 Yuan for Nanjing Putian Intelligent Building

Ltd. and the borrowing of RMB 17,000,000.00 Yuan for Nanjing Nanfang Telecommunications Company Ltd.

16. Notes payable

Item	Amount at year-end	Amount at year-beginning
Bank acceptance bills		90,000,000.00
Commercial acceptance bills	370,000.00	2,746,648.00
Total	370,000.00	92,746,648.00

Notes: Notes payable closing balance next accounting periods expire the amount of the 370,000.00 Yuan.

17. Accounts payable

(1) Analysis of aging

Item	Amount at year-end		Amount at year-beginning	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	575,598,627.27	98.96	314,093,827.42	76.71
1-2 years	1,014,234.30	0.17	78,071,463.96	19.07
2-3 years	2,175,911.69	0.38	4,662,787.47	1.14
over 3 years	2,844,837.31	0.49	12,623,093.66	3.08
Total	581,633,610.57	100.00	409,451,172.51	100.00

(2) Accounts payable to shareholders holding 5% or above voting shares of the Company

At the end of the year, notes payable to parent company China Potevio Information Industry Co., Ltd 2,843,850.00 Yuan.

(3) Significant accounts payable with ageing over one year as at year-end

Foreign currency	Amount at year-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
HKD	1,649,866.21	0.8509	1,403,871.16			
Total	—	—	1,403,871.16	—	—	

18. Advances from customers

(1) Analysis of aging

Item	Amount at year-end		Amount at year-beginning	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	78,731,050.64	95.48	18,827,726.23	81.34
1-2 years	2,785,000.40	3.38	2,963,252.60	12.80
2-3 years	448,046.52	0.54	922,552.15	3.99
over 3 years	495,875.44	0.60	433,897.57	1.87
Total	82,459,973.00	100.00	23,147,428.55	100.00

(2) Accounts received in advance from shareholders holding 5% or above voting shares of the company, as well as that of related parties.

This period closing advance parent China Potevio Information Industry Co., Ltd funds 1,628,205.00 Yuan.

(3) Account received in advance denominated in foreign currency

Foreign currency	Amount at year-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted

Foreign currency	Amount at year-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted
USD	33,391.39	6.6227	221,141.16	64,485.70	6.8282	440,321.26
HKD	3,531.63	0.8509	3,005.06			
Total	—	—	224,146.22	64,485.70	6.8282	440,321.26

19. Accrued payroll

Item	Amount at year-beginning	Increase during the year	Decrease during the year	Amount at year-end
Wages, bonuses and allowance	1,761,051.45	69,661,517.69	69,661,517.69	1,761,051.45
Welfare expense		9,394,383.92	9,394,383.92	
Social insurance charges		22,522,911.25	22,522,911.25	
Including: Medical insurance		10,791,645.06	10,791,645.06	
Basic endowment insurance		10,084,359.57	10,084,359.57	
Annuity Payment		1,022,452.95	1,022,452.95	
Unemployment insurance		296,323.82	296,323.82	
Work injury insurance		328,129.85	328,129.85	
Maternity insurance	8,769,454.49	5,212,383.97	5,153,406.85	8,828,431.61
Housing fund		120,958.00	120,958.00	
Compensation for cancellation of labor relationship	3,699,423.09	3,736,984.21	3,356,918.47	4,079,488.83
Others	473,037.62	1,999,927.13	1,630,438.58	842,526.17
Including: labor union expenditure	3,226,385.47	1,737,057.08	1,726,479.89	3,236,962.66
Employee education expenses	14,229,929.03	110,649,139.04	110,210,096.18	14,668,971.89
Total	1,761,051.45	69,661,517.69	69,661,517.69	1,761,051.45

Notes:

1. Deal with accrued payroll including default properties for the amount of 0.00 Yuan, labor union expenditure and employee education expenses for the amount of 4,079,488.83 Yuan, non-monetary benefits for the amount of 0.00 Yuan, for the cancellation of labor relationship to the amount of compensation for 120,958.00 Yuan.

2. Payroll at 18 monthly.

20. Taxes payable

Item	Amount at year-end	Amount at year-beginning	Note
Value-added tax	-567,436.78	-7,246,234.64	17%
Business tax	269,978.65	42,511.38	3%,5%
Urban maintenance and construction tax	1,282,544.19	375,492.10	7% of the turnover tax
Corporate income tax	6,993,979.17	3,550,455.96	
Individual Income Tax	291,891.01	229,778.30	
Education surcharge	798,739.35	651,974.13	3%、1% of the turnover tax

Item	Amount at year-end	Amount at year-beginning	Note
Stamp Tax	2,167.10	2,451.49	
Local educational expenses to add	58,410.05		
Total	9,130,272.74	-2,393,571.28	

21. Other payables

(1) Analysis of aging

Item	Amount at year-end		Amount at year-beginning	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	25,705,360.86	71.03	45,276,965.71	88.93
1-2 years	7,520,414.41	20.78	2,306,796.64	4.53
2-3 years	1,031,694.79	2.85	1,319,541.20	2.59
over 3 years	1,929,460.15	5.34	2,009,540.31	3.95
Total	36,186,930.21	100.00	50,912,843.86	100.00

(2) Other payables to shareholders holding 5% or above voting shares of the company, as well as that of related parties.

This final cope with the parent company, China Potevio Information Industry Ltd. Co. funds 164,859.92 Yuan.

(3) Other payable with great amount as at year-end

Item	Amount	Nature or content
Engineering service charge	15,122,990.53	Service charge
Total	15,122,990.53	—

22. Share capital

Item	Amount at year-beginning	Increases(+) or decreases(-) in current year					Amount at year-end
		Issuance of new shares	Gift share	Shares transferred from capital reserve	Others	Subtotal	
1 . Unlisted shares	115,000,000.00						115,000,000.00
(1)Promotion shares	115,000,000.00						115,000,000.00
Including: State-holding shares							
Including: State-owned shares							
State-owned legal entity shares	115,000,000.00						115,000,000.00
Domestic legal entity shares							
Foreign legal entity shares							

Item	Amount at year-beginning	Increases(+) or decreases(-) in current year					Amount at year-end
		Issuance of new shares	Gift share	Shares transferred from capital reserve	Others	Subtotal	
Natural person's shares							
(2)Recruitment legal entity shares							
(3)Internal staff shares							
(4)Preferred shares or others							
Including: Transferred shares							
Total of unlisted shares	115,000,000.00						115,000,000.00
2. Listed shares							
(1) CNY ordinary shares							
(2) Domestically listed foreign shares	100,000,000.00						100,000,000.00
(3) Overseas listed foreign shares							
(4) Others							
Total of listed shares	100,000,000.00						100,000,000.00
Total	215,000,000.00						215,000,000.00

23. Capital reserve

Item	Amount at year-beginning	Increase during the year	Decrease during the year	Amount at year-end
Share capital premium	139,592,332.04			139,592,332.04
Other capital reserves	42,974,045.20	2,808,156.61		45,782,201.81
Total	182,566,377.24	2,808,156.61		185,374,533.85

Note: The increase of current capital reserve is the company subsidiary company Nanjing Potevio recovery Telege Intelligent Building Co., Ltd 4.42% right to earnings, by voting rights at the beginning of the year for 41.35% change to 45.77%.

24. Surplus reserve

Item	Amount at year-beginning	Increase during the year	Decrease during the year	Amount at year-end
Statutory surplus reserves	589,559.77			589,559.77
Total	589,559.77			589,559.77

25. Undistributed profit

Item	Amount	Proportion of Extraction or Distribution
Undistributed profit at the end of last year before adjustments	-59,459,168.77	—
The sum of undistributed profit at the beginning of the adjustment year (increase +, reduction -)		—
Undistributed profit at the beginning of a year after adjustment	-59,459,168.77	—
Add: Net profit attributable to the owner of the parent company this year	23,712,016.12	—
Less: Extracted statutory surplus reserves		
Extracted discretionary surplus reserves		
Extracted provision of general risk		
Dividend payable to ordinary shares		
Dividends for ordinary shares transferred into capitals		
Undistributed profit at the ending of period	-35,747,152.65	

26. Operating revenues and costs**(1) Operating revenues**

Item	Amount for this year	Amount for last year
Main operating revenue	1,967,649,792.14	1,463,111,203.43
Other operating revenue	13,832,858.23	6,642,500.72
Total	1,981,482,650.37	1,469,753,704.15

(2) Operating costs

Item	Amount for this year	Amount for last year
Main operating cost	1,695,087,355.55	1,239,764,872.44
Other operating cost	6,518,553.91	6,037,699.47
Total	1,701,605,909.46	1,245,802,571.91

(3) Main Business (In terms of different products)

Item	Amount for this year		Amount for last year	
	Main operating revenue	Main operating cost	Main operating revenue	Main operating cost
Communication products	1,967,649,792.14	1,695,087,355.55	1,463,111,203.43	1,239,764,872.44
Total	1,967,649,792.14	1,695,087,355.55	1,463,111,203.43	1,239,764,872.44

(4) Main Business (In terms of different regions)

Name of Region	Amount for this year		Amount for last year	
	Main operating revenue	Main operating cost	Main operating revenue	Main operating cost
Domestic market	1,964,838,058.03	1,692,783,422.36	1,458,748,578.35	1,236,299,316.30
Oversea market	2,811,734.11	2,303,933.19	4,362,625.08	3,465,556.14
Total	1,967,649,792.14	1,695,087,355.55	1,463,111,203.43	1,239,764,872.44

(5) The amount of operating revenues received from the top 5 customers this year

Item	Operating revenues	Proportion taking in total operating income of the Company (%)
Jiangsu Branch of China Telecom Co., Ltd.	434,903,308.12	21.95
Beijing straight really depending on the general technology Co., LTD	50,579,859.74	2.55
Agricultural Bank of China	49,729,032.73	2.51
China Potevio information industry Co., LTD	35,684,748.10	1.80
China Telecom, Jiangsu network assets Branch)	32,838,771.17	1.66
Total	603,735,719.86	30.47

27. Sales tax and extra charges

Item	Rate	Amount for this year	Amount for last year
Business tax	3%-5%	2,176,538.05	1,511,204.70
Education surcharge	4%	1,708,042.28	1,869,579.33
Urban maintenance and construction tax	7%	3,168,238.24	1,671,580.16
Others		78,344.25	64,102.42
Total		7,131,162.82	5,116,466.61

28. Sales expenses

Items	Amount for this year	Amount for last year
Salary	20,748,478.55	17,139,455.50
Benefits	1,628,244.39	1,075,122.01
Reserves	1,007,081.49	980,160.79
Employee labor union dues	283,315.87	256,782.95
Employee education expenses	353,841.93	306,431.83
Social insurance charges	4,663,503.91	3,711,996.39
Depreciation expense	579,425.05	743,454.66
Lease expense	864,548.17	164,751.12
Office allowance	7,038,708.27	4,351,698.05
Travelling expense	14,274,724.25	12,598,056.07
Business entertainment	22,846,253.10	18,128,060.70
Water and electricity	121,344.45	175,531.35
Low-valued consumables and amortisation	284,406.12	210,021.39
Transport and freight damage	21,210,799.44	15,232,847.71
Repair charge	350,703.37	298,468.62
Service fee	233,576.08	188,614.20
Advertising fees	477,304.00	217,575.46
Exhibition fees	83,766.60	50,978.67
Conference expenses	3,282,194.44	4,592,494.15
Sales service charge	1,739,301.16	640,407.82
Business propagandize fee	1,307,478.43	1,060,480.86
Technical services	46,600.00	200,000.00
Consulting, intermediary, legal fees	26,352.50	10,089.51

Labor protection fees	338,234.82	213,083.78
Post and telecommunications fee	797,800.80	689,730.00
Rent	150,000.00	49,651.12
Program Evaluation and Review technique	684,057.21	617,742.84
Packing expenses	341,614.37	401,233.93
Insurance premium	123,805.93	3,310.00
Expenditure on power	27,316.12	29,663.37
Storage charge	59,000.01	152,219.00
Oil fee passing parking	505,073.20	927,341.22
Equipment Commissioned Maintenance fees	2,304,250.98	2,160,045.56
Labour insurance premium	105,190.68	285,266.32
Others	1,019,166.39	1,494,687.35
Total	109,907,462.08	89,357,454.30

29. Administrative expenses

Items	Amount for this year	Amount for last year
Salary	12,435,163.77	15,739,914.06
Benefits	2,051,973.66	2,332,772.19
Employee labor union dues	437,097.03	580,673.82
Employee education expenses	342,793.47	371,893.15
Social insurance charges	6,088,205.69	6,388,763.14
Depreciation expense	2,407,607.75	2,270,634.37
Amortization charge	281,526.12	507,421.31
Lease expense	9,432,229.56	8,984,204.99
Office allowance	2,597,108.90	1,702,528.49
Travelling expense	1,332,306.05	1,144,179.46
Business entertainment	3,651,473.22	3,016,175.53
Insurance Expense	224,483.66	462,401.05
Water and electricity	18,964.05	15,545.55
Low-valued consumables and amortisation	521,506.06	235,562.32
Developing expense	41,986,765.03	22,896,253.93
Repair charge	704,844.04	650,750.72
Audit fees	1,132,745.80	1,122,139.90
Labor protection fees	701,378.80	1,188,998.91
Directors dues	59,574.00	438,439.00
Consulting, intermediary, legal fees	2,017,909.15	1,867,262.00
Afforestation fees	248,207.61	142,304.44
Taxation	1,976,657.98	1,304,563.91
Conference expenses	323,550.00	79,905.40
Pollutant charge	203,570.34	204,429.79
Property management fee	1,465,946.42	1,123,594.49

Transport charge	526,032.89	1,005,615.01
Detect cost	147,327.40	96,796.60
Publicity expenses	143,176.47	186,529.52
Dismiss welfare	5,000.00	
Others	588,718.60	165,053.10
Labour insurance	797,760.64	1,282,470.04
Postage expenses	341,754.14	234,025.39
Housing fund	1,695,698.02	1,695,894.68
Total	96,889,056.32	79,437,696.26

30. Financial expenses

Item	Amount for this year	Amount for last year
Interest expense	22,628,042.10	24,690,950.17
Less: Interest income	4,940,201.82	5,569,347.89
Exchange loss	732,816.51	
Less: Exchange gain	100,253.14	47,939.40
Bank charges	338,361.41	502,853.07
Total	18,658,765.06	19,576,515.95

31. Losses of devaluation of asset

Item	Amount for this year	Amount for last year
Loss on bad debt	-756,325.23	5,169,998.23
Provision for falling price of inventory	1,507,334.17	2,354,645.67
Provision for devaluation of financial asset available for sales		
Provision for devaluation of held-to-maturity investment		
Provision for devaluation of long-term equity investment		
Provision for devaluation of investing property		
Provision for devaluation of fixed assets	179,571.87	200,000.00
Provision for devaluation of engineering materials		
Provision for devaluation of construction in progress		
Provision for devaluation of productive biological asset		
Provision for devaluation of oil asset		
Provision for devaluation of intangible asset		
Provision for devaluation of goodwill		
Others		
Total	930,580.81	7,724,643.90

32. Investment income**(1) Details of Investment Income**

Item	Amount for this year	Amount for last year
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Item	Amount for this year	Amount for last year
Long-term equity investment income by cost method	238,173.40	52,813.57
Long-term equity investment income by equity method	2,705,948.38	5,369,666.98
Income from disposal of long-term equity investment		
Investment income from period of holding tradable financial assets		
Investment income from period of holding hold-to-maturity investment		
Income from investment in holding of financial assets available for sale, etc		
Income from investment in disposal of financial assets available for sale, etc.		
Investment income from disposal of hold-to-maturity investment		
Investment income from disposal of financial assets available for sale		
Others		
Total	2,944,121.78	5,422,480.55

(2) Long-term equity investment income by cost method

Investee	Amount for this year	Amount for last year	Reasons for movement
Nanjing Yuhua Galvanization Factory	238,173.40	34,813.57	Received more distribution dividends in the period
Nanjing Putian Industry Co.,Ltd		18,000.00	No dividend distribution in the period
Total	238,173.40	52,813.57	

(3) Long-term equity investment income by equity method

Investee	Amount for this year	Amount for last year	Reasons for movement
Nanjing Mennekes Electric Appliances Ltd	4,612,507.06	5,190,883.91	Business fluctuations
Nanjing prachanda live optical network Co., Ltd	-1,454,872.17		Current production business
Nanjing Putian Datang Information and Electric Company Ltd.	51,422.15	45,977.95	Business fluctuations
Nanjing Zhongyou Telecommunication Co., Ltd.	14,174.81	13,601.27	Business fluctuations
Nanjing Potevio Telecommunication Technology Industry Park Co., Ltd	385,825.08	449,279.50	Business fluctuations
Shanghai Yulong Biotech Ltd.	381,103.94	364,396.45	Business fluctuations
Qufu YulongBio-Tech Co., Ltd.	-1,401,657.92	-694,472.10	Business fluctuations
Nanjing putian Telege Intelligent Building Ltd	117,445.43		Current production business
Total	2,705,948.38	5,369,666.98	

(4) None of significant limitation of the repatriation of investment income**33. Non-operating income****(1) Details of Non-operating Income**

Item	Amount for this year	Amount for last year
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	Amount	Included in the current profits and losses of the decriminalizes amount	Amount	Included in the current profits and losses of the decriminalizes amount
Gains from disposal of non-current assets	53,768.44	53,768.44	1,972,231.65	1,972,231.65
Include: Gains from disposal of fixed assets	53,768.44	53,768.44	1,972,231.65	1,972,231.65
Gains from disposal of Intangible assets				
Gains from debt restructuring			5,300.00	5,300.00
Gains from exchange of non-monetary capital				
Gains from donation				
Government subsidy	2,417,342.98	2,417,342.98	782,770.82	782,770.82
Others	1,096,009.79	1,096,009.79	2,373,437.50	2,373,437.50
Total	3,567,121.21	3,567,121.21	5,133,739.97	5,133,739.97

(2)Details of Government Subsidy

Item	Amount for this year	Amount for last year	Note
Refund of VAT	641,666.67	676,572.35	The grandson Nanjing Telecommunication Factory ,seven branch has the VAT preferential policies Of refunding ,due to being welfare production enterprises
Refund of VAT	203,676.31	106,198.47	The subsidiary Nanjing Putian Telecommunication Technology Co., Ltd has the VAT preferential policies of refunding upon collection once rate in excess of 3%,due to being manufacture of software
Service outsourcing rewards	1,000,000.00		The company to get QinHuaiOu business bureau service outsourcing rewards
Finance subsidy	540,000.00		The company subsidiary nanjing south telecommunications Ltd made nanjing hi-tech industry development zone administration committee bureau subsidies
Subsidy income	27,000.00		The company to get service outsourcing talents training support fund
Small and medium-sized enterprise development jiangning bureau of technology-based funds	5,000.00		The company subsidiary nanjing putian TianJi intelligent building Co., Ltd obtained enterprise development fund

Item	Amount for this year	Amount for last year	Note
Total	2,417,342.98	782,770.82	

34. Non-operating expense

Item	Amount for this year		Amount for last year	
	Amount	Included in the current profits and losses of the decriminalizes amount	Amount	Included in the current profits and losses of the decriminalizes amount
Loss from disposal of non-current assets	61,348.07	61,348.07	320,319.29	320,319.29
Include: loss from disposal of fixed assets	61,348.07	61,348.07	320,319.29	320,319.29
loss from disposal of Intangible assets				
Loss from debt restructuring			382,792.29	382,792.29
Loss from exchange of non-monetary asset capital				
External donation			30,000.00	30,000.00
Abnormal loss			3,060.10	3,060.10
Loss from shortages				
Others	931,286.95	931,286.95	128,371.30	128,371.30
Total	992,635.02	992,635.02	864,542.98	864,542.98

35. Income tax

Item	Amount for this year	Amount for last year
Current income tax expense calculated to tax law and relevant provisions	12,517,134.02	9,177,269.28
Deferred income tax charges		
Total	12,517,134.02	9,177,269.28

36. Calculation of basic earnings per share and diluted earnings per share

The company calculate basic earnings per share and diluted earnings per share in accordance with <No.9 the company's Information Disclosure Requirement of calculation of basic earnings per share and rate of return on net asset applied by Entities of Public offering of securities (revised in 2010) >issued by China securities regulatory commission.(China Securities Regulatory Commission Announcement [2010] No. 2)< Public offering of securities of the company's Information Disclosure Explanatory Notice No. 1 - Non-recurrent gains and losses (2008).(China Securities Regulatory Commission Announcement [2008] No. 43)

Item	Code	Amount for this year	Amount for last year
Net profit attributable to ordinary shareholders of parent company()	P0	23,712,016.12	10,667,442.33
Net profit attributable to the company's ordinary shareholders after deducting non-recurring gains and losses()	P0	21,943,014.30	7,277,240.97

Amount of common stock at the year-beginning	S0	215,000,000.00	215,000,000.00
Increase of amount of common stock owing to capital reserve transferred to share capital or distribution of stock dividend	S1		
Increase of amount of common stock owing to issue of bonds newly or bonds issued to be transfer to common stock	Si		
Decrease of amount of common stock due to purchase-back common stock ,etc	Sj		
Decrease of amount of common stock in the reporting period	Sk		
Amount of months in the reporting period	M0	12	12
Accumulated months since the second month when increase of amount of common stock	Mi		
Accumulated months since the second month when decrease of amount of common stock	Mj		
Average weighted amount of common stock outstanding	S	12	12
Basic earnings per share()		0.11	0.05
Basic earnings per share()		0.10	0.03
Net profit attributable to ordinary shareholders of parent company after adjustment()	P1	23,712,016.12	10,667,442.33
Net profit attributable to the company's ordinary shareholders after deducting non-recurring gains and losses after adjustment()	P1	21,943,014.30	7,277,240.97
Increase amount of average weighted of common stock owing to realization of warrants, stock options and convertible bonds			
Average weighted amount of common stock outstanding after consideration of diluted affect			
Diluted earnings per share()		0.11	0.05
Diluted earnings per share()		0.10	0.03

(1)Basic earnings per share

Basic earnings per share = $P0 \div S$

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

Where;P0 means net profit attributable to ordinary shareholders of parent company or net profit attributable to the company's ordinary shareholders after deducting non-recurring gains and losses; S means average weighted amount of common stock outstanding; S0 means amount of common stock at the year-beginning; S1 means increase of amount of common stock owing to capital reserve transferred to share capital or distribution of stock dividend; Si means increase of amount of common stock owing to issue of bonds newly or bonds issued to be transfer to common stock; Sj means decrease of amount of common stock due to purchase-back common stock ,etc; Sk means decrease of amount of common stock in the reporting period; M0 means amount of months in the reporting period; Mi means accumulated months since the second month when increase of amount of common stock; Mj means accumulated months since the second month when decrease of amount of common stock;

(2)Diluted earnings per share

Diluted earnings per share= $P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{Increase amount of average weighted of common stock owing to realization of warrants, stock options and convertible bonds.}$

Where:P1 means net profit attributable to ordinary shareholders of parent company or net profit attributable to the company's ordinary shareholders after deducting non-recurring gains and losses after adjustment in consideration of the effect of dilutive potential ordinary share, regulated by accounting criteria for enterprises in china or other related regulations. When calculation of diluted earnings per share, all effects of Net profit attributable to the company's ordinary shareholders after deducting non-recurring gains and losses after adjustment and average weighted amount of common stock outstanding ,associated with dilutive potential ordinary share, calculating of diluted earnings per share to the degree that is minimum of EPS, according to their degree of descending order of diluted earnings per share referred.

37. Other comprehensive income

Item	Amount for this year	Amount for last year
1. gains (losses) arising from financial assets available for sale		
Less: affect of income tax arising from financial assets available for sale		
Net, written in other comprehensive income in previous period and carried forward to gains and losses in current period		
Subtotal		
2. Share in other comprehensive income of invested units by equity method		
Less: affect of income tax arising from Share in other comprehensive income of invested units by equity method		
Net, written in other comprehensive income in previous period and carried forward to gains and losses in current period		
Subtotal		
3. gains (losses) arising from cash flow hedge instruments		
Less: affect of income tax arising from cash flow hedge instruments		
Net, written in other comprehensive income in previous period and carried forward to gains and losses in current period		
Adjustment, converted to initial reorganization amount of projects in hedge		
Subtotal		
4. Conversion difference arising from foreign currency financial statement	437,318.74	-1,999,787.02
Less: net, carried forward to gains and losses in current period after disposing overseas operation		
Subtotal	437,318.74	-1,999,787.02
5. Others	2,808,156.61	
Less: affect of income tax arising from others which are written in other comprehensive income		
Net, others written in other comprehensive income in previous period and carried forward to gains and losses in current period		
Subtotal	2,808,156.61	
Total	3,245,475.35	-1,999,787.02

38. Item description in the statement of cash flow**(1) Other cash receipts relating to operating activities**

Item	Amount for this year	Amount for last year
Interest income	4,940,201.82	5,569,347.89
Repayment of temporary payment	32,074,700.20	340,873.91
Others	2,000,000.00	2,416,436.94
Total	39,014,902.02	8,326,658.74

(2) Other cash payments relating to operating activities

Item	Amount for this year	Amount for last year
Temporary payment	13,525,484.20	17,403,637.28
Various expenses	127,901,577.73	87,528,810.99
Others	20,000,000.00	99,821.09

Item	Amount for this year	Amount for last year
Total	161,427,061.93	105,032,269.36

(3) Other cash received concerning investing activities

Item	Amount for this year	Amount for last year
Receipt of equity transferred from Shanghai LinYanConsulting Co., Ltd.		7,716,233.00
Total		7,716,233.00

(4) Other cash received concerning financing activities

Item	Amount for this year	Amount for last year
Movement of non- cash and cash equivalents	50,000,000.00	20,000,000.00
Total	50,000,000.00	20,000,000.00

39. Supplementary information about consolidated statement of cash flows**(1) Supplementary information about consolidated statement of cash flows**

Item	Amount for this year	Amount for last year
1、 Adjustment of net profit into operation activity cash flow:		
Net profit	39,361,187.77	23,252,763.48
Add: provision for depreciation of assets	930,580.81	7,724,643.90
Depreciation of fixed assets, consumption of oil gas assets and depreciation of productive biological assets	9,865,158.19	10,603,697.14
Amortization of intangible assets	1,199,435.86	1,121,932.29
Amortization of long-term prepayments		
Loss from disposal of fixed assets, intangible assets and other long term assets (gain is listed with "-")	-7,579.63	-1,651,912.36
Loss from discarding fixed assets as useless (gain is listed with "-")	-	3,060.10
Loss from change of fair value(gain is listed with "-")		
Financial expense (gain is listed with "-")	22,628,042.10	24,690,950.17
Investment loss (gain is listed with "-")	-2,944,121.78	-5,422,480.55
Decrease of deferred income tax assets (increase is listed with "-")		
Increase of deferred income tax liabilities (decrease is listed with "-")		
Decrease of inventories (increase is listed with "-")	-103,453,287.26	-31,765,456.98
Decrease of operational accounts receivable (increase is listed with "-")	-93,092,448.22	-25,698,589.41
Increase of operational accounts payable (decrease is listed with "-")	-37,874,576.48	113,356,216.46
Others		
Net cash flow arising from operation activities	-163,387,608.64	116,214,824.24
2. Significant investment and financing activities with no reference to cash collection and payment:		
Debt convert to capital		
Convertible bond due within one year		
Fixed assets leased in by financing		
3. Net change in cash and cash equivalent:		

Item	Amount for this year	Amount for last year
Balance of cash at period-end	291,447,011.87	422,853,002.17
Less: Balance of cash at period-begin	422,853,002.17	240,048,010.59
Add: Balance of cash equivalent at period-end		
Less: Balance of cash equivalent at period-begin		
Net increase in cash and cash equivalent	-131,405,990.30	182,804,991.58

(2) Cash and cash equivalent

Item	Amount for this year	Amount for last year
Cash	291,447,011.87	422,853,002.17
Cash in hand	42,806.75	106,404.38
May at any time is used to pay the bank deposit	291,404,205.12	422,746,597.79
May at any time for the payment of the other monetary funds		
Can be used for the storage of the central bank money to pay		
Deposit money of payment		
Dismantle put trade payment		
Cash equivalent		
Three months due debt investments		
Cash and cash equivalent at the year end	291,447,011.87	422,853,002.17

VI.Related parties and related transaction**1. Condition of parent company**

Name of the parent company	Relation	Type of entity	Registered address	Legal representative	Business nature	Registration capital (unit:RMB'0000)
China Potevio Company Limited	Parent Company	State-owned	No. 2 Tudi 2 Road, Zhongguan village economy zone, Haidian district, Beijing	Xing Wei	information industry	308,694.00

(continued)

Name of the parent company	Rate of Share Held between Parent Company and the Company(%)	The proportion of voting rights between parent company and the company(%)	The company's Ultimate controlling party	Organization code
China Potevio Company Limited	53.49	53.49	China Potevio Corporation	71093155-5

2. Condition of subsidiaries

Name of the companies	Type of subsidiaries	Type of entity	Registered Address	Legal Representative	Business Nature
Nanjing Nanfang Telecommunications Company Limited	Limited company	Trading	Nanjing	Zhou Dezhong	Sale of telecommunications
Nanjing Bada TelecommunicationsCo.,	Limited company	Manufacture	Nanjing	Qiao Jin	Manufacture of telecommunication

Name of the companies	Type of subsidiaries	Type of entity	Registered Address	Legal Representative	Business Nature
Ltd.					s
Nanjing Putian Inforamtion Technology Company Ltd.	Limited company	Manufactur e	Nanjing	Qiao Jin	Manufacture and sale of telecommunication s
Nanjing Putian Telege Intelligent Building Ltd	Limited company	Manufactur e	Nanjing	Fu Baosun	Manufacture and sale of telecommunication s
Putian Telecommunications (Hong Kong) Co., Ltd.	company limited by shares	Manufactur e	HongKon g	Sun Liang	Sale of telecommunication s
Beijing Picom Telecommunications Equipment Ltd.	Limited company	Manufactur e	Beijing	Lu Junhai	Web-based electronic products, digital transmission equipment
Nanjing Postel WongShi Telecommunications Co., Ltd.	Limited company	Manufactur e	Nanjing	Sun Liang	Manufacture and sale of telecommunication s
Nanjing Putian Changle Telecommunications Equipment Co., Ltd	Limited company	Manufactur e	Nanjing	Wang Qiang	Manufacture and sale of telecommunication s
Nanjing Putian Network Company Ltd	Limited company	Manufactur e	Nanjing	Guan Yingqian	Manufacture and sale of telecommunication s
Nanjing Putian TelecommunicationTechnology Co., Ltd	Limited company	Manufactur e	Nanjing	Liu Chuanxi	Manufacture and sale of telecommunication s

(continued)

Name of the companies	Registration Capital(unit:'0000)	Rate of Share held between parent Company and the Company(%)	The proportion of voting rights between parent company and the company(%)	Organization code
Nanjing Nanfang Telecommunications Company Limited	3,420.50	98.24	98.24	13492047-8
Nanjing Bada TelecommunicationsCo., Ltd.	1,130.14	60.00	60.00	13554048-5
Nanjing Putian Inforamtion Technology Company Ltd.	1,400.00	99.98	99.98	13498233-7
Nanjing Putian Intelligent Building Ltd	1,200.00	45.77	45.77	72172045-4
Putian Telecommunications (Hong Kong) Co., Ltd.	HK 200.00	90.00	90.00	#61770414

Name of the companies	Registration Capital(unit:'0000)	Rate of Share held between parent Company and the Company(%)	The proportion of voting rights between parent company and the company(%)	Organization code
Beijing Picom Telecommunications Equipment Ltd.	USD 50.00	51.00	51.00	717741092
Nanjing Postel WongShi Telecommunications Co., Ltd.	USD 1,090.00	99.42	99.42	71093784-2
Nanjing Putian Changle Telecommunications Equipment Co., Ltd	1,000.00	50.70	50.70	13554526-X
Nanjing Putian Network Company Ltd	1,000.00	78.00	78.00	74236858-4
Nanjing Putian TelecommunicationTechnology Co., Ltd	475.00	70.00	70.00	13513422-5

3. Condition of the joint ventures and associates

(1) Joint venture

Invested units	Types	Place of registration	Legal person	Business nature	Proportion of shareholding (%)	Voting proportion in invested company (%)	Relationship with the company	Organization code
Nanjing Menekes Electric Appliances Ltd.	Sino-foreign joint venture	Nanjing	Walter. Menekes	Industrial use plug, socket production and marketing, etc	50	50	Joint venture	60895120-X
Nanjing prachanda live optical network Co., LTD	Sino-foreign joint venture	Nanjing	Jiang Hanbin	Optical communication of production	50	50	Joint venture	55553484-X

(2) Affiliated venture

Invested units	Types	Place of registration	Legal person	Business nature	Proportion of shareholding (%)	Voting proportion in invested company (%)	Relationship with the company	Organization code
Nanjing Putian Datang	Domestic (limited	Nanjing	Yan Yaoming	Communication products	40	40	Affiliated venture	777019050

Invested units	Types	Place of registration	Legal person	Business nature	Proportion of shareholding (%)	Voting proportion in invested company (%)	Relationship with the company	Organization code
Information and Electric Company Ltd.	liability company)			production sales, etc				
Nanjing Zhongyou Telecommunication Co., Ltd.	Domestic (limited liability company)	Nanjing	ZhaoTiwu	Communication products production sales, etc	30	30	Affiliated venture	249702200
Nanjing Potevio Telecommunication Technology Industry Park Co., Ltd.	Domestic (limited liability company)	Nanjing	SunLiang	Industrial park venue rental management etc	49.64	49.64	Affiliated venture	667372881
Shanghai Yulong Biotech Ltd.	Domestic (limited liability company)	Shanghai	MuHaidong	Medical devices, diagnostic reagents production and marketing, etc	21.00	21.00	Affiliated venture	73904336-7
Qufu YulongBio-Tech Co., Ltd.	Domestic (limited liability company)	Qufu	MuHaidong	Biotechnology, diagnostic technology, etc	21.00	21.00	Affiliated venture	73928254-4

4. Other related parties

Company Name	Relationship with the company	Organization code
Nanjing Postel Swanking Electrical Co., Ltd	Controlled by the parent company	724594270
Shenzhen Potevio Lingyun Electronics Co. Ltd	Controlled by controlling shareholder of the parent company	732050660
Shanghai Putian Post And Telecommunications Technology Co., Ltd.	Controlled by the parent company	607285751
Beijing Great Gragon Information Technology International Co.,Ltd.	Controlled by the parent company	743349502
ChengDu PuTian Telecommunications Cable CO., LTD	Controlled by the parent company	20193968X

Company Name	Relationship with the company	Organization code
Potevio Institute of Technology Co., Ltd.	Controlled by the parent company	710929105
Wuhan is ablaze putian information technology Co., Ltd	Controlled by the parent company	695345127

5. Related transaction

(1) Purchasing goods, accept services related party transactions

Related Parties	Related transaction content	Pricing policy and decision-making processes	Amount of this year	
			Amount	Ratio in similar trade amount %
China putian information industry Co., LTD	Telecommunications	Market Pricing	6,372,777.78	0.35
Nanjing diop live light network limited	Telecommunications	Market Pricing	2,967,448.03	0.16
Nanjing putian among electric appliance Co., LTD	Telecommunications	Market Pricing	2,791,353.55	0.15
Nanjing putian datang information electronic Co., LTD	Telecommunications	Market Pricing	748,107.62	0.04
Chengdu putian cable companies limited by shares	Telecommunications	Market Pricing	134,597.05	0.01
Wuhan is ablaze putian information technology Co., Ltd	Telecommunications	Market Pricing	10,138,312.57	0.56
Total			23,152,596.60	1.27

Related Parties	Related transaction content	Pricing policy and decision-making processes	Amount of this year	
			Amount	Ratio in similar trade amount %
Chengdu putian cable companies limited by shares	Telecommunications	Market Pricing	129,500.00	0.01
Nanjing putian among electric appliance Co., LTD	Telecommunications	Market Pricing	1,912,400.00	0.13
Nanjing putian datang information electronic Co., LTD	Telecommunications	Market Pricing	756,000.00	0.05
Total			2,797,900.00	0.19

(2) The sale of goods, providing labor services related transaction

Related Parties	Related transaction content	Pricing policy and decision-making processes	Amount of this year	
			Amount	Ratio in similar trade amount %
China putian information industry Co., LTD	Telecommunications	Market Pricing	35,684,748.10	1.80
Nanjing putian mailed in	Telecommunications	Market Pricing		0.04

communication Co., LTD			816,097.44	
Putian information institute of technology Co., LTD	Telecommunications	Market Pricing	688,786.32	0.03
Shanghai putian YouTong technology Co., LTD	Telecommunications	Market Pricing	280,169.23	0.01
Nanjing putian datang information electronic Co., LTD	Telecommunications	Market Pricing	113,926.92	0.01
Chengdu putian cable companies limited by shares	Telecommunications	Market Pricing	55,555.56	0.00
China putian information industry group company	Telecommunications	Market Pricing	3,076.92	0.00
Total			37,642,360.49	1.89

Related Parties	Related transaction content	Pricing policy and decision-making processes	Amount of this year	
			Amount	Ratio in similar trade amount %
China putian information industry Co., Ltd	Telecommunications	Market Pricing	18,735,200.00	1.27
Putian information institute of technology Co., Ltd	Telecommunications	Market Pricing	425,200.00	0.03
Nanjing putian mailed in communication Co., Ltd	Telecommunications	Market Pricing	1,075,100.00	0.07
Chengdu putian cable companies limited by shares	Telecommunications	Market Pricing	1,251,700.00	0.09
Total			21,487,200.00	1.46

(3)Related leasing

Lessor	Lessee	Asset for leasing	Date start for leasing	Date for termination of leasing	Accordance for reorganization of rental income	Influence on the Company by rental income
Nanjing Potevio Telecommunication Technology Industry Park Co., Ltd.	Nanjing putian telecommunication Co., Ltd	Building and land	2010-01-01	2010-12-31	Market Pricing	9,786,337.89

(4)Related guarantee

Assurance Provider	Secured party	Amount of guarantee	Date start for guarantee	Due date for guarantee	Whether the guarantee is carried out
China Putian Corporation	Nanjing putian telecommunication Co., LTD	20,000,000.00	2010/7/29	2011/1/29	No
China Putian Corporation	Nanjing putian telecommunication Co., LTD	20,000,000.00	2010/8/25	2011/2/25	No
China Putian Corporation	Nanjing putian telecommunication Co., LTD	20,000,000.00	2010/5/18	2011/5/17	No

Assurance Provider	Secured party	Amount of guarantee	Date start for guarantee	Due date for guarantee	Whether the guarantee is carried out
China Putian Corporation	Nanjing putian telecommunication Co., LTD	20,000,000.00	2010/5/20	2011/5/19	No
China Putian Corporation	Nanjing putian telecommunication Co., LTD	30,000,000.00	2010/5/27	2011/5/26	No
China Putian Corporation	Nanjing putian telecommunication Co., LTD	30,000,000.00	2010/6/4	2011/6/3	No
China Putian Corporation	Nanjing putian telecommunication Co., LTD	20,000,000.00	2010/6/12	2011/6/11	No
China Putian Corporation	Nanjing putian telecommunication Co., LTD	30,000,000.00	2010/6/21	2011/6/20	No
China Putian Corporation	Nanjing putian telecommunication Co., LTD	30,000,000.00	2010/7/16	2011/7/15	No
China Putian Corporation	Nanjing putian telecommunication Co., LTD	20,000,000.00	2010/7/16	2011/1/16	No
China Putian Corporation	Nanjing putian telecommunication Co., LTD	30,000,000.00	2010/12/22	2011/12/22	No
China Putian Corporation	Nanjing putian telecommunication Co., LTD	44,000,000.00	2010/7/28	2011/7/28	No
China Putian Corporation	Nanjing putian telecommunication Co., LTD	30,000,000.00	2010/12/6	2011/9/6	No
China Putian Corporation	Nanjing Putian Telege Intelligent Building Ltd	10,000,000.00	2010/9/16	2011/9/16	No
China Potevio Company Limited	Nanjing Putian Telege Intelligent Building Ltd	10,000,000.00	2010/9/28	2011/9/28	No
China Putian Corporation	Nanjing Nanfang Telecommunications Company Limited	12,000,000.00	2010/5/31	2011/5/30	No
China Putian Corporation	Nanjing Nanfang Telecommunications Company Limited	5,000,000.00	2010/8/18	2011/8/18	No

6. Payables and receivables of related parties

(1) The accounts affiliated parties shown in the list below money situation

Item	Name of the related parties	Amount at the year end		Amount at the year-beginning	
		Book amount	Provision	Book amount	Provision
Accounts receivable	Nanjing putian mailed in communication Co., LTD	1,012,072.80		1,177,238.80	
Accounts receivable	China putian information industry Co., LTD	22,785,438.14		6,125,162.66	
Accounts receivable	Chengdu putian cable companies limited by shares	497,295.00		432,295.00	
Accounts receivable	Shanghai Potevio Co., Ltd	13,664,248.00	1,853,185.60	13,341,700.00	259,507.80
Other receivables	Nanjing putian datang information electronic Co., Ltd	3,365.00			

		Amount at the year end		Amount at the year-beginning	
Other receivables	Beijing Picom Telecommunications Equipment Co., Ltd	28,912,952.71	28,912,952.71	29,080,952.71	29,080,952.71

(2) The cope with affiliated parties shown in the list below money situation

Item	Name of the related parties	Amount at the year end	Amount at the year-beginning
Other payables	Nanjing Potevio Telecommunication Technology Industry Park Co., Ltd	426,045.28	20,654,301.66
Accounts payable	China putian information industry Co., LTD	2,843,850.00	
Other payables	China putian information industry Co., LTD	164,859.92	
Accounts payable	Nanjing Potevio Telecommunication Technology Industry Park Co., Ltd	130,508.96	115,654.40
Accounts payable	Nanjing Putian Hongyan Electric Appliance Company	243,405.99	570,139.86
Accounts payable	Wuhan is ablaze putian information technology Co., Ltd	5,093,070.15	
Accounts payable	Nanjing puzhuguang network ltd	2,793,314.20	
Advances from customers	China Putian Corporation	45,980.00	

VII . Contingencies**1. The pending litigation or arbitration formed a liability and its financial effect**

None

2. Contingent liabilities formed by external guarantee and its financial effect

None

3. Other contingent liabilities

None

VIII. Commitments**1. Significant commitment matters**

None

2. Early promise fulfillment situation

None

IX. Events occurring after the balance sheet date**1. Important matters after balance sheet date**

None

2. Balance sheet date profit allocation illustrate

None

3. Other matters after balance sheet date

None

X. Other significant matters

None

. Notes to main items of financial statement of parent company**1. Account receivable****(1)Classification of accounts receivable**

Item	Amount at year-end			
	Book balance		Reserve for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
1. Single amount dramatic and individual provision for the accounts receivable				
2. Classification as the group of provision for account receivable	406,256,620.48	99.51	6,297,053.29	1.55
Group1	110,654,937.52	27.10	1,857,733.90	1.68
Group 2	280,616,668.53	68.74		
Group 3	14,985,014.43	3.67	4,439,319.39	29.63
3. Single amount not significant but single provision for accounts receivable	1,995,008.63	0.49	1,995,008.63	100.00
Total	408,251,629.11	100.00	8,292,061.92	2.03

Item	Amount at year-beginning			
	Book balance		Reserve for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
1. Single amount dramatic and individual provision for the accounts receivable				
2. Classification as the group of provision for account receivable	280,017,118.29	99.29	3,788,666.64	1.35
Group1	51,809,006.63	18.37	259,507.80	0.50
Group 2	193,418,314.69	68.58		
Group 3	34,789,796.97	12.34	3,529,158.84	10.14
3. Single amount not significant but single provision for accounts receivable	1,998,060.65	0.71	1,998,060.65	100.00
Total	282,015,178.94	100.00	5,786,727.29	2.05

Notes : Single amount dramatic and individual provision for accounts receivable refers to single exceed 10,000,000.00 Yuan, test no impairment, the company according to age analysis accrual impairment provision. According to the group of receivables provision for more than 2 years of age receivables, via test no impairment, according to age analysis accrual impairment provision.

Adopt age analysis provision in group as follows:

Age	Closing balance			Opening balance		
	Book balance	Proportion (%)	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year (contain 1 year)	71,965,194.40	57.28		42,081,960.18	48.59	
1 to 2 years	25,318,060.12	20.15		30,523,305.53	35.25	
2 to 3 years	18,907,088.35	15.05	1,890,708.83	7,290,565.00	8.42	729,056.50
3 to 4 years	4,841,688.05	3.85	1,452,506.42	3,870,432.84	4.47	1,161,129.85
4 to 5 years	2,347,615.27	1.87	939,046.11	1,556,766.27	1.80	622,706.51
5 to 6 years	1,227,569.16	0.98	982,055.33			

6 years or above	1,032,736.60	0.82	1,032,736.60	1,275,773.78	1.47	1,275,773.78
Total	125,639,951.95	100.00	6,297,053.29	86,598,803.60	100.00	3,788,666.64

Closing single amount not significant but single provision for accounts receivable

Receivables	Book amount	Bad debt	Proportion	Reason
M/S WHISTLER TELECOM(PVT)LTD	1,873,686.89	1,873,686.89	100.00%	Age longer cannot be recalled
PRADUFA	108,821.74	108,821.74	100.00%	Age longer cannot be recalled
China Unicom Nanjing branch	12,500.00	12,500.00	100.00%	Age longer cannot be recalled
Total	1,995,008.63	1,995,008.63	—	—

(2). Current payback or return of receivables

During this year no full provision for bad prophase preparation, or larger proportion, but in this period fully recovery or payback, or recovery or payback larger proportion of account receivable.

(3) Written -off of accounts receivable in the current period

None

(4) Accounts receivable due from shareholder who has more than 5% (including 5 %) voting shares of the Company at year-end

At the end of the period, amount of RMB 21,207,061.44 Yuan is due from China Potevio Company Limited, Parent company, aging within 1 year, none of reservation of provision at year-end.

At the end of last period, amount of RMB 6,125,162.66 Yuan is due from China Potevio Company Limited, Parent company, aging within 1 year, none of reservation of provision at year-end.

(5) Top 5 debtors of accounts receivable

Name of the debtors	Relationship with the Company	Amount	Aging	Proportion of total amount (%)
Agricultural Bank of China	Non-related party	39,495,546.79	Within 1year	9.67
China Potevio Company Limited	Parent company	21,207,061.44	Within 1year	5.19
China Telecom, Jiangsu network assets Branch	Non-related party	21,663,655.54	1 to 3 year	5.31
China united network communication Co., LTD. Shenyang branch	Non-related party	18,534,928.44	Within 1year	4.54
Shanghai Potevio Co., Ltd	Related party	13,500,320.00	2 to 4year	3.31
Total	—	114,401,512.21	—	28.02

(6)Accounts receivable of related parties accounts

Name of the debtors	Relationship with the Company	Amount	Proportion of total amount (%)
China Potevio Company Limited	Parent company	21,207,061.44	5.19
Shanghai Potevio Co., Ltd	Controlled by the same company	13,500,320.00	3.31
Nanjing Zhongyou Telecommunication Co., Ltd.	Affiliated venture	1,012,072.80	0.25
Nanjing putian datang information	Affiliated venture	85,395.00	0.02

electronic Co., LTD			
Total		35,804,849.24	8.77

(7) Balance of accounts receivable in foreign currencies

Foreign currency	Amount at year-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted
USD	306,720.48	6.6227	2,031,317.72	327,207.12	6.8282	2,234,235.66
Total	306,720.48		2,031,317.72	327,207.12	6.8282	2,234,235.66

2. Other receivables**(1) Classification of other receivables**

Item	Amount at year-end			
	Book balance		Book balance	
	Amount	Percentage (%)	Amount	Percentage (%)
1. Single amount dramatic and individual provision for the accounts receivable	28,912,952.71	40.22	28,912,952.71	100.00
2. Classification as the group of provision for account receivable	38,885,252.90	54.09	2,317,450.65	5.96
Group1	11,763,892.01	16.37		
Group 2	21,850,416.66	30.40		
Group 3	5,270,944.23	7.33	2,317,450.65	43.97
3. Single amount not significant but single provision for accounts receivable	4,085,166.33	5.69	4,085,166.33	100.00
Total	71,883,371.94	100.00	35,315,569.69	49.13

Item	Amount at year-beginning			
	Book balance		Book balance	
	Amount	Percentage (%)	Amount	Percentage (%)
1. Single amount dramatic and individual provision for the accounts receivable	29,080,952.71	38.03	29,080,952.71	100.00
2. Classification as the group of provision for account receivable	26,116,894.72	34.16	2,434,681.79	9.32
Group1	11,129,456.60	14.56		
Group 2	2,847,613.24	3.72		
Group 3	12,139,824.88	15.88	2,434,681.79	20.06
3. Single amount not significant but single provision for accounts receivable	21,260,616.72	27.81	7,795,190.06	36.66
Total	76,458,464.15	100.00	39,310,824.56	51.41

Notes : Single amount dramatic and individual provision for accounts receivable refers to single exceed 10,000,000.00 Yuan, test no impairment, the company according to age analysis accrual impairment provision. According to the group of receivables provision for more than 2 years of age receivables, via test no impairment, according to age analysis accrual impairment provision.

Adopt age analysis provision in group as follows:

Age	Closing balance	Opening balance
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	Book balance	Proportion (%)		Book balance	Proportion (%)	
Within 1 year (contain 1 year)	9,687,456.96	56.87		17,283,769.50	74.28	
1 to 2 years	3,538,529.43	20.77		1,785,211.43	7.67	
2 to 3 years	1,355,238.00	7.96	135,523.80	800,000.00	3.44	80,000.00
3 to 4 years	170,000.00	1.00	51,000.00	5,000.00	0.02	1,500.00
4 to 5 years	5,000.00	0.03	2,000.00	907,646.63	3.90	363,058.65
5 to 6 years	748,425.00	4.39	598,740.00	2,487,653.92	10.69	1,990,123.14
6 years or above	1,530,186.85	8.98	1,530,186.85			
Total	17,034,836.24	100.00	2,317,450.65	23,269,281.48	100.00	2,434,681.79

(2). Current payback or return of receivables

During this year no full provision for bad prophase preparation, or larger proportion, but in this period fully recovery or payback, or recovery or payback larger proportion of account receivable.

(3) Written -off of accounts receivable in the current period

None

(4) Accounts receivable due from shareholder who has more than 5% (including 5 %) voting shares of the Company at year-end

The current held no more than 5% (including 5%) voting shares shareholders arrears.

(5) Large amount of other receivables nature or content

Name of the debtors	Amount	Other receivables nature or content
Beijing Picom Telecommunications Equipment Ltd	28,912,952.71	incomings and outgoings
Nanjing putian telecommunication technology companies	4,570,608.63	incomings and outgoings
Putian telecommunication (Hong Kong) LTD	4,085,166.33	incomings and outgoings
Nanjing Nanfang telecom Co., LTD	11,763,892.01	incomings and outgoings
Nanjing Putian Inforamtion Technology Company Ltd.	6,626,129.37	incomings and outgoings
Total	55,958,749.05	—

(6) Top 5 debtors of other receivables

Name of debtors	Relationship with the Company	Amount	Aging	Proportion of total amount (%)
Beijing Picom Telecommunications Equipment Ltd	Subsidiary	28,912,952.71	4 to 5year	40.22
Nanjing putian telecommunication technology companies	Subsidiary	4,570,608.63	Within 1year	6.36
Putian telecommunication (Hong Kong) LTD	Subsidiary	4,085,166.33	1 to 2 year	5.68
Nanjing Nanfang telecom Co., LTD	Subsidiary	11,763,892.01	Within 1year	16.37
Nanjing Putian Inforamtion Technology Company Ltd.	Subsidiary	6,626,129.37	1 to 2 year	9.22

Name of debtors	Relationship with the Company	Amount	Aging	Proportion of total amount (%)
Total		55,958,749.05		77.85

(7) Other receivables from related parties

Name of debtors	Relationship with the Company	Amount	Proportion of total amount (%)
Beijing Picom Telecommunications Equipment Ltd	Subsidiary	28,912,952.71	40.22
Nanjing Nanfang telecom Co., LTD	Subsidiary	11,763,892.01	16.37
Nanjing Putian Inforamtion Technology Company Ltd.	Subsidiary	6,626,129.37	9.22
Nanjing putian telecommunication technology companies	Subsidiary	4,570,608.63	6.36
Putian telecommunication (Hong Kong) LTD	Subsidiary	4,085,166.33	5.68
Nanjing Puzhuguang network limited	Subsidiary	1,027.44	0.00
Total		55,959,776.49	77.85

3. Long-term equity investments**(1) List of Information of Long-term Equity Investment**

Invested units	Accounting Method	Initial cost of investment	Book balance at beginning of the year	Movement	Book balance at end of the year	Share holding percentage of the Company among invested units (%)	Voting right proportion of the Company among invested units (%)
Nanjing Nanfang Telecommunication s Company Limited	Cost Method	33,175,148.00	33,175,148.00	-	33,175,148.00	98.24	98.24
Nanjing Putian Telege Intelligent Building Ltd.	Cost Method	3,320,003.45	3,320,003.45	-	3,320,003.45	45.77	45.77
Nanjing Putian Changle Telecommunication s Equipment Co., Ltd.	Cost Method	2,610,457.00	2,610,457.00	-	2,610,457.00	50.70	50.70
Nanjing Bada Telecommunication s Co., Ltd	Cost Method	5,610,000.00	5,610,000.00	-	5,610,000.00	60.00	60.00
Nanjing Postel Wongshi Telecommunication s Co., Ltd.	Cost Method	40,997,683.00	40,997,683.00	-	40,997,683.00	99.42	99.42
Nanjing Putian	Cost	9,146,455.13	7,741,140.40	-	7,741,140.40	78.00	78.00

Invested units	Accounting Method	Initial cost of investment	Book balance at beginning of the year	Movement	Book balance at end of the year	Share holding percentage of the Company among invested units) (%)	Voting right proportion of the Company among invested units) (%)
Network Company Ltd.	Method						
Putian Telecommunications (Hong Kong) Co., Ltd.	Cost Method	1,910,520.00	1,910,520.00	-	1,910,520.00	90.00	90.00
Nanjing Putian Inforamtion Technology Company Ltd.	Cost Method	13,860,000.00	13,860,000.00	-	13,860,000.00	99.98	99.98
Nanjing Putian Telecommunication Technology Co., Ltd	Cost Method	1,294,510.00	1,294,510.00	-	1,294,510.00	70.00	70.00
Beijing Picom Telecommunication s Equipment Ltd	Cost Method	1,854,910.00	1,854,910.00	-	1,854,910.00	51.00	51.00
Nanjing Yuhua Galvanization Factory	Cost Method	420,915.00	420,915.00	-	420,915.00	10.00	10.00
Hangzhou Hongyan Electric Appliance	Cost Method	321,038.00	321,038.00	-	321,038.00	2.26	2.26
Nanjing Mennekes Electric Appliances Ltd.	Equity Method	15,037,508.00	29,758,325.05	4,612,507.06	34,370,832.11	50.00	50.00
Nanjing Putian Datang Information and Electric Company Ltd	Equity Method	600,000.00	2,334,791.79	51,422.15	2,386,213.94	40.00	40.00
Nanjing Zhongyou Telecommunication Co., Ltd.	Equity Method	300,000.00	222,950.64	14,174.81	237,125.45	30.00	30.00
Nanjing Potevio Telecommunication Technology Industry Park Co., Ltd.	Equity Method	167,548,141.29	167,922,749.52	385,825.08	168,308,574.60	49.64	49.64
Shanghai Yulong Biotech Ltd.	Equity Method	23,310,000.00	14,340,739.57	381,103.94	14,721,843.51	21.00	21.00
Qufu Yulong Bio-Tech Co., Ltd.	Equity Method	-	4,515,384.92	-1,401,657.92	3,113,727.00	21.00	21.00
Nanjing Puzhuguang	Equity Method	13,544,400.00	-	12,089,527.83	12,089,527.83	50.00	50.00

Invested units	Accounting Method	Initial cost of investment	Book balance at beginning of the year	Movement	Book balance at end of the year	Share holding percentage of the Company among invested units (%)	Voting right proportion of the Company among invested units (%)
network limited							
Total		334,861,688.87	332,211,266.35	16,132,902.95	348,344,169.30	—	—

(continued)

Invested units	Depreciation Reserve	Depreciation Reserves Withdrawn During the Period	Cash Dividend During the Period
Nanjing Nanfang Telecommunications Company Limited			
Nanjing Putian Telege Intelligent Building Ltd.			4,576,700.00
Nanjing Putian Changle Telecommunications Equipment Co., Ltd.			2,371,477.72
Nanjing Bada Telecommunications Co., Ltd			103,168.79
Nanjing Postel Wongshi Telecommunications Co., Ltd.			
Nanjing Putian Network Company Ltd.			
Putian Telecommunications (Hong Kong) Co., Ltd.			
Nanjing Putian Information Technology Company Ltd.			
Nanjing Putian Telecommunication Technology Co., Ltd			
Beijing Picom Telecommunications Equipment Ltd	1,854,910.00		
Nanjing Yuhua Galvanization Factory			238,173.40
Hangzhou Hongyan Electric Appliance			
Nanjing Mennekes Electric Appliances Ltd.			
Nanjing Putian Datang Information and Electric Company Ltd			
Nanjing Zhongyou Telecommunication Co., Ltd.			
Nanjing Potevio Telecommunication Technology Industry Park Co., Ltd.			
Shanghai Yulong Biotech Ltd.			
Qufu Yulong Bio-Tech Co., Ltd.			
Nanjing Puzhuguang network limited			

Invested units	Depreciation Reserve	Depreciation Reserves Withdrawn During the Period	Cash Dividend During the Period
Total	1,854,910.00	-	7,289,519.91

4. Operating revenues and costs

(1) Operating revenues

Item	Amount for this year	Amount for last year
Main operating revenue	1,271,203,766.50	944,218,830.70
Other operating revenue	36,483,402.92	65,649,977.86
Total	1,307,687,169.42	1,009,868,808.56

(2) Operating costs

Item	Amount for this year	Amount for last year
Main operating cost	1,150,193,628.81	842,073,664.57
Other operating cost	33,292,990.17	66,276,720.28
Total	1,183,486,618.98	908,350,384.85

(3) Main Business (In terms of different products)

Item	Amount for this year		Amount for last year	
	Main operating revenue	Main operating cost	Main operating revenue	Main operating cost
Communication products	1,271,203,766.50	1,150,193,628.81	944,218,830.70	842,073,664.57
Total	1,271,203,766.50	1,150,193,628.81	944,218,830.70	842,073,664.57

(4) Main Business (In terms of different regions)

Item	Amount for this year		Amount for last year	
	Main operating revenue	Main operating cost	Main operating revenue	Main operating cost
Domestic market	1,268,951,386.53	1,148,436,722.50	939,856,205.62	838,608,108.43
Oversea market	2,252,379.97	1,756,906.31	4,362,625.08	3,465,556.14
Total	1,271,203,766.50	1,150,193,628.81	944,218,830.70	842,073,664.57

(5) The amount of operating revenues received from the top 5 customers this year

Item	operating revenues	Proportion taking in total operating income of the Company (%)
Jiangsu Branch of China Telecom Co., Ltd.	434,903,308.12	33.26
Agricultural Bank of China	49,729,032.73	3.80
China Mobile Communications Group Co., Ltd.(Jiangsu), Nanjing Branch	35,247,743.65	2.70
China Telecom, Jiangsu network assets Branch	32,838,771.17	2.51
China united network communication Co., Ltd. Shenyang branch	32,832,901.88	2.51
Total	585,551,757.55	44.78

5. Investment income

(1) Details of Investment Income

Item	Amount for this year	Amount for last year
Long-term equity investment income by cost method	7,289,519.91	9,361,436.66

Item	Amount for this year	Amount for last year
Long-term equity investment income by equity method	2,588,502.95	5,369,666.98
Income from disposal of long-term equity investment		-877,354.72
Investment income from period of holding tradable financial assets		
Investment income from period of holding hold-to-maturity investment		
Income from investment in holding of financial assets available for sale		
Income from investment in disposal of financial assets available for sale		
Investment income from disposal of hold-to-maturity investment		
Investment income from disposal of financial assets available for sale		
Others		
Total	9,878,022.86	13,853,748.92

(2) Long-term equity investment income by cost method

Investee	Amount for this year	Amount for last year	Reasons for movement
Nanjing Putian Intelligent Building Ltd.	4,576,700.00	7,397,064.00	Received more distribution of dividends
Nanjing Putian Changle Telecommunications Equipment Co., Ltd.	2,371,477.72	1,929,559.09	Received more distribution of dividends
Nanjing Bada Telecommunications Co., Ltd	103,168.79		Received more distribution of dividends
Nanjing Yuhua Galvanization Factory	238,173.40	34,813.57	Received more distribution of dividends
Total	7,289,519.91	9,361,436.66	

(3) Long-term equity investment income by equity method

Investee	Amount for this year	Amount for last year	Reasons for movement
Nanjing Mennekes Electric Appliances Ltd	4,612,507.06	5,190,883.91	Business fluctuations
Nanjing Puzhuguang network limited	-1,454,872.17		Start-up business
Nanjing Putian Datang Information and Electric Company Ltd.	51,422.15	45,977.95	Business fluctuations
Nanjing Zhongyou Telecommunication Co., Ltd.	14,174.81	13,601.27	Business fluctuations
Nanjing Potevio Telecommunication Technology Industry Park Co., Ltd	385,825.08	449,279.50	Business fluctuations
Shanghai Yulong Biotech Ltd.	381,103.94	364,396.45	Business fluctuations
Qufu YulongBio-Tech Co., Ltd.	-1,401,657.92	-694,472.10	Business fluctuations
Total	2,588,502.95	5,369,666.98	

(4) None of significant limitation of the repatriation of investment income**6. Supplementary information about consolidated statement of cash flows**

Item	Amount for this year	Amount for last year
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Item	Amount for this year	Amount for last year
1、 Adjustment of net profit into operation activity cash flow :		
Net profit	5,387,366.75	7,259,633.40
Add: provision for depreciation of assets	-333,209.73	-7,301,387.95
Depreciation of fixed assets, consumption of oil gas assets and depreciation of productive biological assets	5,535,782.73	5,728,157.23
Amortization of intangible assets	380,255.85	407,815.93
Amortization of long-term prepayments		
Loss from disposal of fixed assets, intangible assets and other long term assets (gain is listed with "-")	-27,404.04	-1,810,052.17
Loss from discarding fixed assets as useless (gain is listed with "-")		3,060.10
Loss from change of fair value(gain is listed with "-")		
Financial expense (gain is listed with "-")	20,581,177.47	22,486,189.28
Investment loss (gain is listed with "-")	-9,878,022.86	-13,853,748.92
Decrease of deferred income tax assets (increase is listed with "-")		
Increase of deferred income tax liabilities (decrease is listed with "-")		
Decrease of inventories (increase is listed with "-")	-110,570,928.97	1,710,182.11
Decrease of operational accounts receivable (increase is listed with "-")	-84,834,702.42	-8,475,391.34
Increase of operational accounts payable (decrease is listed with "-")	-38,583,551.76	61,885,921.76
Others		
Net cash flow arising from operation activities	-212,343,236.98	68,040,379.43
2、 Significant investment and financing activities with no reference to cash collection and payment: :		
Debt convert to capital		
Convertible bond due within one year		
Fixed assets leased in by financing		
3、 Net change in cash and cash equivalent:		
Balance of cash at period-end	185,951,591.96	348,384,407.10
Less: Balance of cash at period-begin	348,384,407.10	179,265,068.17
Add: Balance of cash equivalent at period-end		
Less: Balance of cash equivalent at period-beginning		
Net increase in cash and cash equivalent	-162,432,815.14	169,119,338.93

XII. Supplementary Information

1. Non-recurring gains and losses of current year (Profit: +, loss: -)

Calculation of non-recurring gains and losses below, in accordance with No. 1, Information Disclosure Interpretative Bulletin for public offering of securities of enterprises, namely non-recurring gains and losses (version of 2008), [China Securities Regulatory Commission Announcement [2008] No. 43] issued by China securities regulatory commission.

Item	Amount for this year	Note
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Item	Amount for this year	Note
1 . Gains and losses from disposal of non-current assets, including reversal of provision for impairment before	-7,579.63	
2 .Tax refund and relief without authorized approval or formal approval document or accident		
3 . Government subsidy recorded in current gains and losses,(except the fixed or quantitative government subsidy closely related to the enterprise businesses and according to the national uniform standard)	2,417,342.98	
4 . Capital occupancy expense, collected from non-financial enterprises and recorded in current gains and losses		
5 . Income from the exceeding part between investment cost of the Company paid for obtaining subsidiaries, associates and joint-ventures and recognizable net assets fair value attributable to the Company when acquiring the investment		
6 . Gains and losses from exchange of non-monetary assets		
7 . Gains and losses from assets under trusted investment or management		
8 . Various provision for impairment of assets due to act of God, such as natural disaster		
9 . Gains and losses from debt restructuring		
10 . Enterprise reorganization expense, such as expense for placement of workers or expense for integration charges etc.		
11 . Gains and losses of the part arising from transaction in which price is unfair and exceeding fair value		
12 . Current net gains and losses occurred from period-begin to combination day by subsidiaries resulting from business combination under common control		
13 . Gains and losses arising from contingent proceedings irrelevant to normal operation of the Company		
14 . Except for effective hedge business relevant to normal operation of the Company, gains and losses arising from fair value change of tradable financial assets and tradable financial liabilities, and investment income from disposal of tradable financial assets, tradable financial liabilities and financial assets available for sale		
15 . Reversal of provision of impairment of account receivable which are treated with separate depreciation test		
16 . Gains and losses obtained from external trusted loans		
17 . Gains and losses arising from change of fair value of investment real estate whose follow-up measurement are conducted according to fair value pattern		
18 . Affect on current gains and losses after an one-time adjustment according to requirements of laws and regulations regarding to taxation and accounting		
19 . Trust fee obtained from trust operation		
20 . Other non-operating income and expenditure except for the aforementioned ones	164,722.84	
21 . Other gains and losses items complying with definition for non-recurring gains and loses		
22 . Affect on minority equity(after taxation)	355,396.50	
23 . Affect on income tax	450,087.87	
Total	1,769,001.82	

2. Return on equity and earnings per share

Calculation of return on equity and earnings per share based on <No.9 the company's Information Disclosure Requirement of calculation of basic earnings per share and rate of return on net asset applied by Entities of Public offering of securities (revised in 2010) >issued by China securities regulatory commission.(China Securities

Regulatory Commission Announcement [2010] No. 2) < Public offering of securities of the company's Information Disclosure Explanatory Notice No. 1 - Non-recurrent gains and losses (2008). (China Securities Regulatory Commission Announcement [2008] No. 43)

(1) For this year

Profits of the reporting period	Weighted average return on equity(%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of parent company	6.80	0.11	0.11
Net profit attributable to shareholders of parent company after deduction of non-current gains and losses	6.31	0.10	0.10

(2) For last year

Profits of the reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of parent company	3.22	0.05	0.05
Net profit attributable to shareholders of parent company after deduction of non-current gains and losses	2.20	0.03	0.03

3. Description of the abnormality in the main accounting statement item

Analysis of items of financial statements, which vary in 30% (including 30%) or more and account for 5% (including 5%) or 10% of the total profits of the reporting period (including 10%)

(1) Item of balance sheet

Item	Amount at year-end	Amount at year-beginning	Amount of movement	Proportion of movement	Note
Monetary funds	293,018,925.87	482,952,642.17	-189,933,716.30	-39.33%	Note1
Accounts receivable	537,895,136.38	379,210,613.99	158,684,522.39	41.85%	Note2
Inventory	328,533,395.99	225,755,590.34	102,777,805.65	45.53%	Note3
Accounts payable	581,633,610.57	409,451,172.51	172,182,438.06	42.05%	Note4
Account collected in advance	82,459,973.00	23,147,428.55	59,312,544.45	256.24%	Note5

Note1 : Sales receipts drop than the previous;

Note1 : Sales receipts drop than the previous;

Note3 : Scale up the operation;

Note4 : Scale up the operation;

Note5 : Scale up the operation.

(2)Item of Income Statement

Item	Amount for this year	Amount for last year	Amount of movement	Proportion of movement (%)	Note
Operating income	1,981,482,650.37	1,469,753,704.15	511,728,946.22	34.82	Note1
Operating costs	1,701,605,909.46	1,245,802,571.91	455,803,337.55	36.59	Note2
Loss of asset impairment	930,580.81	7,724,643.90	-6,794,063.09	-87.95	Note3

Income tax	12,517,134.02	9,177,269.28	3,339,864.74	36.39	Note4
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Note1 : Scale up the operation;

Note2 : Scale up the operation;

Note3 : The impact of return and impairment provision;

Note4 : Few subsidiaries profit expanded.

XIII. Approval of financial statement

The financial statement has already been approved from the board of directors of the Company for reporting dated 25 March 2011.

It will be submitted to shareholders for its consideration, according to the articles of incorporation.

Nanjing Putian Telecommunications Co., Ltd.
25 March 2011.