

Nanjing Putian Telecommunications Co., Ltd.

Semi-Annual Report 2012

August 2012

Nanjing Putian Telecommunications Co., Ltd.

SEMI-ANNUAL REPORT 2012

I Important Notice

The Board of Directors and its directors, Supervisory Committee and its supervisors, senior executives of Nanjing Putian Telecommunications Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no false recordation, misleading statements or material omissions carried in this report, and shall take all responsibilities, individually and/or jointly, for the reality, accuracy and completeness of the whole contents.

Except for the follow directors, others are present the meeting of the Board for deliberating the semi-annual report of the Company

| Name of director not attended in person | Title of director not attended in person | Reasons for absent | Trustee |
|---|--|--------------------------|---------------|
| Sun Liang | Chairman of the BOD | Due to official business | Huang Haodong |
| Li Ying | Director | Due to official business | Han Shu |
| Ding Haiyan | Independent Director | Due to official business | Zheng Aimei |

Financial report of this semi-annual report has not been audited by CPA.

Mr. Sun Liang, Chairman of the Company, General Manager Ms. Wang Hong and Chief Accountant Mr. Shi Lian hereby confirm the truthfulness and completeness of the Financial Report in the Semi-annual Report 2012.

II. Company Profile

(I) Company information

| | | | |
|--|---|------------------------|----------|
| Code for A-share | | Code for B-share | 200468 |
| Short form for A-share | | Short form for B-share | NJ TEL B |
| Listing stock exchange | Shenzhen Stock Exchange | | |
| Legal Chinese name of the Company | 南京普天通信股份有限公司 | | |
| Abbr. of legal Chinese name of the Company | | | |
| Legal English name of the Company | Nanjing Putian Telecommunications Co., Ltd. | | |
| Abbr. of legal English name of the Company | | | |
| Legal Representative | Sun Liang | | |
| Registered Add. | No. 58 Qinhuai Road, Jiangning Economics and Technology Development Zone, Nanjing, Jiangsu Province | | |
| Post Code of registered add. | 211100 | | |
| Office Add. | No. 1 Putian Road, Qinhuai District Nanjing | | |

| | |
|--------------------------|--------------------------|
| Post Code of office add. | 210012 |
| Internet website | www.postel.com.cn |
| E-mail | securities@postel.com.cn |

(II) Contact person and ways

| | Secretary of the Board | Rep. of security affairs |
|--------------|---|---|
| Name | Zhang Shenwei | Xiao Hong |
| Contact add. | No. 1 Putian Road, Qinhuai District Nanjing Jiangsu Province | No. 1 Putian Road, Qinhuai District Nanjing Jiangsu Province |
| Tel. | 86-25-58962289 | 86-25-58962072 |
| Fax. | 86-25-52409954 | 86-25-52409954 |
| E-mail | zsw@postel.com.cn | xiaohong@postel.com.cn |

(III) Information disclosure and place for preparation

| | |
|---|--|
| Newspapers Designated for indormation disclosure | <i>Securities Times</i> and <i>Hong Kong Comercial Daily</i> |
| Website desinated by CSRC for publishing semi-annual report | www.cninfo.com.cn |
| place for preparation of semi-annual report | Security department of the Company |

III. Major accounting data and business abstract**(I) Major accounting data and financial indexes**

Whether retroactive adjusted on previous financial report or not

 Yes No non-application

Major accounting data

| Major accounting data | Reporting period (Jan. to June) | Same period of last year | Increase/decrease in this report period year-on-year (%) |
|---|------------------------------------|-----------------------------|--|
| Total business revenue(RMB) | 1,349,963,182.82 | 1,167,066,717.47 | 15.67% |
| Business profit(RMB) | 13,543,231.97 | 16,232,593.95 | -16.57% |
| Total profit(RMB) | 14,366,427.62 | 17,513,563.03 | -17.97% |
| Net profit attributable to shareholders of the listed company (RMB) | 6,038,203.37 | 7,654,146.53 | -21.11% |
| Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB) | 5,763,929.27 | 7,017,683.63 | -17.87% |
| Net cash flow arising from operating activities(RMB) | -28,209,564.55 | -123,457,082.73 | 77.15% |
| | End of this period | End of last period | Increase/decrease in this period-end over that of last period-end (%) |
| Total assets(RMB) | 2,271,900,285.79 | 2,050,755,987.18 | 10.78% |
| Owners' equity attributable to shareholders of the listed company(RMB) | 378,218,363.67 | 372,273,328.48 | 1.6% |

| | | | |
|----------------------|----------------|----------------|----|
| Share capital(Share) | 215,000,000.00 | 215,000,000.00 | 0% |
|----------------------|----------------|----------------|----|

Major financial indexes

| Major financial indexes | Reporting period (Jan. to June) | Same period of last year | Increase/decrease in this report period year-on-year (%) |
|--|------------------------------------|-----------------------------|---|
| Basic earnings per share (RMB/Share) | 0.028 | 0.036 | -22.22% |
| Diluted earnings per share (RMB/Share) | 0.028 | 0.036 | -22.22% |
| Basic EPS after deducting non-recurring gains/losses (RMB/Share) | 0.027 | 0.033 | -18.18% |
| Fully diluted ROE (%) | 1.6% | 2.08% | -0.48% |
| Weighted average ROE (%) | 1.61% | 2.1% | -0.49% |
| Fully diluted ROE after deducting non-recurring gains/losses (%) | 1.52% | 1.9% | -0.38% |
| Weighted average ROE after deducting non-recurring gains/losses (%) | 1.54% | 1.93% | -0.39% |
| Net cash flow per share arising from operating activities (RMB/Share) | -0.131 | -0.574 | 77.18% |
| | End of this period | End of last period | Increase/decrease in this period-end over same period of last period-end (%) |
| Net assets per share attributable to shareholder of listed company (RMB/Share) | 1.759 | 1.732 | 1.56% |
| Asset-liability ratio (%) | 79.5% | 77.62% | 1.88% |

Explanation on previous major accounting data and financial indexes at period-end (filling the adjustment explanation if retroactive adjusted)

(II) Difference of accounting data under CAS and IAS**1. Difference of net profit and net assets disclosed in financial report based on IAS and CAS**

Applicable Non-applicable

2. Difference of net profit and net assets disclosed in financial report based on foreign accounting standards and CAS

Applicable Non-applicable

3. Detail items for major differences

| Items with major differences | Amount involved (RMB) | Reasons for differences | Explanation on IAS and(or) foreign accounting standards involved |
|------------------------------|-----------------------|-------------------------|--|
| Non-application | | | |

4. Explanation on accounting data difference under the foreign/domestic accounting standards

Non-applicable

(III) Item and amount with non-recurring gains/losses deducted

√Applicable □Non-applicable

| Items | Amount (RMB) | Note |
|---|--------------|------|
| Gains and losses from disposal of non-current assets | 275,457.62 | |
| Tax refund or exemption out of authorization, with absence of official approval document or accidentally | | |
| Governmental subsidy calculated into current gains and losses(while closely related with the normal business of the Company, excluding the fixed-amount or fixed-proportion governmental subsidy according to the unified national standard) | 779,939.18 | |
| Fund occupation expenses received from non-financial enterprises that reckon into current gains/losses | | |
| Income occurred when investment cost paid by enterprise for obtaining subsidiaries, associates and joint ventures are lower than its share in fair value of net realizable assets of invested units | | |
| Gains and losses from exchange of non-monetary assets | | |
| Gains and losses from entrusted investment or management assets | | |
| Various asset impairment reserve provided for force majeure, such as natural disaster | | |
| Gains/losses from debt reorganization | 1,030.00 | |
| Reorganization expenses, such as expenditure for allocation of employees and integration fee | | |
| Gains and losses from excess of transaction which are conducted on a non-fair-valued basis over its fair value | | |
| Current net gains and losses of subsidiaries occurred from combination under the same control commencing from period-begin to combination date | | |
| Gains and losses from contingent events which has no relation with normal business of the Company | | |
| Gains and losses from change of fair values of held-for-transaction financial assets and financial liabilities except for the effective hedge business related to normal business of the Company, and investment income from disposal of transactional financial assets and liabilities and financial assets available for sale | | |
| Reversal of impairment reserve for account receivable with separate impairment testing | | |
| gains/ losses from external entrustment loans | | |
| Gains and losses arising from change of fair value | | |

| | | |
|---|-------------|----|
| of investment properties whose follow-up measurement are at fair value | | |
| Affect upon current gains/losses arising from the one-off adjustment in subject to requirement of laws and rules in relation to taxation and accounting | | |
| Income from entrusted custody operation | | |
| Other non-operating income and expenditure except the abovementioned | -272,281.40 | |
| Other item that satisfied the definition of non-recurring gains and losses | | |
| Influenced amount of minority shareholders' equity | 339,754.48 | |
| Impact on income tax | 170,116.82 | |
| | | |
| Total | 274,274.10 | -- |

Explanation on "Other item that satisfied the definition of non-recurring gains and losses" and defined non-recurring gains and losses as recurring gain/loss according to natures and characteristic of self-operation status

| Item | Amount involved (RMB) | Note |
|------|-----------------------|------|
| N/A | | |

IV. Changes in Share Capital and Particular about Shareholders

(I) Changes in share capital

1. Statement of changes in shares

Applicable Non-applicable

2. Changes in restricted shares

Applicable Non-applicable

(II) Security offering and listing

1. Security offering in previous three years

Applicable Non-applicable

2. Changes of total shares and structures as well as outcome of asset-liability structures

Applicable Non-applicable

3. Current shares held by internal staffs

Applicable Non-applicable

(III) Shareholders and actual controller

1. Total shareholders at period-end

Till end of reporting period, total shareholders of the Company amounting to 14,246.

2. Shares held by top ten shareholders

Applicable Non-applicable

| Particulars about the shares held by the top ten shareholders | | | | | | |
|---|---|-------------------------------|-----------------------------|--------------------------------------|--------------------------|--------|
| Shareholders (full name) | Nature of shareholders | Proportion of shares held (%) | Total amount of shares held | Amount of the restricted shares held | Shares pledged or frozen | |
| | | | | | Share status | Amount |
| China Potevio Company Limited | State-owned legal person | 53.49% | 115,000,000 | 115,000,000 | pledged | 0.00 |
| | | | | | frozen | 0.00 |
| CHAN KEUNG | Foreign nature person | 0.60% | 1,289,600 | 0 | | |
| ING ASIA PRIVATE BANK LIMITED | Foreign legal person | 0.45% | 959,199 | 0 | | |
| Wang Feifei | Domestic nature person | 0.27% | 588,008 | 0 | | |
| Shu Jianping | Domestic nature person | 0.23% | 500,500 | 0 | | |
| Gu Feng | Domestic nature person | 0.21% | 442,400 | 0 | | |
| Chen Chaofan | Domestic nature person | 0.19% | 416,979 | 0 | | |
| Yan Zengqing | Domestic nature person | 0.19% | 399,806 | 0 | | |
| Long Jianqiu | Domestic nature person | 0.16% | 340,000 | 0 | | |
| Zhao Guanghui | Domestic nature person | 0.15% | 331,550 | 0 | | |
| Explanation of shareholders | Except for first largest shareholder, it's unknown by the Company for shares pledge or frozen held by other shareholders. | | | | | |

Particular about circulated shares held by top 10 shareholders

Applicable Non-applicable

| Shareholders | Amount of circulated shares held at period-end | Type/amount of shares | |
|-------------------------------|--|-----------------------|-----------|
| | | Type | Amount |
| CHAN KEUNG | 1,289,600 | B-share | 1,289,600 |
| ING ASIA PRIVATE BANK LIMITED | 959,199 | B-share | 959,199 |
| Wang Feifei | 588,008 | B-share | 588,008 |
| Shu Jianping | 500,500 | B-share | 500,500 |
| Gu Feng | 442,400 | B-share | 442,400 |
| Chen Chaofan | 416,979 | B-share | 416,979 |
| Yan Zengqing | 399,806 | B-share | 399,806 |
| Long Jianqiu | 340,000 | B-share | 340,000 |
| Zhao Guanghui | 331,550 | B-share | 331,550 |
| Liu Yunxiang | 326,458 | B-share | 326,458 |

Explanation on associated relationship among the top ten shareholders or (and) consistent action

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.

Strategy investor or general legal person comes to top ten shareholders of the Company due to new shares allocation

Applicable Non-applicable

3. Controlling shareholders and actual controller

(1) Changes of controlling shareholders and actual controller

Applicable Non-applicable

(2) Introduction of controlling shareholders and actual controller

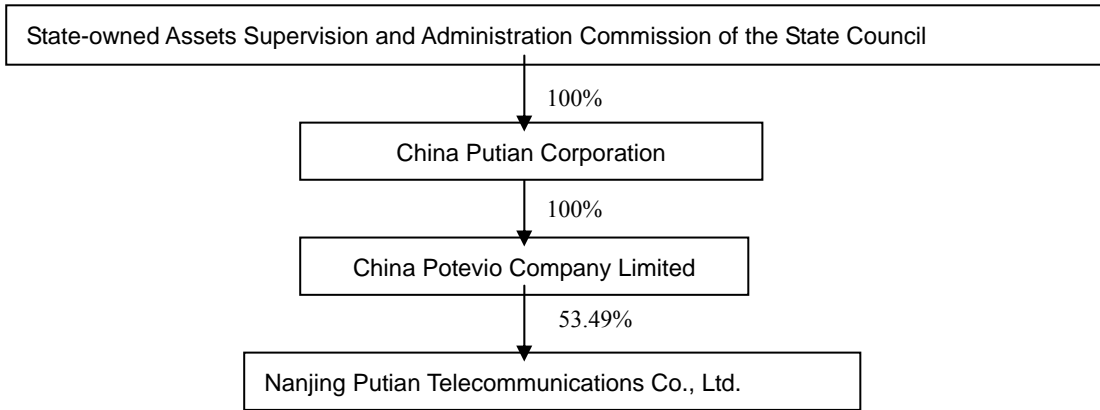
Whether has new actual controller or not

Yes No Non-application

| | |
|---------------------------|-------|
| Name of actual controller | SASAC |
| Type of actual controller | SASAC |

Explanations:

(3) Block diagram of property rights and controlling relationship between the Company and actual controller



(4) Actual controller controlling the Company by means of entrust or other assets management

Applicable Non-applicable

4. Other legal person's shareholders with over ten percent shares held

Applicable Non-applicable

(IV) Convertible bonds

Applicable Non-applicable

V. Directors, Supervisors and Senior Executives

(I) Changes of shares held by directors, supervisors and senior executive

| Name | Title | Sex | Age | Office dated from | Office dated ended | held at period-begin(Share) | Amount of shares increase in this period(Share) | Amount of shares decreased in this period (Share) | Shares held at period-end (Share) | Including: restricted shares held (Share) | Amount of stock option held at period-end (Share) | Reasons for changes | Whether received remuneration from shareholders' unit or other related unit or not |
|---------------|----------------------|-----|-----|-------------------|--------------------|-----------------------------|---|---|-----------------------------------|---|---|---------------------|--|
| Sun Liang | Chairman, Director | M | 48 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | Yes |
| Wang Hong | Deputy chairman, GM | F | 46 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | No |
| Li Tong | Director, Deputy GM | M | 42 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | No |
| Han Shu | Director | M | 49 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | Yes |
| Li Ying | Director | F | 46 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | Yes |
| Huang Haodong | Director | M | 39 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | Yes |
| Zhang Shunyi | Independent Director | M | 68 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | No |
| Zheng Aimei | Independent Director | F | 65 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | No |
| Ding Haiyan | Independent Director | M | 56 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | No |
| Yang Zhihe | Chief Supervisor | M | 60 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | Yes |
| Tang Di | Supervisor | F | 36 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | Yes |

| | | | | | | | | | | | | | |
|---------------|--------------------------------------|----|----|------------|------------|---|---|---|---|---|---|----|-----|
| Liu Xiaodong | Supervisor | F | 41 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | No |
| Jiang Hanbin | Deputy GM | M | 50 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | No |
| Zhang Shenwei | Deputy GM, Secretary of the Board | M | 37 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | No |
| Lu Yongshu | Deputy GM | M | 52 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | No |
| Shi Lian | Chief accountant, CFO | M | 40 | 2012-05-17 | 2015-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | No |
| Kong Shanyou | Former director | M | 47 | 2011-06-17 | 2012-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | Yes |
| Zhu Hongchen | Former supervisor | M | 50 | 2011-06-17 | 2012-05-17 | 0 | 0 | 0 | 0 | 0 | 0 | - | Yes |
| Total | -- | -- | -- | -- | -- | 0 | 0 | 0 | 0 | 0 | 0 | -- | -- |

Directors, supervisor and senior executives who awarded equity incentive in report period

Applicable Non-applicable

(II) Representation

Representation in shareholders' unit

√Applicable □Non-applicable

| Name | Shareholders' unit | Post occupied | Service term from | Service term ended | Whether received remuneration from shareholders' unit or not |
|----------------------------------|-------------------------------|--|-------------------|--------------------|--|
| Sun Liang | China Potevio Company Limited | Vice president | 2011-03-03 | | Yes |
| Han Shu | China Potevio Company Limited | Deputy general manager of telecommunication segment and general manager of sales & marketing segment | 2009-01-19 | | Yes |
| Li Ying | China Potevio Company Limited | General manager of human resources department | 2010-12-16 | | Yes |
| Li Ying | China Putian Corporation | General manager of human resources department | 2011-12-22 | | No |
| Huang Haodong | China Potevio Company Limited | Deputy general manager of broadcasting business segment and general manager of marketing segment | 2007-12-13 | | Yes |
| Yang Zhihe | China Potevio Company Limited | General manager of audit supervision department | 2008-03-18 | | Yes |
| Yang Zhihe | China Potevio Company Limited | Supervisor | 2008-08-21 | | Yes |
| Yang Zhihe | China Putian Corporation | Deputy director of discipline inspection works of the party committee | 2011-08-15 | | No |
| Tang Di | China Potevio Company Limited | Deputy manager of the comprehensive management department in charge of legal affairs | 2008-05-07 | | Yes |
| Tang Di | China Potevio Company Limited | Assistant to general manager of audit supervision legal office | 2011-11-21 | | Yes |
| Explanation on job occupation in | | | | | |

| | |
|--------------------|--|
| shareholders' unit | |
|--------------------|--|

Representation in other unit

√Applicable □Non-applicable

| Name of person taking positions | Name of other unit | Position taken in other unit | Commencing date for service term | Expiring date for service term | Receive remuneration from other unit or not |
|---|---|---|----------------------------------|--------------------------------|---|
| Sun Liang | Wuhan Fenghuo Putian Information Technology Co., Ltd. | Director, chairman (legal representative) | 2009-09-09 | | No |
| Sun Liang | Putian Peace Technology Co., Ltd. | Director, chairman (legal representative) | 2012-02-07 | | No |
| Li Ying | Beijing Capitel Co., Ltd. | Director | 2008-01-08 | | No |
| Li Tong | Nanjing Putian High-tech Industry Park | Director | 2007-11-20 | | No |
| Huang Haodong | National Engineering Lab for Digital TV (Beijing) | Director | 2010-06-08 | | No |
| Huang Haodong | Putian Peace Technology Co., Ltd. | Director | 2012-02-07 | | No |
| Yang Zhihe | Chengdu Putian Cable Co., Ltd. | Supervisor, chairman of the supervisory committee | 2008-05-16 | | No |
| Tang Di | Putian Yintong Information Technology Co., Ltd. | Director | 2010-03-24 | | No |
| Tang Di | Putian Peace Technology Co., Ltd. | Supervisor, chairman of the supervisory committee | 2012-02-07 | | No |
| Zhang Shunyi | Nanjing University of Posts and Telecommunications | Professor | 1995-07-15 | | Yes |
| Zheng Aimei | Tianye Tax Affairs Office | Principal | 2006-09-26 | | Yes |
| Ding Haiyan | Communication University of China, Nanjing | Vice president | 2004-09-15 | | Yes |
| Explanation on job occupation in other unit | | | | | |

(III) Remuneration of directors, supervisors and senior executives

| | |
|---|---|
| Decision making process for remuneration of directors, supervisors and senior | The Company paid no remuneration to directors and supervisors, and directors and supervisors taking administrative roles in the Company received their remuneration for such administration roles. Independent directors received allowances for independent directors from the Company, the specific amount of which was decided by general meetings. The remuneration standards and review method for senior management was |
|---|---|

| | |
|---|---|
| management | subject to determination by the Board. |
| Basis for determination of the remuneration of directors, supervisors and senior management | Annual remuneration system based on performance was applicable to the senior management of the Company. Examination on and remuneration paid to senior management was determined by reference to the Company's production and operation indicators and completion progress of works assumed by senior management. |
| Actual payment of the remuneration of directors, supervisors and senior management | In the first half of 2012, an aggregate of RMB650, 600 (tax included) was actually paid to directors and supervisors taking administrative positions in the Company, independent directors and senior management. |

(IV) Changes of directors, supervisors and senior executives

| Name | Post holding | Changes | Date of changes | Reasons of changes |
|---------------|-----------------------------------|---------------------------|-----------------|--|
| Sun Liang | Chairman | Newly elected | 2012-05-17 | Selection for new session of the Board |
| Wang Hong | Deputy chairman, GM | Newly elected and engaged | 2012-05-17 | Selection for new session of the Board, addition engagement for another session of senior management |
| Li Tong | Director, Deputy GM | Newly elected and engaged | 2012-05-17 | Selection for new session of the Board |
| Han Shu | Director | Newly elected | 2012-05-17 | Selection for new session of the Board |
| Li Ying | Director | Newly elected | 2012-05-17 | Selection for new session of the Board |
| Huang Haodong | Director | Newly elected | 2012-05-17- | Selection for new session of the Board |
| Zhang Shunyi | Independent Director | Newly elected | 2012-05-17 | Selection for new session of the Board |
| Zheng Aimei | Independent Director | Newly elected | 2012-05-17 | Selection for new session of the Board |
| Ding Haiyan | Independent Director | Newly elected | 2012-05-17 | Selection for new session of the Board |
| Yang Zhihe | Chief Supervisor | Newly elected | 2012-05-17 | Selection for new session of the supervisory committee |
| Tang Di | Supervisor | Newly elected | 2012-05-17 | Selection for new session of the supervisory committee |
| Liu Xiaodong | Supervisor | Newly elected | 2012-05-17 | Selection for new session of the supervisory committee |
| Jiang Hanbin | Deputy GM | Newly engaged | 2012-05-17 | Addition engagement for another session of senior management |
| Zhang Shenwei | Deputy GM, Secretary of the Board | Newly engaged | 2012-05-17 | Addition engagement for another session of senior management |
| Lu Yongshu | Deputy GM | Newly engaged | 2012-05-17 | Addition engagement for another session of senior management |
| Shi Lian | Chief accountant | Newly engaged | 2012-05-17 | Addition engagement for another session of senior management |
| Kong Shanyou | Director | Resign | 2012-05-17 | Expire of service term |
| Zhu Hongchen | Supervisor | Resign | 2012-05-17 | Expire of service term |

(V) Staff of the Company

| | |
|--|----------------------------------|
| Person on-jobs | 1,775 |
| Retirement person whose charges undertake by the Company | 492 |
| Professional categories | |
| Types of professional category | Numbers of professional category |
| Production staff | 411 |
| Salesman | 589 |
| Technician | 419 |
| Financial staff | 45 |
| Administration staff | 127 |
| Education background | |
| Type of education background | Numbers (people) |
| High school and below | 484 |
| Junior college | 575 |
| Undergraduate | 689 |
| Master | 27 |
| Doctor | |
| Post-doctoral | |

Explanation of staff

The professional staff constitution of the Company also included 77 persons in charge of purchase and stock, and 107 supporting staff.

VI. Report of the Board**(I) Management discussion and analysis**

During the reporting period, based on its annual operation target, the Company managed to improve operation quality and record steady progress with the principles of operation of human being, platform and resources pursuant to the guidance determined at the beginning of the year. The Company carried out following works during the reporting period:

Firstly, strengthened market development and stabilized its industry position. Oriented for the industry development target, namely being advanced among the industry, famous among domestic market and competitive among international market, the Company was dedicated to build synergistic competitiveness among its internal industry chain by virtue of its background of being a competitive state-owned enterprise. Through focusing on different competition in respect of products and services, the Company realized broad coverage of market network, enhanced brand recognition and produced industry influences. When expanding market share, the Company also focused on growth quality based on its operation principles of operation quality. More resources were allocated in blind regions, aiming to achieve reasonable allocation of product structure. Commercial review was strengthened to improve profitability.

Secondly, innovation and transformation in development to improve profitability. Its traditional industry was subject to limited profit-making space due to the influence of counter bid of market. In order to accelerate industry transformation and upgrade and cultivate strategic new industry, the

Company continued to combine self-innovation and integrated innovation and to enhance value in customer application. The Company also strengthened industry synergy and filter industry applications. Meanwhile, by improving its professional service ability, the Company transformed from single product supplier to integrated solution service provider in respect of its industry chain layout.

Thirdly, controlled capital risk and improved operation quality. The further increased capital management to prevent from financial risk. With promotion of management over both income and expenditure, the Company realized highly-concentrated management over capital. Management and control over capital was strengthened by the Company. In particular, capital occupation fee was charged to business segments to guarantee high efficient application of capital resources. The Company conducted analysis on the structure of book ages and inventory ages, focusing on recovery of account receivables aging over 6 months. Arrears owed over 1 year was classified for specific accounting, and recovery of significant account receivables aging over 2 years was recorded in the Company's legal system. When necessary, legal proceedings would be raised to effectively avoid bad debt risk.

The Company paid more attention to contract quality and commercial review, gross profit and credit terms of accounts. As for delivery of goods involving significant account receivables and high risk, second-level units shall raise attention to the account receivables and inventory, and adopt effective measures to control relevant risks. Cooperation between various internal departments was strengthened in terms of production, transportation, technical support and business management, aiming to recovery of sales account. Efforts were made to improve management of normal sales accounts and to conduct regular trace on overdue accounts. Particularly, each account was checked, person in charge was determined, and prepared issuance and recovery plan for each arrear within a limited period.

Fourthly, allocated resources generally and coordinated industry development. Currently, the Company was increasingly subject to shortage of resources, certain factors including capital, location and new technology limited its future development. In order to effectively take use of the existing resources and platform, the Company, under the guidance of three operation principles, centralized allocation, made reasonable utilization of resources and maximized resources benefits by industry structure adjustment and reorganization of organization structure.

Fifthly, promoted defined management and improved operation quality. Facing continuous increase of production cost relating to raw materials and utilities and labor costs and continuous decline of selling price arising from centralized purchase, the Company continued to strengthen defined and professional management, actively drove management innovation and continuously adapted to economic pattern transformation needs, to serve and support industry development.

Sixthly, strengthened party group construction, built healthy operation environment and promoted harmonious development.

With efforts from entire employees, the Company recorded operation income of RMB1,349,963,182.82, representing an increase of 15.67% as compared to the same period of last year; operation profit of RMB13,543,231.97, representing a decrease of 16.57% as compared to the same period of last year; net profit of RMB6,038,203.37, representing a decrease of 21.11% as compared to the same period of last year

Analysis of financial position and operation results of the Company for the reporting period was as follows:

| Item | 30 June 2012 | 31 December 2011 | Increase/decrease (RMB) | Change |
|--|-------------------|-------------------|----------------------------|---------|
| Total assets | 2,271,900,285.79 | 2,050,755,987.18 | 221,144,298.61 | 10.78% |
| Shareholders' equity | 378,218,363.67 | 372,273,328.48 | 5,945,035.19 | 1.60% |
| Accounts receivable | 899,136,010.05 | 736,141,568.31 | 162,994,441.74 | 22.14% |
| Inventory | 595,638,108.81 | 552,349,491.53 | 43,288,617.28 | 7.84% |
| account payable | 1,064,521,817.87 | 906,751,164.90 | 157,770,652.97 | 17.40% |
| | January-June 2012 | January-June 2011 | Increase/decrease (RMB) | Change |
| operating income | 1,349,963,182.82 | 1,167,066,717.47 | 182,896,465.35 | 15.67% |
| operating cost | 1,167,040,803.45 | 1,016,732,478.71 | 150,308,324.74 | 14.78% |
| operating profit | 13,543,231.97 | 16,232,593.95 | -2,689,361.98 | -16.57% |
| selling expenses | 85,918,634.36 | 67,934,941.52 | 17,983,692.84 | 26.47% |
| Management costs | 61,694,140.49 | 51,471,437.38 | 10,222,703.11 | 19.86% |
| Financial costs | 16,942,792.36 | 12,030,031.87 | 4,912,760.49 | 40.84% |
| asset impairment loss | 1,999,859.94 | 1,999,655.74 | 204.20 | 0.01% |
| Investment income | 1,462,045.66 | 2,853,983.65 | -1,391,937.99 | -48.77% |
| Net non-operating income/expense | 823,195.65 | 1,280,969.08 | -457,773.43 | -35.74% |
| Total profit | 14,366,427.62 | 17,513,563.03 | -3,147,135.41 | -17.97% |
| Net profit attributable to owners of the parent | 6,038,203.37 | 7,654,146.53 | -1,615,943.16 | -21.11% |
| Net cash flow from operating activities | -28,209,564.55 | -123,457,082.73 | 95,247,518.18 | 77.15% |
| Net cash flow from investment activities | -6,623,050.43 | -6,344,782.30 | -278,268.13 | -4.39% |
| Net cash flow from financing activities | 25,998,195.54 | 48,687,455.47 | -22,689,259.93 | -46.60% |

For the first half year, the Company realized operation income of RMB1,349,963,200, total profit of RMB14,366,400 and sales profit margin of 1.06%, representing relatively sales profit margin as compared to 1.5% of the same period of last year. Though gross profit margin slightly increased, operation profit from products (excluding extraordinary gains and losses) was slightly lower than that of last year due to increase of expenses as compared to the same period of last year.

As compared to the beginning of the year, account receivables increased by RMB162,994,400, accounting for 39.58% of the total assets as of period-end, representing relatively high proportion. Increase of account receivables was mainly attributable to affect of seasonality on recovery. Recovery didn't accord with sales increase. Based on analysis in respect of previous trend, sales recovery was expected to turn better in the second half year.

Net carrying value of inventory as of period-end was RMB 595,638,100, representing an increase of RMB43,288,600, accounting for 26.22% of total assets. For the first half year, the average inventory occupation was RMB585,435,300, with turnover days of 88.45 days. Increase of inventory was mainly due to increase of goods delivered. Generally, inventory quality risk was not

material, while increase of inventory occupied part capital. The Company would continue to strengthen management of goods by prompt reception of receipt confirmation after delivery of goods. Besides, written reminder in respect of goods delivered was prepared, and sales staffs were urged to conclude contract as soon as possible to realize sales.

Cash and cash equivalents of the Company for the first half year decreased by RMB8,821,000 as compared to year-begin, and the Company realized net cash outflow RMB28,209,600 from operating activities, net cash outflow RMB6,623,100 from investment activities, and net cash inflow RMB25,998,200 from financing activities.

Net cash outflow from investment activities was mainly attributable to later stage input for plant construction of phase II of Tianji Building, RMB3,112,900 expenditure for construction of warehouse of the headquarter and other fixed assets investment expenditure.

Net cash outflow from operating activities was mainly attributable to (i) substantial cash outflow arising from significant account payables paid at year-begin; (ii) purchase for inventory increased since sales increased, resulting increase of payment; (iii) account receivables increased, resulting in relatively small cash inflow; and (iv) the Company faced increasing labor costs and expenses as sales expanded, resulting in increase of cash costs and various taxes as compared to previous year. In order to ease capital pressure, the Company would strengthen collection of account receivables and control of account paid in advance and account payables and purchase volume, so as to guarantee dynamic balance of liquidity.

Whether the actual operation results differed from the profit forecast or operation plan which was publicly disclosed by the Company over 20%:

Yes No Non-applicable

Operation and results analysis of major subsidiaries and shareholding companies of the Company

Operation results of major subsidiaries for the first half of 2012 (RMB):

| Name of company | Interest held by the Company | Major products or services | Registered capital | Total assets as at year-end | Net assets as at year-end | Total operating income | Operating profit | Net profit/(net losses) |
|--|------------------------------|---|--------------------|-----------------------------|---------------------------|------------------------|------------------|-------------------------|
| Nanjing South Telecommunication Co., Ltd. | 98.24% | Manufacture and sales of telecommunication products | 34,205,147.83 | 366,726,634.23 | 76,285,495.83 | 290,912,633.34 | 7,986,900.47 | 7,179,539.26 |
| Nanjing Putian Tianji Building Smart Co., Ltd. | 45.77% | Production and sales of building smart products | 12,000,000 | 204,307,749.03 | 67,617,300.95 | 122,022,465.77 | 4,405,151.78 | 3,689,587.85 |
| Nanjing Putian Network Co., | 78% | Research & development, production and | 10,000,000 | 29,474,152.63 | 22,820,405.48 | 20,774,458.79 | 1,608,814.76 | 2,283,539.66 |

| | | | | | | | | |
|--|--------|---|--------------|----------------|----------------|----------------|--------------|--------------|
| Ltd. | | sales of telecommunication, network and electronic equipment-related software | | | | | | |
| Nanjing Putian Changle Telecommunication Equipment Co., Ltd. | 50.70% | Manufacture and sales of outdoor wiring, branch wiring equipment, outdoor and generator room network chassis equipments and telecommunication electronic products | 10,000,000 | 165,350,613.54 | 38,269,883.44 | 116,021,362.30 | 6,923,083.27 | 7,254,145.07 |
| Nanjing Bada Telecommunication Equipment Co., Ltd. | 60% | Manufacture of card terminal telecommunication equipments | 11,301,400 | 34,018,333.59 | 7,142,108.02 | 15,367,077.41 | -786,843.36 | -848,319.96 |
| Putian Telecommunication (Hong Kong) Co., Ltd. | 90% | Import-export trading of telecommunication products, R&D of telecommunication products, R&D and transfer of high-tech technology, technology trading | HKD2,000,000 | 6,705,115.12 | -16,926,478.13 | 2,236,257.81 | -48,569.40 | -48,569.40 |
| Nanjing Putian Wangzhi Telecommunication Co., Ltd. | 99.42% | Production, processing and sales of electronic products | 90,190,000 | 26,765,074.72 | 37,376,026.87 | 8,491,345.87 | 81,975.16 | 81,975.16 |
| Nanjing Putian | 99.98% | Manufacture and sales of | 14,000,000 | 7,431,436.27 | 4,668,560.72 | 3,848,190.89 | -2,124.17 | -57,838.28 |

| | | | | | | | | |
|---|-----|---|--------------|----------------|---------------|---------------|--------------|--------------|
| Information Technology Co., Ltd. | | electronic telecommunication equipments | | | | | | |
| Nanjing Putian Telecommunication Technology Co., Ltd. | 70% | Assemble of electronic accessories, R&D and sales of electronic products and telecommunication equipments | 5,000,000 | 3,089,907.63 | 426,985.76 | 2,659,863.27 | -387,129.69 | -266,308.74 |
| Nanjing Mennekes Electrical Appliance Co., Ltd. | 75% | Production and sales of industrial plug and socket | USD5,200,000 | 131,956,400.09 | 89,714,184.08 | 53,297,064.38 | 2,640,171.63 | 2,072,328.93 |

Companies, from which the investment income accounted for over 10% of the Company's consolidated net profit (RMB), were as follows:

| Name of investee | Shareholding proportion of the Company | Major products or services | Net assets as at year-end | Total operating income for the year | Net profit for the year |
|---|--|--|---------------------------|-------------------------------------|-------------------------|
| Nanjing Puzhu Optical Network Co., Ltd. | 50.00% | Development and production of ODN products, optical telecommunication parts and RFTS | 29,208,484.05 | 50,058,576.74 | 2,499,075.20 |

All risk factors which may adversely affect future development strategy and realization of operation target

Industry risk: in May 2012, the Ministry of Industry and Information Technology issued the Twelfth-five Year Development Plan of Telecommunication industry, pursuant to which, the development target of Wide Band China strategy was determined. However, due to the slow economic recovery, operators reduced network expenses substantially. In terms of general industry, construction for global 3G network has been out of time, and layout for 4G just started, representing limited contribution to telecommunication operators in future 2 to 3 years. Besides, telecommunication industry has transformed from speech sounds to mobile networks, resulting in challenges to telecommunication equipment market. Optical fiber wide band market which was the core development during the twelfth-five year plan became the new investment project, leading to increasing furious industry competition. Group bidding of operators directly resulted in great decline of gross profit margin of products.

Operational and financial risks: due to that recovery of capital was inconsistent with the increase of sales income, the Company faced tight liquidity. Net cash outflow from operating activities meant that it was difficult to meet capital requirements for further expansion of operation scale.

1. Main business and operations

(1) Statement of main business classified according to industries and products

Unit: RMB

| Classified according to industries or products | Operating revenue | Operating cost | Gross profit ratio (%) | Increase or decrease of operating revenue over the last same period of last year (%) | Increase or decrease of operating cost over the last same period of last year (%) | Increase or decrease of gross profit ratio over the last same period of last year (%) |
|--|-------------------|------------------|------------------------|--|---|---|
| According to industries | | | | | | |
| Manufacture of telecommunication equipment | 1,287,158,567.25 | 1,119,838,957.60 | 13% | 11.63% | 10.98% | 0.51% |
| Manufacture of appliance equipment | 52,013,535.66 | 39,522,573.72 | 24.01% | - | - | - |
| According to products | | | | | | |
| Telecommunication products | 1,287,158,567.25 | 1,119,838,957.60 | 13% | 11.63% | 10.98% | 0.51% |
| Appliance products | 52,013,535.66 | 39,522,573.72 | 24.01% | - | - | - |

Explanation on main business classified according to industries and products

The major operating income and costs of the Company for the first half year included no electrical appliances.

The Company acquired 25% equity interests in Nanjing Mennekes Electrical Appliances Co., Ltd. in December 2011, which increased its shareholding in such company from 50% to 75%. Since 1 January 2012, profit statement of this company was consolidated into the Company, thus the major operating income and costs of the Company for the year included electrical appliances.

Reasons for significant change of gross profit margin as compared to the same period of last year

There was no significant change in gross profit margin for the year.

(2) Main business classified according to areas

Unit: RMB

| Areas | Operating revenue | Increase/decrease in revenue from operations over the same period of last year (%) |
|-------------|-------------------|--|
| North China | 232,185,592.89 | -14.65% |
| East China | 722,520,565.52 | 28.82% |
| Others | 384,465,944.50 | 20.11% |

Explanation on main business according to areas

North of China represented Beijing, Tianjin, Shanxi, Hebei, and Inner Mongolia; east of China represented Shanghai, Shandong, Jiangsu, Anhui.

Constitution of major businesses

The major business of the Company was manufacture and sales of telecommunication products.

(3) Explanation on reasons of material changes in main operations and its structure

Applicable Non-applicable

(4) Explanation on reasons of material changes in profitability (gross profit ratio) of main operations compared with that of last year

Applicable Non-applicable

(5) Analysis on reasons of material changes in profit structure compared with the previous year

Applicable Non-applicable

| Item | January-June 2012 | January-June 2011 | Increase/decrease (RMB) | Change |
|---|-------------------|-------------------|-------------------------|---------|
| Operating income | 1,349,963,182.82 | 1,167,066,717.47 | 182,896,465.35 | 15.67% |
| Operating costs | 1,167,040,803.45 | 1,016,732,478.71 | 150,308,324.74 | 14.78% |
| Operating profit | 13,543,231.97 | 16,232,593.95 | -2,689,361.98 | -16.57% |
| Selling expenses | 85,918,634.36 | 67,934,941.52 | 17,983,692.84 | 26.47% |
| Administration expenses | 61,694,140.49 | 51,471,437.38 | 10,222,703.11 | 19.86% |
| Finance expenses | 16,942,792.36 | 12,030,031.87 | 4,912,760.49 | 40.84% |
| Investment income | 1,462,045.66 | 2,853,983.65 | -1,391,937.99 | -48.77% |
| Net non-operating income/expense | 823,195.65 | 1,280,969.08 | -457,773.43 | -35.74% |
| Total profit | 14,366,427.62 | 17,513,563.03 | -3,147,135.41 | -17.97% |
| Net profit attributable to owners of the parent | 6,038,203.37 | 7,654,146.53 | -1,615,943.16 | -21.11% |

Items experiencing significant changes in terms of amount and scope, and reason thereof:

Main reasons for increase of selling expenses: after-sale service fee, entertainment expenses, salary costs, transportation costs and traveling expenses increased as sales scale expanded; consolidation of statement of Nanjing Mennekes contributed increase of RMB5.89 million for this period.

Main reasons for increase of administration expenses: technical development expenses increased RMB4,417,400 since the Company allocated more resources in technical development; salary costs increased by RMB1,708,300 and office expenses increased by RMB3,323,800; consolidation of statement of Nanjing Mennekes contributed increase of RMB2.96 million for this period.

Main reasons for increase of financial expenses: interest costs increased due to the raise of bank lending rate and discount rate of bank acceptance draft.

Main reasons for decrease of investment income: the Company acquired equity interests in Nanjing Mennekes Electrical Appliances Co., Ltd. at the end of 2011. According to requirements of accounting principles, the company was accounted by cost method rather than equity method for this period, leading to decrease of RMB3, 116,700 of investment income as compared to the same period of last year; investment income increased by RMB1, 683,900 due to the increase of profit of the Company's joint venture Nanjing Puzhu Optical Network Co., Ltd., representing an increase of RMB1, 709,200 as compared to the same period of last year.

(6) Business nature, major products or services and net profit of Shareholding Company contributing over 10% net profit

√ Applicable □ Non-applicable

| Name of investee | Shareholding proportion of the Company | Major products or services | Net assets as at year-end | Total operating income for the year | Net profit for the year |
|---|--|--|---------------------------|-------------------------------------|-------------------------|
| Nanjing Puzhu Optical Network Co., Ltd. | 50.00% | Development and production of ODN products, optical telecommunication parts and RFTS | 29,208,484.05 | 50,058,576.74 | 2,499,075.20 |

(7) Matters and problems concerning operation

With increasing scale of production and sales, the Company also faced certain matters and problems, including: its traditional industry was subject to limited profit-making space due to the influence of counter bid of market, which produced press on the Company about transformation; shortage of resources was not able to meet the requirements of industry development; relatively high gearing ratio and increasing financial risk; ability of expanding new industry was limited and it was still hard to make industry structure adjustment; there was space for the headquarter to allocate resources on a general basis.

2. Internal control mechanism related with fair-value measurement

Applicable Non-applicable

3. Foreign currency financial assets and financial liabilities held

Applicable Non-applicable

Unit: RMB

| Item | At the period-begin | Gains/losses of variation of fair value in this period | Accumulative variation of fair value reckoned into equity | Decrease of accrual in this period | At the period-end |
|---|---------------------|--|---|------------------------------------|-------------------|
| Financial assets | | | | | |
| Including: 1. Financial assets at fair value through current gains and losses | | | | | |
| Including; Derivative financial assets | | | | | |
| 2. Loans and receivables | 8,734,677.22 | | | | 5,603,134.20 |
| 3. financial assets available-for-sale | | | | | |
| 4. investments held to maturity | | | | | |
| Subtotal of financial assets | 8,734,677.22 | | | | 5,603,134.20 |
| Financial liabilities | 11,007,279.09 | | | | 5,380,633.16 |

(II) Investment of the Company**1. General Application of the raised proceeds**

Applicable Non-applicable

2. Commitments on projects of raised funds

Applicable Non-applicable

3. Changes of projects of raised funds

Applicable Non-applicable

4. Investment on major projects of non-raised funds

Applicable Non-applicable

(III) The modification of Board to the business plan for the second half of the year

Applicable Non-applicable

(IV) Prediction of business performance from January – September 2012

Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

Applicable Non-applicable

(V) Explanation on “Qualified Opinion” from the Certified Public Accountants in the report period by the Board of Directors

Applicable Non-applicable

(VI) Explanation of the Management on changes and disposal of the issues involved in “Qualified Opinion” from the Certified Public Accountants in the last year by the Board of Directors

Applicable Non-applicable

(VII) Stating the discussion results issued by the Board on changes in the Company’s accounting policies and accounting estimates or reasons for material accounting error correction and influences thereof

Applicable Non-applicable

(VIII) Determination and implementation of cash dividend policies of the Company

1. Preparation of cash distribution policy:

During the reporting period, pursuant to the notice on further implement issues related to cash distribution of listed company issued by the CSRC, the notice on further implement requirements related to cash distribution of listed company issued by Jiangsu securities regulatory bureau and relevant requirements of Shenzhen Stock Exchange, the Company amended terms of the Articles of Association concerning profit distribution policy, to define cash distribution policy specifically. The resolution regarding to such amendment was considered and approved at the 3rd meeting of the 6th board of directors of the Company, and then approved at the 2nd extraordinary general meeting for 2012.the preparation and decision-making

procedures about the cash distribution policy was open and transparent, meeting relevant requirements. The amended articles of association further defined the pattern of profit distribution, specific conditions and proportion for cash distribution, specific conditions for issuing stock dividend, consideration procedure of profit distribution scheme, conditions and decision-making of change in profit distribution policy. Various channels were available for receiving opinions from independent directors and minority shareholders, which enhanced transparency and availability of profit distribution policy and further improved its profit distribution.

2. Implementation of cash distribution policy:

Due to that the previous accumulated losses haven't been totally compensated in recent 3 years, which meant that condition for implementing profit distribution was not satisfied as required by the Company Law and the Articles of Association, the Company didn't make profit distribution. In future, the Company will realize return for shareholders by further enhancement in corporate operation and management and improvement in operation results.

(IX) Plan of profit distribution or capital reserve capitalizing

Applicable Non-applicable

(X) Positive retained profit accumulated at end of 2011 without cash distribution carried out

Applicable Non-applicable

(XI) Other events disclosed

1. Preparation and implementation of insider management policy in respect of inside information

In order to strengthen management over inside information and maintain fair information disclosure, the Company has prepared its insider management policy in respect of inside information according to relevant laws and regulations. During the reporting period, the Company strictly observed provision of such policy to register personal information about insiders, so as to prevent information leakage. During the reporting period, no director, supervisor and senior management of the Company was found to trade in its shares before disclosure of material sensitive information which affected share price of the Company. Besides, the Company received no regulatory measures and punishment by relevant regulatory authorities for conducting or involving inside transaction due to its insider of inside information registration system.

2. In the reporting period, resolution about transferring 17.79% equity interests in Shanghai Yulong Biology Science & Technology Co., Ltd. and Qufu Yulong Biology Science & Technology Co., Ltd. was approved at the board meeting and general meeting of the Company. Details were set out in the paragraph Disposal of assets in the section V. Significant matters.

3. Innovation in technology: the Company continued to make innovation based on market direction, and to improve product technology based on needs from industrial users. The Company developed a series of new products including heat-melting site connector, CP MSAP02A multi-business optical access equipments, FTTH optical splitter box and smart wiring system, etc. a total of 17 patents were obtained, including 1 inventory patent and 16 utility model patents.

4. Saving energy and reducing emission: during the reporting period, through increase of inspection and supervision over the power and water utilization of its underlying organizations, increase of promotion and inspection over power and water utilization and adoption of various measures to control water and power utilization, the Company used 94% and 88% power and water as compared to the corresponding period of last year.

(XII) Liabilities, credit changes and cash arrangement for debt paying in later year (Only applies to listed company with corporate convertible bonds offered)

Applicable Non-applicable

VII. Significant Event

(I)Corporate governance

Pursuant to requirements of the Company Law, the Securities Law, Governance Rules of Listed Company and Listing Rules Governing Shares of Shenzhen Stock Exchange, the Company continuously improved its corporate governance structure, established healthy internal control system and standardized its operation. During the reporting period, as required by the relevant provisions of the CSRC and Jiangsu securities regulatory bureau, the Company prepared implementation scheme for annual internal control system to promote construction of internal control system thoroughly. Pursuant to the notice on further implement issues related to cash distribution of listed company issued by the CSRC, the Company amended terms of the Articles of Association concerning profit distribution policy, to further improves its profit distribution policy.

As of the end of the reporting period, the corporate governance structure was reasonable, since under its normal standardized operation, general meeting, the Board and the supervisory committee can perform their respective function according to the Company Law and the Articles of Association. Relevant approval and information disclosure in respect of its material external investment and related transactions were conducted according to requirements of laws and regulations. The actual condition of its corporate governance met requirements of relevant national laws, regulations and regulatory documents issued by the CSRC in respect of listed company governance.

(II) Implementation of profit distribution plan, capital reserve capitalizing or shares offering that plan out previously and carry out in this reporting period

Applicable Non-applicable

(III) Material lawsuits and arbitrations

Applicable Non-applicable

No material lawsuits and arbitrations occurred in this period

(IV) Related event of bankruptcy reorganization

Applicable Non-applicable

(V) Equity of other listed company and stock jointly financial enterprise held by the Company

1. Security investment

Applicable Non-applicable

Explanation on security investment

2. Equity of other listed company held by the Company

Applicable Non-applicable

Explanation on equity of other listed company held by the Company

3. Equity of non-listed financial enterprise held by the Company

Applicable Non-applicable

Explanation on equity of non-listed financial enterprise held by the Company

4. Buying and selling shares of other listed company

Applicable Non-applicable

Explanation on shares dealing of other listed company

(VI) Assets transaction

1. Assets purchased or acquired

Applicable Non-applicable

Explanation on assets purchased

2. Assets sold

Applicable Non-applicable

Explanation on assets sold

On 21 June 2012, resolution about transferring 17.79% equity interests respectively in Shanghai Yulong Biology Science & Technology Co., Ltd. and Qufu Yulong Biology Science & Technology Co., Ltd. was approved at the 2nd meeting of the 6th board of the Company, and subsequently approved at the 1st extraordinary general meeting for 2012 on 12 July 2012. The price of such equity transfer was based by reference to the valuation price of shareholder's equity concerning such transferred equity interests held by the Company. The price for sale was not less than RMB40, 657,400, including RMB25, 039,700 and RMB15, 617,700 for Shanghai Yulong and Qufu Yulong respectively. This equity transfer constituted no related transaction.

Details about this equity transfer were available on the announcement relating to transfer of equities in Shareholding Company dated 26 June 2012.

3. Assets replacement

Applicable Non-applicable

Explanation on assets replacement

4. Business combination

Applicable Non-applicable

5. Progress of the events and their influence on the Company's operating results and financial status in the report period after the Report on Assets Restructure or Public Notice on

Acquisition and Sales of Assets being published

Applicable Non-applicable

The Company traded the 17.79% equity interests respectively in Shanghai Yulong and Qufu Yulong by listing on Shanghai United Property Exchange on 19 July 2012, with price of RMB25,039,800 and RMB15,617,800. Notice for such trade by listing for the first time terminated on 16 August 2012.

The aforesaid equity transfer brought no affect on the operation results and financial position of the Company for the first half of 2012.

(VII) Explanation on shareholding increase proposed or implemented by largest shareholder of the Company and its persons acting in concert in reporting period

Applicable Non-applicable

(VIII) Implementation and its influence of equity incentive

Applicable Non-applicable

(IX) Significant related transaction

1. Related transaction related to daily operation

√ Applicable □ Non-applicable

| Related party | Related relationship | Type of related transaction | Content of related transaction | Pricing principles of related transaction | Price of related transaction (RMB'0000) | Amount of related transaction (RMB'0000) | Proportion to amount of transaction or the same type (%) | Settlement method of related transaction | Affect on the profit of the Company | Market price (RMB'0000) | Reason for material difference between price of transaction and market price for reference |
|---|---|-----------------------------|--------------------------------|---|---|--|--|--|-------------------------------------|-------------------------|--|
| China Potevio Co., Ltd | Controlling shareholder | Selling goods | Telecommunication products | Market price | 4,939.45 | 4,939.45 | 3.69% | Banking transfer | Immaterial | | |
| Putian IT Research Institute Co., Ltd. | Subsidiary of controlling shareholder | Selling goods | Telecommunication products | Market price | 15.81 | 15.81 | 0.01% | Banking transfer | Immaterial | | |
| Nanjing Putian Hongyan Electrical Appliance Co., Ltd. | Subsidiary of controlling shareholder | Selling goods | Other products | Market price | 0.45 | 0.45 | 0% | Banking transfer | Immaterial | | |
| China Potevio Co., Ltd | Controlling shareholder | Purchase goods | Telecommunication products | Market price | 2.55 | 2.55 | 0% | Banking transfer | Immaterial | | |
| Nanjing Putian Datang Information Electronics Co., Ltd. | Director of the Company also served as director of such company (shareholding company of the Company) | Purchase goods | Telecommunication products | Market price | 25.83 | 25.83 | 0.02% | Banking transfer | Immaterial | | |
| Nanjing Putian Hongyan Electrical | Subsidiary of controlling shareholder | Purchase goods | Telecommunication products | Market price | 71.97 | 71.97 | 0.06% | Banking transfer | Immaterial | | |

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|--|--|----------------|--|--|----------|----------|-------|------------------|--|----|----|
| Appliance Co., Ltd. | | | | | | | | | | | |
| Nanjing Puzhu Optical Network Co., Ltd. | Senior management of the Company also served as director of such company (shareholding company of the Company) | Purchase goods | Telecommunication products | Market price | 3,721.33 | 3,721.33 | 3.2% | Banking transfer | Immaterial | | |
| Wuhan Fenghuo Putian IT Co., Ltd. | Subsidiary of controlling shareholder | Purchase goods | Telecommunication products | Market price | 144.94 | 144.94 | 0.12% | Banking transfer | Immaterial | | |
| Putian High-tech Industry Co., Ltd. | Subsidiary of controlling shareholder; Director of the Company also served as director of such company (shareholding company of the Company) | Lease | Lease of properties from related party | Market price | 528 | 528 | 100% | Banking transfer | The decrease of RMB 5,280,000 of lease expense recognized for the period resulted in decrease of RMB5,280,000 in total profit. | | |
| Total | | | | -- | -- | 9,450.33 | | -- | -- | -- | -- |
| Details of return of sales in significant amount | | | | Non-applicable. | | | | | | | |
| Necessity and continuity of related transaction, and reason for entering into related transaction with related parties (other than other participants in the market) | | | | The related transactions of the Company were made based on the following reasons: (1) when providing integrated solution scheme for customers with the related parties, the Company and such related parties purchased non-self matching telecommunication products of the same brand based on customers' requirements; (2) given that controlling shareholder owned strong advantages in certain aspects, the Company made use of controlling shareholder's platform to participate in some purchase projects of large customers, forming related transaction upon settlement; (3) it occurred purchase and sale of products between the Company and its shareholding enterprises attributable to the Company's internal industry planning and positioning; (4) the Company leased properties from related party for office purposes. The Company made related transactions for consideration of normal needs for production and operation, since through which, resources and advantage of related parties can be fully made use of, need for production and operation can be met, unnecessary costs can be reduced, | | | | | | | |

| | |
|--|---|
| | which in turn benefited resources allocation of the Company, improved its operation efficiency and increased sales income and profit. |
| Affect of related transaction on independence of listed company | The Company was able to operate independently, and the aforesaid related transaction would not affect its independence. |
| Dependence of the Company on related party and relevant measures (if any) | The amount of related transactions took relatively small proportion of the Company's operating income or costs, representing no material dependence on related parties. |
| Report the actual implementation of the normal related transactions which were projected about their total amount by types during the reporting period | The Company made projection on the normal related transactions for the entire year of 2012, projecting that the total amount of normal related transactions for the entire year would not exceed RMB381.20 million(including total related sales of RMB216 million, total related purchase of RMB151 million and rental and property management fee of RMB14.20 million paid to related parties). As of June 2012, the actual normal related transaction in aggregate amounted to RMB94,503,300, including related sales of RMB49,557,100, related purchase of RMB39,666,200 and recognized related rental of RMB5,280,000. |
| Explanation for related transaction | Subject to approving procedures of the Board and general meeting of the Company, the related transactions were priced by reference to market price fairly, without harm to interests of the Company and non-related shareholders. |

Related transaction with routine operation concerned

| Related party | Products sold and services provided to related party | | Products purchased and services received from related party | |
|---|--|---|---|---|
| | Transaction amount(RMB'0000) | Proportion to amount of transactions of the same type (%) | Transaction amount(RMB'0000) | Proportion to amount of transactions of the same type (%) |
| China Potevio Co., Ltd | 4,939.45 | 3.69% | 2.55 | 0% |
| Putian IT Research Institute Co., Ltd. | 15.81 | 0.01% | | |
| Nanjing Putian Hongyan Electrical Appliance Co., Ltd. | 0.45 | 0% | 71.97 | 0.06% |
| Nanjing Putian Datang Information Electronics Co., Ltd. | | | 25.83 | 0.02% |
| Nanjing Puzhu Optical Network Co., Ltd. | | | 3,721.33 | 3.2% |
| Wuhan Fenghuo Putian Information Technology Co., Ltd. | | | 144.94 | 0.12% |
| Total | 4,955.71 | 3.70% | 3,966.62 | 3.4% |

Including: the amount of related transactions concerning the Company selling products or providing services to controlling shareholder and its subsidiaries during the reporting period was RMB49,

557,100.

2. Related transaction incurred by purchase or sales of assetsApplicable Non-applicable**3. Significant related transaction from jointly investment outside**Applicable Non-applicable**4. Current related liabilities and debts**Applicable Non-applicable

Whether has non-operation related credit and debt connected or not

 Yes No

| Related party | Related relationship | Funds provided to related party(RMB'0000) | | | | | | Funds provided to listed company by related party(RMB'0000) | | | | | |
|---|--|---|------------|-----------|--------------------------|-----------------|------------------|---|------------|-----------|--------------------------|-----------------|------------------|
| | | Balance as at period-begin | Occurrence | repayment | Balance as at period-end | Interest income | Interest expense | Balance as at period-begin | Occurrence | repayment | Balance as at period-end | Interest income | Interest expense |
| Non-operational | | | | | | | | | | | | | |
| Nanjing Putian Datang Information Electronics Co., Ltd. | Director of the Company also served as director of such company(40% was held by the Company) | | | | | | | 4.78 | 0 | 0 | 4.78 | 0 | 0 |
| Subtotal | | | | | | | | 4.78 | 0 | 0 | 4.78 | 0 | 0 |
| Operational | | | | | | | | | | | | | |
| China Potevio Co., Ltd | Controlling shareholder | 3,106.15 | 6,122.15 | 5,480.65 | 3,747.65 | | | 0 | 1,425.75 | 113.89 | 1,311.86 | 0 | 0 |
| Chengdu Putian Cable Co., Ltd. | Subsidiary of controlling shareholder | 20.85 | | | 20.85 | | | | | | | | |
| Putian IT Research Institute Co., Ltd. | Subsidiary of controlling shareholder | | 18.5 | | 18.5 | | | | | | | | |
| Shanghai Putian Youtong Technology | Subsidiary of controlling shareholder | 1,355.4 | 1,350.03 | 1,371.27 | 1,334.16 | | | | | | | | |

Nanjing Putian Telecommunications Co., Ltd. Semi-annual Report 2012

| | | | | | | | | | | | | | |
|---|--|-----------------|-----------------|-----------------|-----------------|----------|----------|---------------|------------------|-----------------|-----------------|----------|----------|
| Co., Ltd. | | | | | | | | | | | | | |
| Nanjing Putian Datang Information Electronics Co., Ltd. | Director of the Company also served as director of such company(40% was held by the Company) | 0.86 | | | 0.86 | | | 2.58 | 31.24 | 26.2 | 7.62 | 0 | 0 |
| Putian High-tech Industry Co., Ltd. | Subsidiary of controlling shareholder ;Director of the Company also served as director of such company(49.64% was held by the Company) | | | | | | | 112.95 | 413.02 | 500.63 | 25.34 | 0 | 0 |
| Nanjing Putian Hongyan Electrical Appliance Co., Ltd. | Subsidiary of controlling shareholder | | | | | | | 65.79 | 35.4 | 12.01 | 89.18 | 0 | 0 |
| Wuhan Fenghuo Putian Information Technology Co., Ltd. | Subsidiary of controlling shareholder | | | | | | | 0 | 461.27 | 291.7 | 169.58 | 0 | 0 |
| Nanjing Puzhu Optical Network Co., Ltd. | Senior management of the Company also served as director of such company(50% was held by the Company) | 2.72 | 614.89 | 616.17 | 1.44 | | | 0 | 12,622.37 | 8,554.13 | 4,068.24 | 0 | 0 |
| China Putian Corporation | Controlling shareholder of controlling shareholder | | | | | | | 0 | 2.29 | 0 | 2.29 | 0 | 0 |
| Subtotal | | 4,485.98 | 8,105.57 | 7,468.09 | 5,123.46 | 0 | 0 | 181.32 | 14,991.34 | 9,498.56 | 5,674.11 | 0 | 0 |

| Total | 4,485.98 | 8,105.57 | 7,468.09 | 5,123.46 | 0 | 0 | 186.1 | 14,991.34 | 9,498.56 | 5,678.89 | 0 | 0 |
|---|--|----------|----------|----------|---|---|-------|-----------|----------|----------|---|---|
| Occurrence of funds provided by the Company to controlling shareholders and its subsidiaries during the reporting period (RMB'0000) | 7,490.68 | | | | | | | | | | | |
| Including: occurrence of non-operational transactions(RMB'0000) | 0 | | | | | | | | | | | |
| Balance of funds provided by the Company to controlling shareholders and its subsidiaries (RMB'0000) | 5,121.16 | | | | | | | | | | | |
| Including: non-operational balance(RMB'0000) | 0 | | | | | | | | | | | |
| Reason for related credit and debt | Reason for operational credit and debt: represented account receivables and payables arising from time difference of settlement and payment when the Company purchased or sold products with related parties. Reason for non-operational credit and debt: represented outstanding advance freight owed by subsidiaries to related parties. | | | | | | | | | | | |
| Settlement of related credit and debt | Settlement of credit and debt according to terms of contracts upon termination of such contracts. | | | | | | | | | | | |
| Undertaking related to related credit and debt | Nil | | | | | | | | | | | |
| Affects of related credit and debt on operational results and financial position of the Company | No material affects on operation results and financial position of the reporting period. | | | | | | | | | | | |

Fund occupation and progress of paying off

Applicable Non-applicable

Till end of reporting period, accountability plan proposed by the Board for completed no non-operational fund occupation from listed company

Applicable Non-applicable

5. Other significant related transaction

As of the end of the reporting period, Nanjing Putian Telecommunication Science & Technology Industry Park Co., Ltd. (currently renamed as Putian High-tech Industry Co., Ltd.) was pledged to controlling shareholder China Potevio Co., Ltd, as the counter guarantee provided by China Potevio Co., Ltd for the guarantee provided by the Company for bank loans of RMB84 million(details were set out in the announcement relating to counter guarantee provided for controlling shareholder of the Company dated 25 August 2010).

(X) Significant contracts and its implementation

1. Profits earned from trusteeship, contract and lease reached over 10% (10% included) of total profit in this period

(1) Trusteeship

Applicable Non-applicable

(2) Contract

Applicable Non-applicable

(3) Lease

Applicable Non-applicable

| Name of leaser | Name of leasee | Assets leased | Amount involved by assets leased (RMB'0000) | Commence date of lease term | Termination date of lease term | Lease income(RMB'0000) | Reference for determination of lease income | Affect of lease income on the Company | Belong to related transaction or not | Related relationship |
|---|--|--------------------------|---|-----------------------------|--------------------------------|------------------------|---|---------------------------------------|--------------------------------------|---|
| Putian Science & Technology Industry Park Co., Ltd. | Nanjing Putian Telecommunication Co., Ltd. | Property ownership, land | 14,692.7 | 1 January 2012 | 31 December 2012 | - | - | - | Yes | Subsidiary of controlling shareholder; Director of the Company also served as director of such company(the shareholding company of the Company) |

Explanation on leasing

The Company leased land and properties from Putian Science & Technology Industry Park Co., Ltd. for production and office purposes. The leasing expenses recognized for the period was RMB5.28 million.

2. Guarantees

Applicable Non-applicable

Unit: RMB00'000

| Particulars about the external guarantee of the Company (Barring the guarantee for the controlling subsidiaries) | | | | | | | | |
|--|--------------------------------------|-----------------|--|------------------------|--|---|--------------------------------|---|
| Name of the Company guaranteed | Related Announcement disclosure date | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual guarantee limit | Guarantee type | Guarantee term | Complete implementation or not | Guarantee for related party (Yes or no) |
| China Potevio Company Limited | 2010-8-25 | 8,400 | 2010-09-19 | 8,400 | Pledge | Till end of the loan payment guarantee by China Potevio since September 2010 (note: a counter-guarantee provided by the Company for China Potevio) | No | Yes |
| Total approving external guarantee in report period (A1) | | | | 0 | Total actual occurred external guarantee in report period (A2) | | 0 | |
| Total approved external guarantee at the end of report period (A3) | | | | 8,400 | Total actual balance of external guarantee at the end of report period (A4) | | 8,400 | |
| Guarantee of the Company for the subsidiaries | | | | | | | | |
| Name of the Company guaranteed | Related Announcement disclosure date | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual guarantee limit | Guarantee type | Guarantee term | Complete implementation or not | Guarantee for related party (Yes or no) |
| Nanjing South Telecommunication Co., Ltd. | 2011-4-16 | 4,000 | 2011-12-14 | 2,000 | guarantee | 2011.12.14-2012.12.13 | No | No |
| Nanjing Putian Tianji Building Intelligence Co., Ltd. | 2011-4-16 | 3,300 | 2011-09-13 | 1,000 | guarantee | 2011.9.16-2012.9.16 | No | No |
| Nanjing Putian Tianji Building Intelligence Co., Ltd. | 2011-4-16 | 3,300 | 2011-09-22 | 1,000 | guarantee | 2011.9.28-2012.9.28 | No | No |
| Total amount of approving guarantee for subsidiaries in report period (B1) | | | | 8,000 | Total amount of actual occurred guarantee for subsidiaries in report period (B2) | | 0 | |
| Total amount of approved guarantee for subsidiaries at the end of reporting period (B3) | | | | 8,000 | Total balance of actual guarantee for subsidiaries at the end of reporting period (B4) | | 4,000 | |
| Total amount of guarantee of the Company(total of two abovementioned guarantee) | | | | | | | | |
| Total amount of approving guarantee in report period (A1+B1) | | | | 8,000 | Total amount of actual occurred guarantee in report | | 0 | |

| | | | |
|--|--------|---|--------|
| | | period (A2+B2) | |
| Total amount of approved guarantee at the end of report period (A3+B3) | 16,400 | Total balance of actual guarantee at the end of report period (A4+B4) | 12,400 |
| The proportion of the total amount of actually guarantee in the net assets of the Company(that is A4+ B4) | | | 32.79% |
| Including: | | | |
| Amount of guarantee for shareholders, actual controller and its related parties(C) | | | 8,400 |
| The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(D) | | | 2,000 |
| Proportion of total amount of guarantee in net assets of the Company exceed 50%(E) | | | 0 |
| Total amount of the aforesaid three guarantees(C+D+E) | | | 10,400 |
| Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees | | No possibly bearing joint and several liquidating responsibilities for undue guarantees in reporting period | |
| Explanations on external guarantee against regulated procedures | | No external guarantee against regulated procedures occurred in reporting period | |

3. Trust financing

Applicable Non-applicable

4. Implementation of material contracts entered into during the normal operation

No routine operation material contract that need to disclose in this report period or in previous period and last till the reporting period

5. Other significant contract

Applicable Non-applicable

(XI) Explanation on corporate bonds offering

Applicable Non-applicable

(XII) Implementation of commitments**1. Commitments made by the Company or shareholders holding above 5% shares of the Company in reporting period or extending to reporting period.**

Applicable Non-applicable

2. Explanation on assets or projects that reached the original profit forecast as well as its reasons while the reporting period still in forecast period, and there are profit forecast on assets or projects of the Company

Applicable Non-applicable

(XIII) Items of other consolidated income

Unit: RMB

| Items | This period | Last period |
|---|-------------|-------------|
| 1. Gains(losses) from financial assets available for sales | | |
| Less: Income tax influences from financial assets available for sales | | |
| Net amount reckoned into other consolidated income in previous period but transferred into gains/losses in current period | | |
| Subtotal | | |
| 2. Shares in the other consolidated income of the investee calculated based on equity method | | |
| Less: Income tax influences of shares in the other consolidated income of the investee calculated based on equity method | | |
| Net amount reckoned into other consolidated income in previous period but transferred into gains/losses in current period | | |
| Subtotal | | |
| 3. Gains(losses) from cash flow hedge instrument | | |
| Less: Income tax influences from cash flow hedge | | |
| Net amount reckoned into other consolidated income in previous period but transferred into gains/losses in current period | | |
| Adjusted amount transferred to initial confirmed amount of the arbitrated items | | |
| Subtotal | | |
| 4. Differences from translating foreign currency financial statements | -93,168.18 | 282,079.96 |
| Less: Net amount of disposing overseas business transferred to current gains/losses | | |

| | | |
|---|------------|------------|
| Subtotal | -93,168.18 | 282,079.96 |
| 5. Others | | |
| Less: Income tax influences by others reckoned into other consolidated income | | |
| Net amount reckoned into other consolidated income in previous period but transferred into gains/losses in current period | | |
| Subtotal | | |
| Total | -93,168.18 | 282,079.96 |

(XIV) Registration form of receiving research, communication and interview in the report period

| Date | Place | Way | Type | Object | Content discussed and documents provided |
|------|-------|-----|------|--------|--|
| N/A | | | | | |

(XV) Engagement and non-reappointment of CPA

Whether the semi-annual report was audited or not

Yes No

Whether re-engaged CPA or not

Yes No Non-applicable

(XVI) Punishment and rectification for listed company and its directors, supervisor, senior executives, shareholders of the Company, actual controller and purchasers

Applicable Non-applicable

(XVII) Explanation on other significant events

Applicable Non-applicable

(XVIII) Major changes of profitability of turn debt guarantor, assets status and credit standings

(Only applies to listed company with corporate convertible bonds offered)

Applicable Non-applicable

(XIX) Index for information disclosure

| Matter | Newspaper and version | Publish date | Internet website and search |
|--|---|-----------------|-----------------------------|
| Profit forecast announcement for 2011 | D28 of the Securities Times and A19 of Hong Kong Commercial Daily | 18 January 2012 | www.cninfo.com.cn |
| Announcement relating to resolution of the 22 nd meeting of the 5 th Board | D52 of the Securities Times and A24 of Hong Kong Commercial Daily | 20 March 2012 | www.cninfo.com.cn |
| Announcement relating to resolution of the 14 th meeting of the 5 th supervisory committee | D52 of the Securities Times and A24 of Hong Kong Commercial Daily | 20 March 2012 | www.cninfo.com.cn |
| Summary of annual report of 2011 | D52 of the Securities Times and A24 of Hong Kong Commercial Daily | 20 March 2012 | www.cninfo.com.cn |
| Announcement relating to projected related transaction for 2012 | D52 of the Securities Times and A24 of Hong Kong Commercial Daily | 20 March 2012 | www.cninfo.com.cn |
| Announcement relating to provision of guarantee for controlling subsidiary | D52 of the Securities Times and A24 of Hong Kong Commercial Daily | 20 March 2012 | www.cninfo.com.cn |

| | | | |
|--|--|---------------|-------------------|
| Announcement relating to provision of guarantee for associated enterprise | D52 of the Securities Times and A24 of Hong Kong Commercial Daily | 20 March 2012 | www.cninfo.com.cn |
| Announcement relating to resolution of the 23 rd meeting of the 5 th Board | B29 of the Securities Times and A17 of Hong Kong Commercial Daily | 31 March 2012 | www.cninfo.com.cn |
| Announcement relating to resolution of the 24 th meeting of the 5 th Board | D128 of the Securities Times and A12 of Hong Kong Commercial Daily | 26 April 2012 | www.cninfo.com.cn |
| Announcement relating to resolution of the 15 th meeting of the 5 th supervisory committee | D128 of the Securities Times and A12 of Hong Kong Commercial Daily | 26 April 2012 | www.cninfo.com.cn |
| The 1 st quarterly report for 2012 | D128 of the Securities Times and A12 of Hong Kong Commercial Daily | 26 April 2012 | www.cninfo.com.cn |
| Notice of holding the 2011 annual general meeting | D128 of the Securities Times and A12 of Hong Kong Commercial Daily | 26 April 2012 | www.cninfo.com.cn |
| Declaration of nominators and candidates of independent directors | D128 of the Securities Times and A12 of Hong Kong Commercial Daily | 26 April 2012 | www.cninfo.com.cn |
| Announcement relating to resolution of 2011 annual general meeting | D17 of the Securities Times and A11 of Hong Kong Commercial Daily | 18 May 2012 | www.cninfo.com.cn |
| Announcement relating to resolution of the 1 st meeting of the 6 th Board | D17 of the Securities Times and A11 of Hong Kong Commercial Daily | 18 May 2012 | www.cninfo.com.cn |
| Announcement relating to resolution of the 1 st meeting of the 6 th supervisory committee | D17 of the Securities Times and A11 of Hong Kong Commercial Daily | 18 May 2012 | www.cninfo.com.cn |
| Announcement relating to resolution of the 2 nd meeting of the 6 th Board | D25 of the Securities Times and A21 of Hong Kong Commercial Daily | 26 June 2012 | www.cninfo.com.cn |
| Announcement relating to transfer of equities in shareholding company | D25 of the Securities Times and A21 of Hong Kong Commercial Daily | 26 June 2012 | www.cninfo.com.cn |
| Notice of holding the 1 st extraordinary general meeting for 2012 | D25 of the Securities Times and A21 of Hong Kong Commercial Daily | 26 June 2012 | www.cninfo.com.cn |
| Announcement relating to resolution of the 1 st extraordinary general meeting for 2012 | D29 of the Securities Times and A23 of Hong Kong Commercial Daily | 13 July 2012 | www.cninfo.com.cn |
| Announcement relating to resolution of the 3 rd meeting of the 6 th Board | D20 of the Securities Times and A8 of Hong Kong Commercial Daily | 9 August 2012 | www.cninfo.com.cn |
| Notice of holding the 2 nd | D20 of the Securities Times and A8 of | 9 August 2012 | www.cninfo.com.cn |

| | | | |
|---|----------------------------|--|--|
| extraordinary general meeting for 2012 | Hong Kong Commercial Daily | | |
|---|----------------------------|--|--|

VIII. Financial Report

(I) Auditing Report

Whether the report has been audited or not

Yes No Non-applicable

(II) Financial Statement

Whether consolidated statement or not:

Yes No Non-applicable

Unless otherwise, currency for this statement refers to RMB (Yuan)

Currency used in note of financial statement is RMB (Yuan)

1、 The Consolidated Statement Of Financial Position As At 30 June 2012

Prepared by: NANJING PUTIAN TELECOMMUNICATIONS CO. LTD.

30 June 2012

Unit: RMB Yuan

| Items | Note | 30 June 2012 | 31 December 2011 |
|--|------|----------------|------------------|
| Current assets | | | |
| Monetary funds | | 331,632,757.53 | 312,420,215.59 |
| Settlement provisions | | | |
| Capital lent | | | |
| Held for trading financial assets | | | |
| Notes receivable | | 7,061,951.89 | 12,863,723.59 |
| Accounts receivable | | 899,136,010.05 | 736,141,568.31 |
| Advances to suppliers | | 45,888,536.08 | 37,630,280.44 |
| Insurance receivable | | | |
| Reinsurance receivables | | | |
| Contract reserve of reinsurance receivable | | | |
| Interest receivable | | | |
| Dividend receivable | | | |
| Other receivables | | 46,628,479.19 | 55,323,271.93 |
| Purchase restituted finance asset | | | |
| Inventories | | 595,638,108.81 | 552,349,491.53 |

| | | | |
|---|--|------------------|------------------|
| Long-term debt investment due within a year | | | |
| Other current assets | | | |
| Total current assets | | 1,925,985,843.55 | 1,706,728,551.39 |
| Non-current assets | | | |
| Granted loans and advances | | | |
| Available-for-sale financial assets | | | |
| Held-to-maturity investments | | | |
| Long-term accounts receivable | | | |
| Long-term equity investments | | 208,078,185.44 | 206,616,139.78 |
| Investment property | | 4,710,963.99 | 4,814,179.95 |
| Fixed assets | | 99,238,215.96 | 102,151,733.16 |
| Construction in progress | | 13,981,775.21 | 10,062,821.54 |
| Construction materials | | | |
| Fixed assets held for disposal | | | |
| Productive biological assets | | | |
| Petrol assets | | | |
| Intangible assets | | 19,905,301.64 | 20,382,561.36 |
| Development costs | | | |
| Goodwill | | | |
| Long-term prepayments | | | |
| Deferred tax assets | | | |
| Other non-current assets | | | |
| Total non-current assets | | 345,914,442.24 | 344,027,435.79 |
| Total assets | | 2,271,900,285.79 | 2,050,755,987.18 |

Legal Representative: Liang Sun

Person in Charge of Accounting Works: Hong Wang

Person in Charge of Accounting Department: Lian Shi

1、 The Consolidated Statement Of Financial Position As At 30 June 2012 (continued)

Prepared by: NANJING PUTIAN TELECOMMUNICATIONS CO. LTD.

30 June 2012

Unit: RMB Yuan

| Items | Note | 30 June 2012 | 31 December 2011 |
|---|------|----------------|------------------|
| Current liabilities | | | |
| Short-term loans | | 581,300,000.00 | 511,500,000.00 |
| Loan from central bank | | | |
| Absorbing deposit and interbank deposit | | | |
| Capital borrowed | | | |
| Tradable financial liabilities | | 0.00 | 0.00 |

| | | | |
|--|--|------------------|------------------|
| Notes payable | | 30,282,254.11 | 262,091.29 |
| Accounts payable | | 1,064,521,817.87 | 906,751,164.90 |
| Advances from customers | | 72,626,301.93 | 87,763,330.36 |
| Selling financial asset of repurchase | | | |
| Commission charge and commission payable | | | |
| Accrued payroll | | 15,756,572.62 | 14,914,260.59 |
| Taxes payable | | -1,405,933.10 | 15,773,935.97 |
| Interest payable | | | |
| Dividend payable | | 1,000,000.00 | 1,344,198.22 |
| Other payables | | 41,988,533.76 | 53,443,334.25 |
| Reinsurance payables | | | |
| Insurance contract reserve | | | |
| Security trading of agency | | | |
| Security sales of agency | | | |
| Long-term liabilities due within a year | | | |
| Other current liabilities | | | |
| Total current liabilities | | 1,806,069,547.19 | 1,591,752,315.58 |
| Non-current liabilities | | | |
| Long-term borrowings | | | |
| Bonds payable | | | |
| Long-term payables | | 80,118.00 | 80,118.00 |
| Special payables | | | |
| Estimated liabilities | | | |
| Deferred tax liabilities | | | |
| Other long-term liabilities | | | |
| Total non-current liabilities | | 80,118.00 | 80,118.00 |
| Total liabilities | | 1,806,149,665.19 | 1,591,832,433.58 |
| Owner's equity | | | |
| Share capital | | 215,000,000.00 | 215,000,000.00 |
| Capital reserve | | 185,374,533.85 | 185,374,533.85 |
| Less: Treasury stock | | | |
| Reasonable reserve | | | |
| Surplus reserve | | 589,559.77 | 589,559.77 |
| Provision of general risk | | | |
| Undistributed profit | | -18,884,815.56 | -24,923,018.93 |
| Balance difference of foreign currency translation | | -3,860,914.39 | -3,767,746.21 |

| | | | |
|---|--|------------------|------------------|
| Total shareholder's equity attributable to parent Company | | 378,218,363.67 | 372,273,328.48 |
| Minority interests | | 87,532,256.93 | 86,650,225.12 |
| Total shareholder's equity | | 465,750,620.60 | 458,923,553.60 |
| Total liabilities and shareholder's equity | | 2,271,900,285.79 | 2,050,755,987.18 |

Legal Representative: Liang Sun

Person in Charge of Accounting Works: Hong Wang

Person in Charge of Accounting Department: Lian Shi

2、 The Statement Of Financial Position For Parent Company As At 30 June 2012

Prepared by: NANJING PUTIAN TELECOMMUNICATIONS CO. LTD.

30 June 2012

Unit: RMB Yuan

| Items | Note | 30 June 2012 | 31 December 2011 |
|---|------|------------------|------------------|
| Current assets | | | |
| Monetary funds | | 233,938,223.14 | 195,625,750.23 |
| Tradable financial assets | | | |
| Notes receivable | | 793,560.00 | 3,938,705.00 |
| Accounts receivable | | 595,320,065.99 | 489,450,457.03 |
| Advances to suppliers | | 34,468,299.23 | 27,748,693.01 |
| Interest receivable | | | |
| Dividend receivable | | | |
| Other receivables | | 96,619,752.41 | 87,821,794.78 |
| Inventories | | 305,371,669.40 | 283,735,577.58 |
| Long-term debt investment due within a year | | | |
| Other current assets | | | |
| Total current assets | | 1,266,511,570.17 | 1,088,320,977.63 |
| Non-current assets | | | |
| Available-for-sale financial assets | | | |
| Held-to-maturity investments | | | |
| Long-term accounts receivable | | | |
| Long-term equity investments | | 373,436,268.79 | 371,987,745.40 |
| Investment property | | | |
| Fixed assets | | 33,100,020.40 | 32,993,773.68 |
| Construction in progress | | 751,823.54 | 743,162.49 |
| Construction materials | | | |
| Fixed assets held for disposal | | | |
| Productive biological assets | | | |

| | | | |
|--------------------------|--|------------------|------------------|
| Petrol assets | | | |
| Intangible assets | | 4,896,344.54 | 5,344,581.09 |
| Development costs | | | |
| Goodwill | | | |
| Long-term prepayments | | | |
| Deferred tax assets | | | |
| Other non-current assets | | | |
| Total non-current assets | | 412,184,457.27 | 411,069,262.66 |
| Total assets | | 1,678,696,027.44 | 1,499,390,240.29 |

Legal Representative: Liang Sun Person in Charge of Accounting Works: Hong Wang Person in Charge of Accounting Department: Lian Shi

2、 The Statement Of Financial Position For Parent Company As At 30 June 2012 (continued)

Prepared by: NANJING PUTIAN TELECOMMUNICATIONS CO. LTD. 30 June 2012 Unit: RMB Yuan

| Items | Note | 30 June 2012 | 31 December 2011 |
|---|------|------------------|------------------|
| Current liabilities | | | |
| Short-term loans | | 319,000,000.00 | 335,000,000.00 |
| Tradable financial liabilities | | | |
| Notes payable | | 180,990,209.75 | 80,262,091.29 |
| Accounts payable | | 619,796,599.95 | 529,289,003.74 |
| Advances from customers | | 30,029,833.41 | 27,009,137.51 |
| Accrued payroll | | 5,901,080.54 | 5,715,497.61 |
| Taxes payable | | 6,411,073.73 | 10,002,772.65 |
| Interest payable | | | |
| Dividend payable | | | |
| Other payables | | 216,439,505.29 | 207,378,257.20 |
| Long-term liabilities due within a year | | | |
| Other current liabilities | | | |
| Total current liabilities | | 1,378,568,302.67 | 1,194,656,760.00 |
| Non-current liabilities | | | |
| Long-term borrowings | | | |
| Bonds payable | | | |
| Long-term payables | | 80,118.00 | 80,118.00 |
| Special payables | | | |
| Estimated liabilities | | | |
| Deferred tax liabilities | | | |

| | | | |
|--|--|------------------|------------------|
| Other long-term liabilities | | | |
| Total non-current liabilities | | 80,118.00 | 80,118.00 |
| Total liabilities | | 1,378,648,420.67 | 1,194,736,878.00 |
| Owner's equity | | | |
| Share capital | | 215,000,000.00 | 215,000,000.00 |
| Capital reserve | | 172,417,299.81 | 172,417,299.81 |
| Less: Treasury stock | | | |
| Special reserves | | | |
| Surplus reserve | | 589,559.76 | 589,559.76 |
| Provision of general risk | | | |
| Undistributed profit | | -87,959,252.80 | -83,353,497.28 |
| Currency translation differences | | | |
| Total shareholder's equity | | 300,047,606.77 | 304,653,362.29 |
| Total liabilities and shareholder's equity | | 1,678,696,027.44 | 1,499,390,240.29 |

Legal Representative: Liang Sun

Person in Charge of Accounting Works: Hong Wang

Person in Charge of Accounting Department: Lian Shi

3、 Consolidated Income Statement for the period ended 30 June 2012

Prepared by: NANJING PUTIAN TELECOMMUNICATIONS CO. LTD.

30 June 2012

Unit: RMB Yuan

| Items | Note | Jan. to Jun. 2012 | Jan. to Jun. 2011 |
|--|------|-------------------|-------------------|
| I. Total operating income | | 1,349,963,182.82 | 1,167,066,717.47 |
| Including: Operating income | | 1,349,963,182.82 | 1,167,066,717.47 |
| Interest income | | | |
| Insurance gained | | | |
| Commission charge and commission income | | | |
| II. Total operating cost | | 1,337,881,996.51 | 1,153,688,107.17 |
| Including: Operating cost | | 1,167,040,803.45 | 1,016,732,478.71 |
| 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 expense | | | |
| Sales tax and surcharge | | 4,285,765.91 | 3,519,561.95 |
| Sales expenses | | 85,918,634.36 | 67,934,941.52 |
| Administration expenses | | 61,694,140.49 | 51,471,437.38 |
| Financial expenses | | 16,942,792.36 | 12,030,031.87 |
| Losses of devaluation of asset | | 1,999,859.94 | 1,999,655.74 |
| Add: Changing income of fair value(Loss is listed with“-”) | | | |
| Investment income (Loss is listed with “-”) | | 1,462,045.66 | 2,853,983.65 |
| Including: Investment income on affiliated Company and joint venture and joint venture | | 1,462,045.66 | 2,770,283.65 |
| Exchange income (Loss is listed with “-”) | | | |
| III. Operating profit (Loss is listed with “-”) | | 13,543,231.97 | 16,232,593.95 |
| Add: Non-operating income | | 1,206,456.92 | 1,338,341.42 |
| Less: Non-operating expense | | 383,261.27 | 57,372.34 |
| Including: Disposal loss of non-current asset | | 42,279.87 | |
| IV. Total Profit (Loss is listed with “-”) | | 14,366,427.62 | 17,513,563.03 |
| Less: Income tax | | 2,022,892.44 | 2,763,884.93 |
| V. Net profit (Net loss is listed with “-”) | | 12,343,535.18 | 14,749,678.10 |
| Include: the net profit of the consolidated party before consolidation | | | |
| Net profit attributable to owner’s equity of parent Company | | 6,038,203.37 | 7,654,146.53 |
| Minority shareholders’ gains and losses | | 6,305,331.81 | 7,095,531.57 |
| VI. Earnings per share | | -- | -- |
| i. Basic earnings per share | | 0.028 | 0.036 |
| ii. Diluted earnings per share | | 0.028 | 0.036 |
| VII. Other comprehensive income | | -93,168.18 | 282,079.96 |
| VIII. Total comprehensive income | | 12,250,367.00 | 15,031,758.06 |
| Total comprehensive income attributable to owners of the parent company the parent company | | 5,945,035.19 | 7,936,226.49 |
| Total comprehensive income attributable to minority interests | | 6,305,331.81 | 7,095,531.57 |

Business combination under common control in the period, the net profit of the consolidated party before consolidation: 0 Yuan.

Legal Representative: Liang Sun

Person in Charge of Accounting Works: Hong Wang

Person in Charge of Accounting Department: Lian Shi

4、Income Statement of Parent Company for the period ended 30 June 2012

Prepared by: NANJING PUTIAN TELECOMMUNICATIONS CO. LTD.

30 June 2012

Unit: RMB Yuan

| Items | Note | Jan. to Jun. 2012 | Jan. to Jun. 2011 |
|--|------|-------------------|-------------------|
| I. Sales Income | | 894,036,249.73 | 742,733,409.56 |
| Less: Business costs | | 818,400,146.13 | 679,207,670.70 |
| Sales tax and surcharges | | 1,452,402.91 | 822,008.18 |
| Sales expenses | | 45,496,592.28 | 39,477,459.42 |
| Administration expenses | | 24,016,497.89 | 22,348,797.17 |
| Financial expenses | | 14,174,636.35 | 10,082,794.27 |
| Losses of devaluation of asset | | 1,008,607.19 | 1,546,601.86 |
| Add: Changing income of fair value(Loss is listed with "-") | | | |
| Investment income (Loss is listed with "-") | | 6,025,223.39 | 7,074,596.35 |
| Including: Investment income on affiliated Company and joint venture | | 1,448,523.39 | 2,414,196.35 |
| II. Operating profit (Loss is listed with "-") | | -4,487,409.63 | -3,677,325.69 |
| Add: Non-operating income | | 172,583.98 | 70,918.94 |
| Less: Non-operating expense | | 290,929.87 | 22,492.08 |
| Including: Disposal loss of non-current asset | | | |
| III. Total Profit (Loss is listed with "-") | | -4,605,755.52 | -3,628,898.83 |
| Less: Income tax | | | |
| IV. Net profit (Net loss is listed with "-") | | -4,605,755.52 | -3,628,898.83 |
| V. Earnings per share | | -- | -- |
| i. Basic earnings per share | | -0.021 | -0.017 |
| ii. Diluted earnings per share | | -0.021 | -0.017 |
| VI. Other comprehensive income | | | |
| VII. Total comprehensive income | | -4,605,755.52 | -3,628,898.83 |

Legal Representative: Liang Sun

Person in Charge of Accounting Works: Hong Wang

Person in Charge of Accounting Department: Lian Shi

5、Consolidated Cash Flow Statement for the period ended 30 June 2012

Prepared by: NANJING PUTIAN TELECOMMUNICATIONS CO. LTD.

30 June 2012

Unit: RMB Yuan

| Items | Jan. to Jun. 2012 | Jan. to Jun. 2011 |
|-------|-------------------|-------------------|
|-------|-------------------|-------------------|

| | | |
|---|------------------|------------------|
| I. Cash flows arising from operating activities: | | |
| Cash received from the sale of goods or rendering of services | 1,409,020,267.18 | 1,095,959,459.48 |
| Net increase of customer deposit and interbank deposit | | |
| Net increase of loan from central bank | | |
| Net increase of capital borrowed from other financial institution | | |
| Cash received from original insurance contract fee | | |
| Net cash received from reinsurance business | | |
| Insured savings and net increase of investment | | |
| Net increase of disposal of transaction financial asset | | |
| Cash received from interest, commission charge and commission | | |
| Net increase of capital borrowed | | |
| Net increase of returned business capital | | |
| Refunds of taxes | 779,939.18 | 735,842.73 |
| Other cash receipts relating to operating activities | 69,462,678.66 | 13,306,037.16 |
| Sub-total of cash inflows arising from operating activities | 1,479,262,885.02 | 1,110,001,339.37 |
| Cash paid for goods and services | 1,288,194,199.25 | 1,040,803,984.34 |
| Net increase of customer loans and advances | | |
| Net increase of deposits in central bank and interbank | | |
| 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 | 92,044,035.37 | 65,696,655.44 |
| Payments of all types of taxes | 53,868,053.64 | 47,189,266.63 |
| Other cash payments relating to operating activities | 73,366,161.31 | 79,768,515.69 |
| Subtotal of cash outflow arising from operating activities | 1,507,472,449.57 | 1,233,458,422.10 |
| Net cash flows arising from operating activities | -28,209,564.55 | -123,457,082.73 |
| II. Cash flows arising from investing activities | | |

| | | |
|--|----------------|----------------|
| Cash received from recovering investment | | |
| Cash received from investment income | | 83,700.00 |
| Net cash received from the sale of fixed assets, intangible assets and other long-term assets long-term assets | 2,006,618.45 | |
| Net cash received from disposal of subsidiaries and other units | | |
| Other cash received concerning investing activities | 0.00 | |
| Subtotal of cash inflow from investing activities | 2,006,618.45 | 83,700.00 |
| Cash paid for purchasing fixed, intangible and other long-term assets | 8,629,668.88 | 6,428,482.30 |
| Cash paid for investment | | |
| Net increase of mortgaged loans | | |
| Net cash received from subsidiaries and other units | | |
| Other cash paid concerning investing activities | 0.00 | |
| Subtotal of cash outflow from investing activities | 8,629,668.878 | 6,428,482.30 |
| Net cash flows arising from investing activities | -6,623,050.43 | -6,344,782.30 |
| III. Cash flows arising from financing activities | | |
| Cash received from absorbing investment | | |
| Including: Cash received from absorbing minority shareholders' investment by subsidiaries | | |
| Cash received from loans | 100,000,000.00 | 271,000,000.00 |
| Cash received from issuing bonds | | |
| Other cash received concerning financing activities | 80,000,000.00 | |
| Subtotal of cash inflow from financing activities | 180,000,000.00 | 271,000,000.00 |
| Cash paid for settling debts | 130,200,000.00 | 203,000,000.00 |
| Cash paid for dividend and profit distributing or interest paying | 23,801,804.46 | 18,312,544.53 |
| Including: Dividend and profit of minority shareholder paid by subsidiaries | | 5,423,300.00 |
| Other cash paid concerning financing activities | 0.00 | 1,000,000.00 |
| Subtotal of cash outflow from financing activities | 154,001,804.46 | 222,312,544.53 |
| Net cash flows arising from financing activities | 25,998,195.54 | 48,687,455.47 |
| IV. Influence on cash due to fluctuation in exchange rate | 13,427.08 | 95,634.97 |
| V. Net increase of cash and cash equivalents | -8,820,992.36 | -81,018,774.59 |

| | | |
|--|----------------|----------------|
| Add: Balance of cash and cash equivalents at the period -begin | 310,453,749.89 | 291,447,011.87 |
| VI. Balance of cash and cash equivalents at the period -end | 301,632,757.53 | 210,428,237.28 |

Legal Representative: Liang Sun

Person in Charge of Accounting Works: Hong Wang

Person in Charge of Accounting Department: Lian Shi

6、Cash Flow Statement of Parent Company for the period ended 30 June 2012

Prepared by: NANJING PUTIAN TELECOMMUNICATIONS CO. LTD.

30 June 2012

Unit: RMB Yuan

| Items | Jan. to Jun. 2012 | Jan. to Jun. 2011 |
|---|-------------------|-------------------|
| I. Cash flows arising from operating activities: | | |
| Cash received from the sale of goods or rendering of services | 878,806,774.63 | 718,196,416.62 |
| Refunds of taxes | | |
| Other cash receipts relating to operating activities | 55,487,231.32 | 36,979,615.17 |
| Sub-total of cash inflows arising from operating activities | 934,294,005.95 | 755,176,031.79 |
| Cash paid for goods and services | 854,648,154.34 | 669,964,252.20 |
| Cash paid to and on behalf of employees | 44,259,446.77 | 38,030,926.23 |
| Payments of all types of taxes | 18,139,026.55 | 17,447,965.23 |
| Other cash payments relating to operating activities | 57,750,864.41 | 51,886,587.26 |
| Subtotal of cash outflow arising from operating activities | 974,797,492.07 | 777,329,730.92 |
| Net cash flows arising from operating activities | -40,503,486.12 | -22,153,699.13 |
| II. Cash flows arising from investing activities | | |
| Cash received from recovering investment | | |
| Cash received from investment income | 4,576,700.00 | 4,660,400.00 |
| Net cash received from the sale of fixed assets, intangible assets and other long-term assets | 371,150.00 | |
| Net cash received from disposal of subsidiaries and other units | | |
| Other cash received concerning investing activities | | |
| Subtotal of cash inflow from investing activities | 4,947,850.00 | 4,660,400.00 |
| Cash paid for purchasing fixed, intangible and other | 3,332,652.26 | 2,338,623.63 |

| | | |
|---|----------------|----------------|
| long-term assets | | |
| Cash paid for investment | | |
| Net cash received from subsidiaries and other units | | |
| Other cash paid concerning investing activities | | |
| Subtotal of cash outflow from investing activities | 3,332,652.26 | 2,338,623.63 |
| Net cash flows arising from investing activities | 1,615,197.74 | 2,321,776.37 |
| III. Cash flows arising from financing activities | | |
| Cash received from absorbing investment | | |
| Cash received from loans | 64,000,000.00 | 201,000,000.00 |
| Cash received from bonds issued | | |
| Other cash received concerning financing activities | 80,000,000.00 | |
| Subtotal of cash inflow from financing activities | 144,000,000.00 | 201,000,000.00 |
| Cash paid for settling debts | 80,000,000.00 | 186,000,000.00 |
| Cash paid for dividend and profit distributing or interest paying | 14,861,337.46 | 10,872,553.49 |
| Other cash paid concerning financing activities | | 1,000,000.00 |
| Subtotal of cash outflow from financing activities | 94,861,337.46 | 197,872,553.49 |
| Net cash flows arising from financing activities | 49,138,662.54 | 3,127,446.51 |
| IV. Influence on cash due to fluctuation in exchange rate | -209,185.55 | 42,688.20 |
| V. Net increase of cash and cash equivalents | 10,041,188.61 | -16,661,788.05 |
| Add: Balance of cash and cash equivalents at the period -begin | 193,897,034.53 | 185,951,591.96 |
| VI. Balance of cash and cash equivalents at the period -end | 203,938,223.14 | 169,289,803.91 |

Legal Representative: Liang Sun

Person in Charge of Accounting Works: Hong Wang

Person in Charge of Accounting Department: Lian Shi

7、 Consolidated Statement of Changes in Owners' Equity for the period ended 30 June 2012

Amount for this period

Prepared by: NANJING PUTIAN TELECOMMUNICATIONS CO. LTD.

30 June 2012

Unit: RMB Yuan

| Items | Amount for the period ended 30 June 2012 | | | | | | | | | |
|-------|---|---------|-------|-----------|---------|---------|-------------|--------|--------------------|---------------------|
| | Shareholders' equity attributable to the parent Company | | | | | | | | Minority interests | Total shareholders' |
| | Share | Capital | Less: | Reasonabl | Surplus | General | Undistribut | Others | | |
| | | | | | | | | | | |

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| | capital | reserves | Treasury Stock | e reserve | reserves | risk provision | ed profit | | | equity |
|---|----------------|----------------|-------------------|-----------|------------|-------------------|----------------|---------------|---------------|----------------|
| I. Balance at the end of the last year | 215,000,000.00 | 185,374,533.85 | | | 589,559.77 | | -24,923,018.93 | -3,767,746.21 | 86,650,225.12 | 458,923,553.60 |
| Add: Changes of accounting policy | | | | | | | | | | |
| Error correction of the last period | | | | | | | | | | |
| Others | | | | | | | | | | |
| II. Balance at the beginning of this year | 215,000,000.00 | 185,374,533.85 | | | 589,559.77 | | -24,923,018.93 | -3,767,746.21 | 86,650,225.12 | 458,923,553.60 |
| III. Increase/ Decrease in this year (Decrease is listed with "-") | | | | | | | 6,038,203.37 | -93,168.18 | 882,031.81 | 6,827,067.00 |
| (I) Net profit | | | | | | | 6,038,203.37 | | 6,305,331.81 | 12,343,535.18 |
| (II) Other comprehensive income | | | | | | | | -93,168.18 | | -93,168.18 |
| Subtotal of (I) and (II) | | | | | | | 6,038,203.37 | -93,168.18 | 6,305,331.81 | 12,250,367.00 |
| (III) Shareholders' contributions and reduction in capital | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Capital contribution from owners | | | | | | | | | | |
| 2. Share-based payment recognized in shareholders' equity | | | | | | | | | | |
| 3. Others | | | | | | | | | | |
| (IV) Profit distribution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -5,423,300.00 | -5,423,300.00 |
| 1. Withdrawal of surplus reserves | | | | | | | | | | |
| 2. Withdrawal of general risk provisions | | | | | | | | | | |
| 3. Distribution for shareholders | | | | | | | | | -5,423,300.00 | -5,423,300.00 |
| 4. Others | | | | | | | | | | |
| (V) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Capitalization of capital reserve | | | | | | | | | | |
| 2. Capitalization of surplus reserve | | | | | | | | | | |
| 3. Remedying loss with surplus reserve | | | | | | | | | | |

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| | | | | | | | | | | |
|--------------------------------------|-----------|-----------|--|--|-----------|--|------------|------------|-------------|--------------|
| 4. Others | | | | | | | | | | |
| (VI) Reasonable reserve | | | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | | | |
| 2. Usage in the report period | | | | | | | | | | |
| () others | | | | | | | | | | |
| IV. Balance at the end of the report | 215,000.0 | 185,374.5 | | | 589,559.7 | | -18,884.81 | -3,860,914 | 87,532,256. | 465,750,620. |
| year | 00.00 | 33.85 | | | 7 | | 5.56 | .39 | 93 | 60 |

Legal Representative: Liang Sun

Person in Charge of Accounting Works: Hong Wang

Person in Charge of Accounting Department: Lian Shi

7、 Consolidated Statement of Changes in Owners' Equity for the period ended 30 June 2012 (continued)

Amount for last period

Prepared by: NANJING PUTIAN TELECOMMUNICATIONS CO. LTD.

30 June 2012

Unit: RMB Yuan

| Items | Amount for the period ended 30 June 2011 | | | | | | | | | |
|---|---|--------------------|----------------------|--------------------|------------------|------------------------|----------------------|-------------------|--------------------|----------------------------|
| | Shareholders' equity attributable to the parent Company | | | | | | | | Minority interests | Total shareholders' equity |
| | Share capital | Capital reserves | Less: Treasury Stock | Reasonable reserve | Surplus reserves | General risk provision | Undistributed profit | Others | | |
| I. Balance at the end of the last year | 215,000.0 00.00 | 185,374.5 33.85 | | | 589,559.7 7 | | -35,747.15 2.65 | -4,599,976 .23 | 60,497,146. 26 | 421,114,111.0 0 |
| Add: Retroactive adjustment under the same control | | | | | | | | | | |
| Add: Changes of accounting policy | | | | | | | | | | |
| Error correction of the last period | | | | | | | | | | |
| Others | | | | | | | | | | |
| II. Balance at the beginning of this year | 215,000.0 00.00 | 185,374.5 33.85 | | | 589,559.7 7 | | -35,747.15 2.65 | -4,599,976 .23 | 60,497,146. 26 | 421,114,111.0 0 |
| III. Increase/ Decrease in this year (Decrease is listed with "-") | | | | | | | 10,824.13 3.72 | 832,230.0 2 | 26,153,078. 86 | 37,809,442.6 0 |
| (I) Net profit | | | | | | | 10,824.13 3.72 | | 12,547,174. 73 | 23,371,308.4 5 |
| (II) Other comprehensive income | | | | | | | | 832,230.0 2 | | 832,230.02 |
| Subtotal of (I) and (II) | | | | | | | 10,824.13 | 832,230.0 | 12,547,174. | 24,203,538.4 |

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| | | | | | | | | | | |
|--|----------------|----------------|------|------|------------|------|----------------|---------------|---------------|----------------|
| | | | | | | | 3.72 | 2 | 73 | 7 |
| (III) Shareholders' contributions and reduction in capital | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 21,910,463.79 | 21,910,463.79 |
| 1. Capital contribution from owners | | | | | | | | | | |
| 2. Share-based payment recognized in shareholders' equity | | | | | | | | | | |
| 3. Others | | | | | | | | | 21,910,463.79 | 21,910,463.79 |
| (IV) Profit distribution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -8,304,559.66 | -8,304,559.66 |
| 1. Withdrawal of surplus reserves | | | | | | | | | | |
| 2. Withdrawal of general risk provisions | | | | | | | | | | |
| 3. Distribution for shareholders | | | | | | | | | -8,304,559.66 | -8,304,559.66 |
| 4. Others | | | | | | | | | | |
| (V) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Capitalization of capital reserve | | | | | | | | | | |
| 2. Capitalization of surplus reserve | | | | | | | | | | |
| 3. Remedying loss with surplus reserve | | | | | | | | | | |
| 4. Others | | | | | | | | | | |
| (VI) Reasonable reserve | | | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | | | |
| 2. Usage in the report period | | | | | | | | | | |
| () others | | | | | | | | | | |
| IV. Balance at the end of the report year | 215,000,000.00 | 185,374,533.85 | | | 589,559.77 | | -24,923,018.93 | -3,767,746.21 | 86,650,225.12 | 458,923,553.60 |

Legal Representative: Liang Sun

Person in Charge of Accounting Works: Hong Wang

Person in Charge of Accounting Department: Lian Shi

8、 Statement of Changes in Owners' Equity of Parent Company for the period ended 30 June 2012

Amount for this period

Prepared by: NANJING PUTIAN TELECOMMUNICATIONS CO. LTD.

30 June 2012

Unit: RMB Yuan

Nanjing Putian Telecommunications Co., Ltd. Semi-annual Report 2012

| Items | Amount for the period ended 30 June 2012 | | | | | | | |
|---|--|------------------|----------------------|--------------------|------------------|------------------------|----------------------|----------------------------|
| | Share capital | Capital reserves | Less: Treasury Stock | Reasonable reserve | Surplus reserves | General risk provision | Undistributed profit | Total shareholders' equity |
| I. Balance at the end of the last year | 215,000,000.00 | 172,417,299.81 | | | 589,559.76 | | -83,353,497.28 | 304,653,362.29 |
| 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 | | -83,353,497.28 | 304,653,362.29 |
| III. Increase/ Decrease in this year (Decrease is listed with "-") | | | | | | | -4,605,755.52 | -4,605,755.52 |
| (I) Net profit | | | | | | | -4,605,755.52 | -4,605,755.52 |
| (II) Other comprehensive income | | | | | | | | |
| Subtotal of (I) and (II) | | | | | | | -4,605,755.52 | -4,605,755.52 |
| (III) Shareholders' contributions and reduction in capital | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Capital contribution from owners | | | | | | | | |
| 2. Share-based payment recognized in shareholders' equity | | | | | | | | |
| 3. Others | | | | | | | | |
| (IV) Profit distribution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Withdrawal of surplus reserves | | | | | | | | |
| 2. Withdrawal of general risk provisions | | | | | | | | |
| 3. Distribution for shareholders | | | | | | | | |
| 4. Others | | | | | | | | |
| (V) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Capitalization of capital reserve | | | | | | | | |
| 2. Capitalization of surplus reserve | | | | | | | | |
| 3. Remedying loss with surplus reserve | | | | | | | | |
| 4. Others | | | | | | | | |
| (VI) Reasonable reserve | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | |

Nanjing Putian Telecommunications Co., Ltd. Semi-annual Report 2012

| | | | | | | | | |
|---|--------------|--------------|--|--|------------|--|---------------|--------------|
| 2. Usage in the report period | | | | | | | | |
| () others | | | | | | | | |
| IV. Balance at the end of the report year | 215,000,000. | 172,417,299. | | | 589,559.76 | | -87,959,252.8 | 300,047,606. |
| | 00 | 81 | | | | | 0 | 77 |

Legal Representative: Liang Sun

Person in Charge of Accounting Works: Hong Wang

Person in Charge of Accounting Department: Lian Shi

8、Statement of Changes in Owners' Equity of Parent Company for the period ended 30 June 2012 (continued)

Amount for last period

Prepared by: NANJING PUTIAN TELECOMMUNICATIONS CO. LTD.

30 June 2012

Unit: RMB Yuan

| Items | Amount for the period ended 30 June 2011 | | | | | | | |
|---|--|--------------------|----------------------|--------------------|------------------|------------------------|----------------------|----------------------------|
| | Share capital | Capital reserves | Less: Treasury Stock | Reasonable reserve | Surplus reserves | General risk provision | Undistributed profit | Total shareholders' equity |
| I. Balance at the end of the last year | 215,000,000. 00 | 172,417,299. 81 | | | 589,559.76 | | -71,769,720.8 2 | 316,237,138. 75 |
| 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 | | -71,769,720.8 2 | 316,237,138. 75 |
| III. Increase/ Decrease in this year (Decrease is listed with "-") | | | | | | | -11,583,776.4 6 | -11,583,776.4 6 |
| (I) Net profit | | | | | | | -11,583,776.4 6 | -11,583,776.4 6 |
| (II) Other comprehensive income | | | | | | | | |
| Subtotal of (I) and (II) | | | | | | | -11,583,776.4 6 | -11,583,776.4 6 |
| (III) Shareholders' contributions and reduction in capital | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Capital contribution from owners | | | | | | | | |
| 2. Share-based payment recognized in shareholders' equity | | | | | | | | |
| 3. Others | | | | | | | | |

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| | | | | | | | | |
|---|--------------|--------------|------|------|------------|------|---------------|--------------|
| (IV) Profit distribution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Withdrawal of surplus reserves | | | | | | | | |
| 2. Withdrawal of general risk provisions | | | | | | | | |
| 3. Distribution for shareholders | | | | | | | | |
| 4. Others | | | | | | | | |
| (V) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Capitalization of capital reserve | | | | | | | | |
| 2. Capitalization of surplus reserve | | | | | | | | |
| 3. Remedying loss with surplus reserve | | | | | | | | |
| 4. Others | | | | | | | | |
| (VI) Reasonable reserve | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | |
| 2. Usage in the report period | | | | | | | | |
| () others | | | | | | | | |
| IV. Balance at the end of the report year | 215,000,000. | 172,417,299. | | | 589,559.76 | | -83,353,497.2 | 304,653,362. |
| | 00 | 81 | | | | | 8 | 29 |

Legal Representative: Liang Sun

Person in Charge of Accounting Works: Hong Wang

Person in Charge of Accounting Department: Lian Shi

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 21 March, 1997. The company was listed in Shenzhen Stock Exchange on 22 May, 1997. By 30 June 2012, 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. Also include: design of telecom information net project and computer information systematic project, provision of related system combination and related consultancy service.

IV 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 position at 30 June 2012, operational achievements and cash flow of the company for the period ended 30 June 2012 effectively and completely.

3. Accounting period

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

4. Functional currency for accounting

The functional currency of the company is Renminbi (thereafter refer as the "RMB").

Functional currency of the overseas subsidiaries

The subsidiary Putian Telecommunications (Hong Kong) Co., Ltd. registered in Hong Kong, Hong Kong dollars as its functional currency, the preparation of the financial statements are translated into RMB.

5. Accounting treatment of Business Combination

(1) Combination under common control

For a business combination under the same control, the combining party recognizes the assets and liabilities acquired, according to the

carrying value at acquisition-date. 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 under different control 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, combined 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. Combined cost includes consideration transferred and transaction costs that are directly attributable to the acquisition. Future events that may affect the cost of the combination in the merger contract, if the estimated future is likely to occur and the amount can be reliably measured at purchase date, should be included in the cost of the combination.

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 combined 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 combined cost, after reassessment the net identifiable assets acquired is still more than combined cost the difference is recorded to profit or loss in the current period.

6. Basis of Preparation of Consolidated Financial Statements

(1) Preparation of consolidated financial statements

The company will include the subsidiaries had effective control and special purpose entities in the scope of consolidated financial statement.

Consolidated financial statements have been prepared in accordance with the "Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements and relevant supplementary regulations. All significant internal 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 involving not 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.

(2) Equity of the same subsidiary buy to sell or sell to buy in the two consecutive fiscal year, should disclose the accounting treatment

Not applicable.

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

For foreign currency transaction, the Company converts the foreign currency amount into functional currency by using the spot exchange rate at the trading day.

The balance sheet date, monetary items which expressed by foreign currency are converted into functional currency using the spot exchange rate. Exchange differences arising from the recognition of the balance sheet date spot exchange rate and the initial or previous balance sheet date, in addition to foreign currency borrowings eligible for capitalization of exchange differences to be capitalized to the cost of related assets during the capitalization through profit or loss.

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 of financial instruments

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

Financial assets at initial recognition are classified as: financial assets measured at fair value through profit or loss (including trading financial assets and those financial assets designated at fair value through profit or loss of), held-to-maturity investment, loans and accounts receivables, as well as financial assets available-for-sale. In addition to accounts receivable outside of the financial assets depends on the company's and its subsidiaries' classification of the financial assets held intention and hold ability, etc.

Financial liabilities at initial recognition are classified as: financial liabilities at fair value through profit or loss (including trading financial liabilities and financial liabilities designated at fair value through profit or loss) and other financial liabilities.

When the Company becomes one party of financial instrument contracts, it recognizes a related financial asset or financial liability.

(2) Recognition and measurement of financial instruments

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 profits and losses of the financial assets, available for sale financial assets and to the fair value measurement and the financial liability measured at fair value and changes included in the profits and losses; 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.

(3) 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.

(4) De-recognition of financial liabilities

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

(5) 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.

(6) The impairment provision of the financial assets (excluding accounts receivable)

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 impairment test did not occur impair (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.

(7) Held-to-maturity investment that is not yet expired can be reclassified as available-for-sale financial assets, indicating the basis of the holding intention or ability to change

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 RMB10,000,000Yuan |
| Provision method | Individual identification method |

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

| Portfolio recognition criteria | Provision method for Portfolio | The basis for portfolio |
|--------------------------------|--------------------------------|---|
| Portfolio 1 | Age analysis | Single amount major but not separate accrual provision |
| Portfolio 2 | Other methods | Single amount not significant and portfolio risk is low |
| Portfolio 3 | Age analysis | Single amount not significant but risk is high in the group |

Adopt age analysis provision in portfolio:

Applicable Not applicable

| Aging | Accounts receivable provision proportion (%) | Other receivables provision proportion (%) |
|--------------------------------|--|--|
| Within 1 year (contain 1 year) | 0.00% | 0.00% |
| | | |

| Aging | Accounts receivable provision proportion (%) | Other receivables provision proportion (%) |
|------------------|--|--|
| 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% |
| Over 5 years | | |
| 5 to 6 years | 80.00% | 80.00% |
| 6 years or above | 100.00% | 100.00% |

Adopt balance percentage method for provision in portfolio:

Applicable Not applicable

Adopt other methods for provision in portfolio:

Applicable Not applicable

| Portfolio | Method Description |
|-------------|----------------------------|
| Portfolio 2 | No provision for bad debts |

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

Reason of single provision for bad debts: separately impairment test, exist objective evidence for impairment;

Provision for bad debts: 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

First-in first-out method weighted average method Specific identification method Other method

(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) Inventory system

Perpetual inventory system Periodic inventory system Other

(5) Amortization method for low value consumable items and packing materials

The low value consumable items are amortized by step-amortization method.

The 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 investments 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 under the equity method should be entitled to or shared by the investee's net share of profit or loss, recognize the long-term equity investment income and investment. When declare distribution of profits or cash dividends should be allocated to the part, a corresponding reduction in the carrying value of long-term equity investments.

The long-term equity investment under cost method, except for additional or return on investment, the carrying value is generally same. 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 invested company. When the company owns below 20% (excluding 20%) voting shares of invested company, significant influence over invested 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 existent fair trade agreement price. When there is no fair trade sales agreement but there is an active market or transaction prices for similar assets with the industry, according to market price less the related tax.

13. Investment property

(1) Classification and measurement

The investment property of the company includes: leasing land use rights, rent buildings, land use rights which are hold and prepared for transfer after appreciation of land use rights.

The company's investment property is initially measured at cost, with subsequent measurement at cost model.

(2) Accounting for cost model

The company investment property of rental building adopts straight-line method depreciation, specific depreciation policies the same as fixed assets.

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:

The economic benefits related with the fixed asset are probably to flow to the enterprise;

The cost of the fixed asset can be measured reliably

(2) 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.

The valuation of finance lease: the initial recognition of fixed assets financed by leasing at the lease period begins is the lower of the fair value of the leased asset and the present value of minimum lease payments.

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.

(3) Classification and Depreciation

The company's fixed assets are classified as buildings and structures, machinery equipment, transportation equipment and electronic and other equipment. Depreciation method is 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 depreciation 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 |
| Electronic equipment | 4-11 | 3 | 2.2-24.25 |
| Transportation equipment | 6-8 | 3 | 12.13-16.17 |
| Other equipment | 4-11 | 3 | 2.2-24.25 |
| Finance leased fixed assets : | | | |
| Including: Building & structure | | | |
| Machinery equipment | | | |
| Electronic equipment | | | |
| Transportation equipment | | | |
| Other equipment | | | |
| Electronic equipment | | | |

(4) Impairment test and provision for 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; when without fair price for transaction but existence of similar active market according to the market price minus the disposal expenses to determine the amount.

(5) Additional instructions

None

15. Construction in process

(1) Classification

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

(2) Criterion and timelessness 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

The physical construction of fixed assets (including installation) have been completed or substantially completed;

Have been pre-production or test run, and the results show that the assets to normal operation or to stabilize the production of qualified products, or test the results show that it can operate normally or business;

Expenditure in the future associated with fixed assets, little or no place;

The acquisition or construction of fixed assets has reached the design or contract requirements, or consistent with the basic design or contract requirements.

(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) The capitalization period of borrowing expense

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

(3) During the suspension of capitalization

The suspension of capitalization: in the construction or production process is interrupted abnormally, and the interruption lasts for more than three months, borrowing expense capitalization should be suspended.

(4) Calculation of borrowing expense capitalization

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. Biological assets

Not applicable.

18. Oil and gas assets

Not applicable.

19. 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.

| Item | Estimated useful life | Basis |
|------|-----------------------|-------|
| | | |

(3) Basis of determination indefinite useful life 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.

(4) The provision for impairment of intangible assets

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) Division criteria of the research phase and development phase

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.

(6) Internal research and development project expenditure accounting

Designated by the above method, the full cost of research phase expenditure be expended, the development phase expenditure in line with the conditions of the capital to be capitalized, and do not meet the conditions of capitalize expense should through profit or loss.

20. 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.

21. Repurchase conditions of the transferred asset

22. 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 for initially recognized should be the best estimate of the expenditure required to settle the present obligation, such as the existence of a continuous range of expenditure required, and the various outcomes within the same likelihood, the best estimate in accordance with the intermediate range value determined; involving multiple projects, according to a variety of possible outcomes and associated probabilities to determine the best estimate.

On balance sheet date, the company reviews the carrying amount of provision. 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.

23. Share payment and the equity instruments

Not applicable.

24. Repurchase of shares

Not applicable.

25. 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 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.

(3) 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.

26. 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; the grant used for compensating the related expenses or losses incurred to the company shall be directly included in the current profit or loss.

27. Deferred tax asset or liability

The deferred tax assets and deferred tax liabilities confirmation:

(1) 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.

(2) 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.

(3) 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.

28. Operating and finance leases

(1) Operating lease accounting treatment

Company as lessee under operating leases:

Operating leases rent should be included in the relevant costs or profits and losses under operating leases in each period of the lease term on straight-line basis. The initial direct costs recorded into the current profits and losses when it happens. Contingent rental recorded into the current profits and losses when it actual happens.

Company as lessor under operating leases:

Operating lease rental income is recognized on a straight-line basis over the lease period during the profit and loss .The initial direct costs recorded into the current profits and losses when it happens. Contingent rental recorded into the current profits and losses when it actual happens.

(2) Finance lease accounting treatment

Company as lessee under a finance lease:

On leasing date, the lower of fair value and present value of minimum lease payments as the recorded value of the leased asset, the minimum lease payments as stated value of long-term payables, and the difference is recognized as unrecognized finance charges. In addition, in the process of negotiations and the signing of the lease contract, the initial direct costs attributable to the leased item included in the lease asset value. Minimum lease payments net of unrecognized finance charges, the balance of long-term liabilities and long-term liabilities due within one year are listed.

Unrecognized financing charges using the effective interest method calculated and recognized the costs in the current period during the leasing period. Contingent rental recorded into the current profits and losses when it actual happens.

Company as lessor under a finance lease:

On leasing date, the minimum lease receipts and the initial direct costs as the recorded value of the finance lease receivable, at the same time record the unguaranteed residual value; the difference of minimum lease receipts, the initial direct costs, the unguaranteed residual value and its present value is recognized as unearned finance income. Finance lease receivables net of unrealized financing income, the balance are listed as long-term debt and long-term debt within one year.

Unrealized finance income over the lease term using the effective interest method to recognize the current financing income. Contingent rental recorded into the current profits and losses when it actual happens.

29. Assets held for sale

(1) Assets held for sale recognition criteria

Meet the following conditions: the company has made a resolution to dispose of the asset; the company has signed an irrevocable transfer agreement with the transferee and the transfer of asset will be completed within one year.

(2) Accounting treatment of assets held for sale

For the fixed assets held for sale, it shall adjust the fixed assets' expected net salvage value, the expected net salvage value of fixed assets reflect the amount of fair value minus the disposal expenses, but not exceeding original carrying value of fixed assets when it meets holds for sale conditions, the difference original book value higher than the adjusted expected net salvage value, should be recognized as the loss of

asset impairment included in current profits and losses.

Other non-current assets held for sale, mutatis mutandis the above principle, non-current assets held for sale include individual assets and disposal groups, a disposal group is a group of assets as a whole for sold or other disposition way disposed together.

30. Asset securitization business

Not applicable.

31. Hedging accounting

Not applicable.

32. The main changes in accounting policies and accounting estimates

The reporting period of significant accounting policies, accounting estimates change:

Yes No Not applicable

(1) Changes in accounting policies:

Yes No Not applicable

(2) Changes in accounting estimates:

Yes No Not applicable

33. Correction of previous errors and effects

During the report previous accounting error corrected:

Yes No Not applicable

34. Other major accounting policies, accounting estimates and financial statements preparation method

None

V Taxations

1. Major taxes and tax rates

| Type of tax | Tax base | Tax rate |
|-----------------|---|----------|
| VAT | Income from sales of goods and materials | 17% |
| Consumption tax | | |
| Business tax | Income from lease, installation ,procession, rendering of service | 3%-5% |

| Type of tax | Tax base | Tax rate |
|--|----------------|----------|
| Urban maintenance and construction tax | Turnover tax | 7% |
| Corporate income tax | Taxable income | 15%-25% |
| Education surcharge | Turnover tax | 3% |
| Local education surcharge | Turnover tax | 1% |

Income tax rate for branches: branches perform the same rate.

2. Tax incentives and approvals

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 1 December 2000, and is subject to the Enterprise Income Tax at a rate of 16.5% according to relevant rules in Hong Kong.

3. Other instructions

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

VI. Business combination and consolidated financial statements

Overall description of the business combinations 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

(1) Subsidiaries that are setup or obtained by the investment

| Name | Type | Registration | Business nature | Registered capital(RMB'0000) | Currency | 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 Southern Telecommunications Company Limited | Stated-controlled | Nanjing | Trading | 3,420.50 | CNY | telecommunications | 33,175,148.00 | | 98.24 | 98.24 |
| Nanjing Bada Telecommunications Co., Ltd | Stated-controlled | Nanjing | Manufacture | 1,130.14 | CNY | telecommunications | 5,610,000.00 | | 60.00 | 60.00 |
| Nanjing Putian Information Technology Company Ltd. | Stated-controlled | Nanjing | Trading& Manufacture | 1,400.00 | CNY | telecommunications | 13,860,000.00 | | 99.98 | 99.98 |
| Nanjing Putian Telege Intelligent Building Ltd. | Stated-controlled | Nanjing | Trading& Manufacture | 1,200.00 | CNY | telecommunications | 3,320,003.45 | | 45.77 | 45.77 |
| Putian Telecommunications (Hong Kong) Co., Ltd. | Stated-controlled | Hongkong | Trading | 200.00 | HKD | telecommunications | 1,910,520.00 | | 90.00 | 90.00 |
| Beijing Picom Telecommunications Equipment Ltd | Stated-controlled | Beijing | Trading | 50.00 | USD | telecommunications | 1,854,910.00 | | 51.00 | 51.00 |
| Nanjing Putian Wongshi Telecommunications Co., Ltd. | Stated-controlled | Nanjing | Trading& Manufacture | 1,090.00 | CNY | telecommunications | 40,997,683.00 | | 99.42 | 99.42 |
| Nanjing Putian Changle Telecommunications Equipment Co., Ltd. | Stated-controlled | Nanjing | Trading& Manufacture | 1,000.00 | CNY | telecommunications | 2,610,457.00 | | 50.70 | 50.70 |
| Nanjing Putian Network Company Ltd. | Stated-controlled | Nanjing | Trading& Manufacture | 1,000.00 | CNY | telecommunications | 7,741,140.40 | | 78.00 | 78.00 |
| Nanjing Putian Telecommunication | Stated-controlled | Nanjing | Trading& Manufacture | 475.00 | CNY | telecommunications | 1,294,510.00 | | 70.00 | 70.00 |

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| | | | | | | | | | | |
|---|-----------------|---------|----------------------|--------|-----|--|----------------|--|-------|-------|
| Technology Co., Ltd | | | | | | | | | | |
| Nanjing Mennekes Electric Appliances Co., Ltd | Limited company | Nanjing | Trading& Manufacture | 520.00 | USD | | 57,831,011.71 | | 75.00 | 75.00 |
| Total | | | | | | | 170,205,383.57 | | | |

(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 Southern Telecommunications Company Limited | Yes | 1,319,661.67 | | |
| Nanjing Bada Telecommunications Co., Ltd | Yes | 2,856,843.21 | | |
| Nanjing Putian Information Technology Company Ltd. | Yes | 933.71 | | |
| Nanjing Putian Telege Intelligent Building Ltd. | Yes | 36,286,673.24 | | |
| Putian Telecommunications (Hong Kong) Co., Ltd. | Yes | - | | |
| Beijing Picom Telecommunications Equipment Ltd | No | - | | |
| Nanjing Putian Wongshi Telecommunications Co., Ltd. | Yes | 216,780.96 | | |
| Nanjing Putian Changle Telecommunications Equipment Co., Ltd. | Yes | 18,414,865.93 | | |
| Nanjing Putian Network Company Ltd. | Yes | 5,020,489.21 | | |
| Nanjing Putian Telecommunication Technology Co., Ltd | Yes | 128,095.73 | | |
| Nanjing Mennekes Electric Appliances Co., Ltd | Yes | 22,031,758.10 | | |
| Total | | 86,276,101.76 | | |

The other instruction of subsidiaries achieved through the establishment or investment: none.

(2) Subsidiaries obtained by business combination under common control

| Name | Type | Registration | Business nature | Registered capital | Currency | 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 (%) |
|------|------|--------------|-----------------|--------------------|----------|----------------|--|--|-----------------------------|------------------------------|
| | | | | | | | | | | |

(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 |
|------|----------------------------|-------------------|--|--|
| | | | | |

(3) Subsidiaries obtained by business combination under different control

| Name | Type | Registration | Business nature | Registered capital | Currency | 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 (%) |
|------|------|--------------|-----------------|--------------------|----------|----------------|--|--|-----------------------------|------------------------------|
| | | | | | | | | | | |

(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 |
|------|----------------------------|-------------------|--|--|
| | | | | |

2. Special purpose entities or control over the operating entity entrusted with the operation or lessee, etc. Applicable Not applicable

Special purpose entities or operating entity entrusted with the operation or lease by way of control of the other instructions: none.

3. The instructions of consolidation scope change

The scope of consolidation changed instructions:

Subsidiary Nanjing Mennekes Electric Appliances Co., Ltd which increased the shareholding on 31 December 2011, the statement of financial position was included in the scope of consolidation on 31 December 2011, the income statement therefore included in the scope of consolidation in the current period.

The reason of new consolidation compared with the previous year: stake increased to control standard.

4. During the reporting period newly incorporated into the scope of consolidation and no longer included in the scope of consolidation

Newly included in the scope of consolidation of subsidiaries and special purpose entities, the operating entity entrusted with the operation or

lease by way of a control during this period.

Unit: Yuan

| Item | Net assets | Net profit |
|--|---------------|--------------|
| Nanjing Mennekes Electric Appliances Co., Ltd. | 89,714,184.08 | 2,072,328.93 |

No longer included in the scope of consolidation of subsidiaries and special purpose entities, the operating entity entrusted with the operation or lease by way of control during this period.

Unit: Yuan

| Item | Net assets of the disposal date | The net profit from beginning of the year to the date of disposal |
|------|---------------------------------|---|
| | | |

Subsidiary Nanjing Mennekes Electric Appliances Co., Ltd which increased the shareholding on 31 December 2011, the statement of financial position was included in the scope of consolidation on 31 December 2011, the income statement therefore included in the scope of consolidation in the current period.

5. Business combination occurred under the same control during the reporting period

| Consolidated party | Judgment based on business combination under common control | The same actual control | Income from the beginning to the merger date | Profit from the beginning to the merger date | Cash flow from the beginning to the merger date |
|--------------------|---|-------------------------|--|--|---|
| | | | | | |

6. Business combination occurred under the different control during the reporting period

| Consolidated party | Amount of goodwill | Calculation of goodwill |
|--------------------|--------------------|-------------------------|
| | | |

7. The sales equity of loss of control over the subsidiary during the reporting period

| Name of subsidiary | The date of disposal | Profit & loss recognition |
|--------------------|----------------------|---------------------------|
| | | |

8. The reverse purchase occurred during the reporting period

| Backdoor party | The judgment basis of reverse purchase | The method of combination cost | Calculation method of consolidated goodwill or merge through profit & loss |
|----------------|--|--------------------------------|--|
| | | | |

9. The merger by absorption during the reporting period

| The type of absorption merger | The main assets incorporated | | The main liabilities incorporated | |
|-------------------------------|------------------------------|--------|-----------------------------------|--------|
| Merger under the same control | Item | Amount | Item | Amount |
| | | | | |

| Merger under different control | Item | Amount | Item | Amount |
|--------------------------------|------|--------|------|--------|
| | | | | |

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

Items of assets and liabilities shall be conversed at average exchange rate as of 30 June 2012, announced by Foreign Exchange Bureau in China. Items of equity shall be conversed at spot rate when occurring, except retained profit. Items of income statement shall be conversed at average exchange rate as of 30 June 2012 and as 31 December 2011, announced by Foreign Exchange Bureau in China.

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

1. Monetary funds

(1) Classification of Monetary funds

| Item | As of 30 June 2012 | | | As of 31 December 2011 | | |
|----------------------|--------------------|---------------|----------------|------------------------|---------------|----------------|
| | Original currency | Exchange rate | RMB converted | Original currency | Exchange rate | RMB converted |
| Cash on hand | — | — | 49,555.08 | — | — | 51,295.27 |
| RMB | — | — | 49,555.08 | — | — | 51,295.27 |
| Cash in bank | — | — | 220,570,608.79 | — | — | 264,588,809.72 |
| RMB | — | — | 214,886,854.39 | — | — | 252,862,715.29 |
| USD | 735,948.77 | 6.3249 | 4,654,802.38 | 1,288,693.46 | 6.3009 | 8,119,928.62 |
| HKD | 1,168,758.41 | 0.8152 | 952,771.86 | 1,167,710.38 | 0.8107 | 946,662.80 |
| EUR | 208.79 | 9.8169 | 2,049.67 | 325,571.25 | 8.1625 | 2,657,475.33 |
| GBP | 9,418.18 | 7.8710 | 74,130.49 | 208.79 | 9.7116 | 2,027.68 |
| Other monetary funds | — | — | 111,012,593.66 | — | — | 47,780,110.60 |
| RMB | — | — | 111,012,593.66 | — | — | 46,930,675.76 |
| USD | — | — | — | 118,203.12 | 6.3009 | 744,786.04 |
| EUR | — | — | — | 12,820.68 | 8.1625 | 104,648.80 |
| Total | — | — | 331,632,757.53 | — | — | 312,420,215.59 |

If there are any restrictions on the use due to mortgage, pledge or freeze, stored outside with a risk of potential recovery amounts should be separate instructions.

2. Trading financial assets

(1) Trading financial assets

Unit: Yuan

| Item | Fair value at 30 June 2012 | Fair value at 31 December 2011 |
|--|----------------------------|--------------------------------|
| Debt trading assets | | |
| Investments in equity instruments for trading | | |
| Financial assets designated as fair value through profit or loss | | |
| Derivative financial assets | | |
| Hedging instruments | | |
| Other | | |
| Total | | |

(2) Change the restrictions on the trading of financial assets

Unit: Yuan

| Item | Other significant restrictions restricted conditions or the realization | As of 30 June 2012 |
|------|---|--------------------|
| | | |

(3) Description of the hedging instruments and related hedging transactions

3. Notes receivables

(1).Receivable by category list below

| Item | As of 30 June 2012 | As of 31 December 2011 |
|-----------------------------|--------------------|------------------------|
| Commercial acceptance bills | 1,451,312.00 | 4,049,690.00 |
| Bank acceptance bills | 5,610,639.89 | 8,814,033.59 |
| Total | 7,061,951.89 | 12,863,723.59 |

(2). Pledged notes receivable

Unit: Yuan

| Remitter | Issuing date | Maturity date | Amount | Notes |
|----------|--------------|---------------|--------|-------|
| | | | | |

| | | | | |
|-------|----|----|------|----|
| Total | -- | -- | 0.00 | -- |
|-------|----|----|------|----|

Description: none.

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

Unit: Yuan

| Remitter | Date of issue | Date of expiry | Amount | Memo |
|----------|---------------|----------------|--------|------|
| Total | -- | -- | 0.00 | -- |

The company has been endorsed to other parties , but not yet due bills: none.

| Remitter | Date of issue | Date of expiry | Amount | Memo |
|---|---------------|----------------|--------------|------|
| 1. Nanjing Prachanda Live Optical Network Co., Ltd. | 2012/4/13 | 2012/7/13 | 1,000,000.00 | |
| 2. Nanjing Prachanda Live Optical Network Co., Ltd. | 2012/4/13 | 2012/7/13 | 1,000,000.00 | |
| 3.China Telecom Co., Ltd. Chongqing Branch | 2012/5/18 | 2012/11/17 | 760,520.92 | |
| 4.China Telecom Co., Ltd. Chongqing Branch | 2012/6/25 | 2012/9/24 | 706,842.00 | |
| 5.Jiangsu Huaguan Electric Group Co., Ltd. | 2012/1/19 | 2012/7/19 | 600,000.00 | |

4. Dividends receivable

Unit: Yuan

| Item | As of 31 December 2011 | Increase during the period | Decrease during the period | As of 30 June 2012 |
|------------------------------------|------------------------|----------------------------|----------------------------|--------------------|
| Dividends receivable within 1 year | | | | |
| Include: | | | | |
| Dividends receivable more | | | | |

| | | | | |
|-------------|----|----|----|----|
| than 1 year | | | | |
| Include: | -- | -- | -- | -- |
| | | | | |
| Total | | | | |

5. Interest receivable

(1) Interest receivable

Unit: Yuan

| Item | As of 31 December 2011 | Increase during the period | Decrease during the period | As of 30 June 2012 |
|-------|------------------------|----------------------------|----------------------------|--------------------|
| | | | | |
| Total | | | | |

(2) Overdue interest

Unit: Yuan

| Loan units | Overdue time (days) | The amount of overdue interest |
|------------|---------------------|--------------------------------|
| | | |
| Total | -- | |

(3) Description of the interest receivable: none.

6. Accounts receivable

(1) Classification of accounts receivable

| Classification | As of 30 June 2012 | | | |
|--|--------------------|----------------|-----------|----------------|
| | 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 | | | | |
| Group1 | 334,813,561.81 | 36.41 | 150,752.00 | 0.05 |
| Group 2 | 528,175,969.28 | 57.45 | | - |
| Group 3 | 46,502,908.77 | 5.06 | 10,205,677.81 | 21.95 |
| Subtotal | 909,492,439.86 | 98.92 | 10,356,429.81 | 1.14 |
| 3. Single amount not significant but single provision for accounts receivable | 9,951,734.90 | 1.08 | 9,951,734.90 | 100.00 |
| Total | 919,444,174.76 | 100.00 | 20,308,164.71 | 2.21 |

| Classification | As of 31 December 2011 | | | |
|--|------------------------|----------------|---------------|----------------|
| | 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 | | | | |
| Group1 | 265,203,673.33 | 34.97 | 4,315,816.31 | 1.63 |
| Group 2 | 431,115,076.16 | 56.85 | | |
| Group 3 | 51,886,589.43 | 6.84 | 7,747,954.30 | 14.93 |
| Subtotal | 748,205,338.92 | 98.66 | 12,063,770.61 | 1.61 |
| 3. Single amount not significant but single provision for accounts receivable | 10,137,435.85 | 1.34 | 10,137,435.85 | 100.00 |

| | | | | |
|-------|----------------|--------|---------------|------|
| Total | 758,342,774.77 | 100.00 | 22,201,206.46 | 2.93 |
|-------|----------------|--------|---------------|------|

Notes : Single amount dramatic and individual provision for accounts receivable refers to single exceed RMB 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.

Individually significant receivables and individual provision for bad debts at the end of the period:

Applicable Not applicable

Adopt age analysis provision in group as follows:

Applicable Not applicable

| Age | As of 30 June 2012 | | | As of 31 December 2011 | | |
|-----------------------------------|--------------------|----------------|---------------|------------------------|----------------|---------------|
| | Book balance | Proportion (%) | Provision | Book balance | Proportion (%) | Provision |
| Within 1 year (contain 1 year) | 311,734,346.13 | 81.75 | - | 259,502,118.13 | 81.84 | |
| Subtotal within 1 year | 311,734,346.13 | 81.75 | - | 259,502,118.13 | 81.84 | |
| 1 to 2 years | 39,211,843.02 | 10.28 | - | 24,550,408.28 | 7.74 | |
| 2 to 3 years | 13,027,275.28 | 3.42 | 1,302,727.53 | 17,797,710.89 | 5.61 | 1,779,771.09 |
| Over 3 years | 17,343,006.15 | 4.55 | 9,053,702.28 | 15,240,025.46 | 4.81 | 10,283,999.52 |
| 3 to 4 years | 7,627,950.75 | 2.00 | 2,288,385.23 | 5,520,536.70 | 1.74 | 1,656,161.01 |
| 4 to 5 years | 4,703,439.60 | 1.23 | 1,881,375.84 | 658,683.83 | 0.21 | 263,473.52 |
| 5 years or above | 5,011,615.80 | 1.32 | 4,883,941.21 | 9,060,804.93 | 2.86 | 8,364,364.99 |
| Total | 381,316,470.58 | 100.00 | 10,356,429.81 | 317,090,262.76 | 100.00 | 12,063,770.61 |

Portfolio, adopt balance percentage of the provision for bad debts:

Applicable Not applicable

Portfolio, adopt other methods of the provision for bad debts:

√ Applicable □ Not applicable

Unit: Yuan

| Item | Book balance | Provision for bad debts |
|---------|----------------|-------------------------|
| Group 2 | 528,175,969.28 | 0.00 |
| Total | 528,175,969.28 | 0.00 |

Closing single amount not significant but single provision for accounts receivable

√ Applicable □ Not applicable

| Receivables | Book amount | Bad debt | Proportion (%) | Reason |
|---|--------------|--------------|----------------|-----------------------------------|
| Beijing Zhen Yuan Innovation and Technology Development Corporation | 154,595.34 | 154,595.34 | 100.00 | Aging longer difficult to recover |
| Taiyuan High-tech Industrial Import and Export Co. | 254,114.19 | 254,114.19 | 100.00 | Aging longer difficult to recover |
| Jiangsu Changzhou Dahua Co. | 1,385,839.64 | 1,385,839.64 | 100.00 | Aging longer difficult to recover |
| Hubei provincial public security | 836,278.42 | 836,278.42 | 100.00 | Aging longer difficult to recover |
| Zhongshan Group International Trade Center | 119,323.53 | 119,323.53 | 100.00 | Aging longer difficult to recover |
| NEPAL TETE | 1,543,794.46 | 1,543,794.46 | 100.00 | Aging longer difficult to recover |
| XI'AN OVERLOAD SCIENCE | 616,626.45 | 616,626.45 | 100.00 | Aging longer difficult to recover |
| M/S WHISTLER TELECOM(PVT) LTD | 1,782,643.57 | 1,782,643.57 | 100.00 | Aging longer difficult to recover |
| PRADUFA | 103,534.04 | 103,534.04 | 100.00 | Aging longer difficult to recover |
| China Unicom Nanjing branch | 12,500.00 | 12,500.00 | 100.00 | Aging longer difficult to recover |

| | | | | |
|--|--------------|--------------|--------|---------|
| Chongqing Eagle communication Technology Development Co., Ltd. | 1,093,571.51 | 1,093,571.51 | 100.00 | Lawsuit |
| Beijing Tongchengdaye Communication Technology Co., Ltd. | 785,065.00 | 785,065.00 | 100.00 | Lawsuit |
| Beijing Blue Scene Inheritance Communication Technology Co., LTD, Chengdu Branch | 234,878.00 | 234,878.00 | 100.00 | Lawsuit |
| Shandong University of Traditional Chinese Medicine | 264,868.40 | 264,868.40 | 100.00 | Lawsuit |
| Jiangsu Taihewei Nets Technology Co., Ltd. | 419,504.72 | 419,504.72 | 100.00 | Lawsuit |
| Heilongjiang Blue Ocean Silver Ann technology Development Co., LTD | 155,111.86 | 155,111.86 | 100.00 | Lawsuit |
| Changchun Jiachen Network Technology Co., LTD | 30,162.97 | 30,162.97 | 100.00 | Lawsuit |
| Suzhou Tyrone Real Estate Development Co. | 159,322.80 | 159,322.80 | 100.00 | Lawsuit |
| Total | 9,951,734.90 | 9,951,734.90 | — | — |

(2) Current payback or return of receivables

Unit: Yuan

| Receivables | Reversed or recovered reasons | Determine the basis of the original bad debts | Reversed or recovered before the accumulated amount of provision for bad debts | To reversal or recover amount |
|-------------|-------------------------------|---|--|-------------------------------|
| | | | | |
| Total | -- | -- | 0.00 | -- |

Closing single amount not significant but single provision for accounts receivable

√ Applicable □ Not applicable

| Receivables | Book amount | Bad debt | Proportion (%) | Reason |
|---|-------------|------------|----------------|-----------------------------------|
| Beijing Zhen Yuan Innovation and Technology Development Corporation | 154,595.34 | 154,595.34 | 100.00 | Aging longer difficult to recover |
| Taiyuan High-tech Industrial Import and Export Co. | 254,114.19 | 254,114.19 | 100.00 | Aging longer difficult to recover |

| | | | | |
|--|--------------|--------------|--------|-----------------------------------|
| Jiangsu Changzhou Dahua Co. | 1,385,839.64 | 1,385,839.64 | 100.00 | Aging longer difficult to recover |
| Hubei provincial public security | 836,278.42 | 836,278.42 | 100.00 | Aging longer difficult to recover |
| Zhongshan Group International Trade Center | 119,323.53 | 119,323.53 | 100.00 | Aging longer difficult to recover |
| NEPAL TETE | 1,543,794.46 | 1,543,794.46 | 100.00 | Aging longer difficult to recover |
| XI'AN OVERLOAD SCIENCE | 616,626.45 | 616,626.45 | 100.00 | Aging longer difficult to recover |
| M/S WHISTLER TELECOM(PVT) LTD | 1,782,643.57 | 1,782,643.57 | 100.00 | Aging longer difficult to recover |
| PRADUFA | 103,534.04 | 103,534.04 | 100.00 | Aging longer difficult to recover |
| China Unicom Nanjing branch | 12,500.00 | 12,500.00 | 100.00 | Aging longer difficult to recover |
| Chongqing Eagle communication Technology Development Co., Ltd. | 1,093,571.51 | 1,093,571.51 | 100.00 | Lawsuit |
| Beijing Tongchengdaye Communication Technology Co., Ltd. | 785,065.00 | 785,065.00 | 100.00 | Lawsuit |
| Beijing Blue Scene Inheritance Communication Technology Co., LTD, Chengdu Branch | 234,878.00 | 234,878.00 | 100.00 | Lawsuit |
| Shandong University of Traditional Chinese Medicine | 264,868.40 | 264,868.40 | 100.00 | Lawsuit |
| Jiangsu Taihewei Nets Technology Co., Ltd. | 419,504.72 | 419,504.72 | 100.00 | Lawsuit |
| Heilongjiang Blue Ocean Silver Ann technology Development Co., LTD | 155,111.86 | 155,111.86 | 100.00 | Lawsuit |
| Changchun Jiachen Network Technology Co., LTD | 30,162.97 | 30,162.97 | 100.00 | Lawsuit |

| | | | | |
|---|--------------|--------------|--------|---------|
| Suzhou Tyrone Real Estate Development Co. | 159,322.80 | 159,322.80 | 100.00 | Lawsuit |
| Total | 9,951,734.90 | 9,951,734.90 | — | — |

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 actual write-off of accounts receivable during the reporting period

Unit: Yuan

| Name | Nature of the receivables | Write-off time | Write-off amount | Write-off reasons | Related party transactions |
|-------|---------------------------|----------------|------------------|-------------------|----------------------------|
| | | | | | |
| Total | -- | -- | 0.00 | -- | -- |

Description of accounts receivable write-off: none.

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

Applicable Not applicable

Unit: Yuan

| Name of the debtors | As of 30 June 2012 | | As of 31 December 2011 | |
|------------------------|--------------------|---------------------------------------|------------------------|---------------------------------------|
| | Book balance | The amount of provision for bad debts | Book balance | The amount of provision for bad debts |
| China Putian Co., Ltd. | 30,376,485.40 | 0.00 | 27,391,490.91 | 0.00 |
| Total | 30,376,485.40 | 0.00 | 27,391,490.91 | 0.00 |

(5) Top 5 debtors of accounts receivable

| Name of the debtors | Relationship with the Company | Amount | Aging | Proportion of total amount (%) |
|--|-------------------------------|----------------|----------------|--------------------------------|
| China Telecom Co., Ltd. Jiangsu Branch | non-related party | 129,087,312.82 | Within 2 years | 14.04 |
| Agricultural Bank of China | non-related party | 31,712,852.29 | Within 2 years | 3.45 |
| China Putian Co., Ltd. | parent company | 30,376,485.40 | Within 2 years | 3.30 |
| Beijing Xinliwen Technology Co., Ltd. | non-related party | 27,013,450.20 | Within 1 year | 2.94 |

| Name of the debtors | Relationship with the Company | Amount | Aging | Proportion of total amount (%) |
|--|-------------------------------|----------------|---------------|--------------------------------|
| China TieTong Co., Ltd. Jiangsu Branch | non-related party | 25,429,732.75 | Within 1 year | 2.77 |
| Total | — | 243,619,833.46 | — | 26.50 |

(6) Accounts receivable of related parties accounts

| Name of the debtors | Relationship with the Company | Amount | Proportion of total amount (%) |
|--|-------------------------------|---------------|--------------------------------|
| Nanjing Putian Zhongyou Telecommunication Co., Ltd. | Associated enterprise | 215,472.80 | 0.02 |
| China Putian Co., Ltd. | Parent company | 30,376,485.40 | 3.30 |
| Chengdu Putian Telecommunications Cable Co., LTD | Under the same parent company | 208,485.88 | 0.02 |
| Shanghai Putian Post and Telecommunications Technology Co., Ltd. | Under the same parent company | 13,341,700.00 | 1.45 |
| Nanjing Prachanda Live Optical Network Co., Ltd. | Associated enterprise | 14,372.07 | 0.00 |
| Total | — | 44,156,516.15 | 4.79 |

(7) Receivables derecognised

Unit: Yuan

| Item | Derecognised amount | Gains or losses associated with the derecognition |
|-------|---------------------|---|
| Total | 0.00 | 0.00 |

(8) Securitization of receivables, lists the amount of assets and liabilities of continuing involvement in the formation

Unit: Yuan

| Item | As of 30 June 2012 |
|--------------------|--------------------|
| Assets: | |
| Subtotal of assets | 0.00 |
| Liability | |

| | |
|-----------------------|------|
| | |
| Subtotal of liability | 0.00 |

7. Other receivables

(1) Classification of other receivables

| Classification | As of 30 June 2012 | | | |
|--|--------------------|----------------|---------------|----------------|
| | Book balance | | Provision | |
| | Amount | Proportion (%) | Amount | Proportion (%) |
| 1. Single amount dramatic and individual provision for the accounts receivable | 28,912,122.71 | 33.84 | 28,912,122.71 | 100.00 |
| 2. Classification as the group of provision for account receivable | | | | |
| Group1 | 20,000,000.00 | 23.41 | 6,150,000.00 | 30.00 |
| Group 2 | 24,587,992.46 | 28.78 | | |
| Group 3 | 11,945,959.16 | 13.97 | 3,755,472.43 | 32.69 |
| Subtotal | 56,533,951.62 | 66.16 | 9,905,472.43 | 17.52 |
| 3. Single amount not significant but single provision for accounts receivable | | | | |
| Total | 85,446,074.33 | 100.00 | 38,817,595.14 | 45.43 |

| Classification | As of 31 December 2011 | | | |
|----------------|------------------------|----------------|-----------|----------------|
| | Book balance | | Provision | |
| | Amount | Proportion (%) | Amount | Proportion (%) |
| | | | | |

| | | | | |
|--|---------------|--------|---------------|--------|
| 1. Single amount dramatic and individual provision for the accounts receivable | 28,912,122.71 | 32.05 | 28,912,122.71 | 100.00 |
| 2. Classification as the group of provision for account receivable | 61,308,735.73 | 67.95 | 5,985,463.80 | 9.76 |
| Group1 | 20,000,000.00 | 22.17 | 2,300,000.00 | 11.50 |
| Group 2 | 31,274,901.09 | 34.66 | - | - |
| Group 3 | 10,033,834.64 | 11.12 | 3,685,463.80 | 36.73 |
| Subtotal | 61,308,735.73 | 67.95 | 5,985,463.80 | 9.76 |
| 3. Single amount not significant but single provision for accounts receivable | - | | - | |
| Total | 90,220,858.44 | 100.00 | 34,897,586.51 | 38.68 |

Notes : Single amount dramatic and individual provision for other receivable refers to single exceed RMB 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.

Individually significant receivables and individual provision for bad debts at the end of the period:

√ Applicable □ Not applicable

| Other receivables | Book value | Amount of bad debts | Proportion | Reasons |
|---|---------------|---------------------|------------|-----------------------------------|
| Beijing Picom Telecommunications Equipment Ltd. | 28,912,122.71 | 28,912,122.71 | 100% | Aging longer difficult to recover |
| Total | 28,912,122.71 | 28,912,122.71 | -- | -- |

Adopt age analysis provision in group as follows:

√ Applicable □ Not applicable

| Age | As of 30 June 2012 | | | As of 31 December 2011 | | |
|--------------------------------|--------------------|----------------|-----------|------------------------|----------------|-----------|
| | Book balance | Proportion (%) | Provision | Book balance | Proportion (%) | Provision |
| Within 1 year (contain 1 year) | 414,687.00 | 1.30 | - | 1,388,438.21 | 4.62 | |

| | | | | | | |
|------------------------|---------------|-------|--------------|---------------|-------|--------------|
| Subtotal within 1 year | 414,687.00 | 1.30 | - | 1,388,438.21 | 4.62 | |
| 1 to 2 years | 1,079,994.42 | 3.38 | - | 1,747,054.82 | 5.82 | |
| 2 to 3 years | 5,179,829.52 | 16.21 | 517,982.95 | 21,970,819.44 | 73.16 | 2,197,081.94 |
| Over 3 years | 25,271,448.22 | 79.11 | 9,387,489.48 | 4,927,522.17 | 16.4 | 3,788,381.86 |
| 3 to 4 years | 21,945,752.15 | 68.7 | 6,583,725.65 | 1,300,084.80 | 4.33 | 390,025.44 |
| 4 to 5 years | 837,885.00 | 2.62 | 335,154.00 | 246,223.38 | 0.82 | 98,489.35 |
| 5 years or above | 2,487,811.07 | 7.79 | 2,468,609.83 | 3,381,213.99 | 11.25 | 3,299,867.07 |
| Total | 31,945,959.16 | -- | 9,905,472.43 | 30,033,834.64 | -- | 5,985,463.80 |

Portfolio, adopt balance percentage of the provision for bad debts:

Applicable Not applicable

Portfolio, adopt other methods of the provision for bad debts:

Applicable Not applicable

Unit: Yuan

| Item | Book balance | Provision for bad debts |
|---------|---------------|-------------------------|
| Group 2 | 24,587,992.46 | 0.00 |
| Total | 24,587,992.46 | 0.00 |

(2) Recovery or reversal of current other receivables

Unit: Yuan

| Other receivables | Reversed or recovered reasons | Determine the basis of the original bad debts | Reversed or recovered before the accumulated amount of provision for bad debts | To reversal or recover amount |
|-------------------|-------------------------------|---|--|-------------------------------|
| | | | | |
| Total | -- | -- | 0.00 | -- |

Closing single amount not significant but single provision for accounts receivable

Applicable Not applicable

| Other receivables | Book amount | Bad debt | Proportion (%) | Reason |
|-------------------|-------------|----------|----------------|--------|
| | | | | |

| | | | | |
|-------|--|--|--|--|
| | | | | |
| Total | | | | |

Description of not individually significant but portfolio credit risk is high other receivables: none.

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

Unit: Yuan

| Name | Nature of the receivables | Write-off time | Write-off amount | Write-off reasons | Related party transactions |
|-------|---------------------------|----------------|------------------|-------------------|----------------------------|
| | | | | | |
| Total | -- | -- | 0.00 | -- | -- |

Description of accounts receivable write-off: none.

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

Applicable Not applicable

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

| Name of debtors | Amount | Type (or contents) of other receivables | The proportion of total other receivables (%) |
|--|---------------|---|---|
| Beijing Picom Telecommunications Equipment Ltd | 28,912,122.71 | Receivables and payables | 33.83 |
| The Yuhua People's Government Nanning Office | 20,000,000.00 | Receivables and payables | 23.4 |
| Total | 48,912,122.71 | — | 57.23 |

Description: none.

(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 | Related party | 28,912,122.71 | More than 6 yeas | 33.83 |

| Name of debtors | Relationship with the Company | Amount | Aging | Proportion of total amount (%) |
|---|-------------------------------|---------------|---------------|--------------------------------|
| The Yuhua People's Government Nanning Office | Non-related party | 20,000,000.00 | 3 to 5 years | 23.4 |
| Shanghai Communication Bidding Co., Ltd. | Non-related party | 1,220,000.00 | 1 to 2 years | 1.43 |
| China Mobile Communications Group Jiangsu Co., Nanjing Branch | Non-related party | 980,000.00 | 2 to 6 years | 1.15 |
| Beijing Guanhua Tianshi Digital Technology Co., Ltd. | Non-related party | 800,000.00 | Within 1 year | 0.94 |
| Total | — | 51,912,122.71 | — | 60.75 |

(7) Other receivables from related parties

| Name of debtors | Relationship with the Company | Amount | Proportion of total amount (%) |
|---|-------------------------------|---------------|--------------------------------|
| Beijing Picom Telecommunications Equipment Ltd. | Subsidiary | 28,912,122.71 | 33.83 |
| Total | | 28,912,122.71 | 33.83 |

(8) Receivables derecognised

Unit: Yuan

| Item | Derecognised amount | Gains or losses associated with the derecognition |
|-------|---------------------|---|
| Total | 0.00 | 0.00 |

(9) Securitization of receivables, lists the amount of assets and liabilities of continuing involvement in the formation

Unit: Yuan

| Item | As of 30 June 2012 |
|--------------------|--------------------|
| Assets: | |
| Subtotal of assets | 0.00 |
| Liability | |

| | |
|-----------------------|------|
| Subtotal of liability | 0.00 |
|-----------------------|------|

8. Advances to suppliers

(1) Analysis of aging

| Aging | As of 30 June 2012 | | As of 31 December 2011 | |
|---------------|--------------------|----------------|------------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Within 1 year | 25,711,030.20 | 56.03 | 26,336,847.23 | 69.99 |
| 1-2 years | 15,774,805.65 | 34.37 | 9,249,764.76 | 24.58 |
| 2-3 years | 2,384,949.83 | 5.20 | 69,289.94 | 0.18 |
| over 3 years | 2,017,750.40 | 4.40 | 1,974,378.51 | 5.25 |
| Total | 45,888,536.08 | 100.00 | 37,630,280.44 | 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 |
|---|-------------------------------|--------------|--------------------------------|--------------|---------------------------|
| China Putian Co., Ltd. | related party | 7,100,000.00 | 15.47 | 1 to 2 years | Contract executing |
| Putian YuHua Creative Park | non-related party | 4,220,000.00 | 9.20 | 1 to 2 years | Contract executing |
| Putian YuHua Creative Park | non-related party | 1,800,000.00 | 3.92 | Over 3 years | Contract executing |
| Hangzhou Xinziyang Technology Co., Ltd. | non-related party | 1,987,938.00 | 4.33 | 1 to 2 years | Contract executing |
| Shanghai Dingsheng Electronics Technology Co., Ltd. | non-related party | 1,406,316.00 | 3.06 | 2 to 3 years | Contract executing |
| Nanjing Wantian Technology Co., Ltd. | non-related party | 1,143,477.76 | 2.49 | 1 to 2 years | Contract executing |

| Company | Relationship with the Company | Amount | Proportion of total amount (%) | Aging | Reasons for un-settlement |
|---------|-------------------------------|---------------|--------------------------------|-------|---------------------------|
| | | | | years | |
| Total | — | 17,657,731.76 | 38.47 | — | — |

(3) Prepayment of shareholder who has more than 5% (including 5 %) voting shares of the Company

| Company | As of 30 June 2012 | | As of 31 December 2011 | |
|------------------------|--------------------|-------------------------|------------------------|-------------------------|
| | Book balance | Provision for bad debts | Book balance | Provision for bad debts |
| China Putian Co., Ltd. | 7,100,000.00 | 0.00 | 3,670,000.00 | 0.00 |
| Total | 7,100,000.00 | 0.00 | 3,670,000.00 | 0.00 |

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

| Item | As of 30 June 2012 | | | As of 31 December 2011 | | |
|------------------------------|--------------------|---------------------------|----------------|------------------------|---------------------------|----------------|
| | Book balance | Provision for devaluation | Book value | Book balance | Provision for devaluation | Book value |
| Raw materials | 81,197,191.81 | 1,795,369.10 | 79,401,822.71 | 73,944,001.84 | 1,795,369.10 | 72,148,632.74 |
| Goods-in-process | 20,773,967.50 | | 20,773,967.50 | 22,505,357.95 | | 22,505,357.95 |
| Finished goods | 497,457,033.09 | 1,994,714.49 | 495,462,318.60 | 459,690,215.33 | 1,994,714.49 | 457,695,500.84 |
| Reusable materials | | | | | | |
| Consumable biological assets | | | | | | |
| Total | 599,428,192.40 | 3,790,083.59 | 595,638,108.81 | 556,139,575.12 | 3,790,083.59 | 552,349,491.53 |

(2) Provision for inventory devaluation

| Item | As of 31 December 2011 | Amount provided this period | Amount reduced this period | | As of 30 June 2012 |
|------|------------------------|-----------------------------|----------------------------|-------------|--------------------|
| | | | Reversal | Written off | |
| | | | | | |

| Item | As of 31 December 2011 | Amount provided this period | Amount reduced this period | | As of 30 June 2012 |
|------------------------------|------------------------|-----------------------------|----------------------------|-------------|--------------------|
| | | | Reversal | Written off | |
| Raw materials | 1,795,369.10 | | | | 1,795,369.10 |
| Goods-in-process | | | | | |
| Finished goods | 1,994,714.49 | | | | 1,994,714.49 |
| Reusable materials | | | | | |
| Consumable biological assets | | | | | |
| Total | 3,790,083.59 | | | | 3,790,083.59 |

(3) Description of provision for inventory impairment

| Item | Basis of inventory provision | Reasons for the allowance for inventories | Percentage of inventory balance (%) |
|------------------------------|------------------------------|---|-------------------------------------|
| Raw materials | Net realizable value | — | — |
| Finished goods | Net realizable value | — | — |
| Goods-in-process | | | |
| Reusable materials | | | |
| Consumable biological assets | | | |

Description of inventories: none.

10. Other current assets

Unit: Yuan

| Item | As of 30 June 2012 | As of 31 December 2011 |
|-------|--------------------|------------------------|
| | | |
| Total | | |

Description of other current assets: none.

11. Available - for - sale financial assets**(1) Available - for - sale financial assets**

Unit: Yuan

| Item | Fair value at 30 June 2012 | Fair value at 31 December 2011 |
|---------------------------------------|----------------------------|--------------------------------|
| Available-for-sale bonds | | |
| Available-for-sale equity instruments | | |
| Other | | |
| Total | | |

Held-to-maturity investments reclassified as available-for-sale financial assets, reclassification amount is 0.00 Yuan.

Description of available-for-sale financial assets: none.

(2) Long-term debt investments available-for-sale financial assets

Unit: Yuan

| Bond | Bond types | Nominal value | Initial investment cost | Maturity date | As of 31 December 2011 | Current interest | Accumulated receivables or interest received | As of 30 June 2012 |
|-------|------------|---------------|-------------------------|---------------|------------------------|------------------|--|--------------------|
| | | | | | | | | |
| Total | -- | -- | | -- | | | | |

Description of long-term debt investments include in available-for-sale financial assets: none.

12. Held to maturity investments**(1) Held-to- maturity investments**

Unit: Yuan

| Item | As of 30 June 2012 | As of 31 December 2011 |
|-------|--------------------|------------------------|
| | | |
| Total | | |

Description of held to maturity investments: none.

(2) During the reporting period, the sale but not yet due to held-to-maturity investments

Unit: Yuan

| Item | Amount | The investment proportion before sale (%) |
|-------|--------|---|
| Total | | -- |

Description for sale but not yet due to held-to-maturity investments during the reporting period: none.

13. Long - term receivables

Unit: Yuan

| Item | As of 30 June 2012 | As of 31 December 2011 |
|---|--------------------|------------------------|
| Finance leases | | |
| Include: unrealized financing income | | |
| Installment sale of goods | | |
| Installment sales rendering of services | | |
| Others | | |
| Total | | |

14. Long-term equity investments of the joint ventures and associated ventures

| Invested units | Types | Place of registration | Legal person | Business nature | Registered capital | Currency | Proportion of shareholding (%) | Voting proportion in invested company (%) | Total assets | Total liability | Total net assets | Total operating income | Net profit |
|---|----------------------------|-----------------------|--------------|-------------------------------------|--------------------|----------|--------------------------------|---|----------------|-----------------|------------------|------------------------|--------------|
| Joint venture | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Nanjing Prachanda Live Optical Network Co., Ltd | Sino-foreign joint venture | Nanjing | Hanbin Jiang | Optical communication of production | 4,000,000.00 | USD | 50.00 | 50.00 | 100,849,265.42 | 71,640,781.37 | 29,208,484.05 | 50,058,576.74 | 2,499,075.20 |
| Affiliated venture | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |

| | | | | | | | | | | | | | |
|--|--------------------------------------|---------|-----------------|--|----------------|-----|-------|-------|----------------|---------------|----------------|---------------|------------|
| Nanjing Putian Datang Information and Electric Co., Ltd. | Domestic (limited liability company) | Nanjing | Yaoming Yan | Communication products production sales, etc | 5,000,000.00 | CNY | 40 | 40 | 19,408,962.50 | 12,683,682.20 | 6,725,280.30 | 10,123,201.96 | 337,158.28 |
| Nanjing Putian Zhongyou Telecommunication Co., Ltd. | Domestic (limited liability company) | Nanjing | Tiwu Zhao | Communication products production sales, etc | 1,000,000.00 | CNY | 15 | 15 | 1,666,154.48 | 360,555.82 | 1,305,598.66 | 61,538.46 | -59,899.05 |
| Putian High Technology Industry Co., Ltd. | Domestic (limited liability company) | Nanjing | Xiaocheng Zhang | Industrial park venue rental management etc | 337,548,141.29 | CNY | 49.64 | 49.64 | 341,283,145.61 | 374,236.26 | 340,908,909.35 | 6,837,244.95 | 165,375.10 |

The instructions of significant differences of accounting policies , accounting estimates between joint ventures and associates: none.

15. Long-term equity investments

(1) List of Information of Long-term Equity Investment

| Invested units | Accounting Method | Initial cost of investment | Book balance at 31 December 2010 | Movement | Book balance at 31 December 2011 | Share holding percentage of the Company among invested units (%) |
|--|-------------------|----------------------------|----------------------------------|------------|----------------------------------|--|
| Nanjing Putian Datang Information and Electric Company Ltd | Equity Method | 600,000.00 | 2,520,399.15 | 134,863.31 | 2,655,262.46 | 40 |
| Nanjing Putian Zhongyou Telecommunication Co., Ltd. | Equity Method | 300,000.00 | 238,892.31 | -17,969.72 | 220,922.59 | 30 |

| | | | | | | |
|---|---------------|----------------|----------------|--------------|----------------|-------|
| Putian High Technology Industry Co., Ltd. | Equity Method | 167,548,141.29 | 168,945,752.43 | 82,092.20 | 169,027,844.63 | 49.64 |
| Shanghai Yulong Bio-tech Co., Ltd. | Cost Method | 23,310,000.00 | 14,721,843.51 | | 14,721,843.51 | 17.79 |
| Qufu Yulong Bio-Tech Co., Ltd. | Cost Method | - | 3,113,727.00 | | 3,113,727.00 | 17.79 |
| Nanjing Prachanda Live Optical Network Co., Ltd | Equity Method | 13,544,400.00 | 13,354,704.43 | 1,249,537.60 | 14,604,242.03 | 50 |
| Beijing Picom Telecommunications | Cost Method | 1,854,910.00 | 1,854,910.00 | - | 1,854,910.00 | 51 |
| Nanjing Yuhua Galvanization Factory | Cost Method | 420,915.00 | 420,915.00 | | 420,915.00 | 10 |
| Hangzhou Putian Swanking Electrical Co., Ltd | 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 |
| Nanjing Putian Telege Cable Co., Ltd. | Equity Method | 2,250,000.00 | 2,797,166.11 | 13,522.27 | 2,810,688.38 | 45 |
| Total | | 210,331,106.13 | 208,471,049.78 | 1,462,045.66 | 209,933,095.44 | — |

(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 Putian Datang Information and Electric | 40 | | | | |

| | | | | | |
|---|-------|---|--------------|---|--|
| Company Ltd | | | | | |
| Nanjing Putian Zhongyou Telecommunication Co., Ltd. | 30 | | | | |
| Nanjing Putian Telecommunication Technology Industry Park Co., Ltd. | 49.64 | | | | |
| Shanghai Yulong Bio-tech Co., Ltd. | 17.79 | | | | |
| Qufu Yulong Bio-Tech Co., Ltd. | 17.79 | | | | |
| Nanjing Prachanda Live Optical Network Co., Ltd | 50 | | | | |
| Beijing Picom Telecommunications | 51 | | 1,854,910.00 | | |
| Nanjing Yuhua Galvanization Factory | 10 | | | | |
| Hangzhou Swanking Electric Appliance | 2.26 | | | | |
| Nanjing Putian Industry Co. Ltd | 10 | | | | |
| Nanjing Putian Telege Cable Co., Ltd. | 45 | | | | |
| Total | — | — | 1,854,910.00 | - | |

(2) Restricted to transfer funds to the investing enterprise

Unit: Yuan

| The long-term equity investment projects limited to transfer of funds to invested enterprises | Restricted reason | Current cumulative unrecognized investment losses |
|---|-------------------|---|
| None | | |

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

16. Investment property

(1) Investment properties measured at costs

| Item | As of 31 December 2011 | Increase during the period | Decrease during the period | As of 30 June 2012 |
|--|---------------------------|-------------------------------|-------------------------------|--------------------|
| 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 | 3,375,819.34 | 103,215.96 | | 3,479,035.30 |
| Houses and buildings | 2,331,009.31 | 43,235.64 | | 2,374,244.95 |
| Land use rights | 1,044,810.03 | 59,980.32 | | 1,104,790.35 |
| Total net book value | 6,656,597.95 | | | 6,553,381.99 |
| Houses and buildings | 4,059,260.11 | | | 4,016,024.47 |
| Land use rights | 2,597,337.84 | | | 2,537,357.52 |
| 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 | | | | |
| Total carrying value | 4,814,179.95 | | | 4,710,963.99 |
| Houses and buildings | 2,216,842.11 | | | 2,173,606.47 |
| Land use rights | 2,597,337.84 | | | 2,537,357.52 |

Unit: Yuan

| | The period |
|--|------------|
| Accrual of depreciation and amortization | 103,215.96 |
| Provision for investment property | 0.00 |

(2) Investment properties measured at fair value

Applicable Not applicable

During the period, the expected disposal expenses that change measurement model of investment real estate and not completed property certificate on an investment real estate, that should disclose the reason of not completed the property right certificate and expected to completed time: none.

17. Fixed assets**(1) Lists of fixed assets and accumulated depreciation, including movement**

| Item | As of 31 December 2011 | Increased by consolidation during the period | Increase during the period | Decrease during the period | As of 30 June 2012 |
|-------------------------------------|---------------------------|--|-------------------------------|-------------------------------|-----------------------|
| Total original cost of fixed assets | 249,527,394.61 | | 4,130,887.70 | 8,972,331.40 | 244,685,950.91 |
| Building/structure | 102,957,574.91 | | 860,911.91 | | 103,818,486.82 |
| Machinery equipment | 72,485,671.65 | | 483,352.90 | 2,156,201.37 | 70,812,823.18 |
| Transportation equipment | 16,880,535.13 | | 1,334,407.00 | 748,075.32 | 17,466,866.81 |
| Others | 57,203,612.92 | | 1,452,215.89 | 6,068,054.71 | 52,587,774.10 |
| | | consolidation for the period | Charge for the period | | |
| Total accumulated depreciation | 143,916,152.26 | | 5,700,992.86 | 6,660,195.23 | 142,956,949.89 |
| Building/structure | 33,826,526.72 | | 1,703,145.60 | - | 35,529,672.32 |
| Machinery equipment | 51,141,724.39 | | 1,677,254.64 | 1,033,287.32 | 51,785,691.71 |
| Transportation equipment | 11,719,465.61 | | 925,830.31 | 1,000,112.21 | 11,645,183.71 |
| Others | 47,228,435.54 | | 1,394,762.31 | 4,626,795.70 | 43,996,402.15 |

| Item | As of 31 December 2011 | Increased by consolidation during the period | Increase during the period | Decrease during the period | As of 30 June 2012 |
|--------------------------------------|---------------------------|--|-------------------------------|-------------------------------|-----------------------|
| Total net book value of fixed assets | 105,611,242.35 | | | | 101,729,001.02 |
| Building/structure | 69,131,048.19 | | | | 68,288,814.50 |
| Machinery equipment | 21,343,947.26 | | | | 19,027,131.47 |
| Transportation equipment | 5,161,069.52 | | | | 5,821,683.10 |
| Others | 9,975,177.38 | | | | 8,591,371.95 |
| Total impairment of fixed assets | 3,459,509.19 | | | 968,724.13 | 2,490,785.06 |
| Building/structure | 539,124.00 | | | | 539,124.00 |
| Machinery equipment | 573,461.78 | | | | 573,461.78 |
| Transportation equipment | | | | | |
| Others | 2,346,923.41 | | | 968,724.13 | 1,378,199.28 |
| Total carrying value of fixed assets | 102,151,733.16 | | | | 99,238,215.96 |
| Building/structure | 68,591,924.19 | | | | 67,749,690.50 |
| Machinery equipment | 20,770,485.48 | | | | 18,453,669.69 |
| Transportation equipment | 5,161,069.52 | | | | 5,821,683.10 |
| Others | 7,628,253.97 | | | | 7,213,172.67 |

Note: The depreciation amount is RMB5,700,992.86 Yuan, in this period there was RMB0.00 Yuan construction in progress turn to fixed assets.

(2) Fixed assets not in use temporarily

| Item | Original cost | Accumulated depreciation | Impairment of fixed assets | Carrying value of fixed assets | Notes |
|--------------------|---------------|-----------------------------|-------------------------------|-----------------------------------|-------|
| Building/structure | | | | | |

| Item | Original cost | Accumulated depreciation | Impairment of fixed assets | Carrying value of fixed assets | Notes |
|--------------------------|---------------|--------------------------|----------------------------|--------------------------------|--------------|
| Machinery equipment | 2,157,790.39 | 1,238,749.69 | 919,040.70 | 0.00 | Plan to sell |
| Transportation equipment | | | | | |
| 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) Financing lease of fixed assets

Applicable Not applicable

(4) Fixed assets leased through operating leases

Applicable Not applicable

(5) Fixed assets held for sale

Unit: Yuan

| Item | Book value | Fair value | Expected disposal expenses | Expected disposal time |
|------|------------|------------|----------------------------|------------------------|
| None | | | | |

(6) Information of fixed assets without certificate of title

| Item | Reasons for no secured property right certificate | Estimated Time to Complete Certificate of Title |
|--------------------|---|---|
| Building/structure | No certification of land use right | |
| Total | | |

18. Construction in progress**(1) Basic information of Construction in progress**

| Item | As of 30 June 2012 | As of 31 December 2011 |
|------|--------------------|------------------------|
| | | |

| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
|--|-----------------|-------------------------|---------------|-----------------|-------------------------|---------------|
| Nanjing Putian Telege Cable Co., Ltd. assembly workshop building | 11,571,659.05 | | 11,571,659.05 | 9,319,659.05 | | 9,319,659.05 |
| Nanjing Putian Yuhua Venture Park | 751,823.54 | | 751,823.54 | 743,162.49 | | 743,162.49 |
| Nanjing Mennekes plant transformation | 1,658,292.62 | | 1,658,292.62 | | | |
| Total | 13,981,775.21 | | 13,981,775.21 | 10,062,821.54 | | 10,062,821.54 |

(2) Significant movement of construction in progress

| Item | Budget | As of 31 December 2011 | Increase during the year | Transfer to fixed assets | Other decrease | As of 30 June 2012 | Proportion of project Investment in budget (%) |
|--|---------------|---------------------------|-----------------------------|-----------------------------|-------------------|-----------------------|---|
| Nanjing Putian Telege Cable Co., Ltd. assembly workshop building | 8,400,000.00 | 9,319,659.05 | 2,252,000.00 | | | 11,571,659.05 | |
| Nanjing Putian Yuhua Venture park | 20,000,000.00 | 743,162.49 | 8,661.05 | | | 751,823.54 | |
| Nanjing Mennekes plant transformation | 2,000,000.00 | | 1,658,292.62 | | | 1,658,292.62 | |
| Total | 30,400,000.00 | 10,062,821.54 | 3,918,953.67 | | | 13,981,775.21 | |

(Continued)

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

| Item | Accumulated progress | Accumulated amount of interest capitalization | Including interest capitalized amount of the year | Interest capitalization rate of the year | Capital source |
|--|----------------------|---|---|--|----------------|
| Nanjing Putian Telege Cable Co., Ltd. assembly workshop building | | | | | Self-owned |
| Nanjing Putian Yuhua Venture park | | | | | Self-owned |
| Nanjing Mennekes plant transformation | | | | | Self-owned |
| Total | | | | | |

(3) Provision for impairment of construction in progress

Unit: Yuan

| Item | As of 31 December 2011 | Increase during the period | Decrease during the period | As of 30 June 2012 | Reason for provision |
|-------|------------------------|----------------------------|----------------------------|--------------------|----------------------|
| | | | | | |
| Total | 0.00 | | | 0.00 | -- |

(4) The progress of major construction in progress

| Item | The progress of the project | Notes |
|------|-----------------------------|-------|
| | | |

(5) Description of the construction in progress

19. Construction materials

Unit: Yuan

| Item | As of 31 December 2011 | Increase during the period | Decrease during the period | As of 30 June 2012 |
|-------|------------------------|----------------------------|----------------------------|--------------------|
| | | | | |
| Total | 0.00 | | | 0.00 |

Description of the construction materials: none.

20. Disposal of fixed assets

Unit: Yuan

| Item | Book value at 31 December 2011 | Book value at 30 June 2012 | Reasons for disposal |
|-------|--------------------------------|----------------------------|----------------------|
| | | | |
| Total | | | -- |

Description the progress of fixed assets disposal more than one year: none.

21. Production of biological assets

(1) Cost measure

Applicable Not applicable

(2) Fair value measure

Applicable Not applicable

22. Oil and gas assets

Unit: Yuan

| Item | As of 31 December 2011 | Increase during the period | Decrease during the period | As of 30 June 2012 |
|--|------------------------|----------------------------|----------------------------|--------------------|
| Total original book value | | | | |
| Mineral interests | | | | |
| Mineral interests in unproved | | | | |
| Wells and related facilities | | | | |
| Accumulated depletion aggregate | | | | |
| Mineral interests | | | | |
| Wells and related facilities | | | | |
| Total oil and gas assets accumulated impairment losses | | | | |
| Mineral interests | | | | |

| | | | | |
|--|--|--|--|--|
| Mineral interests in unproved | | | | |
| Wells and related facilities | | | | |
| Total book value of oil and gas assets | | | | |
| Mineral interests | | | | |
| Mineral interests in unproved | | | | |
| Wells and related facilities | | | | |

Description of the oil and gas assets: none.

23. Intangible assets

(1) Intangible assets situation

| Item | As of 31 December 2011 | Increase during the year | Decrease during the year | As of 30 June 2012 |
|--------------------------------|------------------------|--------------------------|--------------------------|--------------------|
| Total original cost | 37,021,136.87 | 23,931.62 | | 37,045,068.49 |
| Land use right | 20,821,664.95 | | | 20,821,664.95 |
| Software | 10,081,577.90 | 23,931.62 | | 10,105,509.52 |
| Exclusive technology | 6,117,894.02 | | | 6,117,894.02 |
| Total accumulated amortization | 16,638,575.51 | 501,191.34 | | 17,139,766.85 |
| Land use right | 3,385,340.85 | 152,393.22 | | 3,537,734.07 |
| Software | 7,792,239.57 | 290,178.36 | | 8,082,417.93 |
| Exclusive technology | 5,460,995.09 | 58,619.76 | | 5,519,614.85 |
| Total net book value | 20,382,561.36 | | | 19,905,301.64 |
| Land use right | 17,436,324.10 | | | 17,283,930.88 |
| Software | 2,289,338.33 | | | 2,023,091.59 |

| Item | As of 31 December 2011 | Increase during the year | Decrease during the year | As of 30 June 2012 |
|--|------------------------|--------------------------|--------------------------|--------------------|
| Exclusive technology | 656,898.93 | | | 598,279.17 |
| Total accumulated provision for impairment | | | | |
| Land use right | | | | |
| Software | | | | |
| Exclusive technology | | | | |
| Total carrying value | 20,382,561.36 | | | 19,905,301.64 |
| Land use right | 17,436,324.10 | | | 17,283,930.88 |
| Software | 2,289,338.33 | | | 2,023,091.59 |
| Exclusive technology | 656,898.93 | | | 598,279.17 |

Note: The amortization amount of the intangible assets this year is RMB 501,191.34 Yuan.

(2) R&D project expenditure

Unit: Yuan

| Item | As of 31 December 2011 | Increase during the year | Decrease during the year | | As of 30 June 2012 |
|-------|------------------------|--------------------------|--------------------------|---------------------------------|--------------------|
| | | | Through profit or loss | Recognized as intangible assets | |
| Total | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Current development expenditure accounted for a proportion of the total expenditure of the current research and development projects is 0.00%.

Intangible assets formed through internal research and development proportion of intangible assets book value is 0.00%.

Description of the company's development projects, including single value over 100 million Yuan and accounted for the assessed value the current period, should disclose the name of the assessment agencies and assessment methods: none.

(3) Intangible assets without certificate of title

None

24. Goodwill

Unit: Yuan

| Investment unit name or form goodwill matters | As of 31 December 2011 | Increase during the year | Decrease during the year | As of 30 June 2012 | Provision for impairment |
|---|------------------------|--------------------------|--------------------------|--------------------|--------------------------|
| | | | | | |
| Total | | | | | |

Description of the goodwill impairment test method and impairment provision: none.

25. Long - term prepaid expenses

Unit: Yuan

| Item | As of 31 December 2011 | Increase during the year | Amortization | Other decrease | As of 30 June 2012 | Other reasons for the reduction |
|-------|------------------------|--------------------------|--------------|----------------|--------------------|---------------------------------|
| | | | | | | |
| Total | | | | | | - |

Description of long - term prepaid expenses: none.

26. Deferred tax assets and deferred tax liabilities

(1) Deferred income tax assets and deferred tax liabilities are not shown to offset the net

Applicable Not applicable

(2) Deferred income tax assets and deferred tax liabilities are stated to offset the net

Applicable Not applicable

Description of deferred income tax assets and deferred tax liabilities: none.

27. Details of asset impairment

| Item | As of 31 December 2011 | Amount provided this period | Amount reduced this period | | As of 30 June 2012 |
|------|------------------------|-----------------------------|----------------------------|-------------|--------------------|
| | | | Reversal | Written off | |
| | | | | | |

| Item | As of 31 December 2011 | Amount provided this period | Amount reduced this period | | As of 30 June 2012 |
|---|------------------------|-----------------------------|----------------------------|-------------|--------------------|
| | | | Reversal | Written off | |
| Bad debts reserve | 57,098,792.97 | 2,026,966.88 | | | 59,125,759.85 |
| Provision for inventory devaluation | 3,790,083.59 | | | | 3,790,083.59 |
| Provision of available-for-sale financial assets | | | | | |
| Provision of Held-to-maturity investments | | | | | |
| Provision of long-term equity investments | 1,854,910.00 | 0.00 | | | 1,854,910.00 |
| Provision of investment property | 1,842,418.00 | 0.00 | | | 1,842,418.00 |
| Provision of fixed assets | 3,459,509.19 | | | 968,724.13 | 2,490,785.06 |
| Provision of construction materials | | | | | |
| Provision of construction in progress | 0.00 | | | | 0.00 |
| Provision of productive biological assets | | | | | |
| Including: provision of mature productive biological assets | | | | | |
| Provision of petrol assets | | | | | |
| Provision of intangible assets | 0.00 | 0.00 | | | 0.00 |
| Provision of goodwill | | | | | |

| Item | As of 31 December 2011 | Amount provided this period | Amount reduced this period | | As of 30 June 2012 |
|---------------------|------------------------|-----------------------------|----------------------------|-------------|--------------------|
| | | | Reversal | Written off | |
| Provision of others | | | | | |
| Total | 68,045,713.75 | 2,026,966.88 | | 968,724.13 | 69,103,956.50 |

28. Other non-current assets

Unit: Yuan

| Item | As of 31 December 2011 | As of 30 June 2012 |
|-------|------------------------|--------------------|
| Total | | |

Description of other non-current assets: none

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

| Item | As of 30 June 2012 | Reasons for restriction of certificate of title or use right |
|---|--------------------|--|
| Used to guarantee the assets | | |
| Real estate | 41,435,764.22 | For loan security |
| Land | 4,521,539.40 | For loan security |
| Others causes ownership restrictions assets | | |
| Total | 45,957,303.62 | |

29. Short-term loans

(1) Short-term loans classified by listed below:

| Item | As of 30 June 2012 | As of 31 December 2011 |
|--------------|--------------------|------------------------|
| Pledged loan | 110,000,000.00 | 40,000,000.00 |

| Item | As of 30 June 2012 | As of 31 December 2011 |
|------------------|--------------------|------------------------|
| Loan in mortgage | 42,300,000.00 | 52,500,000.00 |
| Guaranteed loan | 384,000,000.00 | 404,000,000.00 |
| Loan in credit | 45,000,000.00 | 15,000,000.00 |
| Total | 581,300,000.00 | 511,500,000.00 |

Notes:

1. The parent company's China Putian Information Industry Group Company vouch for the company opens SPDB RMB120,000,000.00 Yuan bank acceptance, provide RMB40,000,000.00 Yuan, the company provides guaranty RMB 80,000,000.00 Yuan deposit as the pledge.
2. 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., Yuhua Branch; RMB 50,000,000.00 Yuan from Bank of Hua Xia Co., Ltd. Nanjing Branch.
3. The parent company China Putian Company Ltd. guaranteed the borrowing of RMB 74,000,000.00 Yuan, including RMB 74,000,000.00 Shanghai Pudong Development Bank, Nanjing Branch.
4. Fiduciary loan: the company has acquired fiduciary loan RMB 15,000,000.00 Yuan from Ningbo Bank;
5. The company vouches RMB 60,000,000.00 Yuan in Minsheng Bank, include RMB 30,000,000.00 Yuan deposit and RMB 30,000,000.00 Yuan as credit guarantee;
6. The company guaranteed the borrowing of RMB 20,000,000.00 Yuan for Nanjing Putian Telege Cable Co., Ltd. and the borrowing of RMB 20,000,000.00 Yuan for Nanjing Southern Telecommunications Company Ltd. The subsidiaries Nanjing Putian Telege Cable Co., Ltd. mortgaged its real estate for loan of RMB 30,000,000.00 Yuan and Nanjing Mennekes Electric Appliances Co., Ltd. mortgaged its real estate for loan of RMB12,300,000.00 Yuan.

(2) Due to outstanding short-term borrowings

Unit: Yuan

| Loan units | Loan amount | Lending rates | Use of loan funds | Reason due to outstanding short-term borrowings | Expected repayment period |
|------------|-------------|---------------|-------------------|---|---------------------------|
| | | | | | |
| Total | 0.00 | -- | -- | -- | -- |

Repay amount is 0.00Yuan after balance sheet date.

Description of short-term borrowings, including the maturity of short-term borrowings is to roll the description rollover conditions, new maturity: none.

30. Trading financial liabilities

Unit: Yuan

| Item | Fair value at 30 June 2012 | Fair value at 31 December 2011 |
|---|----------------------------|--------------------------------|
| Trading bonds issued | | |
| Financial liabilities designated at fair value through profit or loss | | |
| Derivative financial liabilities | | |
| Other financial liabilities | | |
| Total | 0.00 | 0.00 |

31. Notes payable

| Item | As of 30 June 2012 | As of 31 December 2011 |
|-----------------------------|--------------------|------------------------|
| Bank acceptance bills | 29,292,044.36 | |
| Commercial acceptance bills | 990,209.75 | 262,091.29 |
| Total | 30,282,254.11 | 262,091.29 |

Notes: Notes payable closing balance next accounting periods expire the amount of the RMB30,282,254.11 Yuan.

32. Accounts payable

(1) Analysis of aging

| Item | As of 30 June 2012 | As of 31 December 2011 |
|---------------|--------------------|------------------------|
| Within 1 year | 838,622,356.52 | 816,849,533.95 |
| 1-2 years | 206,924,224.00 | 84,378,995.05 |
| 2-3 years | 14,654,470.24 | 921,377.78 |
| over 3 years | 4,320,767.11 | 4,601,258.12 |
| Total | 1,064,521,817.87 | 906,751,164.90 |

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

√ Applicable □ Not applicable

Unit: Yuan

| Name | As of 30 June 2012 | As of 31 December 2011 |
|-----------------------|--------------------|------------------------|
| China Putian Co., Ltd | 4,029,840.00 | 0.00 |
| Total | 4,029,840.00 | 0.00 |

Significant amounts of payables aged over 1 year: none.

33. Advances from customers**(1) Analysis of aging**

| Item | As of 30 June 2012 | | As of 31 December 2011 | |
|---------------|--------------------|----------------|------------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Within 1 year | 51,761,205.50 | 71.27 | 78,720,946.19 | 89.70 |
| 1-2 years | 15,586,519.52 | 21.46 | 6,497,996.62 | 7.40 |
| 2-3 years | 2,868,157.17 | 3.95 | 1,693,725.84 | 1.93 |
| over 3 years | 2,410,419.74 | 3.32 | 850,661.71 | 0.97 |
| Total | 72,626,301.93 | 100.00 | 87,763,330.36 | 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.

√ Applicable □ Not applicable

Unit: Yuan

| Name | As of 30 June 2012 | As of 31 December 2011 |
|-----------------------|--------------------|------------------------|
| China Putian Co., Ltd | 9,088,835.40 | 8,158,434.00 |
| Total | 9,088,835.40 | 8,158,434.00 |

Significant amounts of payables aged over 1 year: none.

34. Accrued payroll

| Item | As of 31 December 2011 | Increase during the period | Decrease during the period | As of 30 June 2012 |
|--|---------------------------|-------------------------------|-------------------------------|--------------------|
| Wages, bonuses and allowance | 1,761,051.45 | 53,732,465.05 | 53,732,465.05 | 1,761,051.45 |
| Welfare expense | | 6,327,864.75 | 6,083,549.77 | 244,314.98 |
| Social insurance charges | | 17,018,464.45 | 16,895,665.12 | 122,799.33 |
| Including: Medical insurance | | 5,022,242.96 | 5,022,242.96 | |
| Basic endowment insurance | | 9,777,042.97 | 9,668,181.61 | 108,861.36 |
| Unemployment insurance | | 1,120,912.24 | 1,106,974.27 | 13,937.97 |
| Work injury insurance | | 208,970.86 | 208,970.86 | |
| Maternity insurance | | 302,522.86 | 302,522.86 | |
| Annuity | | 586,772.56 | 586,772.56 | |
| Housing fund | 8,875,087.61 | 4,057,212.91 | 4,029,409.39 | 8,902,891.13 |
| Compensation for cancellation of labor relationship | | 15,148.00 | 15,148.00 | |
| Others | 4,278,121.53 | 2,113,976.20 | 1,666,582.00 | 4,725,515.73 |
| Including: labor union expenditure | 1,043,292.68 | 986,270.51 | 566,305.66 | 1,463,257.53 |
| Employee education expenses | 3,234,828.85 | 1,127,705.69 | 1,100,276.34 | 3,262,258.20 |
| Total | 14,914,260.59 | 83,265,131.36 | 82,422,819.33 | 15,756,572.62 |

Notes:

1. Deal with accrued payroll including labor union expenditure and employee education expenses for the amount of RMB 4,725,515.73 Yuan, non-monetary welfare is RMB 0.00 Yuan, for the cancellation of labor relationship to the amount of compensation for RMB0.00 Yuan.

2. Payroll at 18 monthly.

35. Taxes payable

| Item | As of 30 June 2012 | As of 31 December 2011 | Note |
|--|--------------------|------------------------|--------------------------|
| Value-added tax | -4,381,092.32 | 3,620,594.09 | 17% |
| Business tax | 193,479.91 | 564,068.54 | 3%,5% |
| Consumption tax | 714,521.16 | | |
| Urban maintenance and construction tax | -69,752.45 | 1,527,642.55 | 7% of the turnover tax |
| Corporate income tax | 1,414,362.78 | 8,663,364.98 | |
| Land use tax | 95,374.60 | | |
| Individual Income Tax | 627,760.28 | 309,781.17 | |
| Education surcharge | -6,241.06 | 873,467.52 | 3%、2%of the turnover tax |
| Stamp Tax | 5,654.00 | 4,743.41 | |
| Local educational expenses to add | | 210,273.71 | |
| Total | -1,405,933.10 | 15,773,935.97 | |

Taxes payable instructions, the local tax authorities agreed taxable income mutual swap between branch, describe of the tax calculations process:
none.

36. Interest payable

Unit: Yuan

| Item | As of 30 June 2012 | As of 31 December 2011 |
|---|--------------------|------------------------|
| Interest on long-term loans installments interest payment of principal at maturity date | | |
| Interest on corporate bonds | | |
| Interest payable on short-term borrowings | | |
| Total | | |

Interest payable instructions: none.

37. Dividends payable

Unit: Yuan

| Item | As of 30 June 2012 | As of 31 December 2011 | Unpaid reasons more than one year |
|---|--------------------|------------------------|-----------------------------------|
| Shanghai Linyan Telecommunications Technology Company Limited | 1,000,000.00 | | |
| Jiangsu Huabang Electrical & Mechanical Equipment Project Company Limited | | 175,330.20 | |
| Ningbo Yinzhou Xinxing Plastic Electrical Appliance Factory | | 175,330.20 | |
| Yuyao Guochang Electric Appliance Company | | 292,217.01 | |
| Nanjing Yongxin Electric Supporting Company Limited | | 175,330.20 | |
| Jinjiang Huasheng Telecommunications Equipment Company Limited | | 58,443.40 | |
| Jiangdu Yate Power Communications Plastic Product Company Limited | | 292,217.01 | |
| Zhenjiang Shengtang Optoelectronic Company Limited | | 175,330.20 | |
| Total | 1,000,000.00 | 1,344,198.22 | |

Dividends payable instructions: none.

38. Other payables**(1) Analysis of aging**

| Item | As of 30 June 2012 | | As of 31 December 2011 | |
|---------------|--------------------|----------------|------------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Within 1 year | 18,675,305.11 | 44.48 | 41,027,629.13 | 76.77 |
| 1-2 years | 17,091,049.11 | 40.70 | 6,008,671.52 | 11.24 |

| Item | As of 30 June 2012 | | As of 31 December 2011 | |
|--------------|--------------------|----------------|------------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| 2-3 years | 4,619,935.70 | 11.00 | 3,995,251.66 | 7.48 |
| over 3 years | 1,602,243.84 | 3.82 | 2,411,781.94 | 4.51 |
| Total | 41,988,533.76 | 100.00 | 53,443,334.25 | 100.00 |

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

Applicable Not applicable

(3) Instructions of large amount other payables aged over 1 year

Received risk of mortgage payment RMB 862,339.94 Yuan, the aging over three years, the reason for unsettled is still in the contract period.

(4) Explain for large amount other payables

None

39. Accrued liabilities

Unit: Yuan

| Item | As of 31 December 2011 | Increase during the period | Decrease during the period | As of 30 June 2012 |
|------------------------------|------------------------|----------------------------|----------------------------|--------------------|
| Guarantees provided | | | | |
| Pending litigation | | | | |
| Product quality assurance | | | | |
| Restructuring obligations | | | | |
| Termination benefits | | | | |
| Loss contract to be executed | | | | |
| Other | | | | |
| Total | | 0.00 | 0.00 | |

Accrued liabilities instructions: none.

40. Non-current liabilities due within one year

(1)

Unit: Yuan

| Item | As of 30 June 2012 | As of 31 December 2011 |
|--|--------------------|------------------------|
| Long-term borrowings due within one year | | |
| Bonds payable due within one year | | |
| Long-term payables due within one year | | |
| Total | | |

(2) Long-term borrowings due within one year

Long-term borrowings due within one year

Unit: Yuan

| Item | As of 30 June 2012 | As of 31 December 2011 |
|-----------------|--------------------|------------------------|
| Pledged loan | | |
| Secured loans | | |
| Guaranteed loan | | |
| Credit loan | | |
| Total | | |

Long-term borrowings due within one year belong the amount of overdue loans obtained extension: none.

Top five of long-term borrowings due within one year

Unit: Yuan

| Loan units | Loan starting date | Loan ending date | Currency | Interest rate (%) | As of 30 June 2012 | | As of 31 December 2011 | |
|------------|--------------------|------------------|----------|-------------------|--------------------|-----|------------------------|-----|
| | | | | | Foreign currency | RMB | Foreign currency | RMB |
| Total | -- | -- | -- | -- | -- | | -- | |

Overdue loans in the long-term loans due within one year:

Unit: Yuan

| Loan units | Loan amount | Lending rates | Use of loan funds | Reason due to outstanding short-term borrowings | Expected repayment period |
|------------|-------------|---------------|-------------------|---|---------------------------|
| Total | | -- | -- | -- | -- |

Repay amount after balance sheet date is 0.00Yuan.

Description of the long-term borrowings due within one year: none.

(3) Bonds payable due within one year

Unit: Yuan

| Bond name | Nominal value | Release Date | The term of the bonds | Issue amount | Interest payable at the beginning | Current accrued interest | Current Interest paid | Accrued interest at the end | Amount at 30 June 2012 |
|-----------|---------------|--------------|-----------------------|--------------|-----------------------------------|--------------------------|-----------------------|-----------------------------|------------------------|
| | | | | | | | | | |

Description of the bonds payable due within one year: none.

(4) Long-term payables due within one year

Unit: Yuan

| Name | Time limit | Initial amount | Interest rate (%) | Accrued interest | Amount at 30 June 2012 | Borrowing conditions |
|------|------------|----------------|---------------------|------------------|------------------------|----------------------|
| | | | | | | |

Description of the long-term payables due within one year: none.

41. Other current liabilities

Unit: Yuan

| Item | As of 30 June 2012 | As of 31 December 2011 |
|-------|--------------------|------------------------|
| | | |
| Total | | |

Other current liabilities instructions: none.

42. Long-term borrowings

(1) Long-term loans classification

Unit: Yuan

| Item | As of 30 June 2012 | As of 31 December 2011 |
|-----------------|--------------------|------------------------|
| Pledged loan | | |
| Secured loans | | |
| Guaranteed loan | | |
| Credit loan | | |
| Total | | |

Long-term borrowings instructions: none.

(2) Top five long-term loans

Unit: Yuan

| Loan units | Loan starting date | Loan ending date | Currency | Interest rate (%) | As of 30 June 2012 | | As of 31 December 2011 | |
|------------|--------------------|------------------|----------|-------------------|--------------------|-----|------------------------|-----|
| | | | | | Foreign currency | RMB | Foreign currency | RMB |
| | | | | | | | | |
| Total | -- | -- | -- | -- | -- | | -- | |

Long-term loans due to the overdue loan extension to form long-term borrowings, should disclose the conditions of extension, principal, interest and expected repayment arrangements: none.

43. Bonds payable

Unit: Yuan

| Bond name | Nominal value | Release Date | The term of the bonds | Issue amount | Interest payable at the beginning | Current accrued interest | Current Interest paid | Accrued interest at the end | Amount at 30 June 2012 |
|-----------|---------------|--------------|-----------------------|--------------|-----------------------------------|--------------------------|-----------------------|-----------------------------|------------------------|
| | | | | | | | | | |

Bonds payable instructions, including the conditions of the conversion of the convertible bonds and conversion date: none.

44. Long-term payables

(1) The top five long - term payables

Unit: Yuan

| Name | Time limit | Initial amount | Interest rate (%) | Accrued interest | Amount at 30 June 2012 | Borrowing conditions |
|------|------------|----------------|-------------------|------------------|------------------------|----------------------|
| | | | | | | |

(2) Long-term payables in the finance lease payables details

Unit: Yuan

| Name | As of 30 June 2012 | | As of 31 December 2011 | |
|-------|--------------------|-----|------------------------|-----|
| | Foreign currency | RMB | Foreign currency | RMB |
| | | | | |
| Total | | | | |

Guarantee provided by an independent third party for the company to finance leases is 0.00Yuan.

Long-term payables instructions: none.

45. Special accounts payable

Unit: Yuan

| Item | As of 31 December 2011 | Increase during the period | Decrease during the period | As of 30 June 2012 | Notes |
|-------|------------------------|----------------------------|----------------------------|--------------------|-------|
| | | | | | |
| Total | | | | | -- |

Special accounts payable instructions: none.

46. Other non-current liabilities

Unit: Yuan

| Item | As of 30 June 2012 | As of 31 December 2011 |
|-------|--------------------|------------------------|
| | | |
| Total | | |

Other non-current liabilities description, government grants acquired related to various assets and income during the reporting period, amount at the end of the period: none.

47. Share capital

| Item | As of 31 December 2011 | Increases(+) or decreases(-) in current year | | | | | As of 30 June 2012 |
|------------------------|------------------------|--|-------------|---|--------|----------|--------------------|
| | | Issuance of new shares | Bonus issue | Shares transferred from capital reserve | Others | Subtotal | |
| Total number of shares | 215,000,000.00 | | | | | | 215,000,000.00 |

48. Treasury shares

None

49. Special reserves

None

50. Capital reserve

| Item | As of 31 December 2011 | Increase during the year | Decrease during the year | As of 30 June 2012 |
|------------------------|---------------------------|-----------------------------|-----------------------------|--------------------|
| Share capital premium | 139,592,332.04 | | | 139,592,332.04 |
| Other capital reserves | 45,782,201.81 | | | 45,782,201.81 |
| Total | 185,374,533.85 | | | 185,374,533.85 |

51. Surplus reserve

| Item | As of 31 December 2011 | Increase during the year | Decrease during the year | As of 30 June 2012 |
|-------------------------------|---------------------------|-----------------------------|-----------------------------|--------------------|
| Statutory surplus reserves | 589,559.77 | | | 589,559.77 |
| Discretionary surplus reserve | | | | |
| Reserve fund | | | | |
| Venture expansion fund | | | | |
| Other | | | | |
| Total | 589,559.77 | | | 589,559.77 |

52. General risk provisions

None

53. Undistributed profit

| Item | Amount | Proportion of Extraction or Distribution |
|---|----------------|--|
| Undistributed profit at the end of last year before adjustments | -24,923,018.93 | — |
| The sum of undistributed profit at the beginning of the adjustment year (increase +, reduction -) | | — |
| Undistributed profit at the beginning of a year after adjustment | -24,923,018.93 | — |
| Add: Net profit attributable to the owner of the parent company this year | 6,038,203.37 | — |
| 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 | -18,884,815.56 | |

54. Operating revenues and costs**(1) Operating revenues/costs**

Operating revenues

| Item | For 30 June 2012 | For 30 June 2011 |
|-------------------------|------------------|------------------|
| Main operating revenue | 1,339,172,102.91 | 1,153,031,389.80 |
| Other operating revenue | 10,791,079.91 | 14,035,327.67 |
| Operating costs | 1,167,040,803.45 | 1,016,732,478.71 |

(2) Main Business (by industry))

| Item | For 30 June 2012 | | For 30 June 2011 | |
|---|------------------------|---------------------|------------------------|---------------------|
| | Main operating revenue | Main operating cost | Main operating revenue | Main operating cost |
| Communications equipment manufacturing industry | 1,287,158,567.25 | 1,119,838,957.60 | 1,153,031,389.80 | 1,009,021,574.66 |
| Electrical equipment manufacturing industry | 52,013,535.66 | 39,522,573.72 | | |
| Total | 1,339,172,102.91 | 1,159,361,531.32 | 1,153,031,389.80 | 1,009,021,574.66 |

(3) Main Business (by products)

| Item | For 30 June 2012 | | For 30 June 2011 | |
|------------------------|------------------------|---------------------|------------------------|---------------------|
| | Main operating revenue | Main operating cost | Main operating revenue | Main operating cost |
| Communication products | 1,287,158,567.25 | 1,119,838,957.60 | 1,153,031,389.80 | 1,009,021,574.66 |
| Electrical products | 52,013,535.66 | 39,522,573.72 | | |
| Total | 1,339,172,102.91 | 1,159,361,531.32 | 1,153,031,389.80 | 1,009,021,574.66 |

(4) Main Business (by regions)

| Name of Region | For 30 June 2012 | | For 30 June 2011 | |
|-----------------|------------------------|---------------------|------------------------|---------------------|
| | Main operating revenue | Main operating cost | Main operating revenue | Main operating cost |
| Domestic market | 1,335,490,703.78 | 1,156,726,099.11 | 1,146,943,846.73 | 1,003,244,432.20 |
| Oversea market | 3,681,399.13 | 2,635,432.21 | 6,087,543.07 | 5,777,142.46 |
| Total | 1,339,172,102.91 | 1,159,361,531.32 | 1,153,031,389.80 | 1,009,021,574.66 |

(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 (%) |
|------|--------------------|--|
| | | |

| Item | Operating revenues | Proportion taking in total operating income of the Company (%) |
|--|--------------------|--|
| China Telecom Co., Ltd., Jiangsu Branch | 437,521,662.45 | 32.41 |
| China Telecom Co., Ltd., Shanghai Branch | 52,688,369.85 | 3.90 |
| Beijing Zhizhen Vision Technology Co., | 32,426,617.95 | 2.40 |
| China Tietong Group Co., Ltd. Jiangsu Branch | 30,591,421.21 | 2.27 |
| Chengdu Renyuan Information Technology Co., Ltd. | 26,748,796.97 | 1.98 |
| Total | 579,976,868.43 | 42.96 |

55. Contract revenue

Applicable Not applicable

56. Sales tax and extra charges

| Item | Rate | For 30 June 2012 | For 30 June 2011 |
|--|-------|------------------|------------------|
| Business tax | 3%-5% | 1,354,276.74 | 1,742,522.42 |
| Urban maintenance and construction tax | 7% | 1,711,522.03 | 1,005,416.55 |
| Education surcharge | 3%、2% | 1,208,463.86 | 765,644.07 |
| Resource tax | | | |
| Others | | 11,503.28 | 5,978.91 |
| Total | | 4,285,765.91 | 3,519,561.95 |

57. Fair value movement gain

Unit: Yuan

| Source of fair value gains | For 30 June 2012 | For 30 June 2011 |
|---|------------------|------------------|
| Trading financial assets | | |
| Include:the changes in fair value of derivative financial instruments gains | | |
| Fair value of investment real estate | | |
| Other | | |
| Trading financial liabilities | | |
| | | |
| Total | | |

58. Investment income

(1) Details of Investment Income

| Item | For 30 June 2012 | For 30 June 2011 |
|---|------------------|------------------|
| Long-term equity investment income by cost method | | 83,700.00 |
| Long-term equity investment income by equity method | 1,462,045.66 | 2,770,283.65 |
| 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 | 1,462,045.66 | 2,853,983.65 |

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

| Investee | For 30 June 2012 | For 30 June 2011 | Reasons for movement |
|-------------------------------------|------------------|------------------|-----------------------------------|
| Nanjing Yuhua Galvanization Factory | | 83,700.00 | No dividends received this period |
| Total | | 83,700.00 | |

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

| Investee | For 30 June 2012 | For 30 June 2011 | Reasons for movement |
|---|------------------|------------------|------------------------|
| Nanjing Mennekes Electric Appliances Ltd. | | 2,322,981.92 | Cost accounting method |
| Nanjing Prachanda Live Optical Network Co., Ltd | 1,249,537.60 | -25,297.62 | Business fluctuations |
| Nanjing Putian Datang Information and Electric Company Ltd. | 134,863.31 | 12,337.19 | Business fluctuations |
| Nanjing Putian Zhongyou Telecommunication Co., Ltd. | -17,969.72 | 13,050.01 | Business fluctuations |
| Putian High Technology Industry Co., Ltd. | 82,092.20 | 91,124.85 | Business fluctuations |
| Nanjing Putian Telege Cable Co., Ltd. | 13,522.27 | 356,087.30 | Business fluctuations |
| Total | 1,462,045.66 | 2,770,283.65 | |

During the reporting period, no significant repatriation of investment income restrictions

59. Impairment of assets

| Items | For 30 June 2012 | For 30 June 2011 |
|---|------------------|------------------|
| Bad debt losses | 1,999,859.94 | 1,999,655.74 |
| Inventory obsolescence loss | | |
| Available for sale financial assets impairment loss | | |
| Held-to-maturity investments impairment loss | | |
| Long-term equity investment impairment loss | | |
| Investment real estate impairment losses | | |
| Fixed asset impairment losses | | |
| Construction materials impairment losses | | |

| | | |
|---|--------------|--------------|
| Construction in progress impairment loss | | |
| Productive biological asset impairment losses | | |
| Oil and gas assets and impairment losses | | |
| Intangible assets impairment losses | | |
| Goodwill impairment losses | | |
| Others | | |
| Total | 1,999,859.94 | 1,999,655.74 |

60. Non-operating income

(1) Details of Non-operating Income

| Item | For 30 June 2012 | | For 30 June 2011 | |
|--|------------------|---|------------------|---|
| | 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 | 356,787.74 | 356,787.74 | | |
| Include: Gains from disposal of fixed assets | 356,787.74 | 356,787.74 | | |
| Gains from disposal of Intangible assets | | | | |
| Gains from debt restructuring | 1,030.00 | 1,030.00 | | |
| Government grants | 779,939.18 | 779,939.18 | 1,305,540.73 | 1,305,540.73 |
| Others | 68,700.00 | 68,700.00 | 32,800.69 | 32,800.69 |
| Total | 1,206,456.92 | 1,206,456.92 | 1,338,341.42 | 1,338,341.42 |

(2) Details of Government Subsidy

| Item | For 30 June 2012 | For 30 June 2011 | Note |
|---------------|------------------|------------------|---|
| Refund of VAT | 420,000.19 | 440,416.68 | The grandson Nanjing Telecommunication Factory, |

| Item | For 30 June 2012 | For 30 June 2011 | Note |
|--|------------------|------------------|--|
| | | | seven branch has the VAT preferential policies of refunding ,due to being welfare production enterprises |
| Refund of VAT | 120,858.52 | 295,426.05 | 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 | 239,080.47 | | The company to get QinHuaiOu business bureau service outsourcing rewards |
| Finance subsidy | | 26,698.00 | The company subsidiary Nanjing South Telecommunications Ltd. made Nanjing hi-tech industry development zone administration committee bureau subsidies |
| Subsidy income | | 2,500.00 | The company to get service outsourcing talents training support fund |
| Subsidy income | | 40,500.00 | Subsidiary company Nanjing Putian Telecommunication Technology Co., Ltd. acquires Nanjing municipal government funding and rewards software products. |
| Small and medium-sized enterprise development JiangNing bureau of technology-based funds | | 500,000.00 | The company subsidiary Nanjing Putian Telege Intelligent Building Ltd. obtained enterprise development fund. |
| Total | 779,939.18 | 1,305,540.73 | |

61. Non-operating expense

| Item | For 30 June 2012 | | For 30 June 2011 | |
|------|------------------|---|------------------|---|
| | Amount | Included in the current profits and losses of the decriminalizes amount | Amount | Included in the current profits and losses of the decriminalizes amount |
| | | | | |

| Item | For 30 June 2012 | | For 30 June 2011 | |
|---|------------------|---|------------------|---|
| | 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 | 42,279.87 | 42,279.87 | | |
| Include: loss from disposal of fixed assets | 42,279.87 | 42,279.87 | | |
| Loss from debt restructuring | | | | |
| External donation | | | 20,000.00 | 20,000.00 |
| Others | 340,981.40 | 340,981.40 | 37,372.34 | 37,372.34 |
| Total | 383,261.27 | 383,261.27 | 57,372.34 | 57,372.34 |

62. Income tax

| Item | For 30 June 2012 | For 30 June 2011 |
|--|------------------|------------------|
| Current income tax expense calculated to tax law and relevant provisions | 2,022,892.44 | 2,763,884.93 |
| Deferred income tax charges | | |
| Total | 2,022,892.44 | 2,763,884.93 |

63. 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 | For 30 June 2012 | For 30 June 2011 |
|------|------|------------------|------------------|
|------|------|------------------|------------------|

| | | | |
|---|----|----------------|----------------|
| Net profit attributable to ordinary shareholders of parent company() | P0 | 6,038,203.37 | 7,654,146.53 |
| Net profit attributable to the company's ordinary shareholders after deducting non-recurring gains and losses() | P0 | 5,763,929.27 | 7,017,683.63 |
| 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 | 6 | 6 |
| 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 | 215,000,000.00 | 215,000,000.00 |
| Basic earnings per share() | | 0.028 | 0.04 |
| Basic earnings per share() | | 0.027 | 0.03 |
| Net profit attributable to ordinary shareholders of parent company after adjustment() | P1 | 6,038,203.37 | 7,654,146.53 |
| Net profit attributable to the company's ordinary shareholders after deducting non-recurring gains and losses after adjustment() | P1 | 5,763,929.27 | 7,017,683.63 |
| 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 | | 215,000,000.00 | 215,000,000.00 |

| | | | |
|-------------------------------|--|-------|------|
| diluted affect | | | |
| Diluted earnings per share() | | 0.028 | 0.04 |
| Diluted earnings per share() | | 0.027 | 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.

64. Other comprehensive income

| Item | For 30 June 2012 | For 30 June 2011 |
|---|------------------|------------------|
| 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 | | |

| Item | For 30 June 2012 | For 30 June 2011 |
|---|------------------|------------------|
| 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 | -93,168.18 | 282,079.96 |
| Less: net, carried forward to gains and losses in current period after disposing overseas operation | | |
| Subtotal | -93,168.18 | 282,079.96 |
| 5. Others | | |

| Item | For 30 June 2012 | For 30 June 2011 |
|--|------------------|------------------|
| 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 | | |
| Total | -93,168.18 | 282,079.96 |

65. Item description in the statement of cash flow

(1) Other cash receipts relating to operating activities

| Item | For 30 June 2012 | For 30 June 2011 |
|---|------------------|------------------|
| Interest income | 1,300,836.89 | 1,077,938.89 |
| Temporary receipts and repayment of temporary payment | 68,093,141.77 | 11,658,400.27 |
| Subsidy income | 68,700.00 | 569,698.00 |
| Others | | |
| Total | 69,462,678.66 | 13,306,037.16 |

(2) Other cash payments relating to operating activities

| Item | For 30 June 2012 | For 30 June 2011 |
|-------------------|------------------|------------------|
| Temporary payment | 7,046,658.31 | 20,612,132.83 |
| Various expenses | 66,096,747.20 | 58,880,919.11 |
| Others | 222,755.80 | 275,463.75 |
| Total | 73,366,161.31 | 79,768,515.69 |

(3) Cash received relating to financing activities

| Item | For 30 June 2012 | For 30 June 2011 |
|-------------------------|------------------|------------------|
| Bank acceptances margin | 80,000,000.00 | |
| Total | 80,000,000.00 | |

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

| Item | For 30 June 2012 | For 30 June 2011 |
|--|------------------|------------------|
| 1、 Adjustment of net profit into operation activity cash flow: | | |
| Net profit | 12,343,535.18 | 14,749,678.10 |
| Add: provision for depreciation of assets | 1,999,859.94 | 1,999,655.74 |
| Depreciation of fixed assets, consumption of oil gas assets and depreciation of productive biological assets | 4,675,046.17 | 4,675,046.17 |
| Amortization of intangible assets | 714,154.29 | 646,907.99 |
| Amortization of long-term prepayments | - | |
| Loss from disposal of fixed assets, intangible assets and other long term assets (gain is listed with "-") | -275,457.62 | |
| Loss from discarding fixed assets as useless (gain is listed with "-") | - | |
| Loss from change of fair value(gain is listed with "-") | - | |
| Financial expense (gain is listed with "-") | 18,020,879.16 | 12,889,244.53 |
| Investment loss (gain is listed with "-") | -1,462,045.66 | -2,853,983.65 |
| Decrease of deferred income tax assets (increase is listed with "-") | - | |
| Increase of deferred income tax liabilities (decrease is listed with "-") | - | |

| Item | For 30 June 2012 | For 30 June 2011 |
|--|------------------|------------------|
| Decrease of inventories (increase is listed with "-") | -43,288,617.28 | -131,887,849.14 |
| Decrease of operational accounts receivable (increase is listed with "-") | -158,004,011.54 | -255,557,349.34 |
| Increase of operational accounts payable (decrease is listed with "-") | 137,067,092.81 | 231,881,566.87 |
| Others | - | |
| Net cash flow arising from operation activities | -28,209,564.55 | -123,457,082.73 |
| 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 | 301,632,757.53 | 210,428,237.28 |
| Less: Balance of cash at period-begin | 310,453,749.89 | 291,447,011.87 |
| Add: Balance of cash equivalent at period-end | - | |
| Less: Balance of cash equivalent at period-begin | - | |
| Net increase in cash and cash equivalent | -8,820,992.36 | -81,018,774.59 |

(2) Information about acquisition or disposal of subsidiaries and other business units

Unit: Yuan

| Supplementary information | For 30 June 2012 | For 30 June 2011 |
|---|------------------|------------------|
| I. Information about acquisition of the subsidiaries and other business units | -- | -- |
| Consideration of acquiring subsidiaries and other business units | | |
| Cash and cash equivalents paid for the acquisition of subsidiaries and other business units | | |

| | | |
|--|------|------|
| Less: Cash and cash equivalents controlled by subsidiaries and other business units | | |
| Net cash paid for the acquisition of subsidiaries and other business units | | |
| Net assets of acquired subsidiaries | 0.00 | 0.00 |
| Current assets | | |
| Non-current assets | | |
| Current liabilities | | |
| Non-current liabilities | | |
| I. Information about disposal of the subsidiaries and other business units | -- | -- |
| Consideration of disposal subsidiaries and other business units | | |
| Cash and cash equivalents received from the acquisition of subsidiaries and other business units | | |
| Less: Cash and cash equivalents controlled by subsidiaries and other business units | | |
| Net cash received from the disposal of subsidiaries and other business units | | |
| Net assets of disposed subsidiaries | 0.00 | 0.00 |
| Current assets | | |
| Non-current assets | | |
| Current liabilities | | |
| Non-current liabilities | | |

(3) Cash and cash equivalent

| Item | As of 30 June 2012 | As of 31 December 2011 |
|--|--------------------|------------------------|
| Cash | 301,632,757.53 | 310,453,749.89 |
| Cash in hand | 49,555.08 | 51,295.27 |
| May at any time is used to pay the bank deposit | 190,570,608.79 | 310,402,454.62 |
| May at any time for the payment of the other monetary funds | 111,012,593.66 | |
| Can be used for the storage of the central bank money to pay | | |
| Deposit money of payment | | |
| Dismantle put trade payment | | |

| Item | As of 30 June 2012 | As of 31 December 2011 |
|--|--------------------|------------------------|
| Cash equivalent | | |
| Three months due debt investments | | |
| Cash and cash equivalent at the year end | 301,632,757.53 | 310,453,749.89 |

67. Notes to Statement of changes in equity

None

VIII Accounting treatment of asset securitization business

1. The asset securitization trade arrangements and accounting treatment, bankruptcy isolation terms

2. The company has no control but essentially bear the risk of special purpose subject situation

Unit: Yuan

| Name | Total asset | Total liability | Net assets | Income | Net profit | Notes |
|------|-------------|-----------------|------------|--------|------------|-------|
| | | | | | | |

IX 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 Putian Co., Ltd. | 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 Putian Co., Ltd. | 53.49 | 53.49 | China Putian Corporation | 71093155-5 |

2. Condition of subsidiaries

| Name of the companies | Type of subsidiaries | Type of entity | Registration | Legal Representative | Business Nature |
|--|---------------------------|----------------|--------------|----------------------|---|
| Nanjing Southern Telecommunications Co., Ltd. | Limited company | Trading | Nanjing | Hong Wang | Sales telecommunication products |
| Nanjing Bada Telecommunications Co., Ltd. | Limited company | Manufacture | Nanjing | Jin Qiao | Manufacture of telecommunications |
| Nanjing Putian Information Technology Co., Ltd. | Limited company | Manufacture | Nanjing | Yongshu Lu | Manufacture and sale of telecommunications |
| Nanjing Putian Telege Intelligent Building Ltd. | Limited company | Manufacture | Nanjing | Baosun Fu | Manufacture and sale of telecommunications |
| Putian Telecommunications (Hong Kong) Co., Ltd. | company limited by shares | Manufacture | HongKong | Liang Sun | Sale of telecommunications |
| Beijing Picom Telecommunications Equipment Co., Ltd. | Limited company | Manufacture | Beijing | Junhai Lu | Web-based electronic products, digital transmission equipment |
| Nanjing Putian WongShi Telecommunications Co., Ltd. | Limited company | Manufacture | Nanjing | Hanbin Jiang | Manufacture and sale of telecommunications |
| Nanjing Putian Changle Telecommunications Equipment Co., | Limited company | Manufacture | Nanjing | Qiang Wang | Manufacture and sale of |

| Name of the companies | Type of subsidiaries | Type of entity | Registration | Legal Representative | Business Nature |
|---|----------------------|----------------|--------------|----------------------|---|
| Ltd. | | | | | telecommunications |
| Nanjing Putian Network Company Ltd. | Limited company | Manufacture | Nanjing | Yingqian Guan | Manufacture and sale of telecommunications |
| Nanjing Putian Telecommunication Technology Co., Ltd. | Limited company | Manufacture | Nanjing | Chuanxi Liu | Manufacture and sale of telecommunications |
| Nanjing Mennekes Electric Appliances Ltd. | Limited company | Manufacture | Nanjing | Hong Wang | Product and sales socket for industrial use |

(Continued)

| Name of the companies | Registration Capital (unit: Wan Yuan) | Rate of Share held between parent company and the Company (%) | The proportion of voting rights between parent company and the company (%) | Organization code |
|---|--|---|---|-------------------|
| Nanjing Southern Telecommunications Company Limited | 3,420.50 | 98.24 | 98.24 | 13492047-8 |
| Nanjing Bada Telecommunications Co., Ltd. | 1,130.14 | 60.00 | 60.00 | 13554048-5 |
| Nanjing Putian Information 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 |
| Beijing Picom Telecommunications Equipment Ltd. | USD 50.00 | 51.00 | 51.00 | 717741092 |

| Name of the companies | Registration Capital (unit: Wan Yuan) | Rate of Share held between parent company and the Company (%) | The proportion of voting rights between parent company and the company (%) | Organization code |
|--|--|---|---|-------------------|
| Nanjing Putian 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 Telecommunication Technology Co., Ltd | 475.00 | 70.00 | 70.00 | 13513422-5 |
| Nanjing Mennekes Electric Appliances Ltd. | USD 520.00 | 75.00 | 75.00 | 60895120-X |

3. Condition of the joint ventures and associates

| Invested units | Types | Place of registr ation | Legal perso n | Business nature | Registere d capital | Curre ncy | Proporti on of shareh olding (%) | Voting propo rtion in invest ed comp any (%) | Total assets | Total liabili ty | Total net assets | Total operati ng income | Net profit | Relatio nship with the compa ny | Orga nizati on code |
|---|--------------------------------------|---------------------------------|---------------------|---|------------------------|--------------|--|--|------------------------|---------------------------|---------------------|----------------------------------|------------------|--|------------------------------|
| Joint venture | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Nanjing Prachanda Live Optical Network Co., Ltd | Sino-fo reign joint venture | Nanjin g | Hanbi n Jiang | Optical communi cation of productio n | 4,000,00 0.00 | USD | 50.00 | 50.00 | 100,84 9,265. 42 | 71,6 40,7 81.3 7 | 29,208,4 84.05 | 50,058, 576.74 | 2,499,0 75.20 | Joint venture | 5555 3484 -X |
| Affiliated | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |

| venture | | | | | | | | | | | | | | | |
|--|--------------------------------------|---------|-----------------|--|----------------|-----|-------|-------|----------------|---------------|----------------|---------------|------------|--------------------|-----------|
| Nanjing Putian Datang Information and Electric Co., Ltd. | Domestic (limited liability company) | Nanjing | Yaoming Yan | Communication products production sales, etc | 5,000,000.00 | CNY | 40 | 40 | 19,408,962.50 | 12,683,682.20 | 6,725,280.30 | 10,123,201.96 | 337,158.28 | Affiliated venture | 777019050 |
| Nanjing Putian Zhongyou Telecommunication Co., Ltd. | Domestic (limited liability company) | Nanjing | Tiwu Zhao | Communication products production sales, etc | 1,000,000.00 | CNY | 15 | 15 | 1,666,154.48 | 360,555.82 | 1,305,598.66 | 61,538.46 | -59,899.05 | Affiliated venture | 249702200 |
| Putian High Technology Industry Co., Ltd. | Domestic (limited liability company) | Nanjing | Xiaocheng Zhang | Industrial park venue rental management etc | 337,548,141.29 | CNY | 49.64 | 49.64 | 341,283,145.61 | 374,236.26 | 340,908,909.35 | 6,837,244.95 | 165,375.10 | Affiliated venture | 667372881 |

4. Other related parties

| Company Name | Relationship with the company | Organization code |
|---|---|-------------------|
| Nanjing Putian Swanking Electrical Co., Ltd | Controlled by the parent company | 724594270 |
| Shenzhen Putian 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 |
| Putian Institute of Technology Co., Ltd. | Controlled by the parent company | 710929105 |

| Company Name | Relationship with the company | Organization code |
|---|----------------------------------|-------------------|
| 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 | For 30 June 2012 | |
|--|-----------------------------|--|------------------|---------------------------------|
| | | | Amount | Ratio in similar trade amount % |
| China Putian Information Industry Co., Ltd. | Telecommunications | Market Pricing | 25,504.27 | 0.00 |
| Nanjing Putian Datang Information and Electric Co., Ltd. | Telecommunications | Market Pricing | 258,274.34 | 0.02 |
| Nanjing Putian Swanking Electrical Co., Ltd. | Telecommunications | Market Pricing | 719,725.78 | 0.06 |
| Nanjing Prachanda Live Optical Network Co., Ltd. | Telecommunications | Market Pricing | 37,213,349.64 | 3.20 |
| Wuhan Flames Putian Information Technology Co., Ltd. | Telecommunications | Market Pricing | 1,449,358.97 | 0.12 |
| Nanjing Putian Telecommunications Co., Ltd. | Telecommunications | Market Pricing | 30,034.19 | 0.00 |
| Total | | | 39,696,247.19 | 3.40 |

| Related Parties | Related transaction content | Pricing policy and decision-making processes | For 30 June 2011 | |
|-----------------|-----------------------------|--|------------------|---------------------------------|
| | | | Amount | Ratio in similar trade amount % |

| | | | | |
|--|--------------------|----------------|---------------|------|
| China Putian Information Industry Co., Ltd. | Telecommunications | Market Pricing | 10,895,243.68 | 0.92 |
| Nanjing Prachanda Live Optical Network Co., Ltd. | Telecommunications | Market Pricing | 20,148,668.55 | 1.70 |
| Nanjing Putian Swanking Electrical Co., Ltd | Telecommunications | Market Pricing | 803,037.15 | 0.07 |
| Total | | | 31,846,949.38 | 2.69 |

The sale of goods, providing labor services related transaction

| Related Parties | Related transaction content | Pricing policy and decision-making processes | For 30 June 2012 | |
|--|-----------------------------|--|------------------|---------------------------------|
| | | | Amount | Ratio in similar trade amount % |
| China Putian Information Industry Co., Ltd. | Telecommunications | Market Pricing | 49,394,450.80 | 3.69 |
| Putian Technology Research institute Co., Ltd. | Telecommunications | Market Pricing | 158,119.66 | 0.01 |
| Nanjing Putian Swanking Electrical Co., Ltd. | Other products | Market Pricing | 4,477.69 | 0.00 |
| Nanjing Zhongyou Telecommunication Co., Ltd | Telecommunications | Market Pricing | 70,256.41 | 0.01 |
| Total | | | 49,627,304.56 | 3.71 |

| Related Parties | Related transaction content | Pricing policy and decision-making processes | For 30 June 2011 | |
|---|-----------------------------|--|------------------|---------------------------------|
| | | | Amount | Ratio in similar trade amount % |
| China Putian Information Industry Co., Ltd. | Telecommunications | Market Pricing | 33,380,033.13 | 2.86 |
| Shanghai Putian network Co., Ltd. | Telecommunications | Market Pricing | 1,436,222.74 | 0.12 |

| | | | | |
|--|--------------------|----------------|---------------|------|
| Nanjing Putian Datang Information and Electric Co., Ltd. | Telecommunications | Market Pricing | 35,170.94 | 0.00 |
| China Putian Information Industry Group Co. | Telecommunications | Market Pricing | 82,051.28 | 0.01 |
| Nanjing Prachanda Live Optical Network Co., Ltd. | Telecommunications | Market Pricing | 77,218.76 | 0.01 |
| Total | | | 35,010,696.85 | 3.00 |

(2) Associated with hosting/ contracting

None

(3) Related leasing

Company rental table

| Lessor | Lessee | Asset for leasing | Leased asset situation | Leased asset amount | Date start for leasing | Date for termination of leasing | Accordance for reorganization of rental income | Influence on the company by rental income | Influence of lease income |
|--------|--------|-------------------|------------------------|---------------------|------------------------|---------------------------------|--|---|---------------------------|
| | | | | | | | | | |

Company leased table

| Lessor | Lessee | Asset for leasing | Leased asset situation | Leased asset amount | Date start for leasing | Date for termination of leasing | Accordance for reorganization of rental fee | Influence on the company by rental fee | Influence of lease income |
|---|--|-------------------|------------------------|---------------------|------------------------|---------------------------------|---|--|---------------------------|
| Putian High Technology Industry Co., Ltd. | Nanjing Putian Telecommunication Co., Ltd. | Building and land | good | 146,926,915.19 | 2012-01-01 | 2012-12-31 | Market Pricing | 5,279,987.37 | |

(4) Related guarantee

| Assurance Provider | Secured party | Amount of guarantee | Date start for guarantee | Due date for guarantee | Whether the guarantee is carried out |
|--------------------|---------------|---------------------|--------------------------|------------------------|--------------------------------------|
| | | | | | |

| Assurance Provider | Secured party | Amount of guarantee | Date start for guarantee | Due date for guarantee | Whether the guarantee is carried out |
|---|--|---------------------|--------------------------|------------------------|--------------------------------------|
| China Putian Information Industry Co. | Nanjing Putian telecommunication Co., Ltd. | 30,000,000.00 | 2011-12-22 | 2012-12-22 | No |
| China Putian Information Industry Co. | Nanjing Putian telecommunication Co., Ltd. | 44,000,000.00 | 2012-6-12 | 2013-6-12 | No |
| China Putian Information Industry Group Co. | Nanjing Putian telecommunication Co., Ltd. | 20,000,000.00 | 2011-10-28 | 2012-10-27 | No |
| China Putian Information Industry Group Co. | Nanjing Putian telecommunication Co., Ltd. | 30,000,000.00 | 2011-11-2 | 2012-11-1 | No |
| China Putian Information Industry Group Co. | Nanjing Putian telecommunication Co., Ltd. | 20,000,000.00 | 2011-11-9 | 2012-11-8 | No |
| China Putian Information Industry Group Co. | Nanjing Putian telecommunication Co., Ltd. | 20,000,000.00 | 2011-10-9 | 2012-10-9 | No |
| China Putian Information Industry Group Co. | Nanjing Putian telecommunication Co., Ltd. | 30,000,000.00 | 2011-10-19 | 2012-10-18 | No |
| China Putian Information Industry Group Co. | Nanjing Putian telecommunication Co., Ltd. | 30,000,000.00 | 2011-11-16 | 2012-11-15 | No |
| China Putian Information Industry Group Co. | Nanjing Putian telecommunication Co., Ltd. | 30,000,000.00 | 2011-11-28 | 2012-11-27 | No |
| China Putian Information Industry Group Co. | Nanjing Putian telecommunication Co., Ltd. | 30,000,000.00 | 2011-12-22 | 2012-12-22 | No |
| China Putian Information Industry Group Co. | Nanjing Putian telecommunication Co., Ltd. | 20,000,000.00 | 2012-1-11 | 2013-1-11 | No |
| Nanjing Putian telecommunication Co., Ltd. | Nanjing Putian Telege Intelligent Building Ltd | 10,000,000.00 | 2011-9-16 | 2012-9-16 | No |
| Nanjing Putian telecommunication Co., Ltd. | Nanjing Putian Telege Intelligent Building Ltd | 10,000,000.00 | 2011-9-28 | 2012-9-28 | No |

| Assurance Provider | Secured party | Amount of guarantee | Date start for guarantee | Due date for guarantee | Whether the guarantee is carried out |
|--|---|---------------------|--------------------------|------------------------|--------------------------------------|
| Nanjing Putian telecommunication Co., Ltd. | Nanjing Southern Telecommunications Company Limited | 20,000,000.00 | 2011-12-14 | 2012-12-13 | No |

(5) Related party lending money

Unit: Yuan

| Related party | Lending amount | Start Date | Maturity date | Notes |
|----------------|----------------|------------|---------------|-------|
| Bank borrowing | | | | |
| | | | | |
| Lending | | | | |
| | | | | |

(6) Related parties transfer of asset and debt restructuring

Unit: Yuan

| Related party | Related party type | Related party transactions | Pricing and the decision-making process | As of 30 June 2012 | | As of 31 December 2011 | |
|---------------|--------------------|----------------------------|---|--------------------|----------------|------------------------|----------------|
| | | | | Amount | Proportion (%) | Amount | Proportion (%) |
| | | | | | | | |

(7) Other related transactions**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 | As of 30 June 2012 | As of 31 December 2011 |
|---------------------|---|--------------------|------------------------|
| Accounts receivable | Nanjing Putian Zhongyou Telecommunication Co., Ltd. | 215,472.80 | 177,072.80 |
| Accounts receivable | China Putian Information Industry Co., Ltd. | 30,376,485.40 | 27,391,490.91 |
| Advance payment | China Putian Information Industry Co., Ltd. | 7,100,000.00 | 3,670,000.00 |
| Accounts receivable | Chengdu Putian Telecommunications Cable | 208,485.88 | 208,485.88 |

| Item | Name of the related parties | As of 30 June 2012 | As of 31 December 2011 |
|---------------------|---|--------------------|------------------------|
| | Co., Ltd. | | |
| Accounts receivable | Shanghai Putian Youtong Technology Co., Ltd. | 13,341,700.00 | 13,554,048.73 |
| Accounts receivable | Nanjing Putian Datang information electronic Co., Ltd | 8,600.00 | 4,818.83 |
| Other receivables | Beijing Picom Telecommunications Equipment Co., Ltd | 28,912,122.71 | 28,912,122.71 |
| Accounts receivable | Nanjing Prachanda Live Optical Network Co., Ltd. | 14,372.07 | |
| Accounts receivable | Putian Technology Research institute Co., Ltd. | 185,000.00 | |

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

| Item | Name of the related parties | As of 30 June 2012 | As of 31 December 2011 |
|---------------------|---|--------------------|------------------------|
| Other payables | Putian High Technology Industry Co. , Ltd. | 253,350.12 | 1,020,353.45 |
| Accounts payable | China Putian Information Industry Co., Ltd. | 4,029,840.00 | |
| Receipts in advance | China Putian Information Industry Co., Ltd. | 9,088,835.40 | |
| Other payables | Nanjing Putian Datang information electronic Co., Ltd | 47,790.00 | 47,790.00 |
| Accounts payable | Nanjing Putian Datang information electronic Co., Ltd | 76,231.08 | 25,817.90 |
| Accounts payable | Putian High Technology Industry Co. , Ltd. | | 109,077.86 |
| Accounts payable | Nanjing Putian Swanking Electrical Co., Ltd | 891,820.52 | 657,910.22 |
| Accounts payable | Wuhan Flames Putian Information Technology Co., Ltd. | 1,695,750.00 | |
| Accounts payable | Nanjing Prachanda Live Optical Network Co., Ltd | 40,682,414.08 | |
| Received advances | in China Putian Information Industry Group Co. | 22,900.00 | |

X. Share-based Payment

1. Share payment the overall situation

| | |
|--|--|
| The total equity instruments granted during this period | |
| The total exercise of equity instruments during this period | |
| The total failure of equity instruments during this period | |
| Range of the share option exercise price outstanding by the end of the period and the remaining period of the contract | |
| Range of other equity instruments exercise price outstanding by the end of the period and the remaining period of the contract | |

2. Equity-settled share-based payment

Unit: Yuan

| | |
|--|--|
| Fair value of equity instruments on grant date | |
| The best estimate of the number of vested equity instruments | |
| The reasons for materially different from the period estimated and previous period estimated | |
| Capital surplus to equity - settled share - based payment cumulative amount | |
| Total cost of equity settled share-based payment | |

3. Cash-settled share-based payment

Unit: Yuan

| | |
|---|--|
| Companies bear the shares or other equity instruments based on the calculation method for the fair value of certain liabilities | |
| Liabilities for cash-settled share-based payment | |
| Total cost of cash-settled share-based payment | |

4. Share-based payment services

Unit: Yuan

| | |
|---|--|
| Share-based payment in exchange for the services of employees | |
| Share-based payment in exchange for other services | |

5. Modified, terminated of share-based payment

XI. 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

XII. Commitments

1. Significant commitment matters

None

2. Early promise fulfillment situation

None

XIII. Events occurring after the balance sheet date

1. Important matters after balance sheet date

Unit: Yuan

| Item | Content | Effect on the financial position and operating results | Reasons for cannot estimate the impact |
|------|---------|--|--|
| | | | |

2. Balance sheet date profit allocation illustrate

Unit: Yuan

| | |
|--|--|
| The proposed allocation of profits or dividends | |
| Profit or dividend declaration issued after consideration and approval | |

3. Other matters after balance sheet date

None

XIV. Other significant matters

1. Non-monetary assets exchange

2. Debt restructuring

3. Business combinations

4. Lease

5. Financial instruments outstanding at the end of the year and can be converted into shares

6. Annuity plan main contents and major changes

7. Other important matters need disclosure

XV. Notes to main items of financial statement of parent company

1. Account receivable

(1) Classification of accounts receivable

| Item | As of 30 June 2012 | | | |
|--|--------------------|----------------|-----------------------|----------------|
| | 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 | | | | |
| Group1 | 266,803,331.31 | 44.11 | 1,791.00 | - |

| | | | | |
|---|----------------|--------|--------------|--------|
| Group 2 | 306,265,571.56 | 50.63 | 0 | - |
| Group 3 | 29,893,091.59 | 4.94 | 7,640,137.47 | 25.56 |
| Subtotal | 602,961,994.46 | 99.69 | 7,641,928.47 | 1.27 |
| 3. Single amount not significant but single provision for accounts receivable | 1,898,677.61 | 0.31 | 1,898,677.61 | 100.00 |
| Total | 604,860,672.07 | 100.00 | 9,540,606.08 | 1.58 |

| Item | As of 31 December 2011 | | | |
|--|------------------------|----------------|-----------------------|----------------|
| | 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 | | | | |
| Group1 | 221,649,811.83 | 44.20 | 4,315,816.31 | 1.95 |
| Group 2 | 238,373,107.04 | 47.53 | | |
| Group 3 | 39,557,597.14 | 7.89 | 5,814,242.67 | 14.70 |
| Subtotal | 499,580,516.01 | 99.62 | 10,130,058.98 | 2.03 |
| 3. Single amount not significant but single provision for accounts receivable | 1,898,677.61 | 0.38 | 1,898,677.61 | 100.00 |
| Total | 501,479,193.62 | 100.00 | 12,028,736.59 | 2.40 |

Notes : Single amount dramatic and individual provision for accounts receivable refers to single exceed RMB 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.

Individually significant receivables and individual provision for bad debts at the end of the period:

Applicable Not applicable

Portfolio, adopt aging analysis of the provision for bad debts:

Applicable Not applicable

Adopt age analysis provision in group as follows:

| Age | As of 30 June 2012 | | | As of 31 December 2011 | | |
|------------------------|--------------------|----------------|-----------------------|------------------------|----------------|-----------------------|
| | Book balance | Proportion (%) | Reserve for bad debts | Book balance | Proportion (%) | Reserve for bad debts |
| Within 1 year | 241,061,005.92 | 81.24 | - | 212,666,026.63 | 81.41 | |
| Subtotal Within 1 year | 241,061,005.92 | 81.24 | - | 212,666,026.63 | 81.41 | |
| 1 to 2 years | 35,860,253.44 | 12.09 | | 19,031,838.28 | 7.29 | |
| 2 to 3 years | 7,209,646.30 | 2.43 | 720,964.63 | 7,085,288.97 | 2.71 | 708,528.90 |
| 3 years or above | 12,565,517.24 | 4.24 | 6,920,963.84 | 22,424,255.09 | 8.59 | 9,421,530.08 |
| 3 to 4 years | 4,247,996.96 | 1.43 | 1,274,399.09 | 14,471,660.93 | 5.54 | 4,341,498.27 |
| 4 to 5 years | 4,248,255.07 | 1.43 | 1,699,302.03 | 4,260,743.33 | 1.63 | 1,704,297.33 |
| 5 years or above | 4,069,265.21 | 1.38 | 3,947,262.72 | 3,691,850.83 | 1.42 | 3,375,734.48 |
| Total | 296,696,422.90 | -- | 7,641,928.47 | 261,207,408.97 | -- | 10,130,058.98 |

Portfolio, adopt balance percentage of the provision for bad debts:

Applicable Not applicable

Portfolio, adopt other methods of the provision for bad debts:

Applicable Not applicable

Unit: Yuan

| Item | Book balance | Provision for bad debts |
|---------|----------------|-------------------------|
| Group 2 | 306,265,571.56 | 0.00 |
| Total | 306,265,571.56 | 0.00 |

Closing single amount not significant but single provision for accounts receivable

√ Applicable □ Not applicable

| Receivables | Book amount | Bad debt | Proportion | Reason |
|--------------------------------|--------------|--------------|------------|-----------------------------------|
| M/S WHISTLER TELECOM (PVT) LTD | 1,782,643.57 | 1,782,643.57 | 100.00% | Aging longer difficult to recover |
| PRADUFA | 103,534.04 | 103,534.04 | 100.00% | Aging longer difficult to recover |
| China Unicom Nanjing branch | 12,500.00 | 12,500.00 | 100.00% | Aging longer difficult to recover |
| Total | 1,898,677.61 | 1,898,677.61 | — | — |

(2) Current payback or return of receivables

| Receivables | Reversed or recovered reasons | The basis of the original bad debts | The accumulated amount of provision for bad debts before reversed or recovered | Reversed or recovered amount |
|-------------|-------------------------------|-------------------------------------|--|------------------------------|
| | | | | |
| Total | -- | -- | | -- |

Closing single amount not significant but single provision for accounts receivable

| Receivables | Book amount | Bad debt | Proportion | Reason |
|--------------------------------|--------------|--------------|------------|-----------------------------------|
| M/S WHISTLER TELECOM (PVT) LTD | 1,782,643.57 | 1,782,643.57 | 100.00% | Aging longer difficult to recover |
| PRADUFA | 103,534.04 | 103,534.04 | 100.00% | Aging longer difficult to recover |
| China Unicom Nanjing branch | 12,500.00 | 12,500.00 | 100.00% | Aging longer difficult to recover |
| Total | 1,898,677.61 | 1,898,677.61 | — | — |

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

Unit: Yuan

| Name | Nature of the receivables | Write-off time | Write-off amount | Write-off reasons | Related party transactions |
|-------|---------------------------|----------------|------------------|-------------------|----------------------------|
| | | | | | |
| Total | -- | -- | 0.00 | -- | -- |

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

√ Applicable □ Not applicable

Unit: Yuan

| Name | As of 30 June 2012 | | As of 31 December 2011 | |
|------------------------|--------------------|-------------------------|------------------------|-------------------------|
| | Book balance | Provision for bad debts | Book balance | Provision for bad debts |
| China Putian Co., Ltd. | 22,155,464.10 | 0.00 | 25,909,842.11 | 0.00 |
| Total | 22,155,464.10 | 0.00 | 25,909,842.11 | 0.00 |

(5) The nature or contents of the large amount of receivables

See receivables in the amount of top five.

(6) Top 5 debtors of accounts receivable

| Name of the debtors | Relationship with the Company | Amount | Aging | Proportion of total amount (%) |
|---|-------------------------------|----------------|--------------|--------------------------------|
| China Telecom Co., Ltd. Jiangsu Branch | Non-related party | 128,946,942.82 | 1 to 2 years | 21.32 |
| Agricultural Bank of China | Non-related party | 31,712,852.29 | 1 to 2 years | 5.24 |
| China Tietong Group Ltd. Co. Jiangsu Branch | Non-related party | 25,429,732.75 | Within 1year | 4.20 |
| China Putian Information Industry Co., Ltd. | Parent company | 22,155,464.10 | Within 1year | 3.66 |
| China Telecom Co., Ltd. Xi'an Branch | Non-related party | 17,214,673.47 | 1 to 2 years | 2.84 |
| Total | — | 225,459,665.43 | — | 37.26 |

(6) Accounts receivable of related parties accounts

| Name of the debtors | Relationship with the Company | Amount | Proportion of total amount (%) |
|---------------------|-------------------------------|--------|--------------------------------|
| | | | |

| | | | |
|---|---------------------------------------|---------------|------|
| Nanjing Putian Zhongyou Telecommunication Co., Ltd. | Affiliated venture | 215,472.80 | 0.04 |
| Nanjing Prachanda Live Optical Network Co., Ltd | Joint venture | 14,372.07 | - |
| China Putian Information Industry Co., Ltd. | Parent company | 22,155,464.10 | 3.66 |
| Shanghai Putian Yutong Technology Co., Ltd. | Controlled by the same parent company | 13,341,700.00 | 2.21 |
| Total | | 35,727,008.97 | 5.91 |

(7) Balance of accounts receivable in foreign currencies

| Foreign currency | As of 30 June 2012 | | | As of 31 December 2011 | | |
|------------------|--------------------|---------------|---------------|------------------------|---------------|---------------|
| | Original currency | Exchange rate | RMB converted | Original currency | Exchange rate | RMB converted |
| USD | 5,413.82 | 6.3249 | 34,241.87 | 534,071.65 | 6.3009 | 3,365,132.06 |
| Total | 5,413.82 | — | 34,241.87 | 534,071.65 | 6.3009 | 3,365,132.06 |

(8)

The amount of the transfer of the receivables that do not meet the derecognition criteria 0.00Yuan.

(9) Receivables underlying asset securitization, to be a brief description of the relevant trading arrangements

None

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

| Item | As of 30 June 2012 | | | |
|------|--------------------|----------------|-----------------------|----------------|
| | Book balance | | Reserve for bad debts | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| | | | | |

| | | | | |
|--|----------------|--------|---------------|--------|
| 1. Single amount dramatic and individual provision for the accounts receivable | 28,912,122.71 | 20.93 | 28,912,122.71 | 100.00 |
| 2. Classification as the group of provision for account receivable | | | | |
| Group1 | 20,000,000.00 | 14.48 | 6,150,000.00 | 30.75 |
| Group 2 | 75,869,819.08 | 54.90 | | |
| Group 3 | 9,299,604.95 | 6.73 | 2,399,671.62 | 25.80 |
| Subtotal | 105,169,424.03 | 76.11 | 8,549,671.62 | 0.08 |
| 3. Single amount not significant but single provision for accounts receivable | 4,085,166.33 | 2.96 | 4,085,166.33 | 100.00 |
| Total | 138,166,713.07 | 100.00 | 41,546,960.66 | 30.07 |

| Item | As of 31 December 2011 | | | |
|--|------------------------|----------------|-----------------------|----------------|
| | Book balance | | Reserve for bad debts | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| 1. Single amount dramatic and individual provision for the accounts receivable | 28,912,122.71 | 22.97 | 28,912,122.71 | 100.00 |
| 2. Classification as the group of provision for account receivable | | | | |
| Group1 | 60,206,654.76 | 47.83 | 2,300,000.00 | 3.82 |
| Group 2 | 24,099,015.17 | 19.15 | | |
| Group 3 | 8,569,058.77 | 6.81 | 2,752,933.92 | 32.13 |
| Subtotal | 92,874,728.70 | 73.79 | 5,052,933.92 | 5.44 |

| | | | | |
|---|----------------|--------|---------------|--------|
| 3. Single amount not significant but single provision for accounts receivable | 4,085,166.33 | 3.24 | 4,085,166.33 | 100.00 |
| Total | 125,872,017.74 | 100.00 | 38,050,222.96 | 30.23 |

Notes : Single amount dramatic and individual provision for other receivable refers to single exceed RMB 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.

Individually significant receivables and individual provision for bad debts at the end of the period:

√ Applicable □ Not applicable

| Other receivables | Book value | Amount of bad debts | Proportion | Reasons |
|---|---------------|---------------------|------------|-----------------------------------|
| Beijing Picom Telecommunications Equipment Ltd. | 28,912,122.71 | 28,912,122.71 | 100% | Aging longer difficult to recover |
| Total | 28,912,122.71 | 28,912,122.71 | -- | -- |

Adopt age analysis provision in group as follows:

√ Applicable □ Not applicable

| Age | As of 30 June 2012 | | | As of 31 December 2011 | | |
|--------------------------------|--------------------|----------------|-----------------------|------------------------|----------------|-----------------------|
| | Book balance | Proportion (%) | Reserve for bad debts | Book balance | Proportion (%) | Reserve for bad debts |
| Within 1 year (contain 1 year) | 395,533.14 | 1.35 | | 40,182,195.99 | 58.43 | |
| Subtotal within 1 year | 395,533.14 | 1.35 | | 40,182,195.99 | 58.43 | |
| 1 to 2 years | 1,073,994.42 | 3.67 | | 1,747,054.82 | 2.54 | |
| 2 to 3 years | 4,575,933.12 | 15.62 | 457,593.31 | 23,049,846.89 | 33.51 | 2,304,984.69 |
| Subtotal over 3 years | 23,254,144.27 | 79.36 | 8,092,078.31 | 3,796,615.83 | 5.52 | 2,747,949.23 |
| 3 to 4 years | 21,041,552.52 | 71.82 | 6,312,465.76 | 1,355,238.00 | 1.97 | 406,571.40 |
| 4 to 5 years | 716,632.00 | 2.45 | 286,652.80 | 165,000.00 | 0.24 | 66,000.00 |

| | | | | | | |
|------------------|---------------|------|--------------|---------------|------|--------------|
| 5 years or above | 1,495,959.75 | 5.09 | 1,492,959.75 | 2,276,377.83 | 3.31 | 2,275,377.83 |
| Total | 29,299,604.95 | -- | 8,549,671.62 | 68,775,713.53 | -- | 5,052,933.92 |

Portfolio, adopt balance percentage of the provision for bad debts:

Applicable Not applicable

Portfolio, adopt other methods of the provision for bad debts:

Applicable Not applicable

Unit: Yuan

| Item | Book balance | Provision for bad debts |
|---------|---------------|-------------------------|
| Group 2 | 75,869,819.08 | 0.00 |
| Total | 75,869,819.08 | 0.00 |

Closing single amount not significant but single provision for accounts receivable

Applicable Not applicable

| Other receivables | Book amount | Bad debt | Proportion | Reason |
|---|--------------|--------------|------------|-----------------------------------|
| Putian Telecommunications (Hong Kong) Co., Ltd. | 4,085,166.33 | 4,085,166.33 | 100% | Aging longer difficult to recover |

(2) Current payback or return of receivables

| Other receivables | Reversed or recovered reasons | The basis of the original bad debts | The accumulated amount of provision for bad debts before reversed or recovered | Reversed or recovered amount |
|-------------------|-------------------------------|-------------------------------------|--|------------------------------|
| Total | -- | -- | | -- |

During this period 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

Unit: Yuan

| Name | Nature of the receivables | Write-off time | Write-off amount | Write-off reasons | Related party transactions |
|-------|---------------------------|----------------|------------------|-------------------|----------------------------|
| Total | -- | -- | 0.00 | -- | -- |

During this period, no written-off or written off has been recovered in other receivables

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

□ Applicable √ Not applicable

(5) Large amount of other receivables nature or content

See table below (6).

| Name of the debtors | Amount | Other receivables nature or content |
|---|---------------|-------------------------------------|
| Beijing Picom Telecommunications Equipment Ltd. | 28,912,122.71 | Receivables and payables |
| Yuhua Peoples' Government Nanning Office | 20,000,000.00 | Receivables and payables |
| Putian Telecommunications (Hong Kong) Co., Ltd. | 4,085,166.33 | Receivables and payables |
| Total | 52,997,289.04 | — |

(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 | 28,912,122.71 | More than 6 years | 20.93 |
| Yuhua Peoples' Government Nanning Office | Non –related party | 20,000,000.00 | 3 to 5 years | 14.48 |
| Putian Telecommunications (Hong Kong) Co., Ltd. | Consolidated subsidiary | 4,085,166.33 | 3 to 4 years | 2.96 |
| Shanghai communication bidding Co. , Ltd. | Non –related party | 1,220,000.00 | 1 to 2 years | 0.88 |
| China Mobile Communications Group Jiangsu Co., Ltd, Nanjing Branch | Non –related party | 980,000.00 | 2 to 5 years | 0.71 |
| Total | | 55,197,289.04 | | 39.96 |

(7) Other receivables from related parties

| Name of debtors | Relationship with the Company | Amount | Proportion of total amount (%) |
|-----------------|-------------------------------|--------|--------------------------------|
|-----------------|-------------------------------|--------|--------------------------------|

| Name of debtors | Relationship with the Company | Amount | Proportion of total amount (%) |
|---|-------------------------------|---------------|--------------------------------|
| Beijing Picom Telecommunications Equipment Ltd | Subsidiary | 28,912,122.71 | 20.93 |
| Putian Telecommunications (Hong Kong) Co., Ltd. | Consolidated subsidiary | 4,085,166.33 | 2.96 |
| Total | | 32,997,289.04 | 23.89 |

(8)

The amount of the transfer of the receivables that do not meet the derecognition criteria 0.00Yuan.

(9) Receivables underlying asset securitization, to be a brief description of the relevant trading arrangements

None

3. Long-term equity investments

| Invested units | Accounting Method | Initial cost of investment | Book balance at the end of 31 December 2011 | Movement | Book balance at the end of 30 June 2012 | Share holding percentage of the Company among invested units (%) | Voting right proportion of the Company among invested units (%) |
|---|-------------------|----------------------------|---|----------|---|--|---|
| Nanjing Southern Telecommunications Co., Ltd. | Cost Method | 33,175,148.00 | 33,175,148.00 | | 33,175,148.00 | 98.24 | 98.24 |
| Nanjing Putian Tele Intelligent Building Ltd. | Cost Method | 3,320,003.45 | 3,320,003.45 | | 3,320,003.45 | 45.77 | 45.77 |
| Nanjing Putian Changle | Cost | 2,610,457.00 | 2,610,457.00 | | 2,610,457.00 | 50.7 | 50.7 |

| Invested units | Accounting Method | Initial cost of investment | Book balance at the end of 31 December 2011 | Movement | Book balance at the end of 30 June 2012 | Share holding percentage of the Company among invested units) (%) | Voting right proportion of the Company among invested units) (%) |
|---|-------------------|----------------------------|---|----------|---|---|--|
| Telecommunications Equipment Co., Ltd. | Method | | | | | | |
| Nanjing Bada Telecommunications Co., Ltd | Cost Method | 5,610,000.00 | 5,610,000.00 | | 5,610,000.00 | 60 | 60 |
| Nanjing Putian Wongshi Telecommunications Co., Ltd. | Cost Method | 40,997,683.00 | 40,997,683.00 | | 40,997,683.00 | 99.42 | 99.42 |
| Nanjing Putian Network Co., Ltd. | Cost Method | 9,146,455.13 | 7,741,140.41 | | 7,741,140.41 | 78 | 78 |
| Putian Telecommunications (Hong Kong) Co., Ltd. | Cost Method | 1,910,520.00 | 1,910,520.00 | | 1,910,520.00 | 90 | 90 |
| Nanjing Putian Information 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 Telecommunications | Cost Method | 1,854,910.00 | 1,854,910.00 | | 1,854,910.00 | 51.00 | 51.00 |

| Invested units | Accounting Method | Initial cost of investment | Book balance at the end of 31 December 2011 | Movement | Book balance at the end of 30 June 2012 | Share holding percentage of the Company among invested units) (%) | Voting right proportion of the Company among invested units) (%) |
|--|-------------------|----------------------------|---|------------|---|---|--|
| Equipment Ltd | | | | | | | |
| Nanjing Yahua Galvanization Factory | Cost Method | 420,915.00 | 420,915.00 | | 420,915.00 | 10.00 | 10.00 |
| Hangzhou Swanking Electric Appliance | Cost Method | 321,038.00 | 321,038.00 | | 321,038.00 | 2.26 | 2.26 |
| Nanjing Mennekes Electric Appliances Co., Ltd. | Cost Method | 15,037,508.00 | 57,831,011.71 | | 57,831,011.71 | 75.00 | 75.00 |
| Nanjing Putian Datang Information and Electric Company Ltd | Equity Method | 600,000.00 | 2,520,399.15 | 134,863.31 | 2,655,262.46 | 40.00 | 40.00 |
| Nanjing Putian Zhongyou Telecommunication Co., Ltd. | Equity Method | 300,000.00 | 238,892.31 | -17,969.72 | 220,922.59 | 30.00 | 30.00 |
| Putian High Technology Industry Co., Ltd. | Equity Method | 167,548,141.29 | 168,945,752.43 | 82,092.20 | 169,027,844.63 | 49.64 | 49.64 |
| Shanghai Yulong Biotech Ltd. | Cost Method | 23,310,000.00 | 14,721,843.51 | | 14,721,843.51 | 17.79 | 17.79 |
| Qufu Yulong Bio-Tech | Cost | - | 3,113,727.00 | | 3,113,727.00 | 17.79 | 17.79 |

| Invested units | Accounting Method | Initial cost of investment | Book balance at the end of 31 December 2011 | Movement | Book balance at the end of 30 June 2012 | Share holding percentage of the Company among invested units) (%) | Voting right proportion of the Company among invested units) (%) |
|---|-------------------|----------------------------|---|--------------|---|---|--|
| Co., Ltd. | Method | | | | | | |
| Nanjing Prachanda Live Optical Network Co., Ltd | Equity Method | 13,544,400.00 | 13,354,704.43 | 1,249,537.60 | 14,604,242.03 | 50.00 | 50.00 |
| Total | | | 373,842,655.40 | 1,448,523.39 | 375,291,178.79 | — | — |

(Continued)

| Invested units | Impairment provision | Impairment provision withdrawn during the period | Cash dividends during the period |
|---|----------------------|--|----------------------------------|
| Nanjing Southern Telecommunications Co., Ltd. | | | |
| Nanjing Putian Telege Intelligent Building Ltd. | | | 4,576,700.00 |
| Nanjing Putian Changle Telecommunications Equipment Co., Ltd. | | | |
| Nanjing Bada Telecommunications Co., Ltd | | | |
| Nanjing Putian Wongshi Telecommunications Co., Ltd. | | | |
| Nanjing Putian Network Co., Ltd. | | | |

| Invested units | Impairment provision | Impairment provision withdrawn during the period | Cash dividends during the period |
|---|----------------------|--|----------------------------------|
| 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 Yahua Galvanization Factory | | | |
| Hangzhou Swanking Electric Appliance | | | |
| Nanjing Menekes Electric Appliances Co., Ltd. | | | |
| Nanjing Putian Datang Information and Electric Company Ltd | | | |
| Nanjing Putian Zhongyou Telecommunication Co., Ltd. | | | |
| Nanjing Putian Telecommunication Technology Industry Park Co., Ltd. | | | |
| Shanghai Yulong Biotech Ltd. | | | |
| Qufu Yulong Bio-Tech Co., Ltd. | | | |
| Nanjing Prachanda Live Optical Network Co., Ltd | | | |
| Total | 1,854,910.00 | - | 4,576,700.00 |

4. Operating revenues and costs

(1) Operating revenues

| Item | For 30 June 2012 | For 30 June 2011 |
|-------------------------|------------------|------------------|
| Main operating revenue | 879,294,779.90 | 722,549,891.61 |
| Other operating revenue | 14,741,469.83 | 20,183,517.95 |
| Operating costs | 818,400,146.13 | 679,207,670.70 |

(2) Main Business (by industry)

| Item | For 30 June 2012 | | For 30 June 2011 | |
|---|------------------------|---------------------|------------------------|---------------------|
| | Main operating revenue | Main operating cost | Main operating revenue | Main operating cost |
| Communications equipment manufacturing industry | 879,294,779.90 | 805,662,520.74 | 722,549,891.61 | 664,627,325.63 |
| Total | 879,294,779.90 | 805,662,520.74 | 722,549,891.61 | 664,627,325.63 |

(3) Main Business (by products)

| Item | For 30 June 2012 | | For 30 June 2011 | |
|------------------------|------------------------|---------------------|------------------------|---------------------|
| | Main operating revenue | Main operating cost | Main operating revenue | Main operating cost |
| Communication products | 879,294,779.90 | 805,662,520.74 | 722,549,891.61 | 664,627,325.63 |
| Total | 879,294,779.90 | 805,662,520.74 | 722,549,891.61 | 664,627,325.63 |

(4) Main Business (by regions)

| Item | For 30 June 2012 | | For 30 June 2011 | |
|-----------------|------------------------|---------------------|------------------------|---------------------|
| | Main operating revenue | Main operating cost | Main operating revenue | Main operating cost |
| Domestic market | 876,868,985.63 | 803,591,754.40 | 716,462,348.54 | 658,850,183.17 |
| Oversea market | 2,425,794.27 | 2,070,766.34 | 6,087,543.07 | 5,777,142.46 |

| | | | | |
|-------|----------------|----------------|----------------|----------------|
| Total | 879,294,779.90 | 805,662,520.74 | 722,549,891.61 | 664,627,325.63 |
|-------|----------------|----------------|----------------|----------------|

(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 (%) |
|---|--------------------|--|
| China Telecom Co., Ltd., Jiangsu Branch | 437,521,662.45 | 48.94 |
| China Telecom Co., Ltd., Shanghai Branch | 52,688,369.85 | 5.89 |
| China Tietong Group Co., Ltd., Jiangsu Branch | 30,591,421.21 | 3.42 |
| Chengdu RenYuan Information Technology Co., Ltd. | 26,748,796.97 | 2.99 |
| China United Network Communication Co., Ltd, Beijing Branch | 25,534,721.73 | 2.86 |
| Total | 573,084,972.21 | 64.10 |

5. Investment income

(1) Details of Investment Income

| Item | For 30 June 2012 | For 30 June 2011 |
|--|------------------|------------------|
| Long-term equity investment income by cost method | 4,576,700.00 | 4,660,400.00 |
| Long-term equity investment income by equity method | 1,448,523.39 | 2,414,196.35 |
| 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 | | |
| Income from investment in disposal of financial assets available for | | |

| Item | For 30 June 2012 | For 30 June 2011 |
|--|------------------|------------------|
| sale | | |
| Investment income from disposal of hold-to-maturity investment | | |
| Investment income from disposal of financial assets available for sale | | |
| Others | | |
| Total | 6,025,223.39 | 7,074,596.35 |

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

| Investee | For 30 June 2012 | For 30 June 2011 | Reasons for movement |
|---|------------------|------------------|--|
| Nanjing Putian Telege Intelligent Building Ltd. | 4,576,700.00 | 4,576,700.00 | According to the company's uniform distribution police |
| Nanjing Yuhua Galvanization Factory | | 83,700.00 | Business performance fluctuations |
| Total | 4,576,700.00 | 4,660,400.00 | |

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

| Investee | For 30 June 2012 | For 30 June 2011 | Reasons for movement |
|---|------------------|------------------|-----------------------|
| Nanjing Mennekes Electric Appliances Ltd | | 2,322,981.92 | Business fluctuations |
| Nanjing Prachanda Live Optical Network Co., Ltd | 1,249,537.60 | -25,297.62 | Business fluctuations |
| Nanjing Putian Datang Information and Electric Company Ltd. | 134,863.31 | 12,337.19 | Business fluctuations |
| Nanjing Putian Zhongyou Telecommunication Co., Ltd. | -17,969.72 | 13,050.01 | Business fluctuations |
| Putian High Technology Industry Co. , Ltd. | 82,092.20 | 91,124.85 | Business fluctuations |
| Total | 1,448,523.39 | 2,414,196.35 | |

None of significant limitation of the repatriation of investment income

6. Supplementary information about consolidated statement of cash flows

| Item | For 30 June 2012 | For 30 June 2011 |
|--|------------------|------------------|
| 1、 Adjustment of net profit into operation activity cash flow : | | |
| Net profit | -4,605,755.52 | -3,628,898.83 |
| Add: provision for depreciation of assets | 1,008,607.19 | 1,546,601.86 |
| Depreciation of fixed assets, consumption of oil gas assets and depreciation of productive biological assets | 5,346,677.97 | 2,741,215.53 |
| Amortization of intangible assets | 448,236.55 | 469,533.19 |
| Amortization of long-term prepayments | | |
| Loss from disposal of fixed assets, intangible assets and other long term assets (gain is listed with "-") | -69,124.11 | |
| Loss from discarding fixed assets as useless (gain is listed with "-") | | |
| Loss from change of fair value(gain is listed with "-") | | |
| Financial expense (gain is listed with "-") | 14,652,151.91 | 10,872,553.49 |
| Investment loss (gain is listed with "-") | -6,025,223.39 | -7,074,596.35 |
| 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 "-") | -21,636,091.82 | -54,225,574.83 |
| Decrease of operational accounts receivable (increase is listed with "-") | -55,466,493.18 | -167,055,338.87 |
| Increase of operational accounts payable (decrease is listed with "-") | 25,843,528.28 | 194,200,805.68 |
| Others | | |

| Item | For 30 June 2012 | For 30 June 2011 |
|--|------------------|------------------|
| Net cash flow arising from operation activities | -40,503,486.12 | -22,153,699.13 |
| 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 | 203,938,223.14 | 169,289,803.91 |
| Less: Balance of cash at period-begin | 193,897,034.53 | 185,951,591.96 |
| Add: Balance of cash equivalent at period-end | | |
| Less: Balance of cash equivalent at period-beginning | | |
| Net increase in cash and cash equivalent | 10,041,188.61 | -16,661,788.05 |

7. Reverse purchased assets and liabilities recorded by evaluate value

| Name of evaluated assets/liabilities | Evaluated value | Book value |
|--------------------------------------|-----------------|------------|
| Assets | | |
| liability | | |

XVI. Supplementary Information

1. 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)

| 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 | 1.61 | 0.028 | 0.028 |
| Net profit attributable to shareholders of parent company after deduction of non-current gains and losses | 1.54 | 0.027 | 0.027 |

2. 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 | As of 30 June 2012 | As of 31 December 2011 | Amount of movement | Proportion of movement | Note |
|--------------------------|--------------------|------------------------|--------------------|------------------------|-------|
| Notes receivable | 7,061,951.89 | 12,863,723.59 | -5,801,771.70 | -45.10% | Note1 |
| Construction in progress | 13,981,775.21 | 10,062,821.54 | 3,918,953.67 | 38.94% | Note2 |
| Notes payable | 30,282,254.11 | 262,091.29 | 30,020,162.82 | 11454.09% | Note3 |
| Tax payable | -1,405,933.10 | 15,773,935.97 | -17,179,869.07 | -108.91% | Note4 |

Note1 : Bills of exchange received decline;

Note2 : The current plant transformation into a larger;

Note3 : Issue out more bill of exchange;

Note4: The current procurement more, the deduction of VAT proceeds larger.

(2) Item of Income Statement

| Item | As of 30 June 2012 | As of 31 December | Amount of movement | Proportion of | Note |
|------|--------------------|-------------------|--------------------|---------------|------|
|------|--------------------|-------------------|--------------------|---------------|------|

| | | 2011 | | movement | |
|----------------------|---------------|---------------|---------------|----------|-------|
| Financial expense | 16,942,792.36 | 12,030,031.87 | 4,912,760.49 | 40.84% | Note1 |
| Investment income | 1,462,045.66 | 2,853,983.65 | -1,391,937.99 | -48.77% | Note2 |
| Non-operating income | 383,261.27 | 57,372.34 | 325,888.93 | 568.02% | Note3 |

Note1 : Financing increased;

Note2 : The accounting of Nanjing Mennekes Electric Appliances Co., Ltd. changed from the cost method to the equity method;

Note3 : More quality compensation.

IX. Documents Available for Reference

| Documents for inspection |
|---|
| (I)Text of semi-annual report carrying personal signature of the Chairman; (II)Text of financial report carrying signatures of legal representative, principal in charge of accounting works and principal of accounting institution under seals thereof; (III) Texts and original copies of all documents of the Company disclosed on the newspapers designated by the CSRC during the reporting period. |

Chairman: Sun Liang

Approval dated by the Board: 24 August 2012