[●]

The Directors
China U-Ton Holdings Limited
Guotai Junan Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding China U-Ton Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the two years ended 31 December 2010 and 2011 (the "Relevant Periods") for inclusion in the document of the Company dated 6 June 2012 (the "Document").

The Company was incorporated in the Cayman Islands on 7 March 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a corporate reorganisation, as described more fully in the section headed "History, development and reorganisation" in the Document (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 11 May 2011.

As at the date of this report, the Company has direct and indirect interests in the following entities comprising the Group:

Name of entity	Place and date of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interests attributable to the Group At 31 December 2010	2011	At the date of this report	Principal activities
Partnerfield Investments Limited ("Partnerfield")	British Virgin Islands 7 July 2005	USD35,625	100%	100%	100%	Investment holding
河北德爾城市網路科技有限公司 ("Hebei Deer")	The People's Republic of China ("PRC") 20 October 2003	RMB33,231,790	90%	100%	100%	Research and development of the technology for optical fiber cable for installation in duct
河北昌通通信工程有限公司 ("Hebei Changtong")	The PRC 22 June 2001	RMB10,000,000	90%	100%	100%	Deployment of underground optical fibers

Name of entity	Place and date of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interests attributable to the Group At 31 December 2010	2011	At the date of this report	Principal activities
北京優通泰達電氣新技術發展有限公司 (formerly北京優通泰達管網集成科技有限公司) ("Beijing U-Ton")	The PRC 22 January 2007	RMB10,000,000	90%	100%	100%	Deployment of underground optical fibers
石家莊求實通信設備有限公司 ("Shijiazhuang Qiushi")	The PRC 25 March 1999	RMB10,180,000	—	100%	100%	Installation of low- voltage equipment and accessories

Except Partnerfield which is directly held by the Company, the rest of the above entities are indirectly held by the Company.

All subsidiaries have adopted 31 December as their financial year end date.

The statutory financial statements of Hebei Deer for each of two years ended 31 December 2011 prepared in accordance with the relevant regulations and the accounting principles generally accepted in the PRC ("PRC GAAP") were audited by 河北華永會計師事務所有限公司, a firm of certified public accountants registered in the PRC.

There are no statutory audit requirements for Partnerfield, Hebei Changtong, Beijing U-Ton, Shijiazhuang Qiushi and the Company.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Company and its subsidiaries for the Relevant Periods, in accordance with International Financial Reporting Standards (the "Underlying Financial Statements"). The Underlying Financial Statements have been audited by Deloitte Touche Tohmatsu CPA Ltd., certified public accountants registered in the PRC, in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board ("IAASB").

We have examined the Underlying Financial Statements and performed additional procedures as we considered necessary in accordance with the [●] as recommended by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1 of Section A below. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Document.

The Underlying Financial Statements are the responsibility of the Directors who approved their issue. The Directors are also responsible for the contents of the Document in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company at 31 December 2011 and of the Group at 31 December 2010 and 2011 and of the consolidated results and cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	**Year ended 31 December 2010** *RMB'000*	**2011** *RMB'000*
Revenue	5	51,547	161,734
Cost of sales/services		(28,215)	(86,692)
Gross profit		23,332	75,042
Other income	7	39	134
Other gains and losses	8	(13,747)	10,879
Marketing and distribution expenses		(1,067)	(3,245)
Administrative expenses		(5,237)	(10,771)
[●] expenses		—	(9,068)
Finance costs	9	(201)	(1,942)
Profit before taxation	10	3,119	61,029
Income tax expense	11	(1,542)	(4,191)
Profit and total comprehensive income for the year		1,577	56,838
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Equity holders of the Company		(1,272)	55,381
Non-controlling interests		2,849	1,457
		1,577	56,838
		RMB	*RMB*
(Loss) earnings per share			
Basic (cents)	14	(0.1)	4.5

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December	
	Notes	**2010**	**2011**
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	15	4,868	6,451
Goodwill	16	—	30,099
Intangible assets	17	3	11
Deferred tax assets	26	2,159	2,092
Deposits paid for acquisition of property, plant and equipment		662	71
		7,692	38,724
Current assets			
Inventories	18	7,249	2,846
Trade and bill receivables	19	15,053	66,316
Other receivables, deposits and prepayments	20	6,969	2,682
Amounts due from customers for contract work	21	16,856	63,480
Amounts due from related parties	30(b)	861	—
Restricted bank deposits	22	601	5,327
Bank balances and cash	22	47,222	43,800
		94,811	184,451
Current liabilities			
Trade and other payables	23	23,997	61,269
Amounts due to related parties	30(c)	16,616	39,084
Bank and other borrowings	24	24,679	5,888
Provision	25	25	60
Income tax payables		1,093	2,508
		66,410	108,809
Net current assets		28,401	75,642
Total assets less current liabilities		36,093	114,366
Non-current liabilities			
Deferred tax liabilities	26	831	2,197
Net assets		35,262	112,169
Capital and reserves			
Issued equity	27	20,000	—
Reserves		14,018	112,169
Equity attributable to equity holders of the Company		34,018	112,169
Non-controlling interests		1,244	—
Total equity		35,262	112,169

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Issued equity	**Capital reserves**	**Statutory surplus reserve**	**Accumulated profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 27)		*(Note (g))*				
For the two years ended 31 December 2011							
Balance at 1 January 2010	17,786	2,325	1,788	14,126	36,025	6,212	42,237
(Loss) profit and total comprehensive (expense) income for the year	—	—	—	(1,272)	(1,272)	2,849	1,577
Capital contribution by equity participants (Note (a))	—	204	—	—	204	—	204
Non-controlling interest arising from reverse acquisition (Note (a))	—	—	—	—	—	1,244	1,244
Acquisition of additional interest in Hebei Changtong (Note (b))	2,214	6,847	—	—	9,061	(9,061)	—
Distribution to equity participants (Note (c))	—	(10,000)	—	—	(10,000)	—	(10,000)
Appropriations	—	—	1,281	(1,281)	—	—	—
Balance at 31 December 2010	20,000	(624)	3,069	11,573	34,018	1,244	35,262
Profit and total comprehensive income for the year	—	—	—	55,381	55,381	1,457	56,838
Acquisition of Hebei Changtong (Note (d))	(10,000)	6,909	—	—	(3,091)	3,091	—
Acquisition of Shijiazhuang Qiushi (Note 33)	—	28,684	—	—	28,684	3,183	31,867
Distribution to equity participants (Note (d))	—	(10,000)	—	—	(10,000)	—	(10,000)
Arising from share swap for equity interest in Partnerfield (Note (e))	(10,000)	10,000	—	—	—	—	—
Acquisition of additional interest in Hebei Deer (Note (f))	—	7,177	—	—	7,177	(8,975)	(1,798)
Appropriations	—	—	6,278	(6,278)	—	—	—
Balance at 31 December 2011	—	42,146	9,347	60,676	112,169	—	112,169

Notes:

(a) On 28 December 2010, Partnerfield issued and allotted 17,932 shares to Mr. Jiang Changqing ("Mr. Jiang"), a director and controlling shareholder of the Company, for a cash consideration of RMB119,000. Mr. Jiang also acquired other shareholding from Partnerfield's existing shareholders on the same day by a cash consideration of RMB85,000. Upon completion, the equity interest of Partnerfield was owned as to 95% by Mr. Jiang. The total amount of RMB 204,000 was credited to capital reserves.

Upon the completion of reverse acquisition, as set out in Note 1 to Section A of this report, the non-controlling interest in Hebei Deer and Beijing U-Ton is 10% and 10% respectively. The total non-controlling interests of RMB1,244,000 represent the share of Beijing U-Ton's and Hebei Deer's identifiable net assets and liabilities by non-controlling shareholders.

(b) In December 2010, Mr. Jiang acquired 22.15% of equity interest in Hebei Changtong from non-controlling interests for a cash consideration of RMB2,214,000. The difference of RMB6,847,000 between the consideration and the carrying amount of the non-controlling interests of RMB9,061,000 is credited to the capital reserves.

(c) On 28 December 2010, Hebei Deer acquired the entire equity interest of Beijing U-Ton from Mr. Jiang and his spouse, Ms. Guo Aru ("Ms. Guo"), for a cash consideration of RMB10,000,000 which was settled during the year ended 31 December 2011. This cash consideration was considered as a distribution to equity participants and debited to the capital reserves.

(d) On 28 January 2011, Hebei Deer acquired the entire equity interest of Hebei Changtong from Mr. Jiang for a cash consideration of RMB10,000,000. This cash consideration was considered as a distribution to the equity participant and debited to the capital reserves. Upon completion of the transfer of the equity interest of Hebei Changtong to Hebei Deer, there was a 10% non-controlling interest, amounting to RMB3,091,000, in Hebei Changtong at consolidation level.

(e) On 11 May 2011, Mr. Jiang transferred the 80% equity interest in Partnerfield held by him to the Company in exchange for 720 shares of the Company issued as consideration. Mr. Li Qingli ("Mr. Li") and Plansmart Investment Limited ("Plansmart") transferred the 15.79% and 4.21% equity interest in Partnerfield held by each of them to the Company, respectively in exchange for 180 shares of the Company issued as consideration in aggregate. Upon completion, the Company continued to be indirectly owned as to 80% and 20% by Mr. Jiang and Mr. Li, respectively.

(f) Pursuant to an equity transfer agreement dated 28 April 2011 entered into between Partnerfield and 河北瑞輝新型節能玻璃製品有限公司 Hebei Ruihui New Energy-saving Glass Products Co., Ltd ("Hebei Ruihui"), which is the non-controlling shareholder of Hebei Deer, Partnerfield acquired 10% equity interest in Hebei Deer from Hebei Ruihui at a consideration of RMB1,798,000 which was included in amount due to related parties as at 31 December 2011. On 25 May 2011, upon the completion of such equity transfer, Hebei Deer became the wholly-owned subsidiary of the Company. The difference of RMB7,177,000 between the consideration and the carrying amount of the non-controlling interest of RMB8,975,000 is credited to the capital reserves.

(g) In accordance with the Articles of Association of subsidiaries established in the PRC now comprising the Group, these entities are required to transfer 10% of the profit after taxation determined in accordance with the PRC GAAP to the statutory surplus reserve until the reserve reaches 50% of the registered capital of respective entities. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of these entities.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December	
	Notes	**2010**	**2011**
		RMB'000	*RMB'000*
Operating activities			
Profit before taxation		3,119	61,029
Adjustments for:			
Provision of warranty costs		13	35
Provision of employee injury		—	450
Recovery of other receivables		—	(2,735)
Depreciation of property, plant and equipment		624	1,005
Amortisation of intangible assets		—	1,534
Write-off of property, plant and equipment		1	—
Gain on disposal of property, plant and equipment		—	(6)
Net loss on sale of scrap material		8	—
Restructuring costs	33(a)	13,738	—
Gain on discharge of obligations under convertible loans	24	—	(6,352)
Fair value adjustment on initial recognition of other borrowings		—	(1,282)
Impairment loss on trade receivables		—	207
Gain on discharge of long outstanding payables		—	(486)
Interest income		(39)	(134)
Finance costs		201	1,942
Operating cash flows before movements in working capital		17,665	55,207
Movements in working capital:			
(Increase) decrease in inventories		(898)	6,672
Increase in trade and bill receivables		(9,296)	(46,238)
Decrease in other receivables, deposits and prepayment		5,640	4,773
Decrease (increase) in amounts due from customers for contract work		13,730	(46,624)
(Decrease) increase in trade and other payables		(6,963)	36,089
Decrease in amounts due to related parties		(23)	—
Cash generated from operations		19,855	9,879
Income tax paid		(529)	(1,784)
Net cash generated from operating activities		19,326	8,095

		Year ended 31 December	
	Note	**2010**	**2011**
		RMB'000	*RMB'000*
Investing activities			
Interest received		39	134
Payment for property, plant and equipment		(1,563)	(1,902)
Payment of intangible assets		—	(14)
Deposits paid for acquisition of property, plant and equipment		(662)	(71)
Proceeds from disposal of property, plant and equipment		—	73
Net cash inflow on acquisition of subsidiaries	33	139	984
Advances to related parties		(9,899)	(3,927)
Repayments from related parties		12,368	9,993
Placement of restricted bank deposits		(601)	(5,327)
Withdrawal of restricted bank deposits		—	601
Net cash (used in) generated from investing activities		(179)	544
Financing activities			
Interest paid		(201)	(660)
Capital injection by equity participants		119	37
Proceeds from new bank loans and other borrowings raised		20,221	35,433
Repayments of bank loans and other borrowings		(13,695)	(47,872)
Repayments to related parties		(2,351)	(10,932)
Advances from related parties		4,598	31,933
Distribution to equity participants		—	(20,000)
Net cash generated from (used in) financing activities		8,691	(12,061)
Net increase (decrease) in cash and cash equivalents		27,838	(3,422)
Cash and cash equivalents at the beginning of the year		19,384	47,222
Cash and cash equivalents at the end of the year, represented by bank balances and cash		47,222	43,800

Notes to the financial information

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Financial Information is presented in Renminbi ("RMB"), which is the functional currency of the companies now comprising the Group.

In preparation for the [●], the Group has undertaken following reorganisation and restructuring (the "Group Reorganisation").

(1) **Acquisition of Beijing U-Ton (the "First Acquisition")**

(a) On 28 December 2010, Mr. Jiang (i) subscribed and Partnerfield issued and allotted 17,932 shares for a cash consideration of RMB119,000; and (ii) acquired additional shares from Partnerfield's other shareholders for a cash consideration of RMB85,000 in aggregate. Upon completion, the equity interest of Partnerfield was owned as to 95% by Mr. Jiang and 5% by independent third parties.

(b) On the same date, pursuant to an equity transfer agreement signed on 28 December 2010, Hebei Deer (Hebei Deer together with Partnerfield, collectively referred to as the "Former Partnerfield Group") , which is a 90% -owned subsidiary of Partnerfield, acquired the entire equity interest of Beijing U-Ton from Mr. Jiang and his spouse, Ms. Guo, for a cash consideration of RMB10,000,000.

Upon completion of the above transactions, Partnerfield obtained an indirect 90% equity interest of Beijing U-Ton and Mr. Jiang became the controlling shareholder of Partnerfield. The First Acquisition is accounted for as a reverse acquisition by reference to the principles under IFRS 3 Business Combinations. For accounting purpose, Beijing U-Ton is the accounting acquirer and the Former Partnerfield Group is deemed to have been acquired by Beijing U-Ton.

Details of the assets and liabilities of the Former Partnerfield Group are set out in Note 33(a).

(2) **Acquisition of Hebei Changtong (the "Second Acquisition")**

On 28 January 2011, Hebei Deer acquired the entire equity interest of Hebei Changtong from Mr. Jiang for a cash consideration of RMB10,000,000. As the Group and Hebei Changtong are both under the common control of Mr. Jiang and his spouse, Ms. Guo, both before and after the Second Acquisition, the principles of merger accounting have been applied to account for the Second Acquisition.

(3) **Acquisition of Shijiazhuang Qiushi (the "Third Acquisition")**

On 1 March 2011, the Group acquired 100% equity interest in Shijiazhuang Qiushi from Mr. Li, who is a director of the Company, and his spouse for a combined consideration of cash and issuance of Partnerfield's shares. The Third Acquisition was accounted for as a business combination using the acquisition method. Details are set out in Note 33(b).

Upon completion of the Third Acquisition, Partnerfield was owned as to 80% by Mr. Jiang, 15.79% by Mr. Li and 4.21% by Plansmart. Mr. Li is the sole owner of Plansmart.

(4) **Incorporation of the Company**

On 7 March 2011, the Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK$100,000 divided into 1 million shares with a par value of HK$0.10 each. On the same day, one share with par value was allotted and issued as fully paid at par to the first subscriber. On 31 March 2011, the first subscriber transferred the issued one share to Ordillia Group and the Company issued at par 19 shares to Ordillia Group Limited ("Ordillia") (ultimately controlled by Mr. Li) and 80 shares to Bright Warm Limited ("Bright Warm") (ultimately controlled by Mr. Jiang), respectively. Upon completion, the Company was owned as to 80% and 20% by Bright Warm and Ordillia, respectively.

On 11 May 2011, Mr. Jiang transferred the 80% equity interest in Partnerfield held by him to the Company in exchange for 720 shares of the Company issued as consideration. Mr. Li and Plansmart transferred the 15.79% and 4.21% equity interest in Partnerfield held by each of them to the Company, respectively in exchange for 180 shares of the Company issued as consideration in aggregate. Upon completion, the Company continued to be indirectly owned as to 80% and 20% by Mr. Jiang and Mr. Li, respectively.

The Company's statement of financial position as at 31 December 2011 is disclosed as below:

	At 31 December 2011
	RMB'000
Non-current assets	
Investment in unlisted shares in a subsidiary, at cost	47,004
Current assets	
Amount due from a subsidiary	932
Amount due from shareholders	—
	932
Current liabilities	
Other borrowing	932
Net current assets	—
Net assets	47,004
Capital and reserves	
Share capital *(Note 27)*	—
Capital reserves	47,004
	47,004

The Financial Information is prepared as a continuation of Beijing U-Ton and Hebei Changtong. Beijing U-Ton is deemed as the acquirer of the Former Partnerfield Group as a result of the First Acquisition. In addition, the Second Acquisition is accounted for as a business combination involving entities under common control as Hebei Changtong is controlled by Mr. Jiang both before and after the Second Acquisition.

The consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statement of changes in equity of the Group for the financial year ended 31 December 2010 and 2011 include the results, cash flows and changes in equity of Beijing U-Ton and Hebei Changtong throughout the Relevant Periods and also include the financial information of the Former Partnerfield Group and Shijiazhuang Qiushi from the respective acquisition dates.

The consolidated statement of financial position as at 31 December 2010 has been prepared to present the assets and liabilities of Beijing U-Ton, Heibei Changtong and Former Partnerfield Group that were in existence at that date.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The International Accounting Standards Board (the "IASB") has issued a number of new and revised International Accounting Standards ("IAS(s)"), International Financial Reporting Standards ("IFRS(s)"), amendments and related Interpretations ("IFRIC(s)") (hereinafter collectively referred to as the "new IFRS(s)") which are effective for the Group's financial year beginning on 1 January 2011. For the purpose of preparing and presenting the financial information of the Relevant Periods, the Group has consistently adopted all these new IFRSs for the Relevant Periods.

The Group has not early applied the following new and revised standards, interpretation and amendments that have been issued but not yet effective.

IFRSs (Amendments)	Annual Improvements to IFRSs 2009-2011 Cycle[2]
IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter[1]
IFRS 1 (Amendments)	Government Loans[2]
IFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures - Offsetting of Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[5]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[5]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]

IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

The Directors anticipate that the application of the new and revised standards, amendments or interpretation will have no material impact on the results or the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with accounting policies set out below which are in conformity with International Financial Reporting Standards. Historical cost is generally based on the fair value of the consideration given in exchange for goods. These policies have been consistently applied throughout the Relevant Periods.

The Financial Information includes applicable disclosures required by [●] and by the Hong Kong Companies Ordinance.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less any impairment losses. The cost of investment in a subsidiary is measured at the carrying amount of the Company's share of equity items shown in Partnerfield's financial statements at the date of the reorganisation.

Basis of consolidation

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

The results of subsidiaries acquired during the year, are included in the consolidated statement of comprehensive income from the effective date of acquisition.

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

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

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

Total comprehensive income and expense of a subsidiary is attributed to the equity holders of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

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

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair value, except that:

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

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

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

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

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

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's interest in a subsidiary that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity (in "capital reserves") and attributed to the equity holders of the Company.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the acquisition.

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

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

Revenue recognition

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

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

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

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

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

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customers are included in the consolidated statement of financial position under trade and other receivables.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Contingent rents recognised as income in the year in which they are earned.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Taxation

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

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

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

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

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

Deferred taxation is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority to the same group entity and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets acquired separately

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

Research and development expenditure

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

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

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and the estimated cost necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranty

Provisions for warranty costs are recognised at the date of completion of construction contracts and at the Directors' best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and bill receivables, other receivables, amounts due from related parties, restricted bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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

Interest income is recognised by applying the effective interest method.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered not recoverable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the group entities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group entities after deducting all of its liabilities.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to related parties, bank and other borrowings) are subsequently measured at amortised cost using effective interest method.

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

Interest expense is recognised on an effective interest basis.

Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Impairment, useful lives and residual values of property, plant and equipment

The Directors assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. The Directors based on physical damage and technical obsolescence to assess whether the indicators of impairment for an asset exist.

Useful lives and residual values are reviewed by the Directors at the end of each reporting period. In determining the useful life and residual value of an item of property, plant and equipment, the Directors consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustments to depreciation is made in the period which the revised estimate takes place if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation.

At 31 December 2010 and 2011, the property, plant and equipment of the Group amounted to RMB 4,868,000 and RMB6,451,000. Any change in the Directors' assessment on impairment, useful lives and residual values of property, plant and equipment will affect the depreciation and the impairment loss to be charged in the profit or loss on a prospective basis.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2011, the carrying amount of goodwill is RMB30,099,000. Details of the recoverable amount calculation are disclosed in Note 16.

Impairment on doubtful receivables

In determining whether there is objective evidence of impairment on doubtful receivables, the Group takes into consideration of the aged analysis of trade receivables and the estimation of future cash flows recoverable from these receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. The amount of the impairment on doubtful receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, an allowance for doubtful debts may arise.

As at 31 December 2010 and 2011, the carrying amount of trade receivables is RMB15,053,000 and RMB62,320,000, which are after impairment on doubtful receivables of RMB Nil and RMB207,000 respectively (see Note 19).

Allowance on inventories

The Directors review the inventories on a product-by-product basis at the end of each reporting period to identify obsolete and slow-moving inventory items that are no longer suitable for use in production. The Directors also estimates the net realisable value for finished goods and raw materials based primarily on current market conditions and the historical experience of manufacturing and selling products of similar nature and make allowance if the net realisable value is lower than the cost. These estimates could change significantly as a result of changes in customer preferences in response to the industry cycles. Where the actual net realisable values are less than expected, an allowance may arise.

As at 31 December 2010 and 2011, the carrying amount of the Group's inventories is RMB7,249,000 and RMB2,846,000, respectively. No allowance on inventories was recognised during the Relevant Periods.

Provision for warranty

The Group typically provides warranties for one year, after the completion of construction projects, to the customers. Provision for warranty costs are recognised at the date of completion of the relevant projects and at the Directors' best estimate of the expenditure required to settle the Group's obligation.

In making the provision, the Directors consider the actual product failure rates for similar projects, material usage and service delivery costs incurred in servicing these warranty claims, as well as recent trends that suggest that past cost information may differ from future claims. In this regard, Directors are satisfied that adequate provision for warranty had been made in light of the historical statistics of the Group. Where the actual claims are more than expected, an additional provision for warranty may arise.

As at 31 December 2010 and 2011, the carrying amount of the provision for warranty is RMB25,000 and RMB60,000, respectively.

Construction contracts

Revenue and profit recognition on construction contracts are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, which is measured as total contract costs incurred for work performed to date relative to estimated total contract costs to be incurred upon completion of the construction contract.

In estimating the total contract costs, management considers the actual costs incurred for similar completed contracts as well as market prices of raw materials, subcontract labor costs and other related costs that will affect the estimation of budget cost, based on past experience and current market information.

As market conditions keep changing, actual costs incurred upon completion of the project may differ significantly from that initially estimated, which would affect the amounts due from customers for contract work, contract revenue and profit recognised in the period which such changes take place.

As at 31 December 2010 and 2011, the carrying amount of the amounts due from customers for contract work is RMB16,856,000 and RMB63,480,000 respectively.

5. REVENUE

An analysis of the Group's revenue for the Relevant Periods is as follows:

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Sales of goods	971	14,410
Construction contract revenue	45,752	141,341
Services income	4,568	5,918
Rental income	256	65
	51,547	161,734

The above rental income was generated from certain using right of sewer sub-rent to telecommunication operators in the PRC. In accordance with those sub-rent agreements, the rental income was recognised based on the actual distance of sewer used by the telecommunication operators.

6. SEGMENT INFORMATION

During the Relevant Periods, Mr. Jiang is the controlling party and the chief operating decision maker of the Group. He reviewed the sales of major products for the purpose of resources allocation and performance assessment. Accordingly, the Group does not have any identifiable segment or any discrete information for segment reporting purpose.

Revenue from major products and services

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Deployment services of optical fibers		
- sales of goods	971	2,599
- provision of services	45,752	112,638
Low-voltage equipment integration services		
- sales of goods	—	11,811
- provision of services	—	28,703
Pipeline maintenance service	4,568	5,918
Rental income	256	65
	51,547	161,734

Geographical disclosures

The Group operates in the PRC. All of the non-current assets of the Group are located in the PRC.

The Group's revenue from external customers by geographical location are detailed below:

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
The PRC	51,318	161,720
Overseas	229	14
	51,547	161,734

Information about major customers

Revenue from the customer of the corresponding year contributed over 10% of the total revenue of the Group is as follows:

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Customer A	38,907	106,811

7. OTHER INCOME

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Bank interest income	39	134

8. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Other gains (losses) comprise:		
Impairment loss on trade receivables	—	(207)
Provision of employee injury	—	(450)
Net foreign exchange gain	—	675
Restructuring costs *(Note 33(a))*	(13,738)	—
Net loss on sale of scrap material	(8)	—
Gain on disposal of property, plant and equipment	—	6
Write-off of property, plant and equipment	(1)	—
Gain on discharge of long outstanding payables	—	486
Recovery of other receivables *(Note)*	—	2,735
Fair value adjustment on initial recognition of other borrowings *(Note 24)*	—	1,282
Gain on discharge of obligations under convertible loans *(Note 24)*	—	6,352
	(13,747)	10,879

Note: This amount mainly represents the subsequent collection of other receivables by Hebei Deer which were fully written-off before the First Acquisition.

9. FINANCE COSTS

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Imputed interest expenses on other borrowings *(Note 24)*	—	1,282
Interest on other borrowings	—	252
Interest on bank borrowings wholly repayable within five years	201	408
	201	1,942

10. PROFIT BEFORE TAXATION

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	624	1,005
Amortisation of intangible assets *(Note (a))*	—	1,534
Operating lease rentals in respect of offices	554	1,446
Cost of inventories recognised as expense	6,977	32,821
Research expenses	3	1,051
Provision of warranty costs	13	35
Staff costs:		
Directors' emoluments *(Note 12)*	145	416
Other staff costs	5,374	10,903
Total staff costs *(Note (b))*	5,519	11,319

Notes:

(a) The amortisation of intangible assets was further analysed as follows:

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Amortisation included in:		
Cost of sales/services	—	1,528
Administrative expenses	—	6
	—	1,534

(b) The total staff costs include retirement benefit cost of RMB413,000 and RMB1,015,000, respectively for the years ended 31 December 2010 and 31 December 2011.

11. INCOME TAX EXPENSE

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax	1,181	3,129
Underprovision in prior year	—	2
	1,181	3,131
Deferred tax:		
Current year	9	(306)
Withholding tax	352	1,366
	361	1,060
	1,542	4,191

Other than set out below, the PRC enterprise income tax for the Group's subsidiaries established in the PRC is 25%:

(a) Pursuant to a certificate issued by Beijing Municipal Science and Technology Commission dated 18 December 2008 and 14 September 2011, Beijing U-Ton had been designated as a High and New Technology Enterprise and its PRC enterprise income tax rate is 15%.

Moreover, Beijing U-Ton was entitled to a two-year tax exemption effected from 1 January 2008 pursuant to the Corporate Income Tax Exemption Registration Certificate (企業所得稅減免稅備案登記書) issued on 31 May 2009 by State Administration of Taxation of Hiadian District, Beijing, the PRC.

(b) Pursuant to a certificate issued by the local tax authority, in accordance with the Measures on Authorised Methods of EIT Collection (Trial) (企業所得徵收辦法(試行)), Hebei Changtong's taxable income was computed based on 8% of its total revenue and the income tax rate was 25% for the two years ended 31 December 2010 and 2011.

(c) Pursuant to the PRC enterprice income tax assessment form issued by the local tax authority, in accordance with the Measures on Authorised Methods of EIT Collection (Trial) (企業所得徵收辦法(試行)), Shijiazhuang Qiushi's taxable income was computed based on 7% of its total revenue and the income tax rate was 25% effective from 1 January 2011 to 31 December 2011.

The PRC enterprise income tax computation bases of Hebei Changtong and Shijiazhuang Qiushi as set out in (b) and (c) above are subject to the approval of relevant PRC tax authorities on a year-by-year basis.

The tax charge for the year can be reconciled to the profit before taxation per consolidated statements of comprehensive income as follows:

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Profit before taxation	3,119	61,029
PRC enterprise income tax at applicable tax rate of 25%	780	15,257
Tax effect on:		
Expenses not deductible for tax purposes	3,477	3,092
Income not subject to tax	—	(2,842)
Concessionary rates granted to a PRC subsidiary	(352)	(56)
Taxable income estimated on total revenue	(2,715)	(12,628)
Underprovision in prior year	—	2
Withholding tax on undistributed profit of PRC entities	352	1,366
Tax charge for the year	1,542	4,191

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

The emoluments paid or payable to each of the Directors by the group companies during the Relevant Periods were as follows:

Name of director	Directors' fees	Basic salaries and allowances	Discretionary performance bonus	Retirement benefit contribution	Total
	RMB'000	*RMB'000*	*RMB'000 (Note)*	*RMB'000*	*RMB'000*
Year ended 31 December 2010					
Mr. Jiang	—	79	—	12	91
Ms. Guo	—	48	—	6	54
Mr. Li	—	—	—	—	—
	—	127	—	18	145
Year ended 31 December 2011					
Mr. Jiang	—	202	18	17	237
Ms. Guo	—	139	—	9	148
Mr. Li	—	24	—	7	31
	—	365	18	33	416

Note: The discretionary performance bonus is determined by reference to the performance of the director.

During the Relevant Periods, part of the retirement benefit contribution of Mr. Jiang and his spouse was paid by their respective ex-employer in Hebei province, the PRC.

During the Relevant Periods, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

No Directors waived any emoluments during the Relevant Periods.

Employee

The five highest paid individuals of the Group in each of the reporting period included two Directors. The emoluments of the remaining three highest paid individuals for Relevant Periods are as follows:

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Salary	45	371
Discretionary performance bonus	113	149
Retirement benefit contributions	21	21
	179	541

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of the remaining highest paid individuals are within the following band:

	Year ended 31 December	
	2010	**2011**
Nil to HK$1,000,000	3	3

13. DIVIDENDS

No dividends have been paid or declared by the companies now comprising the Group during the Relevant Periods.

No special dividend was paid or declared subsequent to 31 December 2011.

14. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to equity holders of the Company is based on the following data:

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
(Loss) earnings		
(Loss) profit for the year attributable to equity holders of the Company	(1,272)	55,381

	Year ended 31 December	
	2010	**2011**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	1,009,535	1,227,836

For the Relevant Periods, the calculations of basic (loss) earnings per share are based on 1,260,000,000 shares in issue on the assumption that the Group Reorganisation and the capitalisation issue as disclosed in the section of "History, development and reorganisation — Reorganisation" and "Statutory and general information" in the document respectively had been completed on 1 January 2009.

No information of diluted (loss) earnings per share is presented as there was no potential ordinary shares outstanding during the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building	Motor vehicles	Machinery	Office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At 1 January 2010	700	648	1,890	1,644	4,882
Additions	—	797	657	234	1,688
Acquisition of a subsidiary (Note 33)	—	—	717	—	717
Write-off	—	—	—	(8)	(8)
At 31 December 2010	700	1,445	3,264	1,870	7,279
Additions	—	844	1,434	286	2,564
Acquisition of a subsidiary (Note 33)	—	23	19	49	91
Disposals	—	(55)	(22)	—	(77)
At 31 December 2011	700	2,257	4,695	2,205	9,857
ACCUMULATED DEPRECIATION					
At 1 January 2010	157	255	382	1,000	1,794
Charge for the year	23	192	202	207	624
Eliminated on write-off	—	—	—	(7)	(7)
At 31 December 2010	180	447	584	1,200	2,411
Charge for the year	22	261	454	268	1,005
Eliminated on disposal	—	(8)	(2)	—	(10)
At 31 December 2011	202	700	1,036	1,468	3,406
CARRYING AMOUNT					
At 31 December 2010	520	998	2,680	670	4,868
At 31 December 2011	498	1,557	3,659	737	6,451

The above items of property, plant and equipment are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Leasehold land and building	3.23%
Motor vehicles	19.40%
Machinery	9.70%
Office equipment	19.40%

The leasehold land and building is located in Hengshui City Hebei Province, the PRC. The lease payment of the land element cannot be allocated reliably from the building and the leasehold land and building is accounted for as property, plant and equipment in its entirety. The land use right has a term of 50 years and will be expired on 1 May 2052.

16. GOODWILL

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Cost and carrying amounts		
Balance at beginning of year	—	—
Addition recognised from business combination occurred during the year (Note 33(b))	—	30,099
Balance at end of year	—	30,099

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purposes of impairment testing, goodwill has been allocated to the following cash generating unit (CGU).

	At 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Low-voltage equipment integration services located in Shijiazhuang, the PRC	—	30,099

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling price and direct costs. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

For the purpose of impairment testing, the Group prepares cash flow projection covering a 5-year period. The calculation uses cashflow projections based on financial budgets approved by management covering a 5-year period and discount rate of 19%. The cash flows beyond the 5-year period are extrapolated using an estimated growth rate of 3%.This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the CGU.

17. INTANGIBLE ASSETS

The movements of the Group's intangible assets for the Relevant Periods are set out as follows:

	Backlog contracts	**Software licenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
COST			
At 1 January 2010	—	—	—
Acquisition of a subsidiary (*Note 33(a)*)	—	3	3
At 31 December 2010	—	3	3
Addition	—	14	14
Acquisition of a subsidiary *(Note 33(b))*	1,528	—	1,528
At 31 December 2011	1,528	17	1,545
ACCUMULATED AMORTISATION			
At 1 January 2010 and 31 December 2010	—	—	—
Charge for the year	1,528	6	1,534
At 31 December 2011	1,528	6	1,534
CARRYING VALUE			
At 31 December 2010	—	3	3
At 31 December 2011	—	11	11

The software licenses have finite useful lives and are amortised on a straight-line basis over 5 years.

All backlog contracts were completed during the year ended 31 December 2011.

18. INVENTORIES

	At 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Raw materials	3,542	1,056
Finished goods	3,707	1,790
	7,249	2,846

19. TRADE AND BILL RECEIVABLES

	At 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Trade receivables	15,053	62,527
Less: Allowance for impairment of receivables	—	(207)
	15,053	62,320
Bill receivable	—	3,996
	15,053	66,316

The collection period of the majority of the trade receivables ranges from 30 to 180 days from the invoice date during the Relevant Periods. No interest is charged on the outstanding balance. There is no credit term granted to customers.

The following is an aged analysis of trade and bill receivables by invoice/completion certificate date at the end of the reporting period:

	At 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Within 90 days	9,802	58,699
91 to 180 days	2,102	2,051
181 to 365 days	1,167	3,138
1 to 2 years	1,385	2,186
2 to 3 years	65	242
Over 3 years	532	—
Total trade and bill receivables	15,053	66,316

The above analysis also represented the aged analysis of trade receivables amounts which are past due at the end of the reporting period.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables at the end of each reporting period.

In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of reporting period and assesses portfolio of receivable on a collective basis to ensure that adequate impairment losses are made for irrecoverable amounts. The Directors believe that no further provision is required in excess of the provision for impairment of receivables.

Movements of allowance for impairment of receivables are set out as follow:

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Balance at beginning of year	—	—
Additions recognised during the year	—	207
Balance at end of year	—	207

At 31 December 2010 and 2011, retentions held by customers for contract works included in trade receivables amounted to RMB685,000 and RMB2,338,000 respectively.

20. OTHER RECIEVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Other receivables — non-trade	5,053	50
Staff loans	1,011	—
Advances to suppliers	367	1,215
Deposits	208	1,086
Other	330	331
	6,969	2,682

The non-trade other receivables represent the amounts advance to independent third parties for their short term financing purpose.

At the end of each reporting period, the non-trade other receivables and the staff loans are unsecured, interest-free and expected to be recovered within 12 months from the end of respective reporting period.

21. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	At 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profit or loss	16,856	63,480
Less: progress billings	—	—
	16,856	63,480
Analysed for reporting purpose as:		
Amounts due from contract customers	16,856	63,480

22. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

At 31 December 2010 and 2011, the restricted bank deposits mainly included RMB601,000 and RMB5,052,000 respectively, which were used to secure the Group's bill facilities. The restricted bank deposits will be released upon the settlement of relevant bill facilities.

Bank balances and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

Restricted bank deposits and bank balances carry prevailing market interest rate of 0.36% and 0.50% per annum as at 31 December 2010 and 2011, respectively.

At the end of each reporting period, included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entities to which they relate.

	At 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Bank balances and cash denominated in:		
USD	103	96
HKD	165	632
EUR	234	322
	502	1,050

23. TRADE AND OTHER PAYABLES

	At 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Trade payables	14,665	37,257
Bill payables	601	5,052
Advance from customers	1,604	—
Other payables	2,786	8,949
Other tax payables	965	4,216
Accrued payroll	3,376	5,795
	23,997	61,269

The Group has financial risk management policies in place to ensure that payables are within the credit timeframe.

The following is an aged analysis of trade and bill payables by date of invoices received at the end of the reporting period:

	At 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Within 90 days	11,435	25,791
91 to 180 days	13	5,561
181 to 365 days	341	10,402
1 to 2 years	2,839	483
2 to 3 years	638	47
Over 3 years	—	25
	15,266	42,309

24. BANK AND OTHER BORROWINGS

	At 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Secured bank borrowings	9,997	4,956
Other borrowings	14,682	932
	24,679	5,888

All bank borrowings are carried at floating rate, secured by a charge over certain of the Group's trade receivables with carrying amounts of RMB6,166,000 and RMB6,195,000 at 31 December 2010 and 2011 respectively and repayable within one year from the end of each reporting period. The effective interest rates on the borrowings are as follows:

	At 31 December	
	2010	**2011**
	%	%
Floating-rate borrowings *(Note)*	5.84	7.26

Note: The floating rate is at 110% or 115% of the People's Bank of China's benchmark interest rate for loans.

All bank borrowings are denominated in the functional currencies of the relevant group entities.

Included in other borrowings at 31 December 2010 were amounts payable by Partnerfield for settlement of convertible loans matured in the year ended 31 December 2008 and are analysed as follows:

	At 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Interest-bearing at 5% per annum computed on daily basis	10,122	—
Non-interest bearing	4,560	—
	14,682	—

In June 2011, Partnerfield has entered into agreements with the lenders to settle the entire outstanding balances of HK$15,044,000 (approximately RMB12,522,000). Pursuant to the agreements, the Group agreed to pay HK$7,420,000 (approximately RMB6,170,000) to the lenders to discharge all obligations of Partnerfield under the convertible loans resulted in a gain of HK$7,624,000 (approximately RMB6,352,000).

During the year ended 31 December 2011, the Group received advances from independent third parties, with principal amounts of RMB20,320,000 in aggregate. These balances were unsecured, interest-free and were repayable one year from the date of drawdown. Fair value adjustment at an effective interest rate of 6.31% amounting to RMB1,282,000 was credited as income. The movements of these borrowings are further analysed as follows:

	Year ended 31 December 2011
	RMB'000
Other borrowing — principal	20,320
Less: Fair value adjustment *(Note 7)*	(1,282)
Add: imputed interest *(Note 9)*	1,282
Less: Repayment	(20,320)
	—

As at 31 December 2011, the other borrowings represented the advances received from an independent third party which carried a fixed interest of 10% per annum. This borrowing is secured by personal guarantee of Mr. Jiang and is repayable one year from the date of drawdown. The other borrowings are denominated in Hong Kong Dollar. As at the date of this report, the personal guarantee provided by Mr. Jiang was released.

25. PROVISION

	Year ended 31 December	
	2010	2011
	RMB'000	*RMB'000*
Balance at beginning of year	12	25
Amounts recognised during the year	13	35
Balance at end of year	25	60

Provision for warranty costs are recognised at the date of completion of the relevant construction projects and at the Directors' best estimate of the expenditure required to settle the Group's obligation.

At the end of each reporting period, the Directors consider the possibility of the future outflow of economic benefits that will be required under the Group's obligations for warranties.

26. DEFERRED TAXATION

The following are the deferred tax assets and liabilities recognised and movements thereon during the Relevant Periods:

	Intangible assets	Trade receivables	Undistributed retained profits	Tax losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	—	—	(479)	—	144	(335)
Acquisition of a subsidiary *(Note 33)*	—	—	—	2,024	—	2,024
Charge to profit or loss	—	—	(352)	—	(9)	(361)
At 31 December 2010	—	—	(831)	2,024	135	1,328
Acquisition of a subsidiary *(Note 33)*	(382)	9	—	—	—	(373)
Credit (charge) to profit or loss	382	46	(1,366)	(67)	(55)	(1,060)
At 31 December 2011	—	55	(2,197)	1,957	80	(105)

	At 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Presented in the Financial Information as:		
Deferred tax assets	2,159	2,092
Deferred tax liabilities	(831)	(2,197)
	1,328	(105)

Deferred taxation in respect of the temporary differences attributable to the undistributed accumulated profits earned after 1 January 2008 by PRC subsidiaries has been provided for based on a certain percentage of undistributed profit of these subsidiaries generated from 1 January 2008 onwards in accordance with the Group's dividend policy.

No deferred tax liability has been recognised in respect of undistributed accumulated profits of PRC subsidiaries of RMB25,033,000 and RMB65,940,000 as at 31 December 2010 and 2011, respectively, because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

27. ISSUED EQUITY

The issued equity as at 1 January 2010 and 31 December 2010 represented the paid-in capital of Beijing U-Ton and Hebei Changtong which were attributable to the equity holders of the Company. The issued equity as at 31 December 2011 represents the share capital of the Company set out as follows:

	Number of shares	**Share capital**
		RMB'000
Authorised		
1 million ordinary shares of HK$0.10 each on incorporation and at 31 December 2011	1,000,000	100
Issued and fully paid		
On incorporation	1	—
Issue of shares to initial shareholders	99	—
Issue of shares for the Group Reorganisation	900	—
At 31 December 2011	1,000	—

28. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The group entities in the PRC contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The Group also participates in a defined contribution scheme, Mandatory Provident Fund Scheme (the "MPF Scheme"), established under the Hong Kong Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of independent trustees.

The retirement benefit cost charged to the consolidated statements of comprehensive income represents contributions payable to the funds by the Group at rate specified in the rules of the schemes. For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by the employee. The maximum monthly amount of contribution is limited to HK$1,000 per employee.

29. OPERATING LEASE COMMITMENT

The Group as a lessee

At the end of the reporting period, the Group had future minimum lease payments under non-cancelable operating leases in respect of leased properties are as follows:

	At 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Within one year	137	1,265
In the second to fifth year inclusive	163	1,027
	300	2,292

Operating lease payments represent rentals payable by the Group for office premises. Leases are negotiated for a lease term ranging from one to five years and rentals are fixed at the date of signing of lease agreements.

The operating lease payments disclosed above do not include amounts which are related to the using right of sewer. The Group has entered into several agreements for exclusive sewer using rights with local governments in certain target cities. In accordance with those lease agreements, the rentals were charged based on the actual distance of sewer used by the Group.

The Group as a lessor

The Group has entered into certain agreements to sub-rent the sewer using rights to telecommunication operators in the target cities. In accordance with those sub-rent agreements, the rental income was recognised based on the actual distance of sewer used by the telecommunication operators.

30. RELATED PARTY BALANCES AND TRANSACTIONS

(a) For the Relevant Periods, the following parties are identified as related party to the Group and the respective relationships are set out below:

Name of related party	Relationship
Hebei Deer	Significantly influenced by Mr. Li before restructuring
河北德源管業製造有限公司 ("Hebei Deyuan")	Controlled by Mr. Jiang
河北乾源通信設備有限公司 ("Hebei Qianyuan")	Controlled by Mr. Jiang and Ms. Guo
河北永昌電力工程有限公司 ("Hebei Yongchang")	Controlled by ex-Shareholder of Hebei Changtong
衡水乾源房地產開發有限公司 ("Hengshui Qianyuan")	Controlled by Ms. Jiang Ling
石家莊市裕華區艾美美居家具銷售中心 ("Shijiazhuang Yuhua")	Controlled by Ms. Ren Yanping
河北瑞輝新型節能玻璃製品有限公司 ("Hebei Ruihui")	Controlled by Mr. Du Yanhua*
河北鑫華羊絨有限公司 ("Hebei Xinhua")	Controlled by Mr. Du Yanhua*
Mr. Jiang	Shareholder and director of the Company
Ms. Jiang Ling	Sister of Mr. Jiang
Ms. Guo	The spouse of Mr. Jiang
Mr. Li	Shareholder and director of the Company
Ms. Ren Yanping	The spouse of Mr. Li
Boom World Investments Limited ("Boom World")	Controlled by Mr. Du Yanhua*
Plansmart	Controlled by Mr. Li
Believe Power Investments Limited ("Believe Power")	Controlled by Mr. Jiang and Mr. Li
Ordillia	Controlled by Mr. Li
Bright Warm	Controlled by Mr. Jiang

* Mr. Du Yanhua is a member of Group's key management personnel.

(b) At the end of each reporting period, the Group has amounts receivable from the following related parties and the details are set out below:

Name of related party	At 1 January 2009	At 31 December 2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Non-trade nature			
Hebei Deyuan	1,384	278	—
Hengshui Qianyuan	1,217	—	—
Hebei Yongchang	100	—	—
Hebei Deer	2,546	—	—
Hebei Qianyuan	—	52	—
Believe Power	—	148	—
Boom World	—	12	—
Plansmart	—	12	—
Ordillia	—	27	—
Mr. Jiang	—	119	—
Ms. Jiang Ling	98	—	—
Mr. Li	—	213	—
	5,345	861	—

The non-trade amounts were unsecured, interest-free and were settled during the year ended 31 December 2011.

The following information is disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance:

	Maximum amount outstanding Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Hebei Deyuan	9,184	278
Hengshui Qianyuan	1,217	—
Hebei Yongchang	320	—
Hebei Deer	2,546	—
Hebei Qianyuan	1,400	1,366
Believe Power	148	148
Boom World	12	12
Plansmart	12	12
Ordillia	27	27
Mr. Jiang	119	3,121
Ms. Jiang Ling	627	600
Mr. Li	213	2,721
Bright Warm	—	8
Shijiazhuang Yuhua	—	3,885

(c) At the end of each reporting period, the Group has amounts payable to the following related parties and the details are set out below:

	At 31 December	
Name of related party	**2010**	**2011**
	RMB'000	*RMB'000*
Non-trade nature		
Hebei Deyuan	393	—
Hebei Ruihui	—	1,800
Ms. Guo	7,614	4,130
Mr. Jiang	7,497	16,347
Ms. Jiang Ling	30	—
Mr. Li	1,082	8,115
Ms. Ren Yanping	—	2,603
Ordillia	—	5,889
Hebei Xinhua	—	200
	16,616	39,084

The amounts are unsecured, interest-free and repayable on demand.

The Directors represented that all non-trade payables to related parties will be fully settled before the [●].

(d) During the Relevant Periods, the Group entered into the following transactions with its related parties:

Name of related party	Nature of transaction	Year ended 31 December 2010	Year ended 31 December 2011
		RMB'000	*RMB'000*
Ms. Guo	Rental expense	29	30
Hebei Qianyuan	Rental expense	—	360
Hebei Deyuan	Purchase	243	—
Hebei Deyuan	Rental expense	—	35

In the opinion of the Directors' of the Company, the above related party transactions were conducted on normal commercial terms and will be discontinued after the [●].

(e) The remuneration paid and payable to the key management of the Company who are also the Directors for the Relevant Periods is set out in Note 12.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 24, net of bank balances and cash and equity attributable to equity holders of the Company, comprising issued equity, reserves and accumulated profits.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to balance its overall capital structure.

32. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 December	
	2010	2011
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables (including bank balances and cash)	70,015	116,635
Financial liabilities		
Liabilities measured at amortised cost	64,327	102,025

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and bill receivables, other receivables, amounts due from related parties, restricted bank deposits, bank balances and cash, trade and other payables, amount due to related parties, and bank and other borrowings. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates and foreign currency exchange rates risks (see below).

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk over the Relevant Periods.

Interest rate risk management

The Group's fair value interest rate risk relates primarily to other borrowings, which are interest free, from independent third parties (see note 24 for details of these borrowings). For cashflow interest rate risk, interest bearing financial instruments are mainly bank deposits and secured bank borrowings which are all short term in nature and carry market interest rates. Therefore, the Group is not exposed to significant interest risk due to short maturity of financial assets and liabilities. Accordingly, no sensitivity analysis is presented. The Group currently does not have an interest rate hedging policy and will consider hedging the risk exposures should the need arise.

Foreign currency risk management

The Group has bank balances and cash, other receivables, other payables and other borrowings which are denominated in foreign currencies and consequently it has foreign exchange risk exposure resulting from translation of amount denominated in foreign currencies. The Group does not hedge its exposure in this respect but monitor these closely.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	At 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Financial assets		
USD	103	96
HKD	703	668
EUR	234	322
Financial liabilities		
HKD	14,682	11,079

Foreign currency sensitivity

The following table details the Group's sensitivity to a 5% increase and decrease in Renminbi against foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit for the year where Renminbi strengthens 5% against foreign currencies. For a 5% weakening of Renminbi against foreign currencies, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
USD	(5)	(5)
HKD	699	521
EUR	(12)	(16)

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted procedures in monitoring its credit risk.

The Group's current credit practices include assessment and evaluation of customer's credit reliability and periodic review of their financial status to determine credit limit to be granted. The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial year in relation to each class of recognised financial assets is the carrying amount of those financial assets as stated in the consolidated statements of financial position.

The Group is exposed to high concentration of credit risk as the Group relies on the major telecommunication operators in PRC. At 31 December 2010 and 2011, the largest debtors accounted for approximately 59% and 60%, respectively of the Group's total trade and bill receivables respectively. The Group has explored new markets and new customers and launched new products in order to minimise the concentration of credit risk.

The credit risk on liquid funds is limited because the banks are with good reputation.

Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The Directors closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's projects and operations.

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

	Weighted average interest rate	**Repayable on demand or less than 1 year**	**1 to 5 years**	**Total undiscounted cash flows**	**Carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	—	23,032	—	23,032	23,032
Amounts due to related parties	—	16,616	—	16,616	16,616
Bank borrowings — variable rate	5.84%	10,289	—	10,289	9,997
Other borrowings — interest-bearing *(Note)*	5.13%	10,122	—	10,122	10,122
Other borrowings — interest-free *(Note)*	—	4,560	—	4,560	4,560
At 31 December 2010		64,619	—	64,619	64,327
Trade and other payables	—	57,053	—	57,053	57,053
Amounts due to related parties	—	39,084	—	39,084	39,084
Bank borrowings — variable rate	7.26%	5,136	—	5,136	4,956
Other borrowings — fixed rate	10.00%	1,025	—	1,025	932
At 31 December 2011		102,298	—	102,298	102,025

Note: Included in other borrowings at 31 December 2010 are amounts payable by Partnerfield for settlement of convertible loans matured in year ended 31 December 2008, which were overdue and repayable on demand at 31 December 2010.

c. **Fair value**

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their respective fair values at the end of each reporting period.

33. ACQUISITION OF SUBSIDIARIES

(a) The First Acquisition

As set out in note 1, the acquisition of Beijing U-Ton was accounted for as a reverse acquisition. Assets acquired and liabilities recognised of the Former Partnerfield Group on 28 December 2010, the date of acquisition are set out below.

	Fair Value
	RMB'000
Non-current assets	
Property, plant and equipment	717
Intangible assets	3
Deferred tax assets	2,024
Current assets	
Other receivables	4,766
Amounts due from related parties	531
Bank balances and cash	258
Current liabilities	
Trade and other payables	(1,886)
Amounts due to related parties	(4,021)
Other borrowings	(14,682)
	(12,290)
Non-controlling interest (10% of Hebei Deer)	545
Net liabilities acquired	(11,745)

Represented by:

	RMB'000
Subscription of Partnerfield's shares	119
Consideration paid to the existing shareholders of Partnerfield	85
Consideration transferred	204
Dilution of equity interest in Beijing U-Ton (10% in Beijing U-Ton)	1,789
Restructuring costs recognised as expense	(13,738)
	(11,745)

The restructuring costs arose in the acquisition of the Former Partnerfield Group was recognised as an expense during the year ended 31 December 2010.

Net cash inflow on acquisition of Beijing U-Ton

	RMB'000
Subscription of Partnerfield's shares	(119)
Cash and cash equivalent acquired	258
	139

(b) **The Third Acquisition**

On 1 March 2011, the Group acquired 100% equity interest in Shijiazhuang Qiushi for a combined consideration of cash and Partnerfield's shares. Before the acquisition took place, Shijiazhuang Qiushi was wholly owned by Mr. Li, who subsequently became one of the Directors, and his spouse.

The major purpose of the acquisition is to broaden the Group's revenue stream and to extend its business to cover indoor services. The acquisition will also diversify the Group's product varieties and increase the market share of the Group.

Shijiazhuang Qiushi is principally engaged in the business of providing telecommunication equipments to telecommunication operators and installation service for low-voltage equipments and accessories.

Consideration transferred

	RMB'000
Consideration payable (Note 1)	9,669
Fair value of Partnerfield's shares (Note 2)	31,867
Less: Cash received for subscription for Partnerfield's shares	(37)
Total	41,499

Notes:

(1) In accordance with the equity transfer agreement, the cash consideration of RMB9,669,000 will be paid within three months from the acquisition date and such amount is included in amount due to Mr. Li and his spouse as at 31 December 2011. Up to the date of this report, this amount was fully settled.

(2) On 1 March 2011, Partnerfield issued and allotted 5,626 shares (equivalent to 15.79% of Partnerfield's total equity interest) to Mr. Li as part of the consideration. On the date of acquisition, the fair value of Partnerfield's total equity interest is RMB201,823,000.

The fair value of Partnerfield's equity has been arrived on the basis of discounted cash flow method carried out on the date of acquisition by American Appraisal China Limited, an independent firm of valuers, who have an appropriate recognised professional qualification. The calculation uses cashflow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 17%. The cash flows beyond the 5-year period are extrapolated using an estimated growth rate of 3%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

There was no acquisition-related cost incurred for the above transaction.

Assets acquired and liabilities recognised at the date of acquisition

	Fair Value
	RMB'000
Non-current assets	
Property, plant and equipment	91
Intangible assets	1,528
Current assets	
Inventories	2,269
Trade receivables	2,497
Other receivables, deposits and prepayments	486
Amounts due from related parties	5,205
Bank balances and cash	984
Current liabilities	
Trade and other payables	(1,219)
Income tax payables	(68)
Non-current liabilities	
Deferred tax liabilities	(373)
	11,400

The trade and other receivables and amounts due from related parties acquired in this transaction with a fair value of RMB8,188,000 had gross contractual amounts to receive of RMB8,222,000. The best estimate at acquisition date of the cash flows not expected to be collected is RMB34,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	41,499
Less: net assets acquired	(11,400)
Goodwill arising on acquisition	30,099

Goodwill arising from the acquisition of Shijiazhuang Qiushi mainly represents the benefit of expected synergies, revenue growth and future market development in indoor services. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash inflow on acquisition of Shijiazhuang Qiushi

	RMB'000
Cash consideration paid	—
Cash and cash equivalent acquired	984
	984

Impact of acquisitions on the results of the Group

Included in the profit for the year ended 31 December 2011 is RMB13,090,000 attributable to the additional business generated by Shijiazhuang Qiushi. Revenue for the year ended 31 December 2011 includes RMB41,370,000 in respect of Shijiazhuang Qiushi.

Had the acquisition been completed on 1 January 2011, total revenue of the Group for the period would have been RMB162,111,000, and profit for the period would have been RMB56,912,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

34. PRE-ACQUISITION FINANCIAL INFORMATION OF SHIJIAZHUANG QIUSHI

The financial information on Shijiazhuang Qiushi during the year ended 31 December 2010 and two months ended 28 February 2011 (the "Pre-acquisition Periods") is disclosed as below.

(i) STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2010 *RMB'000*	Two months ended 28 February 2011 *RMB'000*
Revenue	(a)	13,448	377
Cost of sales		(8,781)	(195)
Gross profit		4,667	182
Other income	(b)	1	—
Other gains and losses	(c)	541	—
Distribution expenses		(537)	(143)
Administrative expenses		(853)	(102)
Profit/(loss) before taxation	(d)	3,819	(63)
Income tax (expense) credit	(e)	(255)	2
Profit/(loss) and total comprehensive income for the year/period		3,564	(61)

(ii) **STATEMENTS OF FINANCIAL POSITION**

	Notes	At 31 December 2010 *RMB'000*	At 28 February 2011 *RMB'000*
Non-current assets			
Property, plant and equipment	(f)	97	91
Deferred tax assets		—	9
		97	100
Current assets			
Inventories	(g)	2,198	2,269
Trade receivables	(h)	7,104	2,497
Other receivables, deposits and prepayments	(i)	1,360	486
Amounts due from related parties	(j)	1,799	5,205
Bank balances and cash		1,452	984
		13,913	11,441
Current liabilities			
Trade and other payables	(k)	3,475	1,219
Income tax payable		220	68
		3,695	1,287
Net current assets		10,218	10,154
Total assets less current liabilities		10,315	10,254
Net assets		10,315	10,254
Capital and reserves			
Paid-in capital		10,180	10,180
Reserves		135	74
Total equity		10,315	10,254

(iii) STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Capital Reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2010	10,180	109	(3,538)	6,751
Profit and total comprehensive income for the year	—	—	3,564	3,564
Balance at 31 December 2010	10,180	109	26	10,315
Loss and total comprehensive expense for the period	—	—	(61)	(61)
Balance at 28 February 2011	10,180	109	(35)	10,254

(iv) **STATEMENTS OF CASH FLOWS**

	Year ended 31 December 2010	Two months ended 28 February 2011
	RMB'000	*RMB'000*
Operating activities		
Profit/(loss) before taxation	3,819	(63)
Adjustments for:		
Depreciation of property, plant and equipment	353	6
Gain on disposal of property, plant and equipment	(541)	—
Amortisation of intangible assets	1	—
Interest income	(1)	—
Operating cash flows before movements in working capital	3,631	(57)
Movements in working capital:		
Increase in inventories	(760)	(71)
(Increase) decrease in trade receivables	(6,301)	4,606
(Increase) decrease in other receivables, deposits and prepayments	701	(126)
Decrease in amount due from a related party	4	—
Increase (decrease) in trade and other payables	2,961	(2,257)
Cash generated from operations	236	2,095
Income tax paid	(18)	(158)
Net cash generated from operating activities	218	1,937
Investing activities		
Interest received	1	—
Proceeds from disposal of property, plant and equipment	1,365	—
Payment for property, plant and equipment	(37)	—
Advance to related parties	(1,708)	(3,490)
Repayment from related parties	2,887	85
Net cash generated from (used in) investing activities	2,508	(3,405)

	Year ended 31 December 2010	Two months ended 28 February 2011
	RMB'000	*RMB'000*
Financing activities		
Repayment to related parties	(595)	—
Repayment to independent third parties	(1,180)	—
Advance from independent third parties	—	1,000
Advances from related parties	180	—
Net cash (used in) generated from financing activities	(1,595)	1,000
Net increase (decrease) in cash and cash equivalents	1,131	(468)
Cash and cash equivalents at the beginning of the year/period	321	1,452
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	1,452	984

(v) EXPLANATORY NOTES:

(a) Revenue

Revenue represents the amount received and receivable for goods delivered/services rendered by Shijiazhuang Qiushi. An analysis of the revenue of Shijiazhuang Qiushi for the Pre-acquisition Periods is as follows:

	Year ended 31 December 2010	Two months ended 28 February 2011
	RMB'000	*RMB'000*
Sales of goods	13,357	363
Maintenance service	91	14
	13,448	377

(b) **Other income**

Other income represents the interest income earned on the bank balances.

(c) **Other gains and loss**

	Year ended 31 December 2010	Two months ended 28 February 2011
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment	541	—

(d) **Profit before taxation**

Profit before taxation has been arrived at after charging:

	Year ended 31 December 2010	Two months ended 28 February 2011
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	353	6
Amortisation of intangible assets included in administrative expenses	1	—
Staff costs, including directors' emoluments :		
- Salaries and other benefit costs	881	154
- Retirement benefit costs	255	56
Total staff costs	1,136	210

(e) **Income tax expense (credit)**

	Year ended 31 December 2010	Two months ended 28 February 2011
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax	255	7
Deferred tax:		
Current year/period	—	(9)
	255	(2)

Before 1 January 2011, the PRC enterprise income tax for Shijiazhuang Qiushi was 25%. Pursuant to an approval document issued by the local tax authority, Shijiazhuang Qiushi's taxable income was computed based on 7% of its total revenue and the income tax rate was 25% effected from 1 January 2011.

The tax expense (credit) for the Pre-acquisition Periods can be reconciled to the profit before tax per the statements of comprehensive income as follows:

	Year ended 31 December 2010	Two months ended 28 February 2011
	RMB'000	*RMB'000*
Profit/(loss) before taxation	3,819	(63)
PRC enterprise income tax at applicable tax rate of 25%	955	(16)
Tax effect on:		
Expenses not deductible for tax purposes	2	—
Deferred tax assets not recognised in prior periods	(702)	(9)
Taxable income estimated on total revenue	—	23
Tax charge (credit) for the year/period	255	(2)

(f) **Property, plant and equipment**

	Motor Vehicles	**Machinery**	**Office Equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At 1 January 2010	577	2,116	316	3,009
Addition	—	3	34	37
Disposal	—	(2,091)	(149)	(2,240)
At 31 December 2010 and 28 February 2011	577	28	201	806
Accumulated depreciation				
At 1 January 2010	554	997	221	1,772
Charge for the year	—	306	47	353
Eliminated on disposal	—	(1,294)	(122)	(1,416)
At 31 December 2010	554	9	146	709
Charge for the period	—	—	6	6
At 28 February 2011	554	9	152	715
Carrying Amount				
At 31 December 2010	23	19	55	97
At 28 February 2011	23	19	49	91

The above items of property, plant and equipment are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Motor vehicles	19.0%
Machinery	9.5%
Office equipment	19.0%

(g) **Inventories**

The inventories of Shijiazhuang Qiushi consist of low-voltage equipment and accessories, including video conference system, projectors, liquid crystal display monitors, servers, and other communication equipments.

	At 31 December 2010	At 28 February 2011
	RMB'000	*RMB'000*
Finished goods	2,198	2,269

(h) **Trade receivables**

According to the historical debt collection pattern, the collection period of the majority of the trade receivables ranges from 30 to 180 days during the Pre-acquisition Periods. No interest is charged on the outstanding balance. There is no fixed credit term granted to customers.

The following is an aged analysis of trade receivables by invoice date at the end of the reporting period:

	Year ended 31 December 2010	Two months ended 28 February 2011
	RMB'000	*RMB'000*
Within 90 days	6,972	1,344
91 to 180 days	72	1,013
181 to 365 days	40	95
1 to 2 years	18	43
2 to 3 years	—	—
Over 3 years	2	2
	7,104	2,497

(i) **Other receivables, deposits and prepayments**

	At 31 December 2010	At 28 February 2011
	RMB'000	*RMB'000*
Other receivables — non-trade	1,050	50
Advances to suppliers	75	171
Advances to employee	125	155
Deposits	110	110
	1,360	486

(j) **Amounts due from related parties**

	At 31 December 2010	At 28 February 2011
	RMB'000	*RMB'000*
Mr. Li	1,799	1,795
Shijiazhuang Yuhua	—	3,410
	1,799	5,205

(k) **Trade and other payables**

	At 31 December 2010	At 28 February 2011
	RMB'000	*RMB'000*
Trade payables	2,684	341
Advances from third parties	124	279
Accrued payroll	433	461
Other payables	234	138
	3,475	1,219

The following is an aged analysis of trade payables by date of invoices at the end of the reporting period:

	At 31 December 2010	At 28 February 2011
	RMB'000	*RMB'000*
Within 90 days	2,321	131
91 to 180 days	282	58
181 to 365 days	—	—
1 to 2 years	47	108
2 to 3 years	34	10
Over 3 year	—	34
	2,684	341

35. CAPITAL COMMITMENTS

	At 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Financial Information	50	83

36. CONTINGENT LIABILITIES

A subsidiary has been named as a defendant in the Shijiazhuang Changan District People's Court and the Hebei Shijiazhuang Intermediate People's Court action in respect of an alleged compensation for injuries. The potential claim amount shall be subject to the actual damages, including medical and rehabilitation expenses, transportation, etc., reasonably incurred by the applicant and the maximum amount of the claim against the Group will be determined by the court.

At the Directors' best estimation by reference to a legal advice, the injury claim amount will be approximately RMB450,000, which was provided during the year ended 31 December 2011.

B. DIRECTORS' REMUNERATION

Save as disclosed in this report, no remuneration has been paid or is payable to the Directors by the Company or any of its subsidiaries during the Relevant Periods. Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 December 2012 amounted to be approximately RMB1,075,000.

C. SUBSEQUENT EVENTS

The following events took place subsequent to 31 December 2011:

(a) On 27 May 2012, by resolution of the shareholders of the Company, the authorised share capital of the Company was increased from HK$100,000 to HK$400,000,000 divided into 4,000,000,000 Shares by the creation of additional 3,999,000,000 Shares of HK$0.1 each; and

(b) On 27 May 2012, shareholders' written resolutions were passed to approve the matters set out in the paragraph headed "Resolutions in writing of all Shareholders passed on 27 May 2012" in Appendix IV to the Document which includes, conditional upon the granting of the [●] of the shares of the Company by the [●] and the conditions in the [●] being fulfilled, 1,259,999,000 shares are to be issued and allotted to the Shareholders by way of capitalisation of the sum of HK$125,999,900 standing to the credit of the share premium account of the Company, such shares ranking pari passu in all respect with the existing issued shares of the Company; and

(c) On 4 June 2012, the outstanding amounts due to related parties of approximately RMB20,000,000 were waived by such related parties.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies now comprising the Group have been prepared subsequent to 31 December 2011.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong