

Notes to the Financial Statements

(prepared under accounting principles generally accepted in Hong Kong)

For the year ended 31 December 2000

1. GENERAL

The Company was incorporated in the People's Republic of China (the "PRC") with limited liability on 1 October 1994. Its ultimate holding company is China PTIC Information Industry Corporation ("PTIC"), a state-owned entity established in the PRC.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited ("HKSE") since 13 December 1994.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of various types of telecommunications cables (including different types of copper cables and optical fibre cables), optical fibres, cable joining sleeves, as well as equipment, manufacturing parts and materials for the production of cables.

The Company also acts as an investment holding company. The principal activities of its subsidiaries are set out in note 15.

2. CHANGES IN ACCOUNTING POLICY

The deferred staff quarters benefit represents the shortfall between the cost of quarters previously held by the Group and the proceeds from sale of quarters to staff at preferential prices in accordance with the PRC's housing reform policy. In prior years, the Group's accounting policy was that such costs were deferred and amortised over the estimated average working lives of the staff. In the current year, the directors have re-assessed this accounting policy and determined that it is more appropriate that the expenditure is charged to the income statement in the period in which it is incurred.

This change has been applied retrospectively, resulting in an increase in the Group's accumulated losses as at 1 January 1999 of RMB39,784,000, a decrease in the Group's loss for the year ended 31 December 2000 by RMB22,055,000 (1999: a decrease in the Group's loss by RMB2,115,000), and a decrease in the Group's net assets as at 31 December 2000 by RMB15,614,000 (1999: a decrease in the Group's net assets as at 31 December 1999 by RMB37,669,000).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the valuation of the investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong ("HKGAAP"). The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

Where the results for the year or the net assets in the financial statements of the PRC subsidiaries, which are prepared under PRC accounting standards, are materially different from that prepared under HKGAAP, adjustments are made to bring the amounts reported by the PRC subsidiaries into line with HKGAAP for the purposes of consolidation.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is eliminated against reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets over the purchase consideration at the date of acquisition of a subsidiary, is credited to reserves.

Any premium or discount arising on the acquisition of interests in associates, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On the disposal of an investment in a subsidiary or an associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Sbsidiary

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associate

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

When a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of an associate are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, investment in an associate is stated at cost, as reduced by any decline in value of the associate that is other than temporary.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, is stated at cost less accumulated depreciation and amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the additional future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Land use rights are stated at cost less accumulated amortisation. The value of land use rights is amortised on a straight line basis over the period of the land use rights or the term of the joint venture enterprise to which the land use rights are granted, whichever is the shorter.

No depreciation or amortisation is provided on construction in progress until the asset is completed and put into use.

Depreciation and amortisation are provided to write off the cost of other items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates:

Buildings	2.7% - 6.5%
Plant, machinery and equipment	7.5% - 20%
Motor vehicles	10.8% - 20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Construction in Progress

Construction in progress represents buildings and machinery under construction or installation and is stated at cost. Cost comprises direct costs of construction, installation and testing, interest expenses attributable to such construction activities and interest expenses in relation to foreign currency translation differences. Upon completion of construction, the relevant costs are transferred to appropriate categories of property, plant and equipment when they are ready for use.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at fair value at subsequent reporting dates.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Inventories

Inventories, other than spare parts and consumables, 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 on a weighted average basis. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Spare parts and consumables are stated at cost less provision for obsolescence and are charged to the income statement when consumed.

Turnover

Turnover represents the invoiced value of goods sold by the Group to outside customers and is stated net of trade discounts, returns and sales taxes.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has been passed to the customers.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rates applicable.

Technology transfer fee and management fee are recognised when services are provided.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

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 capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Retirement benefit schemes

The retirement benefit costs charged to the income statement represents the Group's contribution payable in respect of the current year to the retirement funds scheme.

Foreign currencies

The Company and its subsidiaries in the PRC maintain their books and records in Renminbi ("RMB"). Transactions denominated in currencies other than RMB are translated into RMB at the applicable rates of exchange quoted by the People's Bank of China ("PBOC") prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than RMB are re-translated into RMB at the applicable PBOC rates in effect at the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

Foreign currency translation differences relating to borrowed funds, to the extent that they are adjustments to the interest costs of funds used to finance the construction of qualifying assets, are capitalised during the period of construction. Exchange differences arising other than those capitalised in line with the Group's accounting policy are included in the income statement.

On consolidation the financial statements of subsidiaries which are denominated in currencies other than RMB are translated at the rates ruling on the balance sheet date. Exchange differences arising from such translation are dealt with in reserves.

4. SEGMENT INFORMATION

The Group's turnover and contribution to results from operations for the year 31 December 2000, analysed by principal activity and geographical market, are as follows:

2000	1999		Turnover RMB'000	Contribution to results from operations RMB'000	Contribution to results from operations RMB'000 (As restated)
	Turnover RMB'000	Contribution to results from operations RMB'000			
By principal activity					
Sales of goods:					
Copper Cables	323,572	2,391	179,538		10,852
Optical fibres	83,474	21,191	26,599		(8,391)
Cable joining sleeves	73,284	27,404	75,110		28,222
Optical fibre cables	2,969	(1,698)	24,793		(5,813)
Others	41,212	(9,818)	30,811		1,504
	524,511	39,470	336,851		26,374
Other revenue		34,443			10,398
Administrative expenses		(104,655)			(78,699)
Other operating expenses		(6,307)			(1,555)
Provision for other deposit		(30,000)			-
Loss from operations		(67,049)			(43,482)

All of the activities of the Group are based in the PRC and all of the Group's turnover and results from operations are derived from the PRC.

5. OTHER REVENUE

THE GROUP	
2000	1999
RMB'000	RMB'000
	(As restated)

Included in other revenue are as follows:

Interest income	3,744	5,576
Technology transfer fee	2,908	1,656
Management fee	1,242	1,243

6. LOSS FROM OPERATIONS

THE GROUP	
2000	1999
RMB'000	RMB'000
	(As restated)

Loss from operations has been arrived
at after charging (crediting):

Auditors' remuneration	1,216	1,216
Amortisation of deferred value added tax	37	296
Depreciation and amortisation of property, plant and equipment	46,953	46,075
Loss on liquidation of associates	-	720
Provision for other deposit (note 21)	30,000	-
Unrealised loss on unlisted equity securities	130	60
Provision for amounts due from associates	-	-
	6,585	
Staff costs (including retirement benefits costs and directors' remuneration (note 7))	40,809	35,485
Exchange (gain) loss	(1,541)	(3,173)
Less: Amount capitalised in respect of construction in progress	1,486	3,189
	(55)	16

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration:

	THE GROUP	
	2000	1999
	RMB'000	RMB'000
		(As restated)
Directors' fees		
- executive directors	-	-
- non-executive directors	-	-
Other emoluments		
- basic salaries and allowances		
- executive directors	99	122
- non-executive directors	-	-
- bonus		
- executive directors	13	31
- non-executive directors	-	-
- pension scheme contributions		
- executive directors	3	16
- non-executive directors	-	-
	115	169

The aggregate remuneration of each of the directors (including non-executive directors) of the Group during the years ended 31st December 2000 and 1999 were within the emoluments band ranging from nil to HK\$1,000,000.

No director waived any emoluments for the two years ended 31 December 2000 and 1999.

(b) The five highest paid employees

The five highest paid individuals in the Group for the years ended 31 December 2000 and 1999 were all directors of the Company and details of their emoluments are included in note (a) above.

8. FINANCE COSTS

THE GROUP	
2000	1999
RMB'000	RMB'000
	(As restated)

Included in finance costs are as follows:

Interest on bank borrowings wholly repayable within five years	11,391	11,670
Interest on bank borrowings not wholly repayable within five years	803	883
	12,194	12,553
Less: Amount capitalised in respect of construction in progress	(803)	(883)
	11,391	11,670

Borrowing costs of RMB803,000 (1999: RMB883,000) during the year arose on the Group's borrowings for financing a production line were capitalised in respect of construction in progress.

9. INVESTMENT INCOME

THE GROUP	
2000	1999
RMB'000	RMB'000
	(As restated)

Included in investment income are as follows:

Interest on listed PRC government bonds	5,100	4,147
Unrealised (loss) gain on listed PRC government bonds	(263)	219

10. TAXATION

	THE GROUP	
	2000	1999
	RMB'000	RMB'000
		(As restated)
The taxation charge comprises:		
PRC income tax		
Provided for the year	8,968	5,903
Underprovision in prior years	-	
	8,621	
Taxation attributable to the Company and subsidiaries	8,968	14,524
Share of taxation of associates		
PRC income tax	1,869	10
	10,837	14,534

Income tax in the PRC has been provided at the prevailing rates on the estimated assessable profit applicable to each individual company within the Group in the PRC.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's income neither arises in, nor is derived from, Hong Kong.

The Group and the Company did not have any significant unprovided deferred taxation for the year or at the balance sheet date.

11. NET LOSS FOR THE YEAR

Of the Group's net loss for the year of RMB78,149,000 (1999: RMB101,066,000), a loss of RMB87,131,000 (1999: RMB62,119,000) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of loss per share is based on the net loss for the year of RMB78,149,000 (1999: RMB101,066,000) and on 400,000,000 shares (1999: 400,000,000 shares) in issue during the year.

The adjustment to the comparative loss per share arising from the change in accounting policy as shown in note 2 above is as follows:

	RMB
Reconciliation of 1999 loss per share	
Reported figures before adjustment	0.26
Adjustment arising from the change in accounting policy of deferred staff quarters benefit (note 2)	(0.01)
As restated	0.25

13. PROPERTY, PLANT AND EQUIPMENT

	Medium- term land use rights RMB'000	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
THE GROUP					
COST					
At 1 January 2000	94,640	140,772	387,736	12,856	636,004
Additions	-	36	579	154	769
Transfer from construction in progress	-	3,154	7,512	-	10,666
Disposals	-	(722)	(705)	(217)	(1,644)
At 31 December 2000	94,640	143,240	395,122	12,793	645,795
ACCUMULATED DEPRECIATION AND AMORTISATION					
At 1 January 2000	11,101	27,879	166,949	5,733	211,662
Provided for the year	2,196	5,007	38,337	1,413	46,953
Eliminated on disposals	-	(542)	(705)	(217)	(1,464)
At 31 December 2000	13,297	32,344	204,581	6,929	257,151
NET BOOK VALUES					
At 31 December 2000	81,343	110,896	190,541	5,864	388,644
At 31 December 1999	83,539	112,893	220,787	7,123	424,342

	Medium-term land use rights RMB'000	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
THE COMPANY					
COST					
At 1 January 2000	88,375	85,683	217,506	5,553	397,117
Additions	-	-	16	154	170
Transfer from construction in progress	-	2,595	3,640	-	6,235
Transfer to a subsidiary	-	-	(580)	(160)	(740)
At 31 December 2000	88,375	88,278	220,582	5,547	402,782
ACCUMULATED DEPRECIATION AND AMORTISATION					
At 1 January 2000	9,249	13,201	100,132	3,255	125,837
Provided for the year	1,758	3,536	21,068	780	27,142
Transfer to a subsidiary	-	-	(580)	(160)	(740)
At 31 December 2000	11,007	16,737	120,620	3,875	152,239
NET BOOK VALUES					
At 31 December 2000	77,368	71,541	99,962	1,672	250,543
At 31 December 1999	79,126	72,482	117,374	2,298	271,280

All the land and buildings of the Group and the Company are situated in the PRC.

14. CONSTRUCTION IN PROGRESS

	THE GROUP RMB'000	THE COMPANY RMB'000
COST		
At 1 January 2000	42,999	36,483
Additions	13,341	12,558
Transfer to property, plant and equipment	(10,666)	(6,235)
Transfer to a subsidiary	-	(1,917)
At 31 December 2000	45,674	40,889

Included in construction in progress of the Group and the Company at the balance sheet date are interest capitalised of RMB3,135,000 (1999: RMB2,332,000).

In 1998, the Company introduced a staff quarters development plan. Employees participating in the plan are required to make an initial contribution which is deposited into a designated bank account to meet development expenditure of the staff quarters. Upon completion, the Company will dispose of the ownership rights of the staff quarters to the employees and all the development expenditure incurred will be recovered from them.

Included in the construction in progress is expenditure of staff quarters development amounted to RMB12,940,000 (1999: RMB10,143,000).

At the balance sheet date, the total amount of deposits received from employees amounted to RMB16,432,000 (1999: RMB12,180,000).

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2000	1999
	RMB'000	RMB'000
Unlisted investments in the PRC, at cost less provision	246,120	244,240

Details of the Company's subsidiaries as at 31 December 2000, all of which were established and operate in the PRC, are as follows:

Name of subsidiary	Issued and fully paid-up registered share capital	Percentage of issued and fully paid registered share capital directly held by the Company %	Principal activities
Chengdu Cable Plant of the Ministry of Posts and Telecommunications Sales Division	RMB520,000		Retail and wholesale of wires and cables
Chengdu Cable Plant of the Ministry of Posts and Telecommunications Supplies Company	RMB2,200,000		Purchasing agent for raw materials and ancillary materials for cables

Name of subsidiary	Issued and fully paid-up registered share capital	Percentage of issued and fully paid registered share capital directly held the Company %	Principal activities
Chengdu Cable Plant of the Ministry of Posts and Telecommunications Shuangliu Heat Shrinkable Products Sub-Plant	RMB22,520,000	RMB22,520,000	Manufacture and sale of cable joining sleeves
Dongguan CDC Cable Factory Co., Ltd. ("Dongguan CDC")	RMB75,702,000	72	Manufacture and sale of wires, cables and accessories
Chengdu SEI Optical Fiber Co., Ltd.	US\$4,200,000	75	Manufacture and sale of optical fibre
Radio Communications Cable Co., Ltd.	US\$7,500,000	70	Manufacture and sale of cables, parts and components for wireless telecommunications system networks

None of the subsidiaries had any loan capital outstanding as at the end of the year or at any time during the year.

16. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments in the PRC, at cost less provisions	-	-	118,637	118,431
Share of net assets	131,610	118,454	-	-
	131,610	118,454	118,637	118,431

Details of the Group's principal associates as at 31 December 2000, all of which were established and operate in the PRC, are as follows:

Name of associates	Percentage of issued and fully paid-up registered share capital directly held by the Company %	Principal activities
Chengdu Cable Plant of the Ministry of Posts and Telecommunications Panjiu Sub-Plant	50	Manufacture and sale of coiling reels for storing and transporting cables
Chengdu Peak Power Sources Co., Ltd.	50	Manufacture and sale of electronic and electrical products

Name of associates	Percentage of issued and fully paid-up registered share capital directly held by the Company %	Principal activities
Manufacture and sale of optical fibre cables Chengdu CCS Optical Fiber Cable Co., Ltd. ("CCS", formerly known as Siemens Optical Fibre Cables Ltd., Chengdu)	50	
Chongqing Shahzad Multi-layer PCB Co., Ltd.	35	Manufacture and sale of multilayer printed circuit board
Chengdu Gaoxin Cable Company Limited	33.14	Manufacture and sale of wires and cables, special cables and other telecommunication products
Chengdu Bada Connector Company Limited	30	Design, processing and manufacture of plugs for electrical connectors, plugs for visual frequency signal apparatus and meter and plugs with wires for calculators
Sichuan Provincial Telecommunications Cable Plant	30.06	Manufacture of telecommunications cables and other professional telecommunications products.

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

The following details have been extracted from the audited financial statements of CCS, a principal associate of the Group, which are prepared under PRC accounting standards after adjustments on the HKGAAP as follows:

Operating results for the years ended 31 December 2000 and 1999:

	2000 RMB'000	1999 RMB'000
Turnover	602,818	409,817
Depreciation and amortisation	33,828	21,377
Profit (loss) from ordinary activities before taxation	26,931	(55,174)
Taxation	669	-
Profit (loss) from ordinary activities after taxation	26,262	(55,174)
Profit (loss) attributable to the Group	13,131	(27,587)
Financial position as at 31 December 2000 and 1999:		
Total non-current assets	195,752	220,035
Total current assets	533,274	654,623
Total liabilities	(531,649)	(703,543)
Shareholders' funds	197,377	171,115
Shareholders' funds attributable to the Group	98,688	85,557

17. INVESTMENTS IN SECURITIES

	THE GROUP AND THE COMPANY	
	2000	1999
	RMB'000	RMB'000
Fair value:		
Long-term securities - unlisted equity securities	7,798	7,928
Short-term securities - listed PRC government bonds	44,637	30,219
	52,435	38,147
Carrying amount analysed for reporting purposes as:		
Non-current Assets	7,798	7,928
Current Assets	44,637	30,219
	52,435	38,147

The listed PRC government bonds represent the market value as at the balance sheet date.

18. LONG-TERM RECEIVABLES

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000
The amounts represent:				
Amounts due from minority shareholders of Dongguan CDC (note below)	23,770	23,770	16,374	16,374
Others	-	118	-	70
	23,770	23,888	16,374	16,444

Note:

The amounts represent receivables due from minority shareholders of Dongguan CDC, a subsidiary of the Company which are interest free and unsecured.

The minority shareholders had irrevocably authorised Dongguan CDC to apply any future distributions due to them as settlement of the balance outstanding.

The repayment of the amount due to the Company is guaranteed by PTIC, the ultimate holding company of the Company.

19. INVENTORIES

	THE GROUP		THE COMPANY	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Raw materials	33,957	34,930	14,493	17,429
Work in progress	22,725	23,729	10,454	16,225
Finished goods	68,114	83,815	46,528	60,831
Spare parts and consumables	10,386	12,124	8,763	11,123
	135,182	154,598	80,238	105,608

Included in the inventories of the Group and the Company at the balance sheet date are amounts stated at net realisable value as follows:

	THE GROUP		THE COMPANY	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Raw materials	15,273	7,080	14,493	6,894
Work in progress	-	654	-	654
Finished goods	60,014	36,817	46,528	36,817
	75,287	44,551	61,021	44,365

20. TRADE RECEIVABLES

	THE GROUP	
	2000 RMB'000	1999 RMB'000

An aging analysis of trade receivables is as follows:

Within 90 days	63,138	46,114
91 - 180 days	55,213	33,598
181 - 365 days	68,394	28,716
Over 365 days	11,285	52,845
	198,030	161,273

The Group and the Company grant an average credit period of 120 days to its trade customers.

21. OTHER DEPOSIT

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000
Deposit placed with China Leasing Company Limited ("China Leasing")	30,000	30,000	30,000	30,000
Less: Provision (note 6)	(30,000)	-	(30,000)	-
	-	30,000	-	30,000

The amount represents a time deposit of RMB30,000,000 placed with China Leasing from 4 July 1997 for a term of 1 year at interest rate of 7.47% per annum.

China Leasing was unable to repay the principal of RMB30,000,000. Legal action had been taken against China Leasing and judgement was obtained from the Court in the PRC in December 1999. China Leasing was required to repay the principal and accrued interest. However, China Leasing has not yet repaid the principal and interest to the Group up to the date of this report.

The board of directors considers that the recoverability of the deposit is uncertain and, accordingly, full provision has been made in the financial statements during the year.

22. TRADE PAYABLES

	THE GROUP	
	2000	1999
	RMB'000	RMB'000
An aging analysis of trade payables is as follows:		
Within 90 days	37,004	8,424
91 - 180 days	5,996	6,622
181 - 365 days	1,114	1,492
Over 365 days	1,581	2,875
	45,695	19,413

23. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Bank borrowings				
Secured	23,000	3,000	-	-
Unsecured	178,744	183,172	166,744	154,172
	201,744	186,172	166,744	154,172
Bank borrowings repayable:				
Within one year	186,406	168,488	151,406	136,488
More than one year but not exceeding two years	1,006	1,088	1,006	1,088
More than two years but not exceeding five years	3,016	3,264	3,016	3,264
More than five years	11,316	13,332	11,316	13,332
	201,744	186,172	166,744	154,172
Less: Amount due within one year and shown under current liabilities	(186,406)	(168,488)	(151,406)	(136,488)
Amount due after one year	15,338	17,684	15,338	17,684

24. SHARE CAPITAL

	2000 and 1999	
	No. of shares	Amount RMB'000
Registered, issued and fully paid-up capital of RMB1.00 each:		
Stated-owned legal person shares	240,000,000	240,000
Overseas listed foreign invested shares	160,000,000	160,000
	400,000,000	400,000

Pursuant to Article 19 of the Company's Articles of Association, except for the currency in which dividends are paid, all the stated-owned legal person shares and overseas listed foreign invested shares issued by the Company rank pari passu with each other in all respects.

There were no changes in share capital of the Company in either year.

25. RESERVES

	Share premium RMB'000	Capital reserve RMB'000 (note 1 below)	Statutory surplus reserve fund RMB'000	Statutory public welfare fund RMB'000 (note 2 below)	Goodwill reserve RMB'000 (note 3 below)	Accumulated losses RMB'000	Total
THE GROUP							
At 1 January 1999							
As previously reported	303,272	287,391	10,475	10,475	-	(47,343)	564,270
Prior year adjustment (note 2)	-	-	-	-	-	(39,784)	(39,784)
As restated	303,272	287,391	10,475	10,475	-	(87,127)	524,486
Goodwill arising from acquisition of additional interests in subsidiaries	-	-	-	-	(9,796)	-	(9,796)
Transfer	-	-	243	243	-	(486)	-
Net loss for the year	-	-	-	-	-	(101,066)	(101,066)
At 31 December 1999	303,272	287,391	10,718	10,718	(9,796)	(188,679)	413,624
Adjustment on investment cost in a subsidiary	-	-	-	-	(1,796)	-	(1,796)
Goodwill arising on acquisition of an associate	-	-	-	-	(881)	-	(881)
Transfer:							
- the Company and subsidiaries	-	-	195	4,769	-	(4,964)	-
- associates	-	-	1,474	-	-	(1,474)	-
Net loss for the year	-	-	-	-	-	(78,149)	(78,149)
At 31 December 2000	303,272	287,391	12,387	15,487	(12,473)	(273,266)	332,798
Attributable to:							
- the Company and subsidiaries	303,272	287,391	10,913	15,487	(11,592)	(256,908)	348,563
- associates	-	-	1,474	-	(881)	(16,358)	(15,765)
	303,272	287,391	12,387	15,487	(12,473)	(273,266)	332,798

	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000	Statutory public welfare fund RMB'000	Accumulated losses RMB'000	Total
	(note 1 below)		(note 2 below)		(note 3 below)	
THE COMPANY						
At 1 January 1999						
As previously reported	303,272	287,391	4,540	4,540	(45,382)	554,361
Prior year adjustment (note 2)	-	-	-	-	(39,784)	(39,784)
As restated	303,272	287,391	4,540	4,540	(85,166)	514,577
Transfer	-	-	107	107	(214)	-
Net loss for the year	-	-	-	-	(62,119)	(62,119)
At 31 December 1999	303,272	287,391	4,647	4,647	(147,499)	452,458
Net loss for the year	-	-	-	-	(87,131)	(87,131)
At 31 December 2000	303,272	287,391	4,647	4,647	(234,630)	365,327

In accordance with the Company's Articles of Association, for the purpose of the distribution of profits of the Company, profits available for distribution in relation to a financial year shall be the lesser of the amount calculated according to the PRC accounting standards and the amount calculated according to the HKGAAP. In addition, the profit after taxation is required to be applied in the following order:

- (i) to offset accumulated losses brought forward;
- (ii) to allocate 10% of the profit after taxation calculated in accordance with PRC accounting standards to the statutory surplus reserve fund;
- (iii) to allocate 10% of the profit after taxation calculated in accordance with PRC accounting standards to the statutory public welfare fund;
- (iv) to provide discretionary surplus reserve; and
- (v) to pay dividends.

The Company has no reserves available for distribution as at 31 December 2000 (1999: nil).

Notes:

(1) Capital reserve

The amount represents the reserve arising on acquisition of the entire business and undertakings pursuant to the reorganisation in 1994. Capital reserve can only be used to increase share capital.

(2) Statutory surplus reserve fund

In accordance with the relevant laws and financial regulations, the Company and its subsidiary companies are required to transfer 10% of the profit after taxation prepared in accordance with PRC regulations to the statutory surplus reserve fund every year until the balance reaches 50% of the paid up share capital. Such reserve can be used to reduce any losses incurred and to increase the share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

(3) Statutory public welfare fund

In accordance with the relevant laws and regulations, the Company and its subsidiaries are required to transfer between 5% to 10% of their profits after taxation prepared in accordance with PRC regulations to the statutory public welfare fund every year. The use of this fund is restricted to capital expenditure on staff collective welfare facilities and such facilities are owned by the Company and subsidiaries. The statutory public welfare fund is not available for distribution to shareholders (except in liquidation). Once the capital expenditure on staff welfare facilities has been made, an equivalent amount must be transferred from the statutory public welfare fund to the discretionary surplus reserve account.

26. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 RMB'000	1999 RMB'000 (As restated)
Loss before taxation	(58,568)	(87,080)
Share of results of associates	(14,906)	36,205
Interest expenses	11,391	11,670
Interest income	(8,844)	(9,723)
Depreciation and amortisation of property, plant and equipment	46,953	46,075
Amortisation of deferred value added tax	37	296
Construction in progress written off	-	
	111	
Provision for other deposit	30,000	-
Unrealised loss on unlisted equity securities	130	60
Loss on disposal of property, plant and equipment	180	37
Loss on liquidation of associates	-	720
Unrealised loss (gain) on listed PRC government bonds	263	(219)
Decrease in inventories	19,416	62,046
(Increase) decrease in trade receivables, other receivables, deposits and prepayments	(11,853)	38,917
Decrease in amounts due from associates	5,746	2,009
Increase in amounts due from related companies	(5,156)	(2,280)
Increase in trade payables, other payable and accrued charges, temporary receipts and deposits for staff quarters	12,885	11,154
Increase (decrease) in amounts due to associates	4,635	(2,422)
Decrease in amounts due to related companies	-	(141)
Decrease in amount due to ultimate holding company	-	(1,504)
Net cash inflow from operating activities	32,309	105,931

27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank borrowings RMB'000	Minority interests RMB'000
At 1 January 1999	244,540	108,837
New borrowings raised	174,800	-
Repayments	(243,979)	-
Exchange difference	(3,189)	-
Acquisition of additional interest in a subsidiary	-	(36,564)
Dividends paid to minority shareholders	-	(637)
Results attributable to minority shareholders	-	(548)
Capital contribution from minority shareholders	-	18,630
At 31 December 1999	172,172	89,718
New borrowings raised	323,200	-
Repayments	(292,142)	-
Exchange difference	(1,486)	-
Results attributable to minority shareholders	-	8,744
Dividends paid to minority shareholders	-	(6,658)
At 31 December 2000	201,744	91,804

28. RETIREMENT BENEFIT SCHEME ARRANGEMENTS

The Company participates in a retirement benefit scheme previously operated by the Ministry of Posts and Telecommunications ("MPT"). The Company only has the obligation to make an annual contribution to MPT, which is the supervisory body and is responsible for the retirement benefit scheme and all other relevant business. Presently, the retirement benefits fund is managed by the Sichuan Administration Bureau of Social Insurance. During the year ended 31 December 2000, total contribution made by the Company to MPT was RMB7,014,000 (1999: RMB6,338,000).

Furthermore, according to the instruction formerly given by MPT, the Company also maintains its own defined contribution scheme to which the Company and each employee contribute an amount in the range of RMB5 to RMB40 per employee per month depending on the relevant employee's period of service. The funds received are maintained separately. During the year ended 31 December 2000, the total contribution made by the Company was RMB632,000 (1999: RMB676,000). Upon retirement, employees will receive a lump sum payment based on the contributions made by the individual employee and the Company plus interest.

29. CAPITAL COMMITMENTS

At the balance sheet date, the Group and the Company had the following capital commitments:

	THE GROUP		THE COMPANY	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Contracted but not provided for:				
Development of staff quarters	4,180	641	4,180	641
Acquisition of machinery and equipment	797	16,835	458	16,351
Capital Contribution to associates	500	-	500	-
	5,477	17,476	5,138	16,992
Authorised but not contracted for:				
Acquisition of machinery and equipment	13,808	2,563	12,658	2,563
Capital contribution to associates	2,000	-	2,000	-
Development of staff quarters	-	1,463	-	1,463
	15,808	4,026	14,658	4,026
	21,285	21,502	19,796	21,018

30. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had the following contingent liabilities not yet provided for in the accounts in respect of:

	THE GROUP		THE COMPANY	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Guarantees in respect of banking facilities granted to:				
Subsidiaries	-	-	12,000	19,000
Associates (note 1 below)	230,300	180,300	230,300	180,300
Other company (note 2 below)	20,000	20,000	20,000	20,000
	250,300	200,300	262,300	219,300

Notes:

1. The amounts of guarantee utilised by these associates were RMB110,300,000 (1999: RMB180,300,000).
2. These companies are also providing cross-guarantee for banking facilities amounting to RMB30,000,000 (1999: RMB30,000,000) granted to the Company.

31. PLEDGE OF ASSETS

At the balance sheet date, the Group had bank deposits and land use rights with an aggregate amount of RMB 17,799,000 (1999: RMB 2,371,000) was pledged to banks as security for general banking facilities granted to the Group amounting to RMB 23,000,000 (1999: RMB 3,000,000).

32. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group and the Company entered into the following transactions and balances with related parties:

	THE GROUP						THE COMPANY					
	Trade sales		Trade purchases		Amounts due from related companies		Amounts due to related companies		Amounts due from related companies		Amount due to related companies	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	11,594	7,596	-	-	7,811	2,655	-	-	7,803	-	-	-
Associates	18,574	13,957	9,512	5,191	10,604	16,350	5,024	389	9,754	15,349	3,563	-

Other than the above, the Group received from the associates technology transfer fee and management fee amounting to RMB2,908,000 (1999: RMB1,656,000) and RMB1,242,000 (1999: RMB1,243,000).

In the opinion of the directors, the above transactions were carried out at estimated fair market price or, where no market price was available, at cost plus a percentage profit mark-up.

PTIC and its related companies are also providing guarantees for banking facilities amounting to RMB166,744,000 (1999: RMB154,172,000) granted to the Group and the Company.

Balances with subsidiaries, associates and related companies are unsecured, interest free and have no fixed terms of repayment. Details of the balances are set out in the balance sheets of the Group and the Company.