NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2001

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 enterprise established in the PRC.

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

2. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society Accountants except that comparative figures are not presented for the cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1 July 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on HKSE.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2000, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, which have resulted in the adoption of the following new and revised accounting policies.

Provisions

In accordance with SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. The adoption of this standard does not have any material effect on the results for the current or prior accounting periods.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting" Segment disclosures for the six months ended 30 June 2000 have been amended so that they are presented on a consistent basis.

Goodwill

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill or negative goodwill previously eliminated against or credited, respectively, to reserves. Accordingly, goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or joint venture, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1 January 2001 will be credited to income at the time of disposal of the relevant subsidiary, associate or joint venture.

Any goodwill arising on acquisitions after 1 January 2001 will be capitalised and amortised over its estimated useful life. Any negative goodwill arising on acquisitions after 1 January 2001 will be presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Impairment of assets

SSAP 31 "Impairment of Assets" has introduced a formal framework for the recognition of impairment losses in respect of the Group's assets. Although in prior years the Group complied with the requirements of specific Accounting Standards in respect of impairment losses, the introduction of SSAP 31 has required a re-estimation of the recoverable amount of certain property, plant and equipment, resulting in the identification of impairment losses at 30 June 2001 amounting to RMB31,250,000. These impairment losses have been recognised in full in the current interim period.

Change in accounting policy in 2000

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. Prior to 1 July 2000, the Group's accounting policy was that such costs were deferred and amortised over the estimated average working lives of the staff. During the six months ended 31 December 2000, 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.

The results for the six months ended 30 June 2000 have been restated for the proposes of this interim financial report, resulting in a decrease in the Group's loss for the six months ended 30 June 2000 by RMB2,099,000.

4. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

For management purposes, the Group is currently organised into three main operating segments: manufacture of copper cable and related products, optical fibres products and cable joining sleeves and related products.

Segment information for the six months ended 30 June 2001 and 2000 about these businesses is presented below:

	For the six months ended 30 June 2001					
	Manufacture of copper cable and related products	**Manufacture of optical fibres products**	**Manufacture of cable joining sleeves and related products**	**Other operations**	**Eliminations**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
業務 SEGMENT REVENUE						
External sales	145,296	94,966	29,137	8,635	—	278,034
Inter-segment sales	1,022	1,742	895	36	(3,695)	—
Total revenue	146,318	96,708	30,032	8,671	(3,695)	278,034
SEGMENT RESULTS	(47,655)	46,847	(2,029)	564	—	(2,273)
Unallocated corporate expenses						(129)
Unallocated other revenue						7,888
Profit from operations						5,486

	For the six months ended 30 June 2000					
	Manufacture of copper cable and related products	**Manufacture of optical fibres products**	**Manufacture of cable joining sleeves and related products**	**Other operations**	**Eliminations**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
SEGMENT REVENUE						
External sales	153,145	26,334	32,944	824	—	213,247
Inter-segment sales	1,024	—	—	—	(1,024)	—
Total revenue	154,169	26,334	32,944	824	(1,024)	213,247
SEGMENT RESULTS	(13,110)	3,974	7,784	(2,350)	—	(3,702)
Unallocated corporate expenses						(30)
Unallocated other revenue						13,588
Profit from operations						9,856

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

5. OTHER REVENUE

	Six months ended 30.6.2001 (Unaudited) RMB'000	30.6.2000 (Unaudited and restated) RMB'000
Included in other revenue is as follows:		
Bank interest income	1,755	1,854

6. PROFIT FROM OPERATIONS

	Six months ended 30.6.2001 (Unaudited) RMB'000	30.6.2000 (Unaudited and restated) RMB'000
Profit from operations has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	23,815	23,786

7. TAXATION

	Six months ended 30.6.2001 (Unaudited) RMB'000	30.6.2000 (Unaudited and restated) RMB'000
The taxation charge comprises:		
Taxation attributable to the Company and its subsidiaries:		
PRC income tax	2,094	3,410
Share of taxation of associates:		
PRC income tax	6,256	64
	8,350	3,474

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 did not have any significant unprovided deferred taxation for the period.

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for either period.

9. BASIC EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the net profit for the period of RMB54,982,000 (six months ended 30 June 2000: net loss of RMB8,614,000 (as restated)) and on 400,000,000 shares (30 June 2000: 400,000,000 shares) in issue during the period.

The adjustment to the comparative loss per share for the six months ended 30 June 2000 arising from the change in accounting policy shown in note 3 above was as follows:

	RMB
Reconciliation of loss per share for the six months ended 30 June 2000:	
Reported figures before adjustment	(0.0268)
Adjustment arising from the change in accounting policy of deferred staff quarters benefit (note 3)	0.0053
As restated	(0.0215)

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB1,801,000 (six months ended 30 June 2000: RMB1,879,000) on additions to property, plant and equipment.

An impairment loss of RMB31,250,000 was recognised during the period in respect of obsolete plant, machinery and equipment.

11. LONG-TERM RECEIVABLES

The amounts represent receivables due from minority shareholders of Dongguan CDC Cable Factory Co., Ltd. ("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.

12. TRADE RECEIVABLES

	30.6.2001	**31.12.2000**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
An aged analysis of trade receivables is as follows:		
Within 90 days	103,392	63,138
91 - 180 days	42,408	55,213
181 - 365 days	70,281	68,394
Over 365 days	11,700	11,285
	227,781	198,030

The Group grants an average credit period of 120 days to its trade customers.

13. TRADE PAYABLES

	30.6.2001	**31.12.2000**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
An aged analysis of trade payables is as follows:		
Within 90 days	25,798	37,004
91 - 180 days	5,158	5,996
181 - 365 days	2,342	1,114
Over 365 days	1,790	1,581
	35,088	45,695

14. SHARE CAPITAL

There were no changes in share capital of the Company during the period from 1 January 2000 to 30 June 2001.

15. RESERVES

	30.6.2001	**31.12.2000**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Share premium	303,272	303,272
Capital reserve	287,391	287,391
Statutory surplus reserve fund	12,387	12,387
Statutory public welfare fund	15,487	15,487
Goodwill reserve	(12,473)	(12,473)

Accumulated losses	(218,284)	(273,266)
	387,780	332,798

16. COMMITMENTS

At the balance sheet date, the Group had the following commitments:

	30.6.2001 *(Unaudited)* *RMB'000*	**31.12.2000** *(Audited)* *RMB'000*
Contracted but not provided for:		
Development of staff quarters	2,113	4,180
Acquisition of machinery and equipment	4,992	797
Capital contribution to associates	568	500
	7,673	5,477
Authorised but not contracted for:		
Acquisition of machinery and equipment	13,635	13,808
Capital contribution to associates	32,939	2,000
Capital contribution to subsidiaries	41,543	—
Capital contribution to investment in securities	3,000	—
	91,117	15,808
	98,790	21,285

17. CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following contingent liabilities:

	30.6.2001 *(Unaudited)* *RMB'000*	**31.12.2000** *(Audited)* *RMB'000*
Guarantees in respect of banking facilities granted to:		
Associates (note 1 below)	160,000	230,300
Other company (note 2 below)	10,000	20,000
	170,000	250,300

Notes:

1. *At 30 June 2001, the guarantees were not been utilised by these associates. At 31 December 2000, the amounts of guarantee utilised by these associates were RMB110,300,000.*

2. *This company is also providing cross-guarantee for banking facilities amounting to RMB20,000,000 (31 December 2000: RMB30,000,000) granted to the Company.*

18. PLEDGE OF ASSETS

At the balance sheet date, the Group had bank deposits and land use rights with an aggregate amount of RMB17,580,000 (31 December 2000: RMB17,799,000) which were pledged to banks as security for general banking facilities granted to the Group amounting to RMB42,000,000 (31 December 2000: RMB23,000,000).

19. RELATED PARTY TRANSACTIONS AND BALANCES

During the six months ended 30 June 2001 and 2000, the Group entered into the following transactions with related parties:

	Trade sales Six months ended		**Trade purchases Six months ended**	
	30.6.2001	**30.6.2000**	**30.6.2001**	**30.6.2000**
	(Unaudited)	*(Unaudited and restated)*	*(Unaudited)*	*(Unaudited and restated)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PTIC and its subsidiaries	6,722	6,204	—	—
Associates	4,518	3,965	3,050	2,232

Other than the above, the Group received technology transfer fees and management fees from its associates amounting to RMB279,000 (six months ended 30 June 2000: RMB1,155,000) and RMB120,000 (six months ended 30 June 2000: RMB120,000) respectively.

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.

As at 30 June 2001 and 31 December 2000, the Group had the following balances with related parties:

	Amounts due from related companies		**Amounts due to related companies**	
	30.6.2001	**31.12.2000**	**30.6.2001**	**31.12.2000**
	(Unaudited)	*(Audited)*	*(Unaudited)*	*(Audited)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*

PTIC and its subsidiaries	5,672	7,811	393	—
Associates	2,442	10,604	1,844	5,024

The balances with related companies and associates are unsecured, interest free and have no fixed terms of repayment.

In addition to the above and those mentioned in note 17, PTIC and its related companies are also providing guarantees for banking facilities amounting to RMB170,000,000 (31 December 2000: RMB166,744,000) granted to the Group.