1. GENERAL

The Company is a sino-foreign joint stock limited company established in the PRC. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is China PUTIAN Corporation ("China PUTIAN"), a state-owned enterprise established in the PRC. The register office of the Company is No. 2 Zijing West Road, Hi-Tech Development Zone, Chengdu, Sichuan Province, the PRC.

China PUTIAN has entered into a share transfer agreement on 21 January 2005 with China PUTIAN Company Limited ("CPCL"), a wholly-owned subsidiary of China PUTIAN. Under the terms of the share transfer agreement, China PUTIAN transferred all of its shareholdings in the Company to CPCL at no consideration. CPCL is a joint stock limited company established in the PRC with limited liability. The directors of the Company regards CPCL as the immediate holding company of the Company.

The financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries (the "Group").

The Group are principally engaged in the manufacture and sale of various types of telecommunication 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.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS / CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

Business Combinations

In the current year, the Group has applied HKFRS 3 *Business Combinations* which is effective for business combinations for which the agreement date is on or after 1 January 2005.

In previous years, goodwill arising on acquisitions prior to 1 January 2001 was held in reserves, and goodwill arising on acquisitions after 1 January 2001 was capitalized and amortized over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognized in reserves of RMB12,473,000 has been transferred to the Group's accumulated losses on 1 January 2005 (see Note 2A for the financial impact).

Financial Instruments

In the current year, the Group has applied HKAS 32 *Financial Instruments*: *Disclosure and Presentation* and HKAS 39 *Financial Instruments: Recognition and Measurement*. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarized below:

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS / CHANGES IN ACCOUNTING POLICIES *(Continued)*

Financial Instruments *(Continued)*

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealized gains or losses included in profit or loss. Held-to-maturity investments are carried at amortized cost less impairment losses (if any). From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognized in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortized cost using the effective interest method after initial recognition.

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. As a result, "investment securities" amounted to RMB2,728,000 has been classified as "available-for-sale investments" on 1 January 2005 (see Note 2A for the financial impact).

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognized in profit or loss directly. Other financial liabilities are carried at amortized cost using the effective interest method after initial recognition. The Group has applied the relevant transitional provisions in HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 *Leases*. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortized over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 2A for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS / CHANGES IN ACCOUNTING POLICIES *(Continued)*

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	2005	2004
	RMB'000	*RMB'000*
Decrease in share of results of associates	**(28)**	(126)
Decrease in income tax expenses	**28**	126
Effect in result for the year	**—**	—

The cumulative effects of the application of the new HKFRSs on 31 December 2004 and 1 January 2005 are summarized below:

	As at 31 December 2004 (originally stated)	Retrospective adjustments		As at 31 December 2004 (restated)	Prospective Adjustments		As at 1 January 2005 (restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		HKAS 1	*HKAS 17*		*HKFRS 3*	*HKAS 39*	
Balance sheet items							
Non-current assets							
Property, plant and equipment	298,926	—	(67,990)	230,936	—	—	230,936
Prepaid lease payments on land use rights	—	—	67,990	67,990	—	—	67,990
Investment securities	2,728	—	—	2,728	—	(2,728)	—
Available-for-sale investments	—	—	—	—	—	2,728	2,728
Total effects on assets and liabilities	301,654	—	—	301,654	—	—	301,654
Accumulated losses	(488,688)	—	—	(488,688)	(12,473)	—	(501,161)
Minority interests	—	112,638	—	112,638	—	—	112,638
Goodwill reserve	(12,473)	—	—	(12,473)	12,473	—	—
Total effects on equity	(501,161)	112,638	—	(388,523)	—	—	(388,523)
Minority interests	112,638	(112,638)	—	—	—	—	—

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS / CHANGES IN ACCOUNTING POLICIES *(Continued)*

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The financial effects of the application of the new HKFRSs to the Group's equity on 1 January 2004 are summarized below:

	As originally stated *RMB'000*	**Adjustments** *RMB'000* *HKAS 1*	**As restated** *RMB'000*
Minority interests	—	114,913	114,913
Total effects on equity	—	114,913	114,913

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4(Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment[3]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS29 Financial Reporting in Hyperinflationary Economies[4]

[1] *Effective for annual periods beginning on or after 1 January 2007.*
[2] *Effective for annual periods beginning on or after 1 January 2006.*
[3] *Effective for annual periods beginning on or after 1 December 2005.*
[4] *Effective for annual periods beginning on or after 1 March 2006.*

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of the subsidiaries which are 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.

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Goodwill

Goodwill arising on acquisition of subsidiaries for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiaries at the date of acquisition.

In previous years, goodwill arising on acquisitions prior to 1 January 2001 was held in reserves, and goodwill arising on acquisitions after 1 January 2001 was capitalized and amortized over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognized in reserves has been transferred to the Group's accumulated losses on 1 January 2005. As a result of the change in accounting policy, the goodwill previously held in reserves of RMB12,473,000 had been transferred to the Group's accumulated losses on 1 January 2005.

(c) Excess of an acquirer's interest in the fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of a subsidiary, after reassessment, is recognized immediately in the consolidated income statement.

(d) Interests in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognized 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 the consolidated income statement in the year in which the item is dereognized.

(f) Land use rights

Land use rights are stated at cost less accumulated amortization and accumulated impairment losses. 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 respective enterprise to which the land use rights are granted, whichever is the shorter.

(g) Construction in progress

Construction in progress represents buildings and machinery under construction or installation and is stated at cost, less any identified impairment losses. Upon completion of construction, the relevant costs are transferred to appropriate categories of property, plant and equipment when they are ready for use.

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

(h) Financial instruments

Financial assets and financial liabilities are recognized on the balance sheet 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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

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 each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, prepayment, deposits and other receivables, amounts due from associates and amounts due from related companies and bank deposits and balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Available-for-sale financial assets

Available-for-sale financial assets are investments in unlisted equity securities which are intended to be held for a continuing strategic or long term purpose and are stated at fair value, except for those equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, when they are measured at cost less any accumulated impairment losses.

In respect of available-for-sale financial assets carried at fair value, the gains or losses arising from changes in the fair value of an investment are dealt with as movements in the investment revaluation reserve, until the investment is sold, collected, or otherwise disposed of, or until the investment is determined to be impaired, when the cumulative gain or loss derived from the investment recognized in the investment revaluation reserve, together with the amount of any further impairment, is charged to the consolidated income statement in the year in which the impairment arises.

In respect of available-for-sale financial assets carried at cost less any accumulated impairment losses, when there is objective evidence that an impairment loss has been incurred on an investment, the carrying amount of the investment should be reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and the amount of the impairment is charged to the consolidated income statement in the year in which it arises. Any impairment losses recognized shall not be reversed.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity 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 after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including trade and bills payable, other payables and accrued charges, temporary receipts, deposits for staff quarters, amounts due to associates and bank borrowings are subsequently measured at amortized cost, using the effective interest rate method.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

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, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognized and the consideration received or receivable is recognized in profit or loss.

(i) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

(j) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

(k) Impairment losses

At each balance sheet date, 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 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 recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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 recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

(l) Revenue recognition

Sales of goods are recognized when goods are delivered and title has passed.

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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Rental income is recognized on a straight-line basis over the relevant lease terms.

Technology transfer fees and management fees are recognized when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Research and development expenditure

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

(n) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement 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 balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized 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 recognized for taxable temporary differences arising on investments in subsidiaries and associates 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(o) 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 its 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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 translation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

(p) Retirement benefit schemes contributions

Payments to defined contribution retirement benefit schemes are charged as expenses as they fall due.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates and judgements (other than those involving estimates) based on past experience, expectations of the future and other information. The key source of estimation uncertainty and the critical judgement that can significantly affect the amounts recognized in the consolidated financial statements is disclosed below.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Allowance for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates that net realizable value for such raw materials, finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

Impairment of property, plant and equipment and construction in progress

The impairment loss for property, plant and equipment and construction in progress are recognized for the amounts by which the carrying amounts exceeds its recoverable amount, in accordance with the Group's accounting policy. The recoverable amounts have been determined based on fair value less costs to sell, which is based on the best information available to reflect the amount that obtainable at each of the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity and debt investments, bank borrowings, trade and bills receivables, other receivables, trade and bills payables and other payables. Details of these financial instruments are disclosed 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 manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest rate risk

The Group's explosure to market risk for changes in interest rates relates primarily to the Group's interest bearing bank borrowings.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group's exposure to liquidity risk is minimal.

6. BUSINESS SEGMENT

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

These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses for the years ended 31 December 2005 and 2004 is presented below:

	For the year ended 31 December 2005					
	Manufacture and sale of copper cable and related products *RMB'000*	**Manufacture and sale of optical fibres and related products** *RMB'000*	**Manufacture and sale of cable joining sleeves and related products** *RMB'000*	**Other operations** *RMB'000*	**Elimination*** *RMB'000*	**Consolidated** *RMB'000*
SEGMENT TURNOVER						
External turnover	357,645	48,367	79,558	—	—	485,570
Inter-segment turnover	23,057	—	90	—	(23,147)	—
Total turnover	380,702	48,367	79,648	—	(23,147)	485,570
SEGMENT RESULT	(75,795)	(25,117)	9,814	—	—	(91,098)
Unallocated other operating income						11,655
Finance costs	(8,176)	(571)	—	—	—	(8,747)
Gain on disposal on prepaid lease payments of land use right	122,723	—	—	—	—	122,723
Share of results of associates	22	(14,183)	—	(133)	—	(14,294)
Profit before tax						20,239
Income tax expense						(5,073)
Net profit for the year						15,166

* *The inter-segment transactions were carried at estimated fair market price or, where no market price was available, at cost plus a percentage profit mark-up.*

6. BUSINESS SEGMENT *(Continued)*

	At 31 December 2005				
	Manufacture and sale of copper cable and related products RMB'000	Manufacture and sale of optical fibres and related products RMB'000	Manufacture and sale of cable joining sleeves and related products RMB'000	Other operations RMB'000	Consolidated RMB'000
ASSETS					
Segment assets	606,035	71,001	118,025	—	795,061
Interests in associates	10,122	124,280	—	6,222	140,624
Consolidated total assets	616,157	195,281	118,025	6,222	935,685
LIABILITIES					
Segment liabilities	113,807	15,300	15,218	—	144,325
Unallocated corporate liabilities					127,483
Consolidated total liabilities					271,808

	For the year ended 31 December 2005				
	Manufacture and sale of copper cable and related products RMB'000	Manufacture and sale of optical fibres and related products RMB'000	Manufacture and sale of cable joining sleeves and related products RMB'000	Other operations RMB'000	Consolidated RMB'000
Capital additions	8,185	1,098	460	—	9,743
Depreciation on property, plant and equipment and amortization of prepaid lease payments on land use rights	18,343	7,660	2,884	—	28,887
Gain on disposal of property, plant and equipment	402	17,545	125	—	18,072
Impairment loss recognized in respect of property, plant and equipment	—	170	—	—	170
Impairment loss recognized in respect of construction in progress	713	—	—	—	713
Impairment loss recognized in respect of interest in an associate	2,250	—	—	—	2,250
Gain on disposal of interest in an associate	—	—	—	(3,069)	(3,069)
Write-down (reversal of write-down) of inventories	3,277	(465)	1,187	—	3,999

6. BUSINESS SEGMENT *(Continued)*

	For the year ended 31 December 2004					
	Manufacture and sale of copper cable and related products RMB'000	Manufacture and sale of optical fibres and related products RMB'000	Manufacture and sale of cable joining sleeves and related products RMB'000	Other operations RMB'000	Elimination* RMB'000	Consolidated RMB'000 (restated)
SEGMENT TURNOVER						
External turnover	399,783	51,058	61,979	—	—	512,820
Inter-segment turnover	33,116	—	257	—	(33,373)	—
Total turnover	432,899	51,058	62,236	—	(33,373)	512,820
SEGMENT RESULT	(58,528)	(7,159)	18,058	—	—	(47,629)
Unallocated other operating income						9,164
Finance costs	(9,786)	(1,269)	—	—	—	(11,055)
Share of results of associates	192	(15,183)	—	(44)	—	(15,035)
Loss before tax						(64,555)
Income tax expense						3,222
Net loss for the year						(61,333)

* *The inter-segment transactions were carried at estimated fair market price or, where no market price was available, at cost plus a percentage profit mark-up.*

	At 31 December 2004				
	Manufacture and sale of copper cable and related products RMB'000	Manufacture and sale of optical fibres and related products RMB'000	Manufacture and sale of cable joining sleeves and related products RMB'000	Other operations RMB'000	Consolidated RMB'000 (restated)
ASSETS					
Segment assets	638,206	98,678	125,711	—	862,595
Interests in associates	12,344	136,999	—	7,306	156,649
Consolidated total assets	650,550	235,677	125,711	7,306	1,019,244
LIABILITIES					
Segment liabilities	157,691	13,692	11,926	—	183,309
Unallocated corporate liabilities					172,083
Consolidated total liabilities					355,392

6. BUSINESS SEGMENT *(Continued)*

	For the year ended 31 December 2004				
	Manufacture and sale of copper cable and related products *RMB'000*	Manufacture and sale of optical fibres and related products *RMB'000*	Manufacture and sale of cable joining sleeves and related products *RMB'000*	Other operations *RMB'000*	Consolidated *RMB'000*
Capital additions	9,127	2,850	428	—	12,405
Depreciation on property, plant and equipment and amortization of prepaid lease payments on land use rights	22,915	7,350	3,764	—	34,029
(Gain) loss on disposal of property, plant and equipment	(11,361)	7	16	—	(11,338)
Reversal of impairment loss on property, plant and equipment recognized in prior years	(25)	—	(4,768)	—	(4,793)

For the years ended 31 December 2005 and 2004, all activities of the Group were based in the PRC and all of the Group's turnover and results from operations were derived from the PRC.

7. OTHER OPERATING INCOME

	2005 *RMB'000*	2004 *RMB'000*
Included in other operating income are the following:		
Bank interest income	**1,783**	1,844
Discount on acquisition arising from additional interest in a subsidiary	**5,211**	—
Technology transfer fee	**401**	286
Management fee from an associate in respect of providing market information	**1,614**	1,655
Gain on disposal of property, plant and equipment	**—**	11,338
Reversal of impairment loss on property, plant and equipment recognized in prior years	**—**	4,793
Exchange gain	**2,686**	—
Rental income	**1,352**	950
Gain on disposal of interest in an associate	**3,069**	—

8. FINANCE COSTS

	2005 *RMB'000*	2004 *RMB'000*
Interest on:		
Bank borrowings wholly repayable within five years	**8,190**	10,371
Bank borrowings not wholly repayable within five years	**557**	684
	8,747	11,055

9. GAIN ON DISPOSAL ON PREPAID LEASE PAYMENTS OF LAND USE RIGHT

Pursuant to the land transfer agreement, the supplemental agreement and the second supplemental agreement entered into between the Group and an independent third party. The Group has agreed to sell, and an independent third party, has successfully bid during the year, a piece of land (approximately 244.77mu) on which the headquarters of the Group was situated in Chengdu, the PRC (the "Land") for a consideration of approximately RMB793,060,000.

In accordance with the second supplemental agreement, the considerations shall be settled and the Land shall be delivered by three stages and the transaction shall be completed before 31 December 2007. As at 31 December 2005, the Group has delivered approximately 50 mu of the Land and recognized approximately RMB122,723,000 as gain on disposal of prepaid lease payments on land use right accordingly. Details of this transaction had set out in the Company's circular dated 23 December 2005.

Pursuant to Section (II) in Clause 8 of the Provisional Regulations of the PRC in ("土地增值税") Land Value Added Tax (State Council Decree No. 138) dated 13 December 1993 and Section 11 of Implementation Details of the Provisional Regulations of the PRC on ("土地增值税") Land Value Added Tax promulgated by Ministry of Finance on 27 January 1995 describing Section (II) in Clause 8 of No. 138, the directors of the Company are of the view that the disposal of the Land by the Group is not subject to ("土地增值税") Land Value Added Tax according to the requirements of Section (II) in Clause 8. Accordingly, no provision was made for ("土地增值税") Land Value Added Tax in the calculation of the gain on disposal of prepaid lease payments on land use right during the year. The Group is now in the process of applying for exemption of the ("土地增值税") Land Value Added Tax, had the application for exemption is not succeeded, as estimated by the directors of the Company, the Group will be subjected to approximately RMB313,157,000 ("土地增值税") Land Value Added Tax and the gain on disposal of prepaid lease payments on land use right for the year ended 31 December 2005 will be decreased by approximately RMB61,948,000.

10. PROFIT (LOSS) BEFORE TAX

	2005 *RMB'000*	2004 *RMB'000* (restated)
Profit (loss) before tax has been arrived at after charging:		
Allowance for bad and doubtful debts	**15,130**	7,008
Auditors' remuneration	**930**	995
Amortization of prepaid lease payments on land use rights	**1,465**	1,847
Depreciation on property, plant and equipment	**27,422**	32,182
Exchange loss	**—**	1,555
Loss on disposal of property, plant and equipment	**18,072**	—
Research and development costs	**1,747**	794
Staff costs (including retirement benefits schemes contributions and directors' emoluments (note 11))	**41,299**	45,602
Impairment loss recognized in respect of property, plant and equipment	**170**	—
Impairment loss recognized in respect of construction in progress	**713**	—
Impairment loss recognized in respect of interest in an associate	**2,250**	—
Write-down of inventories	**3,999**	3,291
Share of tax of associates (included in share of results of associates)	**28**	126

11. EMOLUMENTS OF THE DIRECTORS AND SUPERVISORS

The emoluments paid or payable to each of the twelve (2004: twelve) directors and supervisors were as follows:

For the year ended 31 December 2005

		Other emoluments			
	Fees	**Salaries and allowances**	**Performance related incentive payments**	**Retirement benefits schemes contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Xu Mingwen	—	—	—	—	—
Kuo Aiching	—	481	94	9	584
Wang Zhongfu	—	—	—	—	—
Bao Yuhong	—	—	—	—	—
Zhang Zhongqi	—	—	—	—	—
Fan Xianda	—	66	55	9	130
Independent non-executive directors:					
Chen Bo Sum (Note)	30	—	—	—	30
Sun Jiayuan	30	—	—	—	30
Wu Zhengde	30	—	—	—	30
Supervisors:					
Zhang Xiaocheng	—	—	—	—	—
Xiong Ting	—	62	50	9	121
Hong Xiurong	—	33	17	8	58
Total	90	642	216	35	983

Note: *Ms. Chen tendered her resignation as independent non-executive director of the Company on 26 July 2005, her resignation took effect on 26 February 2006.*

For the year ended 31 December 2004

		Other emoluments			
	Fees	**Salaries and allowances**	**Performance related incentive payments**	**Retirement benefits schemes contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Xu Mingwen	—	—	—	—	—
Kuo Aiching	—	467	100	7	574
Wang Zhongfu	—	—	—	—	—
Bao Yuhong	—	—	—	—	—
Zhang Zhongqi	—	—	—	—	—
Fan Xianda	—	55	63	8	126
Independent non-executive directors:					
Chen Bo Sum	30	—	—	—	30
Sun Jiayuan	30	—	—	—	30
Wu Zhengde	30	—	—	—	30
Supervisors:					
Zhang Xiaocheng	—	—	—	—	—
Xiong Ting	—	55	64	7	126
Hong Xiurong	—	19	18	5	42
Total	90	596	245	27	958

11. EMOLUMENTS OF THE DIRECTORS AND SUPERVISORS *(Continued)*

No directors and supervisors waived any emoluments in the years ended 31 December 2005 and 2004. During the year, no emoluments have been paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

12. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

During the year, the five highest paid individuals include one director (2004: one director). The emoluments of the highest paid individuals were as follows:

	2005 *RMB'000*	2004 *RMB'000*
Salaries and allowances	**1,090**	962
Performance related incentive payments	**461**	632
Retirement benefits schemes contributions	**34**	15
	1,585	1,609

The aggregate remuneration of each of the highest paid individuals were not greater than RMB1,000,000.

13. INCOME TAX EXPENSES

	2005 *RMB'000*	2004 *RMB'000* (restated)
The tax charge (credit) comprises:		
PRC income tax		
— Provided for the year	**3,167**	3,170
— Under(over) provision in prior years	**1,906**	(6,392)
	5,073	(3,222)

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

The Company had been recognized as a technologically advanced enterprise by relevant authorities since 1994. Pursuant to the Income Tax Laws concerning technologically advanced enterprise in Chengdu, the State Tax Authority in Chengdu approved the Company to entitle the reduced state enterprise income tax rate of 15%.

PRC income tax is calculated at 15% to 33% (2004: 15% to 33%) of the estimated assessable profit for the year.

13. INCOME TAX EXPENSES *(Continued)*

The tax charge (credit) for the year can be reconciled to the profit (loss) per consolidated income statement as follows:

	2005	2004
	RMB'000	*RMB'000*
		(restated)
Profit (loss) before tax	**20,239**	(64,555)
Tax at applicable tax rate of 15% (2004: 15%)	**3,036**	(9,683)
Tax effect of share of results of associates	**2,144**	2,255
Tax effect of income not taxable for tax purpose	**(5,455)**	(2,822)
Tax effect of expenses not deductible for tax purpose	**6,712**	2,392
Utilization of tax losses previously not recognized	**(5,676)**	(294)
Tax effect of tax losses not recognized	**2,589**	8,824
Under(over) provision in prior years	**1,906**	(6,392)
Effect of different tax rates of subsidiaries operating under other statutory income tax rates	**(183)**	2,498
Tax charge (credit) for the year	**5,073**	(3,222)

The applicable tax rate represented the rate of taxation prevailing in the territories in which the major companies of the Group operate.

At 31st December 2005, the Group has estimated unused tax losses and other deductible temporary differences of RMB217,040,000 (2004: RMB248,965,000) and RMB85,034,000 (2004: RMB80,358,000) respectively. No deferred tax asset has been recognized in the financial statements due to the unpredictability of future profit streams.

The estimated unused tax losses of the Group will expire at various dates up to and including 2010.

14. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2005 and 2004, nor has any dividend been proposed since the balance sheet date.

15. BASIC EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the Group's net profit attributable to equity holders of the Company of RMB28,255,000 (2004: loss of RMB61,438,000) and based on the weighted average of 400,000,000 (2004: 400,000,000) shares in issue during the year.

There was no dilution effect on the basis earnings (loss) per share for the year ended 31 December 2005 and 2004 as there were no dilutive shares outstanding during the years ended 31 December 2005 and 2004.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant, machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000* (restated)
COST				
At 1 January 2004	150,861	450,162	13,234	614,257
Additions	10	4,644	388	5,042
Transfer from construction in progress (note 18)	—	20,062	—	20,062
Disposals	(731)	(4,826)	(70)	(5,627)
At 31 December 2004	150,140	470,042	13,552	633,734
Additions	102	1,063	1,042	2,207
Transfer from construction in progress (note 18)	—	2,767	—	2,767
Disposals / written off	(23,208)	(35,329)	(3,392)	(61,929)
At 31 December 2005	127,034	438,543	11,202	576,779
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2004	53,449	316,661	9,777	379,887
Provided for the year	4,124	26,842	1,216	32,182
Reversal of impairment loss recognized in the income statement in prior years	—	(4,793)	—	(4,793)
Eliminated on disposals	(178)	(4,275)	(25)	(4,478)
At 31 December 2004	57,395	334,435	10,968	402,798
Provided for the year	4,646	21,889	887	27,422
Impairment loss recognized in the income statement	—	—	170	170
Eliminated on disposals / written off	(15,244)	(17,295)	(2,919)	(35,458)
At 31 December 2005	46,797	339,029	9,106	394,932
NET BOOK VALUES				
At 31 December 2005	80,237	99,514	2,096	181,847
At 31 December 2004 (restated)	92,745	135,607	2,584	230,936

All the buildings of the Group are situated in the PRC.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

The directors of the Company have reviewed the carrying value of the Group's property, plant and equipment as at 31 December 2005 with reference to the then open market value or depreciated replacement cost basis, based on their existing use and determined that the recoverable amount of certain assets lower than their carrying values. Accordingly, the carrying value of these assets was reduced by approximately RMB170,000 (2004: Nil) to reflect the impairment loss during the year.

17. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2005 RMB'000	2004 RMB'000
The Group's prepaid lease payments on land use rights comprises:		
Leasehold land in the PRC:		
Medium-term lease	**21,748**	67,990
Analyzed for reporting purposes as:		
Current asset	**1,465**	1,847
Non-current asset	**20,283**	66,143
	21,748	67,990

18. CONSTRUCTION IN PROGRESS

	2005 RMB'000	2004 RMB'000
COST		
At 1 January	**26,315**	39,014
Additions	**7,536**	7,363
Transfer to property, plant and equipment (note 16)	**(2,767)**	(20,062)
Disposals	**(16,350)**	—
Impairment loss recognized in the income statement	**(713)**	—
At 31 December	**14,021**	26,315

Note: Included in the construction in progress is expenditure on the development of staff quarters amounting to RMB3,220,000 (2004: RMB16,404,000).

The Group has introduced certain staff quarters development plans. Employees participating in the plans are required to make an initial contribution which is deposited into designated bank accounts to meet the development expenditures of the staff quarters (note 26(b)). Upon completion, the Group will transfer the ownership rights of the staff quarters to the employees and all the development expenditure incurred will be recovered from them.

At 31 December 2005, the total amount of contributions received from the employees amounted to RMB8,729,000 (2004: RMB17,796,000).

At 31 December 2005, the directors of the Company had reviewed the carrying value of the Group's construction in progress with reference to the open market value or depreciated replacement cost basis, based on their existing use and determined that the recoverable amount of certain assets had declined below their carrying value. Accordingly, the carrying value of these assets was reduced by approximately RMB713,000 (2004: Nil) to reflect the impairment loss.

19. INTERESTS IN ASSOCIATES

	2005 RMB'000	2004 RMB'000
Cost of investment in associates, unlisted	**189,980**	218,965
Share of post-acquisition losses and reserves	**(49,356)**	(62,316)
	140,624	156,649

19. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's principal associates as at 31 December 2005, all of which were established and operated in the PRC, are as follows:

Name of associate	Class of shares held	Percentage of registered capital held by the Group %	Principal activities
郵電部成都電纜廠盤具分廠 Chengdu Cable Plant of the Ministry of Posts and Telecommunications Panjiu Sub-Plant (Cooperative joint venture)	Contributed capital	50	Manufacture and sale of coiling reels for storing and transporting cables
成都皮克電源有限公司 Chengdu Peak Power Sources Co., Ltd. (Limited company)	Contributed capital	50	Manufacture and sale of electronic and electrical products
成都康寧光纜有限公司 Chengdu CCS Optical Fibre Cable Co., Ltd. ("CCS") (Sino-foreign equity joint venture)	Contributed capital	50	Manufacture and sale of optical fibre cables
成都八達接插件有限公司 Chengdu Bada Connector Co., Ltd. (Sino-foreign equity joint venture)	Contributed capital	49	Design, processing and manufacture of plugs for electrical connectors, plugs for visual frequency signal apparatus and meter and plugs with wires for calculators

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

The summarized financial information in respect of the Group's associates is set out below:

	2005 ***RMB'000***	2004 *RMB'000*
Total assets	**520,158**	602,487
Total liabilities	**(244,081)**	(298,472)
Net assets	**276,077**	304,015
Group's share of net assets of associates	**140,624**	156,649
Revenue	**198,802**	261,329
Loss for the year	**(29,395)**	(30,364)
Group's share of results of associates for the year	**(14,294)**	(15,035)

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31 December 2005 comprises:

	2005
	RMB'000
Unlisted long-term equity securities, at cost	**8,478**
Less: impairment loss recognized	**(5,750)**
	2,728

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

21. INVESTMENT SECURITIES

Investment securities as at 31 December 2004 are set out below. Upon the application of HKAS 39 on 1 January 2005, investment securities were reclassified to available-for-sale investments under HKAS 39 (see note 2 for details).

	2004
	RMB'000
Unlisted long-term equity securities, at cost less impairment loss	2,728

22. LONG TERM PREPAYMENTS

The prepayments were paid by the Group in connection with the disposal of prepaid lease payments on land use right as set out in note 9.

23. LONG-TERM RECEIVABLE

	2005	2004
	RMB'000	*RMB'000*
The amount represents:		
Amount due from a former minority shareholder of Dongguan CDC Cable Factory ("Dongguan CDC") (Note)	**23,770**	23,770
Less: Allowance	**(23,770)**	(23,770)
	—	—

Note: The amount represents receivable due from a former minority shareholder of Dongguan CDC, a subsidiary of the Company, which is interest-free and unsecured. As at 31 December 2002, the repayment of the amount was guaranteed by China PUTIAN. On 31 December 2003, the guarantee was withdrawn by China PUTIAN. In the opinion of directors of the Company, the amount due from the former minority shareholder of Dongguan CDC is irrecoverable and accordingly, an allowance of RMB23,770,000 was recognized in the consolidated income statement in previous years.

24. INVENTORIES

	2005 *RMB'000*	2004 *RMB'000*
Raw materials	**40,848**	34,651
Work in progress	**16,924**	16,371
Finished goods	**81,888**	110,497
Spare parts and consumables	**2,423**	3,293
	142,083	164,812

Included in the inventories of the Group at the balance sheet date which are stated at net realizable value are as follows:

	2005 *RMB'000*	2004 *RMB'000*
Raw materials	**3,013**	12,893
Work in progress	**865**	880
Finished goods	**13,205**	20,340
Spare parts and consumables	**483**	2,493
	17,566	36,606

25. TRADE AND BILLS RECEIVABLES

	2005 *RMB'000*	2004 *RMB'000*
Trade and bills receivables	**240,045**	260,428
Less: Allowance for bad and doubtful debts	**(91,223)**	(76,453)
	148,822	183,975

The Group allows an average credit period of 120 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowances at the balance sheet date.

	2005 *RMB'000*	2004 *RMB'000*
Within 90 days	**105,776**	88,802
91 - 180 days	**24,284**	47,865
181 - 365 days	**18,762**	40,659
Over 365 days	**—**	6,649
	148,822	183,975

The fair value of the Group's trade and bills receivables at 31 December 2005 was approximated to the corresponding carrying amount.

26. BANK DEPOSITS, BALANCES AND CASH

	2005	2004
	RMB'000	*RMB'000*
Bank deposits:		
Pledged deposits (note a)	**54,917**	52,516
Unpledged deposits		
- Designated deposits (note b)	**6,046**	2,140
- Others	**—**	17,200
	60,963	71,856
Bank balances and cash	**89,403**	101,202
	150,366	173,058

Notes:

a. *The amounts represent deposits pledged to banks to secure short-term bank borrowings and undrawn banking facilities granted to the Group, and are therefore classified as current assets. The deposits carry fixed interest rate of 2.25% (2004: 1.94%). The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The fair value of bank deposits at 31 December 2005 was approximated to the corresponding carrying amount.*

b. *The amounts represent contributions received from employees in respect of the staff quarters development plans of the Group (note 18) which have been deposited with the banks under the name of the Group and are restricted as to use.*

27. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sales represent the land use right to be disposed as set out in note 9. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and accordingly, no impairment loss has been recognized.

28. TRADE AND BILLS PAYABLES

	2005	2004
	RMB'000	*RMB'000*
An aged analysis of trade and bills payables is as follows:		
Within 90 days	**31,814**	48,778
91 - 180 days	**21,918**	15,605
181 - 365 days	**2,656**	8,496
Over 365 days	**2,740**	1,163
	59,128	74,042

The fair value of the Group's trade and bills payable at 31 December 2005 was approximated to the corresponding carrying amount.

29. BANK BORROWINGS

	2005	2004
	RMB'000	*RMB'000*
Bank borrowings:		
Secured bank loans	**58,240**	68,982
Unsecured bank loans	**67,103**	102,554
	125,343	171,536
The above amounts are repayable as follow:		
On demand or within one year	**112,493**	154,955
More than one year but not exceeding two years	**1,253**	1,473
More than two years but not more than five years	**3,760**	4,419
More than five years	**7,837**	10,689
	125,343	171,536
Less: Amount due within one year shown under current liabilities	**(112,493)**	(154,955)
Amount due after one year	**12,850**	16,581

At 31 December 2005, all bank borrowings are fixed-rate borrowings which carry interest ranging from 0.5% to 10.04% (2004: 0.5% to 9.56%) per annum. Included in the Group's borrowings, there are bank loans raised for the acquisition of a French accelerator which is denominated in currencies other than the functional currencies amounted to approximately EUR1,472,000 (2004: EUR1,603,000).

During the year, in respect of a bank borrowing with a carrying amount of RMB10,000,000 was overdue as at 31 December 2005. Pursuant to the respective loan agreement, the Group is subject to an additional interests amounting to 40% of the original borrowing interest for the overdue amount. In the opinion of the directors of the Company, the Group is planning to repay the overdue bank borrowing by instalments and will be fully repaid the borrowing in August 2006. Up to the date of this report, the Group repaid RMB1,000,000 of the overdue bank borrowing.

During the year, the Group obtained new bank loans in the amount of approximately RMB197,740,000. The loans drawn bear interest at prevailing market rates and will be repayable in 2006.

The directors of the Company consider that the carrying amount of bank borrowings approximates their fair value.

30. SHARE CAPITAL

	2005 & 2004	
	No. of shares	**Amount**
		RMB'000
Registered, issued and fully paid-up capital of RMB1 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

31. RETIREMENT SCHEME ARRANGEMENTS

The Group participates in a retirement scheme operated by the Sichuan Administration Bureau of Social Insurance ("SABSI"). The Group's only obligation is to make an annual contribution to SABSI, which is the supervisory body and is responsible for the retirement scheme and all other relevant business. The total cost charged to the consolidated income statement of RMB10,818,000 (2004: RMB8,351,000) represents contributions payable to SABSI by the Group in respect of the current year.

The Group also maintains its own defined contribution scheme to which the Group 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 assets of the scheme are held separately from those of the Group as an independently administered fund. During the year ended 31 December 2005, the total contribution made by the Group was RMB540,000 (2004: RMB551,000). Upon retirement, employees will receive a lump sum payment based on the contributions made by the individual employee and the Group plus interest.

32. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2005, the Group entered into the following non-cash transactions:

(a) The disposal of 50 mu land use right as set out in note 9 for a consideration amounted to RMB156,112,000 of which RMB40,000,000 is unsettled and included in other receivables and RMB1,646,000 business tax is unpaid by the Group and included in other payable. The net proceeds received and receivable by the Group during the year ended 31 December 2005 is RMB100,544,000 after deduction of the relevant expenses and business tax.

(b) The Group has disposed its entire interest in one of its associates, Chongqing Shahzad Multi-layer PCB Co., Ltd. for a consideration of RMB5,000,000, of which RMB3,000,000 will be settled in 2006 and included in other receivables as at 31 December 2005.

33. CAPITAL COMMITMENTS

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

	2005 ***RMB'000***	2004 *RMB'000*
Contracted but not provided for:		
Designing the construction plan of the Group's new headquarters	**1,011**	—
Acquisition of machinery and equipment	**582**	177
Authorised but not contracted for:		
Acquisition of machinery and equipment	**9,920**	—
Relocation of the Group's headquarters, purchase of land and the constructions of the site of the new plant	**180,000**	—
	191,513	177

34. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged the following assets to banks as security for general banking facilities granted to the Group amounting to approximately RMB76,379,000 (2004: RMB68,982,000):

	2005 ***RMB'000***	2004 *RMB'000*
Bank deposits	**54,917**	52,516
Land use rights	**2,651**	2,869
Buildings	**10,836**	11,715
	68,404	67,100

35. RELATED PARTY TRANSACTIONS AND BALANCES

(a) During the year, the Group entered into the following transactions with related parties:

	2005	2004
	RMB'000	*RMB'000*
Ultimate holding company and its subsidiaries:		
- Sales of finished goods	**2,316**	816
- Rental income	**149**	62
- Management fee income	**18**	8
Associates:		
- Sales of finished goods	**3,348**	4,633
- Purchase of raw materials	**22,676**	14,464
- Management fee income in respect of providing marketing information	**1,614**	1,655
- Technology transfer fee income	**401**	286
- Rental income	**362**	301

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2005	2004
	RMB'000	*RMB'000*
Short-term benefits	**1,635**	1,631
Post-employment benefits	**113**	92
	1,748	1,723

The remuneration of directors and key executives is determined by the remuneration and appraisal committee having regard to the performance of individuals and market trends.

(c) At 31 December 2005, China PUTIAN is also providing guarantees for banking facilities amounting to RMB50,000,000 (2004: RMB120,000,000) granted to the Group and did not charge the Group during the year (2004: Nil).

(d) Balances with associates and related companies are unsecured, interest-free and repayable on demand. Details of the balances with the associates, related companies and a former minority shareholder of the Group are set out in the consolidated balance sheet of the Group.

(e) On 12 May 2005, the Company and Chengdu Cable Plant of the Ministry of Posts and Telecommunications Shuangliu Heat Shrinkable Products Sub-Plant ("Shuangliu"), a 66.7% owned subsidiary of the Company, had entered into a sale and purchase agreement pursuant to which they have agreed to acquire 20% and 10% of the equity interest of a subsidiary of the Company, Chengdu MCIL Radio Communication Cable Co., Ltd. ("Chengdu MCIL"), respectively from Mitsubishi Cable Industries, Ltd., a minority shareholder of Chengdu MCIL, for a consideration of RMB5,733,334 and RMB2,866,666, respectively.

36. SUBSEQUENT EVENTS

During the year, the Group entered into an agreement with Corning International Corporation ("Corning") for the transfer of 1% equity interest in an associate of the Company, CCS to Corning at a consideration of RMB1,548,000. The transaction was completed in March 2006.

37. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2005, all of which were established and operated in the PRC, are as follows:

Name of subsidiary	Class of shares held	Issued and fully paid-up registered share capital	Percentage of registered capital held by the Company Directly %	Indirectly %	Principal activities
郵電部成都電纜廠雙流熱縮製品分廠 Shuangliu (Cooperative joint venture)	Contributed capital	RMB22,520,000	66.7	—	Manufacture and sale of cable joining sleeves
東莞CDC電纜廠 Dongguan CDC (Sino-foreign equity joint venture)	Contributed capital	RMB75,702,000	75	—	Manufacture and sale of wires, cables and accessories
成都中住光纖有限公司 Chengdu SEI Optical Fiber Co., Ltd. (Sino-foreign equity joint venture)	Contributed capital	US$10,250,000	60	—	Manufacture and sale of optical fibres
成都中菱無線通信電纜有限公司 Chengdu MCIL (Sino-foreign equity joint venture)	Contributed capital	US$7,500,000	90	6.67	Manufacture and sale of cables, parts and components for wireless telecommunications system networks
成都高新電纜有限責任公司 Chengdu Gaoxin Cable Co., Ltd. (Limited company)	Contributed capital	RMB8,116,116	64.3	—	Manufacture and sale of cables and wires, special cables and other telecommunications products
成都普天顯示技術有限責任公司 Chengdu PUTIAN Display Technology Ltd. (Limited company)	Contributed capital	RMB2,620,000	96.2	—	Design, manufacture and sale of screen producing equipments, spare parts and engaged in vacuum plating subcontracting activities

The above table lists the subsidiaries of the Group, which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding as at the end of the year or at any time during the year.

38. SUMMARISED BALANCE SHEET OF THE COMPANY

	2005	2004
	RMB'000	*RMB'000*
Interests in subsidiaries	**284,068**	278,336
Amounts due from subsidiaries	**46,150**	31,209
Other assets	**648,515**	667,403
Amounts due to subsidiaries	**(119,215)**	(122,902)
Other liabilities	**(186,019)**	(248,326)
	673,499	605,720
Share capital	**400,000**	400,000
Reserves	**273,499**	205,720
	673,499	605,720